CERTIFICATE OF CITY CLERK

THE STATE OF TEXAS	§
	§
COUNTIES OF BEXAR, COMAL AND MEDINA	§
	§
	§
CITY OF SAN ANTONIO	

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 30th day of October 2014, City Council (the *Council*) of the City of San Antonio, Texas (the *City*) convened in regular session at its regular meeting place in the City Hall of the City (the *Meeting*), the duly constituted members of the Council being as follows:

Ivy R. Taylor	Mayor
Ray Lopez	Mayor Pro Tem
Diego M. Bernal	Councilmember
Keith Toney	Councilmember
Rebecca J. Viagran	Councilmember
Rey Saldaña	Councilmember
Shirley Gonzales	Councilmember
Cris Medina	Councilmember
Ron Nirenberg	Councilmember
Joe Krier	Councilmember
Mike Gallagher	Councilmember

and all of such persons were present at the Meeting, except the following: _____None_____, thus constituting a quorum. Among other business considered at the Meeting, the attached ordinance (the *Ordinance*) entitled:

> AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS, AUTHORIZING THE ISSUANCE OF CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B IN THE AGGREGATE PRINCIPAL AMOUNT, WHEN COMBINED WITH THE PRINCIPAL AMOUNT OF CERTAIN CONCURRENTLY ISSUED BONDS, NOT TO EXCEED $255,000,000; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS, BY A JUNIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S ELECTRIC AND GAS SYSTEMS; PROVIDING THE TERMS AND CONDITIONS OF SUCH BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING

THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, TENDER AGENT AGREEMENT, PURCHASE CONTRACT, AND ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DATE

was introduced and submitted to the Council. After presentation and due consideration of the Ordinance, a motion was made by Councilmember BERNAL that the Ordinance be finally passed and adopted in accordance with the City's Home Rule Charter. The motion was seconded by Councilmember TONEY and carried by the following vote:

11 voted "For" Ø voted "Against" Ø abstained

all as shown in the official Minutes of the Council for the Meeting.

2. The attached Ordinance is a true and correct copy of the original on file in the official records of the City; the duly qualified and acting members of the Council of the City on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Council was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Ordinance would be considered; and the Meeting and deliberation of the aforesaid public business, including the subject of the Ordinance, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City, this 30th day of October 2014.

City Clerk
City of San Antonio, Texas

(SEAL)

41027545.1

CITY OF SAN ANTONIO, TEXAS

ORDINANCE NO. 2014-10-30-0842

Adopted October 30, 2014

Authorizing:

$125,000,000
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN
REVENUE REFUNDING BONDS,
SERIES 2015B

TABLE OF CONTENTS

ARTICLE I DEFINITIONS 3
SECTION 1.1. Definitions 3
ARTICLE II THE BONDS 17
SECTION 2.1. Authorization 17
SECTION 2.2. Terms 18
SECTION 2.3. Payment of Bonds; Paying Agent/Registrar; Calculation Agent 33
SECTION 2.4. Redemption 35
SECTION 2.5. Purchase of Bonds 39
SECTION 2.6. Book-Entry Only System 47
SECTION 2.7. Execution; Registration; Transfer; and Exchange 48
SECTION 2.8. Initial Bonds 49
SECTION 2.9. Bonds Are Negotiable Instruments 49
SECTION 2.10. Cancellation 50
SECTION 2.11. Mutilated, Destroyed, Lost, and Stolen Bonds 50
SECTION 2.12. Sale of Bonds; Delivery of Official Statement 50
SECTION 2.13. Proceeds of Sale; Contribution by City 51
52
SECTION 2.14. Redemption of Refunded Obligations 52
SECTION 2.15. Control and Custody of Bonds 52
SECTION 2.16. Opinion 53
SECTION 2.17. CUSIP Numbers 53
ARTICLE III FORMS OF BONDS 53
SECTION 3.1. Forms Generally 53
SECTION 3.2. Form of Definitive Bond 54
SECTION 3.3. Form of Registration Certificate of Comptroller of Public Accounts 57
SECTION 3.4. Form of Certificate of Paying Agent/Registrar 58
SECTION 3.5. Form of Assignment 58
SECTION 3.6. Form of Notice of Demand Privilege, Mandatory Tender, and Liquidity Support 59
ARTICLE IV SECURITY AND LIQUIDITY 62
SECTION 4.1. Liquidity Facility 62
SECTION 4.2. Credit Enhancement 64
SECTION 4.3. Pledge of Net Revenues 67
SECTION 4.4. Satisfaction of Obligation of City 68
ARTICLE V SYSTEMS FUNDS AND ACCOUNTS 69
SECTION 5.1. General Account 69
SECTION 5.2. Bond Fund; Excess Bond Proceeds 70
SECTION 5.3. Payments to City General Fund 70
SECTION 5.4. Repair and Replacement Account 70
SECTION 5.5. Deficiencies; Excess Net Revenues 71
SECTION 5.6. Payment of Bonds 71
SECTION 5.7. Investments 72
ARTICLE VI COVENANTS 72
SECTION 6.1. Application of the Covenants and Agreements of the Senior Lien Obligations 72
SECTION 6.2. Issuance of Additional Senior Lien Obligations, Additional Junior Lien Obligations, and Inferior Lien Obligations 72
SECTION 6.3. Maintenance of Systems; Insurance 74

TABLE OF CONTENTS

SECTION 6.4. Records and Accounts; Annual Audit 74
SECTION 6.5. Special Covenants and Representations 74
SECTION 6.6. Rates and Charges 75
SECTION 6.7. Security of Funds 76
SECTION 6.8. Remedies in Event of Default 76
SECTION 6.9. Covenants to Maintain Tax-Exempt Status 76
SECTION 6.10. Management of Systems 80
ARTICLE VII MISCELLANEOUS 82
SECTION 7.1. Ordinance a Contract; Amendments 82
SECTION 7.2. Notices 83
SECTION 7.3. Effect of Headings 84
SECTION 7.4. Benefits of Ordinance 84
SECTION 7.5. Inconsistent Provisions 84
SECTION 7.6. Governing Law 85
SECTION 7.7. Severability 85
SECTION 7.8. Incorporation of Preamble Recitals 85
SECTION 7.9. Public Meeting 85
SECTION 7.10. No Recourse Against City or Board Officials 85
SECTION 7.11. Unavailability of Authorized Publication 85
SECTION 7.12. Further Action 85
SECTION 7.13. Further Procedures 86
SECTION 7.14. Continuing Disclosure Undertaking 86
SECTION 7.15. Effective Date 89

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS, AUTHORIZING THE ISSUANCE OF CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B IN THE AGGREGATE PRINCIPAL AMOUNT, WHEN COMBINED WITH THE PRINCIPAL AMOUNT OF CERTAIN CONCURRENTLY ISSUED BONDS, NOT TO EXCEED $255,000,000; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS, BY A JUNIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S ELECTRIC AND GAS SYSTEMS; PROVIDING THE TERMS AND CONDITIONS OF SUCH BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, TENDER AGENT AGREEMENT, PURCHASE CONTRACT, AND ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, and there are currently outstanding, revenue bonds (the *Senior Lien Obligations*) supported by a first and prior lien on and pledge of the Net Revenues (defined herein) of the City's electric and gas systems (as further described herein, the *Systems*); and

WHEREAS, the City Council has heretofore issued, sold, and delivered, and there are currently outstanding, revenue bonds (the *Junior Lien Obligations*) which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems which lien and pledge is junior and subordinate to the lien thereon and pledge thereof securing the payment of the Senior Lien Obligations; and

WHEREAS, this Ordinance (hereinafter defined) will approve the issuance of variable rate revenue refunding bonds of the City designated as "City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B", dated January 1, 2015 (the *Bonds*), and which (upon issuance) will be Junior Lien Obligations; and

WHEREAS, the City has heretofore issued, sold, and delivered, and there are currently outstanding obligations in the aggregate principal amount of $250,000,000, being the obligations set forth on Schedule I hereto which is incorporated by reference for all purposes to this ordinance (the *Refunded Obligations*); and

WHEREAS, the City Council of the City has heretofore authorized a series of commercial paper notes (the *Commercial Paper* or the *Commercial Paper Obligations*) that are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems, which lien on and pledge of Net Revenues is subordinate to the liens thereon and pledges thereof securing the payment of Senior Lien Obligations and

the Junior Lien Obligations, respectively, and a portion of such Commercial Paper Obligations have been issued, sold, and delivered by the City, and are currently outstanding; and

WHEREAS, the City has heretofore authorized and established a flexible rate revolving note program under which the City may, from time to time, issue taxable or tax-exempt notes (the *Inferior Lien Obligations*), such notes equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems that is subordinate to the liens thereon and pledges thereof securing the payment of the Senior Lien Obligations, the Junior Lien Obligations, and the Commercial Paper Obligations, respectively, and a portion of such authorized Inferior Lien Obligations have been issued, sold, and delivered by the City and are currently outstanding; and

WHEREAS, pursuant to the provisions of Chapters 1207 and 1371, as amended, Texas Government Code (*Chapter 1207* and *Chapter 1371*, respectively, and, together, the *Act*), the City Council is authorized to issue the Bonds and deposit the proceeds of sale with the paying agent/registrar for the Refunded Obligations to provide, when combined with other lawfully available funds of the City, for the payment of the Refunded Obligations, and such deposit, when made in accordance with Chapter 1207, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, U.S. Bank National Association, Dallas, Texas currently serves as the paying agent for the Refunded Obligations (the *Refunded Obligations Paying Agent*); and

WHEREAS, U.S. Bank National Association, Dallas, Texas will also serve as the Paying Agent/Registrar (hereinafter defined) for the Bonds; and

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

WHEREAS, the Bonds herein authorized, as well as the Concurrently Issued Bonds (defined herein) are being issued to refund and replace the Refunded Obligations, being a series of variable rate demand obligations that require third party liquidity support at all times, with two series of bonds (being the Bonds and the Concurrently Issued Bonds) that are permitted to be outstanding from time to time and in certain specified interest modes without the requirement to maintain third party liquidity, which the City expects will result in ongoing and significant cost savings to the City; and

WHEREAS, because the refunding of the Refunded Obligations in the manner herein contemplated involves the refunding of a series of variable rate obligations with multiple series of variable rate obligations, the City hereby finds that, in accordance with and as permitted by the provisions of Section 1207.008, as amended, Texas Government Code, the calculation of savings, if any, resultant from this refunding is not practicable; and

WHEREAS, the City Public Service Board of San Antonio, Texas (the *Board*) has, pursuant to a resolution adopted on October 27, 2014, recommended that the Bonds and the Concurrently Issued Bonds should now be issued by the City; and

WHEREAS, in full recognition and consideration of all covenants and conditions prescribed in the proceedings and instruments pertaining to the outstanding and unpaid Senior Lien Obligations, Junior Lien Obligations Bonds, and Commercial Paper Obligations, pursuant to authority conferred by the laws of the State of Texas and at the request of the Board, the City Council of the City deems it necessary to

issue and sell the Bonds in the total principal amount of $125,000,000 for the purpose of providing funds to (i) discharge and finally pay, when combined with the proceeds of the Concurrently Issued Bonds, the Refunded Obligations and (ii) pay the costs of issuance related thereto, which Bonds shall be payable solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues of the Systems, which lien and pledge is subject and subordinate to the lien and pledge securing the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued, on a parity with the lien and pledge securing the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued, and prior and superior to the lien and pledge securing the currently authorized Commercial Paper Obligations and Inferior Lien Obligations, respectively, and any additional Inferior Lien Obligations hereafter issued; and

WHEREAS, this City Council has further found and determined that all the terms and conditions for the issuance of the Bonds can be met and satisfied, all as required by the terms and provisions of the respective ordinances authorizing issuance of the outstanding Senior Lien Obligations, Junior Lien Obligations, and Commercial Paper Obligations, Inferior Lien Obligations, and this Ordinance; and

WHEREAS, the City Council is now authorized and empowered to proceed with the passage and adoption of this Ordinance authorizing (i) the issuance of the Bonds for the purposes described herein, (ii) the execution and delivery of a Paying Agent/Registrar Agreement (which includes provisions relating to the Paying Agent/Registrar serving as the Calculation Agent (defined herein)), the Remarketing Agreement, the Tender Agent Agreement, and the Purchase Contract, respectively, relating to the Bonds, (iii) the distribution of an Official Statement relating to the Bonds, (iv) compliance with a Letter of Representations with the Securities Depository (herein defined), and (v) certain powers and duties to be exercised and performed by the Board, acting through its Designated Financial Officer (hereinafter defined), including the execution of the Approval Certificate (hereafter defined); and

WHEREAS, the City Council hereby finds and determines that the issuance of the Bonds and the adoption of this Ordinance is in the best interest of the residents of the City;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO THAT:

ARTICLE I
DEFINITIONS

SECTION 1.1. *Definitions.*

For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Section have the meanings assigned to them in this Section, certain terms defined in other sections of and the preamble to this Ordinance have the meanings assigned to them in such sections and preamble, and all such terms include the plural as well as the singular; (b) all references in this Ordinance to designated *Sections, Schedules, Exhibits,* and other subdivisions are to the designated Sections, Schedules, Exhibits, and other subdivisions of this Ordinance as originally adopted; and (c) the words *herein, hereof,* and *hereunder* and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

Accountant means a certified public accountant or accountants or a firm of certified public accountants, in either case with demonstrated experience and competence in public accountancy.

Act has the meaning stated in the preamble to this Ordinance.

Additional Inferior Lien Obligations means (1) any bonds, notes, warrants, certificates of obligation, or other Debt (other than the currently outstanding Inferior Lien Obligations) hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the liens thereon and pledges thereof securing payment of the currently outstanding Senior Lien Obligations, the currently outstanding Junior Lien Obligations, the Bonds, the Concurrently Issued Bonds, the Commercial Paper Obligations, and any Additional Senior Lien Obligations and Additional Junior Lien Obligations hereafter issued by the City and on parity with the lien on and pledge of the Net Revenues that have been granted as security for the currently outstanding Inferior Lien Obligations and (2) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council and in accordance with applicable law.

Additional Junior Lien Obligations means (1) any bonds, notes, warrants, certificates of obligation, or other Debt (other than the Bonds, the Concurrently Issued Bonds, and the currently outstanding Junior Lien Obligations) hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge of the Net Revenues that has or will be granted as security for the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, on a parity with the lien on and pledge of the Net Revenues that has been or are being granted as security for the currently outstanding Junior Lien Obligations, the Bonds, and the Concurrently Issued Bonds, and prior and superior to the liens on and pledges of the Net Revenues that have or will be granted as security for the Commercial Paper Obligations and the Inferior Lien Obligations, as well as any Additional Inferior Lien Obligations hereafter issued by the City and (2) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such a junior and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Additional Senior Lien Obligations means (1) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in *Section 6.2* and which are equally and ratably secured solely by a prior and first lien on and pledge of the Net Revenues of the Systems on parity with the lien on and pledge of the Net Revenues that has been granted as security for the currently outstanding Senior Lien Obligations and (2) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a prior and first lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Applicable Spread means the amount, expressed in basis points, to be added to the SIFMA Index while Bonds are in a SIFMA Index Mode, to determine the SIFMA Index Rate, except when Bonds in a SIFMA Index Mode bear interest at a Stepped Rate as provided in *paragraph (e)(ii)* of the insert to the Bonds set forth in *Section 2.2E*. The Applicable Spread for the Bonds in the initial Interest Period is 38 basis points (0.38%); the Applicable Spread in subsequent periods when the Bonds are in a SIFMA Index Mode shall be evidenced in the Approval Certificate relating to the Bonds in such then-applicable Interest Period. The Applicable Spread for the duration of any Interest Period while the Bonds are in a SIFMA Index Mode (other than the initial Interest Period) shall be as determined by the Remarketing Agent on any Rate Determination Date pursuant to *paragraph (6)* of *Section 2.5E*, or pursuant to any function or scale determined by the Remarketing Agent, prior to the first day of such Interest Period, pursuant to *paragraph (4)* of *Section 2.2E*.

Approval Certificate means a written instrument executed by a Designated Financial Officer in accordance with *Article II.*

Bank Bond means, as of any date, any Bond or portion thereof which has been purchased by a Liquidity Bank pursuant to *paragraph (2)* of *Section 2.5D* on or before such date, if on or before such date and subsequent to such purchase (1) such Bond or portion has not been sold by the Holder thereof through the Remarketing Agent against payment of the Purchase Price therefor and (2) the Bank Bondholder of such Bond or portion shall not have declined to sell such Bond or portion on demand of the Remarketing Agent in accordance with the provisions of the applicable Liquidity Facility.

Bank Bond Register has the meaning stated in *Section 2.3.*

Bank Bondholder when used with respect to any Bank Bond means the Person in whose name such Bank Bond is registered in the Bank Bond Register.

Bank Differential when used with respect to any Bank Bond (or portion thereof) as of any date means the difference, if positive, obtained by subtracting (1) interest accrued thereon to such date from the most recent Interest Payment Date to which interest on such Bond (or portion thereof) has been paid or duly provided for at the Daily Rate, Weekly Rate, Commercial Paper Rate, SIFMA Index Rate, or Term Rate applicable thereto from time to time in effect to such date, determined as if such Bond (or portion thereof) were not a Bank Bond and such interest were not compounded from (2) all interest actually accrued on such Bank Bond (or portion thereof) from such Interest Payment Date to such date.

Bank Rate means, for each day of accrual, the rate defined as such in any Liquidity Facility which Liquidity Facility has been accepted by the Tender Agent pursuant to *Section 4.1C*, provided that the Paying Agent/Registrar shall have received an Opinion of Counsel to the effect that the accrual of interest on Bank Bonds at such different rate is authorized under Texas law and will not adversely affect any excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes.

Bankruptcy Code means Title 11, United States Code, as now or hereafter constituted.

Board or ***Board of Trustees*** means the Board of Trustees of the Systems confirmed and described in *Section 6.10.*

Bond Fund shall mean the special fund or account created and established by the provisions of *Section 5.2.*

Bonds means the CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B, authorized by this Ordinance.

Book-Entry Only Bond means any Bond registered in the name of the Securities Depository or its nominee.

Business Day for the Bonds or portions thereof means any day other than (1) a Saturday or a Sunday, (2) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in the Place of Payment or in the city in which is located the corporate trust office of the Paying Agent/Registrar or, on or before the first day of the Fixed Mode for such Bonds or portions thereof, the principal office of the Remarketing Agent or, while a Credit Facility is in effect, the office of

the Credit Enhancer or of its agent at which drafts or demands for payment under the Credit Facility are to be presented or, while a Liquidity Facility is in effect, the office of any Liquidity Bank thereunder or of its agent at which drafts or demands for payment under the Liquidity Facility are to be presented, or (3) a day on which the New York Stock Exchange is closed.

Calculation Agent means a banking institution, financial institution, or other entity selected by the City to serve in such capacity under and to perform the duties described in this Ordinance, which may be the Paying Agent/Registrar or the Remarketing Agent and is, initially, the Paying Agent/Registrar.

Calculation Reset Date means, during a SIFMA Index Mode, the day immediately succeeding the SIFMA Determination Date (which shall generally mean each Thursday) or, if such day is not a Business Day, the immediately preceding Business Day (being the SIFMA Determination Date).

City means the City of San Antonio, Texas, and, where appropriate, the City Council of the City.

Closing Date shall mean the date of physical delivery of the Initial Bonds against payment in full by the Purchasers, anticipated to occur on or about January 7, 2015.

Code means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

Commercial Paper Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion (except when a Bank Bond) accrues at the Commercial Paper Rate therefor.

Commercial Paper Obligations means (1) the currently authorized obligations of the City from time to time outstanding and unpaid that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing payment of the currently outstanding Senior Lien Obligations and Junior Lien Obligations, the Bonds, the Concurrently Issued Bonds, and any Additional Senior Lien Obligations and Additional Junior Lien Obligations hereafter issued by the City, but senior and superior to the lien on and pledge of Net Revenues securing the repayment of the currently outstanding Inferior Lien Obligations and any Additional Inferior Lien Obligations hereafter issued by the City, all as further provided in *Section 6.2*, identified as follows:

> City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, as further described by applicable series, authorized in the aggregate principal amount of $600,000,000, including amounts owed under the Credit Agreement (as defined in the City ordinance authorizing the issuance of the Commercial Paper Obligations); and

(2) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding obligations are payable from and equally and ratably secured, in whole or in part, by such a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Commercial Paper Rate for any Bond or portion thereof has the meaning stated in *paragraph (f)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph (3)* of *Section 2.2E*.

Concurrently Issued Bonds means the CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015A, dated as of January 1, 2015 and issued concurrently with the Bonds, but by separate ordinance of the City (also adopted concurrently with this Ordinance), and the proceeds from which (when combined with the proceeds of the Bonds and other lawfully-available City funds) will be sufficient to accomplish the discharge and defeasance of the Refunded Obligations.

Credit Agreement means a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of any obligation authorized by Chapter 1371, as amended, Texas Government Code, and which includes any Credit Facility or Liquidity Facility.

Credit Enhancer means the obligor on the Credit Facility, if any, and such obligor's successors in such capacity and assigns.

Credit Enhancer Default means the occurrence and continuance of one or more of the following events: (1) wrongful dishonor of any demand or claim made under a Credit Facility, (2) the issuance, under the applicable laws of any state, of an order of rehabilitation, liquidation, or dissolution of the Credit Enhancer; (3) the commencement by the Credit Enhancer of a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect including, without limitation, the appointment of a Paying Agent/Registrar, receiver, liquidator, custodian, or other similar official for itself or any substantial part of its property; (4) the consent by the Credit Enhancer to any relief referred to in the preceding *Clause (3)* in an involuntary case or other proceeding commenced against it; (5) the making by the Credit Enhancer of an assignment for the benefit of creditors; (6) the failure of the Credit Enhancer generally to pay its debts or claims when due; or (7) the initiation by the Credit Enhancer of any action to authorize any of the foregoing.

Credit Facility means any obligation accepted by the Paying Agent/Registrar pursuant to *Section 4.2K* and then in effect, if any, including all endorsements, amendments, and extensions thereof. There shall initially be no Credit Facility.

Daily Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond (except when a Bank Bond) accrues at the Daily Rate therefor.

Daily Rate has the meaning stated in *paragraph (c)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph (1)* of *Section 2.2E*.

Debt means (1) all indebtedness payable from Net Revenues incurred or assumed by the City for borrowed money (including indebtedness payable from Net Revenues arising under any Credit Agreement) and all other financing obligations of the Systems payable from Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and (2) all other indebtedness payable from Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations pertaining to the Systems that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or

supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise. For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Systems in prior Fiscal Years.

Debt Service Requirements means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, (i) assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to stated maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly); and (ii) after giving effect as an offset to regularly-scheduled debt service on a series of obligations the receipt or anticipated receipt of a refundable tax credit or similar payment from the United States Department of the Treasury to which the City is entitled as a result of the City's irrevocable designation of such series of obligations as "build America bonds" and "qualified bonds" under the Code (or such similar designations that results in the City's receipt of a similar payment from the United States Department of the Treasury). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the City under such hedge agreement from the amounts payable by the City under such hedge agreement and such obligations.

Depository means one or more official depository banks of the Board.

Designated Financial Officer means the President and Chief Executive Officer of the Board, the Group EVP – Financial & Administrative Services, CFO & Treasurer of the Board, and any Assistant Treasurer of the Board, or such other financial or accounting official of the Board so designated by the City Council.

DTC Participant means those broker-dealers, banks, and other financial institutions reflected on the books of the Securities Depository.

Eligible Bonds has the meaning stated in any Liquidity Facility or, if not defined in such Liquidity Facility, means the Bonds or portions thereof for which the Liquidity Bank is obligated to pay the Purchase Price when such Bonds or portions are tendered or deemed tendered for purchase in accordance with *Section 2.5C.*

Fiscal Year means the twelve-month accounting period used by the Board in connection with the operation of the Systems, currently ending on January 31 of each year, which may be any 12 consecutive month period established by the Board, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

Fitch means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***Fitch*** shall mean any other nationally recognized securities rating agency designated by the Board and acceptable to the Credit Enhancer, if any.

Fixed Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion thereof accrues at the Fixed Rate therefor.

Fixed Rate has the meaning stated in *paragraph (i)* of the insert to the Bonds set forth in *Section 2.2B*, determined in accordance with *paragraph (5)* of *Section 2.2E.*

Government Obligations shall mean (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (3) 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; or (4) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

Holder of any Bond means the Person in whose name such Bond is registered in the Securities Register, subject to *Section 4.2H.*

Ineligible Owner of Bonds means (1) the City, (2) any person (whether for-profit or not-for-profit) which controls or is controlled by or is under common control with the City, and (3) any person who owns such Bonds on behalf or for the benefit or account of the City or a person described in the preceding *Clause (2)*. For purposes of this definition, a person controls another person when the first person possesses or exercises, directly or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other person, whether through the ownership of voting rights, membership, the power to appoint members, trustees, or directors, by contract, or otherwise.

Inferior Lien Obligations means (i) any bonds, notes, warrants, certificates of obligation, or other similar debt currently outstanding or hereafter issued by the City that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the liens thereon and pledges thereof securing payment of the currently outstanding Senior Lien Obligations, the

currently outstanding Junior Lien Obligations, the Bonds, the Commercial Paper Obligations, and any Additional Senior Lien Obligations and Additional Junior Lien Obligations hereafter issued by the City, and which now includes the "City of San Antonio, Texas Electric and Gas Systems Tax Exempt Flexible Rate Revolving Notes, Series A" and the "City of San Antonio, Texas Electric and Gas Systems Taxable Flexible Rate Revolving Notes, Series A", authorized in an aggregate principal amount at any one time outstanding not to exceed $100,000,000, (ii) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and (iii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

Initial Bond has the meaning stated in *Section 2.8*.

Interest Mode means any Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, Term Mode, or Fixed Mode.

Interest Payment Date for any Bond or portion thereof means the date specified in such Bond as a fixed date on which interest on such Bond or portion is due and payable.

Interest Period for any Bond or portion thereof means the period of time from and including the Closing Date or any Rate Adjustment Date for such Bond or portion thereof, as applicable, to but excluding the next succeeding Rate Adjustment Date for, or the Maturity of, such Bond or portion thereof, as applicable.

Junior Lien Obligations means (1) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the Systems, identified as follows:

(1) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE BONDS, TAXABLE SERIES 2010A (DIRECT SUBSIDY – BUILD AMERICA BONDS), originally authorized in the aggregate principal amount of $300,000,000;

(2) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B (DIRECT SUBSIDY – BUILD AMERICA BONDS), originally authorized in the aggregate principal amount of $200,000,000;

(3) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2012A originally authorized in the aggregate principal amount of $48,170,000;

(4) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2012B originally authorized in the aggregate principal amount of $47,815,000;

(5) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2012C originally authorized in the aggregate principal amount of $47,660,000;

(6) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE BONDS, SERIES 2013 originally authorized in the aggregate principal amount of $375,000,000;

(7) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE BONDS, SERIES 2014 originally authorized in the aggregate principal amount of $200,000,000;

(8) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2014 originally authorized in the aggregate principal amount of $262,530,000;

(9) Upon issuance, the Concurrently Issued Bonds; and

(10) Upon issuance, the Bonds.

and (2) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the Systems as determined by the City Council in accordance with any applicable law.

Liquidity Bank means the obligor on the Liquidity Facility, if any, and its successors in such capacity and assigns permitted by the terms thereof.

Liquidity Facility means any obligation accepted by the Tender Agent pursuant to *Section 4.1C* and then in effect, and any amendments and extensions thereof so accepted. Initially, there shall be no Liquidity Facility.

Maintenance and Operating Expenses means those expenses (not paid from the proceeds of any Debt) required by law (Section 1502.056, as amended, Texas Government Code) to be a first lien on and charge against the income of the Systems, including the cost of insurance; the purchase and carrying of stores, materials, and supplies; the purchase, manufacture, and production of gas and electricity for distribution and resale; the payment of salaries; and the payment of all other expenses properly incurred in operating and maintaining the Systems and keeping them in good repair and operating condition (classed as a maintenance and operating expense as opposed to a capital expenditure under the Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners). Depreciation on the properties of the Systems shall not be considered or included as Maintenance and Operating Expenses in the determination of Net Revenues of the Systems.

Market Rate means the rate determined on any Rate Determination Date pursuant to *paragraph (6)* of *Section 2.2E.*

Maturity when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration (to the extent acceleration is a permitted remedy) or call for redemption or otherwise, but does not include payment of the portion of the Purchase Price corresponding to principal of such Bond pursuant to *Section 2.5.*

Maximum Rate for any Interest Period for Bonds means the lesser of (a) 8% per annum or (b) the maximum net effective interest rate permitted by law to be paid thereon as provided by Texas Government Code, Section 1204.006, as amended, or the maximum net effective interest rate permitted

by applicable law at the time of issuance of the Bonds or the maximum nonusurious rate of interest permitted to be charged by the Liquidity Bank by applicable federal or Texas law (whichever shall permit the higher lawful rate) from time to time in effect.

Moody's means Moody's Investors Services, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***Moody's*** shall be deemed to refer to any other nationally recognized Rating Service designated by the Board and acceptable to the Credit Enhancer, if any.

Net Revenues means all income and revenues from the operation of the Systems after the deduction of Maintenance and Operating Expenses. The term *Net Revenues* shall also include any additional and further security for the payment of the Bonds as may be pledged therefor consistent with the then applicable laws of the State of Texas, provided that any such additional and further security is made equally and ratably applicable as security for all Junior Lien Obligations from time to time outstanding.

Opinion of Counsel means a written opinion of counsel who may (except as otherwise expressly provided in this Ordinance) be counsel for one or more of the City, the Credit Enhancer, or the Liquidity Bank and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and, when given with respect to any matter under the Bankruptcy Code, shall be counsel of nationally recognized standing in the field of bankruptcy law.

Ordinance means this ordinance adopted by the City Council.

Outstanding, when used in this Ordinance with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Ordinance, *except*:

(1) ***Cancelled Bonds***: those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) ***Defeased Bonds***: those Bonds for which payment has been duly provided by the City in accordance with the provisions of *Section 4.4* by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Obligations, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to Maturity; *provided* that, (a) if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived, (b) if such Bonds are in a Daily Mode or Weekly Mode, such Bonds are to be redeemed within 30 days after such deposit, and if such Bonds are in a Commercial Paper Mode, SIFMA Index Mode, or Term Mode, such Bonds or portions thereof are to be redeemed on the next Rate Adjustment Date therefor, and (c) unless the interest rate or rates on such Bonds fixed to the date of stated maturity or early redemption, the Paying Agent/Registrar shall have received written confirmation from each Rating Agency that no rating assigned by it to the Bonds will be withdrawn or reduced as a result of such Bonds no longer being Outstanding; and

(3) ***Replaced Bonds***: those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in *Section 2.11*.

Paying Agent/Registrar means the financial institution specified in *Section 2.3* or its herein permitted successors and assigns.

Payment Default has the meaning stated in *paragraph (n)(v)* of the insert to the Bonds set forth in *Section 2.2B*. A Payment Default shall ***exist*** if it shall have occurred and be continuing.

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

Place of Payment for Bonds means the city in which is located the office designated by the Paying Agent/Registrar at which principal of the Bonds shall be paid at Maturity or earlier redemption.

Predecessor Bond has the meaning stated in *Section 2.7H.*

Purchase Date, when used with respect to any Bond or portion thereof, means the date upon which the Paying Agent/Registrar is obligated to effect the purchase of such Bond or portion thereof on the terms described in *Section 2.5A*.

Purchase Fund means the fund of the Tender Agent so defined in *Section 2.5C*.

Purchase Price of any Bond (or portion thereof) required to be purchased pursuant to the terms of *Section 2.5A* means an amount equal to 100% of the principal amount of such Bond (or portion thereof), plus interest, if any, accrued thereon (excluding the Bank Differential, if any, therefor) to the Purchase Date from the most recent Interest Payment Date therefor to which interest thereon has been paid or duly provided for.

Purchasers shall mean the initial purchaser of the Bonds named in *Section 2.12* of this Ordinance.

Rate Adjustment Date for any Bond or portion thereof means (i) each day on which such Bond or portion will, unless a Bank Bond, begin to bear interest at a new Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, or Fixed Rate determined in accordance with *paragraph 6* of *Section 2.2E*, whether or not such rate is different from the interest rate previously in effect on the Bonds and (ii) the first Business Day of each Interest Period for such Bond or portion thereof in a SIFMA Index Mode.

Rate Determination Date for any Bond or portion thereof means each date on which the Remarketing Agent is, pursuant to *paragraph (6) of Section 2.2E*, required to make a determination of the Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, or Fixed Rate to be borne by such Bond or portion thereof, or the Applicable Spread for the Bonds in a SIFMA Index Mode (or function as the Remarketing Agent when determining the Applicable Spread) to be effective on the first day of an Interest Period for such Bond or portion thereof pursuant to *paragraph (4)* of *Section 2.2E*.

Rating Service means each nationally recognized securities rating service which at the time has a credit rating assigned to the Bonds.

Record Date has the meaning stated in *Section 2.2B*.

Remarketing Agent means, initially, Morgan Stanley & Co. LLC, New York, New York and thereafter, the party selected from time to time by the City to serve as the remarketing agent for the Bonds while the Bonds are Outstanding in a Variable Rate Mode pursuant to *Section 2.5G*.

Remarketing Agreement means the Remarketing Agreement, in substantially the form attached hereto as Exhibit G, between the City and the initial Remarketing Agent and any similar agreement hereafter entered into between the City and a subsequent Remarketing Agent pertaining to the Bonds.

S&P means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***S&P*** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Board and acceptable to the Credit Enhancer, if any.

Securities Depository means The Depository Trust Company or any successor Person appointed by ordinance of the City Council to act as Holder of the Bonds, directly or through a nominee, to maintain a system for recording and transferring beneficial interests in such Bonds and distributing payments thereon and notices in respect thereof.

Securities Register has the meaning stated in *Section 2.3*.

Senior Lien Obligations means (1) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the Systems, identified as follows:

(1) CITY OF SAN ANTONIO, TEXAS, ELECTRIC AND GAS SYSTEMS REVENUE AND REFUNDING BONDS, NEW SERIES 2002, dated August 1, 2002 and originally issued in the total aggregate principal amount of $576,705,000;

(2) CITY OF SAN ANTONIO, TEXAS, ELECTRIC AND GAS SYSTEMS REVENUE BONDS, NEW SERIES 2006A, dated August 15, 2006 and originally issued in the total aggregate principal amount of $384,185,000;

(3) CITY OF SAN ANTONIO, TEXAS, ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2006B, dated January 15, 2007 and originally issued in the total aggregate principal amount of $128,845,000;

(4) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE AND REFUNDING BONDS, NEW SERIES 2007, dated June 15, 2007 and originally issued in the principal amount of $449,410,000;

(5) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS, NEW SERIES 2008, dated June 15, 2008 and originally issued in the principal amount of $287,935,000;

(6) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2008A, dated December 1, 2008 and originally issued in the principal amount of $158,030,000;

(7) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2009A, dated February 1, 2009 and originally issued in the principal amount of $442,005,000;

(8) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS, TAXABLE NEW SERIES 2009C (DIRECT SUBSIDY-BUILD AMERICA BONDS), dated May 1, 2009 and originally issued in the principal amount of $375,000,000;

(9) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2009D dated June 1, 2009 and originally issued in the principal amount of $207,940,000;

(10) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS, TAXABLE NEW SERIES 2010A (DIRECT SUBSIDY-BUILD AMERICA BONDS), dated February 1, 2010 and originally issued in the principal amount of $380,000,000;

(11) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2011 dated November 1, 2011 and originally issued in the principal amount of $50,915,000;

(12) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS, TAXABLE NEW SERIES 2012 dated March 1, 2012 and originally issued in the principal amount of $521,000,000; and

(13) CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2012 dated June 1, 2012 and originally issued in the principal amount of $655,370,000;

and (2) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the Systems as determined by the City Council in accordance with any applicable law.

SIFMA Determination Date means Wednesday of each week or, if Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.

SIFMA Index for any day means the level of the most recently effective index rate which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on each SIFMA Determination Date. If such index is no longer published, the *SIFMA Index* for any day will mean the level of the most recently effective *S&P Municipal Bond 7-Day High Grade Rate Index* maintained by Standard & Poor's Securities Evaluations Inc. for a 7-day maturity as published on the day which is one U.S. Government Securities Business Day immediately preceding the effective date of such index. The effective date for each such index is every Thursday (or any other day specified by the Securities Industry and Financial Markets Association, in the case of the first such index), or if any Thursday is not a U.S. Government Securities Business Day, the next preceding U.S. Government

Securities Business Day. If neither such index is available, the *SIFMA Index* for a day will be the alternate index for such day identified at the time of conversion of the Bonds or portion thereof to the SIFMA Index Mode.

SIFMA Index Mode for any Bond or portion thereof means any period of time, determined in accordance with *Section 2.2C* during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at a SIFMA Index Rate therefor.

SIFMA Index Rate has the meaning stated in *paragraph (e)* of the insert to the Bonds set forth in *Section 2.2B*, determined from time to time by adding the Applicable Spread (determined in accordance with *paragraph (4)* of *Section 2.2E*) to the SIFMA Index, as calculated and recalculated by the Calculation Agent (and effective with respect to the Bonds bearing interest in a SIFMA Index Mode and prior to the imposition of any Stepped Rate) on each Calculation Reset Date.

Special Payment Date has the meaning stated in *Section 2.3*.

Special Record Date has the meaning stated in *Section 2.3*.

Stated Maturity has the meaning stated in *Section 2.2A*.

Stepped Rate means, with respect to Bonds in a SIFMA Index Mode or a Term Mode, the interest rate applicable to such Bonds upon the conclusion of the then-applicable Interest Period and there has occurred a failed remarketing of all or a portion of the affected Bonds, which Stepped Rate shall be determined by the Purchasers or the Remarketing Agent (as applicable), and agreed upon by the City, and evidenced in the Approval Certificate concerning the Bonds and such then-applicable Interest Period (but shall never exceed the Maximum Rate).

Systems means the entire electric light and power plants and systems and gas distribution system and all property of every kind appurtenant to and used or acquired in connection with said electric light and power plants and systems and gas distribution system owned by the City, together with all property of every kind now and hereafter owned or acquired by the City as a part of or for use in the operation of the City's electric light and power plants and systems and gas distribution system, but excluding facilities of any kind which are declared not to be a part of the Systems and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Senior Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Tender Agent shall mean, initially, U.S. Bank National Association, Dallas, Texas, or any successor thereto, being a financial institution performing the duties specified in *Section 2.5H.*

Tender Agent Agreement shall mean the Tender Agent Agreement, dated as of October 30, 2014, between the City and the Tender Agent and in substantially the form attached hereto as Exhibit B, pertaining to the Bonds or any similar agreement entered into from time to time with any successor Tender Agent.

Term Mode for any Bond or portion thereof means any period of time, determined in accordance *Section 2.2C*, during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at the Term Rate therefor.

Term Rate for any Bond or portion thereof has the meaning stated in with *paragraph (g)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph (5)* of Section *2.2E*.

Untendered Bonds has the meaning stated in *Section 2.5F*.

U.S. Government Securities Business Day means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Variable Rate Mode means the Bonds bearing interest in any interest rate mode other than a Fixed Mode.

Weekly Mode for any Bond means any period of time, determined in accordance with *Section 2.2C*, during which interest on such Bond or portion thereof (except when a Bank Bond) accrues at the Weekly Rate therefor.

Weekly Rate has the meaning stated in *paragraph (d)* of the insert to the Bonds set forth in *Section 2.2B*, to be determined in accordance with *paragraph* 2 of *Section 2.2E*.

ARTICLE II
THE BONDS

SECTION 2.1. ***Authorization.***

Revenue bonds of the City shall be and are hereby authorized to be issued pursuant to this Ordinance, in the aggregate principal amount of ONE HUNDRED TWENTY-FIVE MILLION AND NO/100 DOLLARS ($125,000,000, to be designated and bear the title of "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B" (herein referred to as the ***Bonds***), for the purpose of (i) discharging and making final payment of the Refunded Obligations and (ii) paying the costs of issuing the Bonds. The Bonds shall be payable as to both principal and interest solely from and shall be equally and ratably secured by a junior lien on and pledge of the Net Revenues, subject and subordinate to all liens and pledges securing payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City and on a parity with the lien and pledge securing payment of the outstanding Junior Lien Obligations (including, upon issuance the Concurrently Issued Bonds) and any Additional Junior Lien Obligations hereafter issued by the City. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Act, the City's Home Rule Charter, and this Ordinance.

As authorized by the Act, any Designated Financial Officer is hereby authorized, appointed and designated as an officer of the City authorized to act on behalf of the City in selling and delivering the Bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the aggregate principal amount of each maturity of the Bonds and the rate or rates of interest to be borne on the principal amount of the Bonds, the length of the initial Interest Period (as the same relates to

a single Bond of a series issued hereunder), or initial Interest Periods (as is the case if the Bonds of a single series issued hereunder are structured as one or more term Bonds, distinguished by different CUSIP number, having initial Interest Periods of different durations and bearing interest at different interest rates or spreads to interest indices during such initial Interest Periods), if issued in different Interest Modes), the mandatory tender and redemption (including the determination of a mandatory redemption schedule or schedules) provisions therefor, the initial Interest Mode or Interest Modes into which the Bonds will be initially delivered (and which can include different Interest Modes applicable to different term Bonds of the same series of Bonds), and the Stepped Rate applicable to Bonds sold in their initial Interest Period or Periods (provided that such Stepped Rate shall not exceed the highest lawful rate per annum at such time permitted under applicable law, currently being 15%). Each Designated Financial Officer, acting for and on behalf of the City, is authorized to execute the Approval Certificate, in the form attached as Schedule II hereto, regarding the Bonds sold in their initial Interest Period(s). The Bonds shall be issued in the principal amount, when combined with the principal amount of the Concurrently Issued Bonds, not to exceed $255,000,000, the maximum maturity of the Bonds will be February 1, 2033, and (i) with respect to any Bonds initially delivered in a SIFMA Index Mode, the Applicable Spread to the SIFMA Index for use in calculating the SIFMA Index Rate that is applicable to such Bonds during any initial Interest Period (as the same may relate to one or more Bonds, as applicable and as determined by a Designated Financial Officer) shall not exceed 200 basis points and (ii) with respect to any Bonds initially delivered in a Term Mode, the per annum rate of interest applicable to such Bonds during any initial Interest Period (as the same may relate to one or more Bonds, as applicable and as determined by a Designated Financial Officer shall not exceed 6.00%. In addition to the foregoing, if determined thereby to be necessary or desirable, a Designated Financial Officer may enter into and execute, as the act and deed of the City, an Escrow Deposit Letter in the form attached hereto as Exhibit F, to accomplish the defeasance and/or redemption of the Refunded Obligations. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the City to the Purchasers. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery, the Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371. Upon execution of the Approval Certificate, Co-Bond Counsel is authorized to complete this Ordinance to reflect such final terms of sale of the Bonds, as evidenced in the Approval Certificate.

SECTION 2.2. ***Terms.***

A. ***Denominations; Date; Stated Maturity.*** The Bonds shall be issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof while such Bonds are in a SIFMA Index Mode, Term Mode or Fixed Mode, and $100,000 or any integral multiple of $5,000 in excess thereof when the Bonds are in a Daily Mode, Weekly Mode, or Commercial Paper Mode. The Bonds shall be dated the date of their authentication and delivery (except for the Initial Bond as provided in Section 2.9). The Bonds shall become due and payable on February 1, 2033 (herein referred to as the *Stated Maturity*).

B. ***Interest.*** The Bonds shall be initially issued in a SIFMA Index Mode and shall bear interest from the Closing Date (anticipated to occur on or about January 7, 2015) or the other dates, and at the rates and payable on the Interest Payment Dates, described in the following text, *which shall be inserted in the Bonds at the place indicated in the form of Bond set forth in Section 3.2*:

"The interest payable, and punctually paid or duly provided for, on any Interest Payment Date herefor will, as provided in the Ordinance herein referred to, be paid to the person in whose name this Bond (or one or more Predecessor Bonds representing the same debt) is registered at the end of the day on the Record Date for such interest specified herein[, *except that the difference (herein referred to as the*

Bank Differential) *between the total of such interest on this Bond or any portion hereof and the amount of such interest accrued thereon at the Daily Rate, Weekly Rate, Commercial Paper Rate, SIFMA Index Rate, or Term Rate (if there then exists a valid and effective Credit Agreement, as defined herein, applicable hereto during the period during which such interest accrued, determined as if this Bond or such portion were not a Bank Bond (as defined in the Ordinance) and such interest were not compounded, will be paid to the person in whose name the beneficial ownership of this Bond or such portion is registered on the Bank Bond Register (as defined in the Ordinance) on the Record Date for such difference*].* Any such interest otherwise so payable to the Holder on such Record Date which is not so punctually paid or duly provided for within 30 days of the due date therefor shall forthwith cease to be payable to the Holder on such Record Date, and may be paid to the person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice thereof being given to Bondholders not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in said Ordinance. All such interest shall be payable at the Place of Payment and shall be paid by check or draft mailed to the address of such person specified in the Securities Register or pursuant to other arrangements made by (and at the risk and expense of) such person and acceptable to the Paying Agent/Registrar, *except* that, if the registered owner hereof is the Securities Depository, as defined in the Ordinance referred to herein, and upon the written request of any other Holder of not less than $1,000,000 aggregate principal amount of Bonds provided to such Paying Agent/Registrar not less than 15 days prior to (or, if the Interest Period (hereinafter defined) for this Bond immediately preceding such Interest Payment Date is less than 16 days in duration, then not later than the last Business Day preceding) the relevant Interest Payment Date, interest due on any Interest Payment Date herefor shall be made by federal funds wire transfer to any designated account within the United States of America.

"(a) ***Interest Generally.*** During the period from and including the first day of each Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, Term Mode, and Fixed Mode (each herein referred to as an *Interest Mode*) for this Bond or any portion hereof described below to and excluding the first day of the next Interest Mode therefor designated by the City [(unless made subject to mandatory tender or redeemed, at the City's option, in accordance with the provisions of the Ordinance and/or an Approval Certificate, as applicable)], the principal of this Bond (or such portion) shall, *except* when a Bank Bond (as defined in the Ordinance) and *subject* to the provisions of *paragraph (m)* below, bear interest at the corresponding Daily Rate, Weekly Rate, Commercial Paper Rate, SIFMA Index Rate, Term Rate, Stepped Rate, or Fixed Rate, respectively, established as described below. Interest accrued hereon (i) at a Daily Rate, Weekly Rate, Commercial Paper Rate, SIFMA Index Rate, Stepped Rate, or Bank Rate shall be computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed, and (ii) at a Term Rate or Fixed Rate shall be computed on the basis of a 360-day year comprised of twelve 30-day months. The interest hereon or on any portion hereof shall accrue from and including the later of the Closing Date (with respect to the initial Interest Period) and, thereafter, the Bond Date then-applicable or the most recent Interest Payment Date therefor to which interest has been paid or duly provided for.

"(b) ***Establishment of Interest Modes and Interest Periods.*** From the Closing Date (with respect to the initial Interest Period) and, thereafter, the Bond Date specified above through the day preceding the first day of any Daily Mode, Weekly Mode, Commercial Paper Mode, Term Mode, or Fixed Mode for this Bond or any portion hereof established in accordance with the provisions of the Ordinance, this Bond shall be in a SIFMA Index Mode. As provided in the Ordinance and subject to

---

* Bracketed phrase may be omitted from any Bond authenticated on or after the first day of the Fixed Mode for such Bond.

certain conditions therein set forth, the Interest Mode for this Bond or any portion hereof then in effect may, at the election of the City, be changed to a Daily Mode, Weekly Mode, Commercial Paper Mode, Term Mode, or Fixed Mode, or to a SIFMA Index Mode with an Interest Period of different duration from that which applies to the prior SIFMA Index Mode, on, but only on, (i) a Business Day, if a Daily Mode or Weekly Mode is then in effect therefor, (ii) an Interest Payment Date for interest accrued thereon during a Commercial Paper Mode, and (iii) if a SIFMA Index Mode or a Term Mode is then in effect therefor, then on any Business Day on which this Bond or such portion may be redeemed at the option of the City, *if* (except in the case of a change between any two of a Daily Mode, Weekly Mode, Commercial Paper Mode, or SIFMA Index Mode or Term Mode with Interest Periods of one year or less) in the Opinion of Counsel of nationally recognized standing in the field of municipal bond law delivered to the City on the day for such change in Interest Mode such change will not adversely affect any exclusion of interest on any Bond from gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. As provided in the Ordinance and subject to certain conditions therein set forth, the duration of each Interest Period during a Commercial Paper Mode for this Bond or any portion hereof shall be determined by the Remarketing Agent for the Bonds not later than the time for determination of the Commercial Paper Rate for such Interest Period.

"**(c)** ***Daily Rate.*** On each day during which this Bond or any portion hereof is in a Daily Mode and except as provided in *paragraph (m)* below, this Bond or such portion will bear interest at the ***Daily Rate*** for such day, which shall be the least of (i) the Maximum Rate, (ii) the per annum rate of interest, if any, specified in the Liquidity Facility then in effect under the Ordinance as the rate at which money available to be paid thereunder to pay interest on the Bonds in such Interest Mode has been computed, or (iii) a variable per annum rate of interest equal to the Market Rate therefor determined as hereinafter described by 10:00 a.m., New York, New York time, on such day or, if such day is not a business day for the Remarketing Agent, on the business day for the Remarketing Agent immediately preceding such business day (each such day referred to herein as a ***Rate Determination Date***). Interest accrued on this Bond or any portion hereof while it is in a Daily Mode shall be payable on the first Business Day of each month and on the Business Day immediately succeeding the last day of such Daily Mode, and the Record Date for such interest shall be the immediately preceding day (whether or not a Business Day) and in the case of Bank Bonds (as defined in the Ordinance) as provided in *paragraph (m)* below.

"**(d)** ***Weekly Rate.*** On each day during which this Bond or any portion hereof is in a Weekly Mode and except as provided in *paragraph (m)* below, this Bond or such portion shall bear interest at the ***Weekly Rate***, which shall be the least of (i) the Maximum Rate, (ii) the per annum rate of interest, if any, specified in the Liquidity Facility then in effect under the Ordinance as the rate at which money available to be drawn thereunder to pay interest on the Bonds in such Interest Mode has been computed, or (iii) the variable per annum rate of interest established on or before such day in accordance with the provisions of this *paragraph (d)* for the one-week period commencing on the Thursday on or before the day of accrual and ending on the Wednesday on or succeeding such day of accrual. Such variable rate is a per annum rate of interest equal to the Market Rate therefor determined as hereinafter described by 4:00 p.m., New York, New York time, on the last business day for the Remarketing Agent before the commencement of such Weekly Mode and before each succeeding Thursday (or on such Thursday, if it is such a business day and the preceding day is not such a business day, or on such other day as may be specified by such Remarketing Agent after notice to the City and the Bondholders) thereafter (each such day referred to herein as a ***Rate Determination Date***). Interest accrued on this Bond or any portion hereof while it is in a Weekly Mode shall be payable on the first Business Day of each month and on the Business Day immediately succeeding the last day of such Weekly Mode, and the Record Date for such interest shall be the immediately preceding day (whether or not a Business Day) and in the case of Bank Bonds (as defined in the Ordinance) as provided in *paragraph (m)* below.

"(e) ***SIFMA Index Rate***. On each day during the initial Interest Period and on each subsequent Interest Period during which this Bond or any portion hereof is in a SIFMA Index Mode (and except as provided in *paragraph (m)* below), this Bond or such portion will bear interest at the *SIFMA Index Rate*, which shall be the lesser of (i) the Maximum Rate per annum, (ii) if there then exists a Liquidity Facility relating to the Bonds and such Liquidity Facility extends for the term of such Interest Period, the per annum rate of interest, if any, specified in the Liquidity Facility as the rate at which money available to be drawn thereunder to pay interest on the Bonds in such SIFMA Index Mode has been computed, or (iii) as applicable:

(i) ***Normal Rate***: except as provided in *Clause (ii)* of this paragraph, the Applicable Spread for such SIFMA Index Period plus the SIFMA Index for such day, in either case, rounded upward to the fifth decimal place, as calculated and recalculated by the Calculation Agent and effective with respect to this Bond on each Calculation Reset Date;

(ii) ***Stepped Rate***: a per annum rate, determined in accordance with *paragraph (k)*, following each Interest Period, until the Purchase Price of such Bond or such portion has been paid to the Holder on or after the Business Day immediately succeeding such Interest Period (as further described and provided in *paragraph (h)*).

The Applicable Spread to be used to calculate the Normal Rate shall be the Applicable Spread identified in the Approval Certificate relating to the Bonds in the initial or subsequent Interest Period, as applicable, referred to in the Ordinance, initially applicable or as most recently determined as described in paragraph (j) on (A) any date designated by the Remarketing Agent which is not more than 35 days preceding nor later than the last business day preceding the end of such Interest Period (whether such end of applicable Interest Period shall be by expiration of its term or by earlier termination by direction of the City to redeem Bonds or cause their mandatory tender for purchase, as applicable) and (B) if there are any Bank Bonds (as defined in the Ordinance) in such SIFMA Index Mode at the close of business on the first day of such Interest Period, again on any later date in such Interest Period specified in the Ordinance until there are no Bank Bonds (as defined in the Ordinance) in such SIFMA Index Mode during such Interest Period (each such date herein referred to as a Rate Determination Date). Interest accrued on this Bond or any portion hereof while it is in a SIFMA Index Mode shall be payable on the first Business Day of each month and on the Business Day immediately succeeding the last day of each Interest Period, and the Record Date for such interest shall be the immediately preceding day (whether or not a Business Day), and in the case of Bank Bonds, as provided in *paragraph (m)* below.

"(f) ***Commercial Paper Rate***. On each day during each Interest Period (established in accordance with the provisions of the Ordinance) during which this Bond or any portion hereof is in a Commercial Paper Mode and except as provided in *paragraph (m)* below, this Bond or such portion will bear interest at the *Commercial Paper Rate* therefor, which shall be the least of (i) the Maximum Rate per annum, (ii) the per annum rate of interest, if any, specified in the Liquidity Facility as the rate at which money available to be drawn thereunder to pay interest on the Bonds in such Interest Mode has been computed, or (iii) the fixed per annum rate of interest equal to the Market Rate therefor determined as hereinafter described by 12:30 p.m., New York, New York time, on or before the first business day for the Remarketing Agent in such Interest Period (herein referred to as a ***Rate Determination Date***). Interest accrued on this Bond or any portion hereof during each such Interest Period shall be payable on the first Business Day following such Interest Period, the Record Date for which shall be the immediately preceding day (whether or not a Business Day), and in the case of Bank Bonds (as defined in the Ordinance) as provided in *paragraph (m)* below.

"(g) ***Term Rate***. On each day during each Interest Period (established in accordance with the provisions of the Ordinance) during which this Bond or any portion hereof is in a Term Mode and except as provided in *paragraph (m)* below (as applicable), this Bond or such portion will bear interest at the ***Term Rate*** therefor, which shall be the least of (i) the Maximum Rate per annum, (ii) if there then exists a Liquidity Facility relating to the Bonds and such Liquidity Facility extends for the term of such Interest Period, the per annum rate of interest, if any, specified in the Liquidity Facility as the rate at which money available to be drawn thereunder to pay interest on the Bonds in such Term Mode has been computed, or (iii) the fixed per annum rate of interest equal to the Market Rate therefor most recently determined as hereinafter described on (A) any date designated by the Remarketing Agent which is not more than 35 days preceding nor later than the last business day for such Remarketing Agent preceding such Interest Period and (B) if there are any Bank Bonds (as defined in the Ordinance) in such Term Mode at the close of business on the first day of such Interest Period, again on any later date in such Interest Period specified in the Ordinance until there are no Bank Bonds in such Term Mode during such Interest Period (each such date herein referred to as a ***Rate Determination Date***). Interest accrued on this Bond or any portion hereof during any Interest Period while it is in a Term Mode shall be payable semiannually on each February 1 and August 1 and on the day immediately following the last day of such Interest Mode, and the Record Date for interest paid on each such Interest Payment Date shall be the fifteenth day of the month next preceding such Interest Payment Date or the first day of such Term Mode, whichever is later, and in the case of Bank Bonds as provided in *paragraph (m)* below.

"(h) ***Stepped Rate***. In the event that this Bond is issued and Outstanding in a SIFMA Index Mode or a Term Mode and the City has not obtained, or otherwise at such time does not maintain, a Liquidity Facility with respect thereto, and the Remarketing Agent is unable to remarket the Bonds then Outstanding to new holders in a new Interest Period on the scheduled date of mandatory tender as specified in the Ordinance or an Approval Certificate, as applicable, the City shall have no obligation to purchase this Bond tendered on such date, the failed conversion and remarketing shall not constitute an Event of Default under the Ordinance or this Bond, the mandatory tender will be deemed to have been rescinded for that date with respect to this Bond subject to such failed remarketing only, and such Bond shall bear interest from such tender date at the Stepped Rate. While bearing interest at the Stepped Rate, this Bond (i) will continue to be Outstanding, (ii) will be purchased at the Purchase Price upon the availability of funds to be received from the subsequent remarketing of this Bond, (iii) will be subject to redemption and mandatory tender for purchase on any date upon which a conversion occurs (which shall occur at the City's discretion upon delivery of at least one Business Day's notice to the holders hereof), and (iv) will be deemed to continue in a SIFMA Index Mode or a Term Mode, as applicable, for all other purposes under the Ordinance (including terms relating to timing of interest payments, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Ordinance.

"(i) ***Fixed Rate***. After the Interest Mode for this Bond or any portion hereof has been converted to the Fixed Mode, this Bond or such portion (or, at the option of the City, the portion hereof then selected for redemption in each year in accordance with the Ordinance) shall bear interest from the date of conversion to Maturity (herein referred to as an ***Interest Period***) at the ***Fixed Rate*** therefor, which shall be a fixed per annum rate equal to the lesser of (i) Maximum Rate per annum or (ii) the Market Rate therefor determined as hereinafter described on any date designated by the Remarketing Agent which is not more than 35 days preceding nor later than the last business day for the Remarketing Agent preceding such Fixed Mode (herein referred to as a ***Rate Determination Date***). Interest accrued on this Bond or such portion while it is in the Fixed Mode shall be payable semiannually on each February 1 and August 1, the Record Date for which shall be the fifteenth day of the preceding month or the first day of such Fixed Mode, whichever is later.

"(j) ***Determination of Market Rates and Applicable Spread.*** The Applicable Spread for this Bond for the initial Interest Period commencing on the Closing Date shall be the Applicable Spread specified in the Approval Certificate relating to the Bonds in their initial Interest Period referred to in the Ordinance. The ***Market Rate*** or ***Applicable Spread*** for this Bond or any portion hereof determined on each Rate Determination Date therefor subsequent to such Bond Date shall be, as applicable, the Applicable Spread or the minimum per annum rate of interest determined by the Remarketing Agent in accordance with the provisions of the Ordinance to be necessary to produce a bid for this Bond or such portion equal to at least 100% of the principal amount thereof plus interest, if any (other than Bank Differential), thereon accrued from the Closing Date or the Bond Date specified above, as applicable, or the most recent Interest Payment Date therefor to which interest thereon has been paid or duly provided for on or after such Interest Payment Date. If for any reason, other than a failed remarketing when this Bond is subject to a Stepped Rate, no Remarketing Agent for the Bonds shall have been appointed and be acting under the Ordinance on any Rate Determination Date, the Remarketing Agent fails to perform under the terms of a Remarketing Agreement that specifies that such remarketing constitutes a firm financial arrangement of the Remarketing Agent, the Remarketing Agent fails to determine the Applicable Spread or Market Rate, as applicable, for this Bond or any portion hereof on such Rate Determination Date, or any Applicable Spread or Market Rate, as applicable, therefor determined by the Remarketing Agent on such Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, the (i) Applicable Spread shall be the Applicable Spread from the immediately succeeding Interest Period (assuming the Bonds during such Interest Period were in a SIFMA Index Mode), and (ii) ***Market Rate*** to be determined on such Rate Determination Date shall be, if the Interest Period during which such Market Rate is to be in effect is (1) greater than one-half year, the percentage of "The 11-Bond Municipal Bond Index" most recently published by *The Bond Buyer* or any successor publication set forth below under the longest period specified which does not exceed the duration of such Interest Period:

Interest Period equal to or longer than (in years):						
15	**13**	**10**	**7**	**5**	**2**	**1/2**
100%	97%	93%	86%	80%	70%	65%

and (2) equal to or less than one-half year, the SIFMA Index; *provided* that, if either such index ceases to be published, it shall be replaced for the foregoing purposes by the most comparable published index designated by the City.

"(k) ***Determination of Stepped Rate.*** The "Stepped Rate" identified in paragraph (e)(ii) of this Bond applicable to Bonds bearing interest at a SIFMA Index Rate during the initial Interest Period shall be the per annum rate of interest specified in the Approval Certificate relating to the Bonds in their initial Interest Period referred to in the Ordinance. Such Stepped Rate for this Bond applicable to Bonds bearing interest at a SIFMA Index Rate or a Term Rate during Interest Periods subsequent to the initial Interest Period shall be the per annum rate of interest specified in the applicable Approval Certificate or Conversion Ordinance executed by a City representative in connection with the remarketing of such Bonds into the then-applicable Interest Period in accordance with the provisions, and subject to the limitations, of the Ordinance (and if not so specified, shall be the Stepped Rate applicable to the Bonds during the immediately preceding Interest Period).

"(l) ***Notice of Interest Rates.*** The Paying Agent/Registrar is required to give notice of each change in Interest Mode for this Bond or any portion hereof and of each change in the duration of the Interest Period for a SIFMA Index Mode or a Term Mode for this Bond or any portion thereof to the Holder hereof by mail, first-class postage prepaid, not less than 5 days if this Bond or such portion is bearing interest at a Stepped Rate; not less than 20 days, if this Bond or such portion is in a Daily Mode

or Weekly Mode; not less than 30 days, if this Bond or such portion is in any other Interest Mode; and in any case, not more than 60 days prior to the day such change becomes effective. Each Daily Rate, Weekly Rate, and Commercial Paper Rate hereon or any portion hereof and the duration of each Interest Period within a Commercial Paper Mode for this Bond or any portion hereof may be ascertained by telephoning the Remarketing Agent; the SIFMA Index Rate from time to time in effect shall be available from the Paying Agent/Registrar, as reported thereto by the Calculation Agent as of each Calculation Reset Date; and each then applicable Term Rate, Fixed Rate, and Stepped Rate shall be as stated on this Bond or in the then-applicable Approval Certificate, as applicable, and available from the Paying Agent/Registrar.

"(m) ***Bank Bonds***. For each day on which any portion hereof is a Bank Bond, the principal of such portion shall bear interest (and accrued interest thereon included in the Purchase Price therefor when such Bond or portion became a Bank Bond shall compound and bear interest until paid) at the Bank Rate (as defined in the Ordinance). Interest accrued during any Interest Mode which is evidenced by any portion of this Bond which is a Bank Bond shall be payable on each Interest Payment Date for such Interest Mode described above and, for interest accrued in a Commercial Paper Mode or Term Mode, on the first Business Day of each month, and, for the payment of Bank Differential only, on the day on which such Bank Bond ceases to be a Bank Bond, and the Record Date for the payment of interest on such latter two Interest Payment Dates shall be the day immediately preceding such Interest Payment Date.

"(n) ***Definitions***. As used herein:

"(i) ***Applicable Spread***, for the initial Interest Period, has the meaning specified in the Approval Certificate relating to the Bonds in their initial Interest Period referred to in the Ordinance, and any day in an Interest Period subsequent to the initial Interest Period in which this Bond bears interest in a SIFMA Index Mode, has the meaning specified in *paragraph (j)* (and which shall be specified in the Conversion Ordinance or subsequently-executed Approval Certificate relating to the Bonds in such subsequent Interest Periods (if any)); each day for determination (or any scale or function for determination) prior to each such subsequent Interest Period in a SIFMA Index Mode in accordance with the Ordinance being a *Rate Determination Date*;

"(ii) ***Business Day*** for this Bond or any portion hereof means any day other than (A) a Saturday or a Sunday, (B) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in the Place of Payment therefor or in the city in which is located (I) the corporate trust office of the Paying Agent/Registrar for the Bonds or, (II) if and while a Credit Facility referred to in the Ordinance is at any time in force and in effect, the office of the obligor thereon or of its agent at which drafts or demands for payment under such Credit Facility are to be presented or, (III) if and while any Liquidity Facility for the Bonds is at any time in force and in effect, the office of any Liquidity Bank referred to in such Notice or of its agent at which drafts or demands for payment under such Liquidity Facility are to be presented, or (C) a day on which the New York Stock Exchange is closed;

"(iii) ***Interest Period*** for any Bond or portion thereof means the period from and including the initial issuance of the Bonds or any Rate Adjustment Date for such Bond or portion thereof to but excluding the next succeeding Rate Adjustment Date for or the Maturity of such Bond (the initial Interest Period for the Bonds extending from and including the Closing Date (anticipated to occur on or about January 7, 2015) and to, but excluding, the first Business Day on or after February 1, 2018);

"(iv) ***Market Day*** means a day other than a Saturday, Sunday, or other day on which the New York Stock Exchange or banks generally are authorized to close in New York, New York, or San Antonio, Texas;

"(v) ***Payment Default*** means a default in the payment of principal of or interest on any Bond when due, provided that, if a Credit Facility is then in effect under the Ordinance, the obligor on such Credit Facility is also then in default thereunder;

"(vi) ***Rate Adjustment Date*** for this Bond or any portion hereof means the first day on which each Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, and Fixed Rate thereon shall become effective and the first Business Day of each Interest Period for this Bond or any portion hereof which is in a SIFMA Index Mode;

"(vii) ***SIFMA Index*** has the meaning stated in the Ordinance.

Terms defined in the Notice of Demand Privilege, Mandatory Tender, and Liquidity Support appearing hereon have the meanings described in such notice.

"(o) ***Usury Savings Clause.*** Notwithstanding anything herein or in the Ordinance to the contrary, however, in no event shall the aggregate of the interest on the Bonds (including Bank Bonds) plus any other amounts paid in connection therewith which are deemed "interest" under the laws of the State of Texas and the United States of America in effect on the Bond Date specified above permitting the charging and collecting of the highest non-usurious interest rate on the Bonds (hereinafter referred to as ***Applicable Law***) ever exceed the Maximum Rate, being the maximum amount of interest which could be lawfully charged and paid on the Bonds under Applicable Law, and if any amount of interest taken or received by the Holder hereof shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected and paid hereon, then the excess shall be deemed to have been the result of a mathematical error by the City, the Paying Agent/Registrar, and such Holder and shall be refunded promptly to the Paying Agent/Registrar for the account of the City. All amounts paid or agreed to be paid in connection with the indebtedness evidenced by the Bonds which under Applicable Law would be deemed "interest" shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term of the Bonds."

and the phrase "Adjustable" shall be inserted under the caption "Interest Rate" immediately below the title of the Bonds as indicated in Section 3.2.

In lieu of the foregoing text, the following paragraphs may be inserted at the place indicated in Section 3.2 for the Bonds authenticated on or after the first day of the Fixed Mode therefor:

"This Bond bears interest from the later of [*insert first day of Fixed Mode*] or the most recent interest payment date to which interest hereon has been paid or duly provided for, at the per annum Interest Rate specified above (computed on the basis of a 360-day year comprised of twelve 30-day months), payable semiannually on each February 1 and August 1, and the Record Date therefor is the fifteenth day (whether or not a business day) of the preceding month.

"The interest payable, and punctually paid or duly provided for, on any Interest Payment Date herefor will, as provided in the Ordinance herein referred to, be paid to the person in whose name this Bond (or one or more Predecessor Bonds representing the same debt) is registered at the end of the day on the Record Date for such interest specified herein. Any such interest otherwise so payable to the Holder on such Record Date which is not so punctually paid or duly provided for 30 days shall forthwith cease to

be payable to the Holder on such Record Date, and may be paid to the person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent/Registrar, notice thereof being given to Bondholders not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in the Ordinance. All such interest shall be payable at the Place of Payment and shall be paid (i) by check sent by United States Mail, first-class postage prepaid, by the Paying Agent/Registrar to the address of such person appearing in the Securities Register, (ii) if this Bond is registered to the Securities Depository and otherwise at the option of the Holder thereof (*if* the Holder of not less than $1,000,000 principal amount of Bonds) exercised by written notice delivered to the Paying Agent/Registrar not less than 15 days prior to the relevant Record Date therefor, by Federal Funds wire to any designated account within the United States of America, or (iii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by such person at such person's risk and expense."

and the Fixed Rate thereon for such Fixed Mode shall be inserted under the caption "Interest Rate" immediately below the title of such Bond as indicated in Section 3.2.

C. ***Determination of Interest Modes***. The City may change the Interest Mode for the Bonds or any portion thereof to a different Interest Mode or to a SIFMA Index Mode with an Interest Period of different duration (and, if such new Interest Mode is a SIFMA Index Mode, designate the duration of the Interest Period therefor) by a written instrument herein described delivered to the Paying Agent/Registrar and the Tender Agent and all of the Remarketing Agent, the Credit Enhancer (if any), and the Liquidity Bank (if any) at such time in place and acting in such respective capacity, not less than 45 days prior to such change and specifying:

(1) ***Affected Bonds***: the current Interest Mode and Interest Periods, and the respective principal amounts of each, with respect to which such designation is being made,

(2) ***Effective Date***: the first day of the newly designated Interest Mode or Interest Period, which shall be (a) if the Interest Mode then in effect for the Bonds or portions thereof to be changed is a Daily Mode or a Weekly Mode, a Business Day therefor, (b) if a SIFMA Index Mode or a Term Mode for the Bonds or portions thereof to be changed is then in effect, any Business Day on which such Bonds or portions may be redeemed at the option of the City pursuant to the first paragraph of *Section 2.4A*, as well as *Section 2.4A(2)*, *(5)*, *(6)*, or *(7)*, and (c) if the Interest Mode then in effect for the Bonds or portions thereof to be changed is a Commercial Paper Mode, the last Interest Payment Date for all Interest Periods for the Bonds or portions thereof to be changed then in effect or any Business Day therefor thereafter,

(3) ***Designation***: that the City has determined that, effective on such day, a Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, Term Mode, successive SIFMA Index Mode with an Interest Period of different duration, or Fixed Mode, as the case may be, shall take effect for such Bonds or portions thereof, and

(4) ***Interest Period***: if the designated Interest Mode is a SIFMA Index Mode or a Term Mode, the duration of such applicable Interest Period.

Unless such written instrument specifies a change from a SIFMA Index Mode or a Term Mode during which there is not in force and effect a Liquidity Facility to one requiring acquisition of a Credit Agreement, it may be in the form of an Approval Certificate, if the execution of such Approval Certificate is approved by resolution of the Board that indicates parameters under which any such Approval

Certificate may be executed that are consistent with those specified in *Section 2.1* (with the Applicable Spread or Market Rate, as applicable, established pursuant to *paragraph (j)* of *Section 2.2B*). Any such written instrument may also (and with respect to the conversion excepted above shall be) in the form of an ordinance (the *Conversion Ordinance*) enacted by the City Council.

Upon delivery of such Approval Certificate or Conversion Ordinance, the Interest Mode or Interest Period for such Bonds or portions shall, *subject* to the other provisions of this subsection, be automatically converted on the day specified in such Approval Certificate or Conversion Ordinance to the Interest Mode or Interest Period specified therein without any further act, *unless* the Paying Agent/Registrar and Tender Agent shall have received, prior to the mailing of notice thereof, the Approval Certificate or Conversion Ordinance, as applicable, electing not to effect such conversion. The City or the Designated Financial Officer shall, provided any or all of such parties then exist, promptly notify the Remarketing Agent, the Credit Enhancer, and the Liquidity Bank for the affected Bonds, in writing, of the conversion of the Bonds or portions thereof to a new Interest Mode or Interest Period.

No change to any Interest Mode for the Bonds or portion thereof, or in the Interest Period for any SIFMA Index Mode or Term Mode for the Bonds or portion thereof, shall become effective unless:

(1) ***Opinion of Counsel***: unless such change is between any two of a Daily Mode, Weekly Mode, Commercial Paper Mode, or SIFMA Index Mode or Term Mode with Interest Periods of one year or less, there is delivered to the Paying Agent/Registrar, Remarketing Agent, the Credit Enhancer (if any), and the Liquidity Bank (if any) on the first day of such Interest Mode or Interest Period an Opinion of Counsel to the effect that such change in the Interest Mode or Interest Period will not adversely affect any exclusion of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes and is authorized by applicable Texas law, and

(2) ***Remarketing Agent:*** the initial Remarketing Agent shall continue to then serve in such capacity or appointment of a replacement Remarketing Agent shall have been made (or authority to so appoint having been delegated to a designated City official) in the Conversion Ordinance or the Board resolution authorizing execution of an Approval Certificate and a substitute Remarketing Agreement (which may specify that the obligation of the Remarketing Agent thereunder represent a firm financial arrangement and/or commitment of such Remarketing Agent) has been entered into by such substitute Remarketing Agent and the City, and

(3) ***Liquidity Support:*** if the Interest Mode for the then-expiring Interest Period is a SIFMA Index Mode or a Term Mode with respect to which there exists no Liquidity Facility and the Interest Mode to be applicable to the Interest Period into which the Bonds are being remarketed is not such a SIFMA Index Mode or Term Mode or is a Fixed Mode, then the City shall have delivered to the Tender Agent a binding commitment from a nationally recognized investment banking firm, insurance company, or bank to serve as the Liquidity Bank for such Bonds pursuant to a Liquidity Facility in accordance with *Section 4.1C*, and

(4) ***Settlement***: by 12:30 p.m., New York, New York time, on the date of such change, the Tender Agent (or, if such Bonds or portions have been purchased prior to such time on such date by the Liquidity Bank, the Liquidity Bank) shall have received the Purchase Price of all Bonds or portions thereof tendered or deemed tendered for purchase on such date in accordance with *Section 2.5A(3)(b)*, and

(5) ***Credit Enhancer Consent***: the Paying Agent/Registrar shall have received the written consent of any then-acting Credit Enhancer to such change to the extent such consent is required therefrom.

If, after notice to any person of any change in the Interest Mode or Interest Period for any Bond or portion thereof, such change may not be effected on the date specified therefor because of any failure to satisfy the conditions of this Section, then (a) the Interest Mode for such Bond or portion shall automatically remain in or change to the Weekly Mode on such date, *if* (i) the preceding Interest Mode for such Bond or portion was a Daily Mode, Weekly Mode, or Commercial Paper Mode or (ii) in the Opinion of Counsel such change will not adversely affect any exclusion of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and (b) otherwise the Interest Mode (and the Interest Period of any SIFMA Index Mode (and the Applicable Spread relating thereto) or Term Mode) then in effect for such Bond or portion shall remain unchanged and, *except* for the mandatory tender thereof required by *Section 2.5A(3)(b)*, the Holder of such Bond or portion and all other persons shall be restored to their original positions to the same extent as if the Approval Certificate or Conversion Ordinance specifying such change had not been given pursuant to this Section. Notwithstanding the foregoing, a failure to remarket Bonds in a SIFMA Index Mode or a Term Mode for a reason other than those provided above, then such Bonds shall remain in a SIFMA Index Mode or a Term Mode, as applicable, bearing interest at the Stepped Rate, as heretofore described.

D. ***Duration of Interest Modes and Interest Periods.***

(1) ***Interest Modes***. Each Interest Mode for any Bond or portion thereof, other than the Fixed Mode, shall extend through the day prior to the effective date of any other Interest Mode therefor established in accordance with this Section. Any Fixed Mode for any Bond or portion thereof shall extend to the Stated Maturity of such Bond.

(2) ***Interest Periods Generally***. No Interest Period for any Bond (or portion thereof) during a Commercial Paper Mode, Term Mode, or SIFMA Index Mode therefor shall extend beyond (a) the fourth Business Day prior to any then known date for release of the Liquidity Facility then in effect for the Bonds pursuant to *Section 4.1B(2)* or (b) the day prior to the effective date of any other Interest Mode to become effective for such Bonds or portion pursuant to any prior Approval Certificate or Conversion Ordinance given in accordance with this *Section 2.2*. If a Liquidity Facility is in effect, then no such Interest Period on any Bond shall cause the amount described in *Section 2.5C* to exceed the coverage then afforded by such Liquidity Facility.

(3) ***Interest Periods During Commercial Paper Mode***. The Interest Period for each Bond (or portion thereof) during a Commercial Paper Mode therefor shall be the period determined by the Remarketing Agent for the Bonds, on the Rate Adjustment Date therefor, to be the Interest Period which, in its judgment, will produce the greatest likelihood of the lowest overall debt service costs on the Bonds prior to the Maturity thereof, *provided* that, if the Paying Agent/Registrar (or the Liquidity Bank, if such Bond or portion thereof has been sooner purchased on such day by the Liquidity Bank) shall not have received the Purchase Price for such Bond or portion by 12:00 noon, New York, New York time, on the first day of such Interest Period, such Interest Period shall extend through the day preceding the next Business Day for such Bond or portion. The Remarketing Agent may determine different Interest Periods for different Bonds (or portions thereof) on the same Rate Adjustment Date. Each Interest Period for any Bond (or portion thereof) while in a Commercial Paper Mode shall commence on the first day of such Interest Mode for such Bond or portion or on the day immediately succeeding the

immediately preceding Interest Period for such Bond or portion during such Commercial Paper Mode, shall end on a day preceding a Business Day for such Bond or portion, and shall be not less than one nor more than 270 days in length. No such Interest Period on any Bond or portion thereof shall cause the aggregate interest due on all Bonds and portions thereof (other than Bonds or portions thereof in a Fixed Mode) on the next Interest Payment Date therefor to exceed the coverage then afforded by the Liquidity Facility. No Interest Period for any Bond or portion thereof shall end later than the day preceding any redemption date for the Bonds in the Commercial Paper Mode described in *Section 2.4A*, unless the principal amount of Bonds in the Commercial Paper Mode with an Interest Period which ends on or prior to such preceding day is at least equal to the principal amount of Bonds and Interest Mode to be redeemed on such redemption date pursuant to *Section 2.4A*.

(4) ***Interest Periods During SIFMA Index Modes and Term Modes***. Each Interest Period for any Bond or portion thereof which is in a SIFMA Index Mode or a Term Mode shall commence on the first day of such SIFMA Index Mode or Term Mode or on the day immediately succeeding the immediately preceding Interest Period for such Bond or portion during such SIFMA Index Mode or Term Mode. The Interest Period in each SIFMA Index Mode shall extend to (but exclude) the February 1 specified in the Approval Certificate or the Conversion Ordinance designating such Interest Mode pursuant to this *Section 2.2* which occurs at least one year after the effective date of such Interest Mode. Each successive Interest Period during such SIFMA Index Mode or Term Mode shall extend to (but exclude) (a) each anniversary of such date, if both (i) the City has never elected to change the Interest Mode or Interest Period applicable to such SIFMA Index Mode or Term Mode pursuant to *Subdivision C* of this *Section 2.2* and (ii) either no change to the terms of the Bonds, Credit Facility (if any), or Liquidity Facility (if any) is made in connection with such Interest Period or there is delivered to the Paying Agent/Registrar an Opinion of Counsel to the effect that the change to such Interest Period will not adversely affect any exclusion of interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes, or (b) if such conditions are not met, the anniversary of such specified date which occurs the same number of 12-month periods after the first day of such Interest Period as the number of 12-month periods or portions thereof during the initial Interest Period for the Bonds (or portions thereof) in such Term Mode, unless changed by the Approval Certificate or the Conversion Ordinance pursuant to this *Section 2.2*.

E. ***Determination of Interest Rates or Applicable Spread by Remarketing Agent***.

(1) ***Daily Rate***. During each Daily Mode for the Bonds (or any portion thereof), by 10:00 a.m., New York, New York time, on each business day for the Remarketing Agent for the Bonds, the Remarketing Agent shall determine the Daily Rate for such Bonds or portion by determining, in the manner described in *Subdivision E(6)* of this *Section 2.2*, the Market Rate therefor on such day.

(2) ***Weekly Rate***. During each Weekly Mode for the Bonds (or any portion thereof), by 4:00 p.m., New York, New York time, on the last business day for the Remarketing Agent on or before the commencement of such Weekly Mode and on or before each succeeding Wednesday (or on such Wednesday, if it is such a business day and the preceding day is not such a business day, or on such other day as may be specified by the Remarketing Agent after notice to the City and the Bondholders affected thereby) thereafter during such Weekly Mode, the Remarketing Agent shall set the Weekly Rate for such Bonds or portion by determining, in the manner described in *Subdivision E(6)* of this *Section 2.2*, the Market Rate therefor on such day.

(3) ***Commercial Paper Rate***. By not later than 12:30 p.m., New York, New York time, on or before the first business day for the Remarketing Agent in each Interest Period for each Bond (or portion thereof) which is in a Commercial Paper Mode, the Remarketing Agent shall designate the Commercial Paper Rate on such Bond or portion for such Interest Period, in each case by determining, in the manner described in *Subdivision E(6)* of this *Section 2.2*, the Market Rate therefor on such day.

(4) ***SIFMA Index Rate***. On any date designated by the Remarketing Agent which is not more than 35 days nor later than the last business day preceding the end of each Interest Period (other than the initial Interest Period) for Bonds in a SIFMA Index Mode (whether such end of applicable Interest Period shall be by expiration of its term or by earlier termination by direction of the City to redeem Bonds or cause their mandatory tender for purchase, as applicable), and, if any such Bond or portion is a Bank Bond at the close of business on the first day of such Interest Period, again on each day (and not less than once every two weeks) following the first day of such Interest Period designated by the Remarketing Agent until no Bonds in such Interest Mode are Bank Bonds, the Remarketing Agent shall determine the fixed Applicable Spread (and any function or scale by which such Applicable Spread shall be adjusted during) for such Interest Period in the manner described in *Subdivision E(6)* of this Section (or in the manner specified in the applicable Remarketing Agreement if addressed therein).

(5) ***Term Rate; Fixed Rate***. On any date designated by the Remarketing Agent which is not more than 35 days preceding nor later than the last business day preceding the end of the then-applicable Interest Period for Bonds (or any portion thereof) subsequent to which such Bonds or portion are to be in a Term Mode or Fixed Mode (whether such end of applicable Interest Period shall be by expiration of its term or by earlier termination by direction of the City to redeem Bonds or cause their mandatory tender for purchase, as applicable), and, if any such Bond or portion is a Bank Bond at the close of business on the first day of such Interest Period, again on each day (and not less than once every two weeks) following the first day of such Interest Period designated by the Remarketing Agent until no Bonds in such Interest Mode are Bank Bonds, the Remarketing Agent shall determine, in the manner described in *Subdivision E(6)* of this Section (or in the manner specified in the applicable Remarketing Agreement if addressed therein), the Market Rate on such day for such Bonds or portion (or, in the case of a Fixed Mode, for each class of Bonds or portions thereof which have theretofore been selected pursuant to *Section 2.4E* for redemption pursuant to *Section 2.4B*) during such Interest Period.

(6) ***Procedure for Market Rate Determination and Applicable Spread Determination***. The Remarketing Agent shall make each determination of the Market Rate and the Applicable Spread (and any function or scale to be used to adjust the Applicable Spread) required to be made by it pursuant to this *Section 2.2* regardless of whether the Bonds or any portion thereof are Bank Bonds and whether or not an Event of Default exists. The Remarketing Agent shall make each determination of the Market Rate or the Applicable Spread, as applicable, for any Bond pursuant to this *Section 2.2* by determining, under prevailing market conditions, the minimum interest rate necessary or smallest spread (in basis points) to the SIFMA Index (as applicable), in the judgment of the Remarketing Agent (or, upon agreement with the City if such obligation to remarket represents a firm commitment of the Remarketing Agent under the Remarketing Agreement), to be borne by such Bond for the relevant Interest Period to produce a bid for such Bond equal to either (a) at least 100% of the principal amount thereof plus interest, if any, accrued thereon (other than Bank Differential) from the Bond Date or the most recent Interest Payment Date therefor to which interest has been paid or duly provided for or (b) in the case of a change to the Fixed Rate at a premium or a discount, the price provided in

Subdivision E(7) of this Section. In determining the Market Rate on any business day for Bonds in a Daily Mode, the Remarketing Agent shall determine the Market Rate therefor initially by 10:00 a.m., New York, New York time, on such day and again by 11:15 a.m. New York, New York time, on such day, and the Market Rate for such Bonds determined on such day shall be the higher of the two rates so determined. If the Remarketing Agent fails to determine the Market Rate or the Applicable Spread (or function or scale to adjust the Applicable Spread) for any such Bond on such Rate Determination Date, or any Market Rate or Applicable Spread (or function or scale to adjust the Applicable Spread) for any such Bond determined by the Remarketing Agent on such Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, the Market Rate or Applicable Spread, as applicable, therefor to be determined on such Rate Determination Date shall be as provided in *paragraph (j)* of the insert to the Bonds set forth in *Section 2.2B*; provided that any function or scale used to adjust the Applicable Spread, if any, shall be the function and scale for adjusting the Applicable Spread theretofore in effect (if any).

(7) ***Premium/Discount Term Mode and Fixed Mode Bonds.*** In determining the Term Rate or Fixed Rate for Bonds, the Remarketing Agent may, if approved by a duly authorized City official in the Approval Certificate or the Conversion Ordinance, determine (or, upon agreement with the City if such obligation to remarket represents a firm commitment of the Remarketing Agent under the Remarketing Agreement) the minimum rate necessary to be borne by such Bonds to their date of mandatory tender for purchase or Stated Maturity (as applicable) to produce a bid for such Bonds equal to either a premium (that does not exceed costs of the Interest Mode change and remarketing such Bonds or that otherwise produces the lowest yield on the Bonds) to or a discount (if, in the judgment of the City, a discount would produce a lower yield on such Bonds to Maturity) from the Purchase Price thereof, in either case as and in the amount specified in the applicable Approval Certificate or Conversion Ordinance, *provided* that (1) in the case of Bonds to be sold at a discount, either (a) a Liquidity Facility is in effect with respect to such Bonds and obligates the Liquidity Bank to provide funds sufficient, together with any proceeds of remarketing such Bonds, to purchase such Bonds at the Purchase Price on the Purchase Date on which such Fixed Mode takes effect or (b) the City shall have transferred to the Tender Agent on or before the Rate Determination Date for such Fixed Mode for deposit to the Purchase Fund an amount equal to such discount in immediately available funds and (2) in the case of Bonds to be sold at a premium, the Remarketing Agent shall transfer the premium to the Paying Agent/Registrar for credit to the Bond Fund to pay a portion of the Purchase Price then due and owing on such Purchase Date, interest on the Bonds when due, and costs of changing the Interest Mode for and remarketing such Bonds on such Purchase Date. Any premium at which Bonds may be remarketed in accordance with this *Subdivision 2.2E(7)* is hereby allocated to the costs of changing the Interest Mode for such Bonds to the Term Mode or Fixed Mode, as applicable, and remarketing such Bonds and the other purposes heretofore specified as authorized uses of any such premium.

F. ***Notice of Interest Rates and Interest Modes.*** The Remarketing Agent shall give telephonic (followed by prompt written), telecopied, or telexed notice to the City, the Board, and the Paying Agent/Registrar of each interest rate determination made by it pursuant to *Subsection E* of this *Section 2.2* and each determination of the duration of an Interest Period for any Bond or portion thereof made by it pursuant to *Subsection D* of this *Section 2.2*.

Not less than 5 days if such Bond or any portion thereof bears interest at a Stepped Rate, not less than 20 days, if such Bond or the applicable portion thereof is in a Daily Mode or Weekly Mode, not less than 30 days, if such Bond or the applicable portion thereof is in any other Interest Mode, and not more

than 60 days prior to the effective date of a change in the method of determining the Rate Determination Date for any Bond or portion thereof, the first day of any Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode (other than the initial SIFMA Index Mode), Term Mode, or Fixed Mode for any Bond or portion thereof, or the first day of any change in the Maximum Rate on any Bond, in the Interest Period for any Bond or portion thereof, or any Interest Mode for any Bond or portion thereof, the City shall give (or cause the Paying Agent/Registrar or Tender Agent to give) notice to the Remarketing Agent and any Credit Enhancer and/or Liquidity Bank, and the Holder of each Bond stating that such change will occur and the effective date of such change.

The Paying Agent/Registrar or Tender Agent, as applicable, shall provide a copy of each notice given pursuant to this subdivision to each transferee of an affected Bond or portion thereof that is authenticated by it on or after the date of such notice and prior to the effective date of the change described therein.

The Remarketing Agent for the Bonds shall provide the rate of interest constituting the Daily Rate, the Weekly Rate, or the Commercial Paper Rate, the Calculation Agent shall provide the rate of interest constituting the SIFMA Index Rate, and the Paying Agent/Registrar shall provide the rate of interest constituting the Term Rate, SIFMA Index Rate (after receipt of such SIFMA Index Rate from the Calculation Agent as of each Calculation Reset Date), Stepped Rate, or Fixed Rate, for any Bond, or any portion thereof, from time to time to each Holder thereof who requests such information.

G. ***Effect of Determinations.*** Each designation of an Interest Mode or the duration of an Interest Period made pursuant to this Section and each determination of a Daily Rate, Weekly Rate, Commercial Paper Rate, SIFMA Index Rate, Term Rate, Stepped Rate, or Fixed Rate made pursuant to this Section shall be conclusive and binding upon the City, the Paying Agent/Registrar, the Calculation Agent, the Tender Agent, any Credit Enhancer, any Liquidity Bank, and the Holders, and none of the City, the Remarketing Agent, the Tender Agent, the Paying Agent/Registrar, or the Calculation Agent shall have any liability to any such person for any such determination, whether due to any error in judgment, failure to consider any information, opinion, or other resource, or otherwise.

H. ***Limited Obligations.*** The Bonds are limited, special obligations of the City payable solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues, subject and subordinate to the liens on and pledges of the Net Revenues heretofore or hereafter made to secure payment of the Senior Lien Obligations and any Additional Senior Lien Obligations, and the Holders thereof shall never have the right to demand payment of the principal of or interest on the Bonds from any funds raised or to be raised through taxation by the City.

SECTION 2.3. ***Payment of Bonds; Paying Agent/Registrar; Calculation Agent.***

The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder of the Bonds.

The selection and appointment of U.S. Bank National Association, Dallas, Texas, to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed. The City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (hereby referred to as the *Securities Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying

Agent/Registrar Agreement entered into by the City and the Paying Agent/Registrar. The form and terms of Paying Agent/Registrar Agreement attached hereto as *Exhibit A* are hereby approved, and any City officer or Designated Financial Officer is authorized to execute and deliver the Paying Agent/Registrar Agreement substantially in such form attached hereto as Exhibit A and to such effect in the name of the City.

The City shall further cause to be kept by the Paying Agent/Registrar a register (herein sometimes referred to as the ***Bank Bond Register***) in which, subject to such reasonable regulations as it or the Paying Agent/Registrar may prescribe, the City shall provide for the registration of and the registration of transfers of beneficial ownership of, and termination of the status of Bonds as, Bank Bonds. On each Purchase Date on which Bonds or any portion thereof are purchased by the Liquidity Bank pursuant to *Section 2.5D(2)*, the Paying Agent/Registrar shall record the beneficial ownership of such Bank Bonds on the Bank Bond Register in the name of the Liquidity Bank or their authorized agent. Subject to the terms of the Liquidity Facility, any Bank Bondholder may transfer the registration of a Bank Bond by providing to the Paying Agent/Registrar a written transfer executed by the owner of such Bank Bond or beneficial interest therein as shown on the Bank Bond Register or its attorney designated in writing and providing the name and address of the transferee and the account to which any payment of Bank Differential in respect of such Bank Bond is to be made. If a Liquidity Facility is accepted pursuant to *Section 4.1C* and, such Liquidity Facility does not provide for the automatic reinstatement of sums available to be drawn thereunder when Bank Bonds cease to be Bank Bonds, then the Paying Agent/Registrar shall not register the transfer of any Bank Bond that would result in it ceasing to be a Bank Bond unless it shall have first determined that the funds available to be drawn under the Liquidity Facility have been reinstated by an amount sufficient to pay the Purchase Price of such Bond.

The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds remain unpaid. Any successor Paying Agent/Registrar shall be approved by the Credit Enhancer and the Liquidity Provider, respectively, if any at such time exist, and shall be either (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a Board resolution or City ordinance terminating its agency and providing a copy of such resolution or ordinance to the Credit Enhancer and the Liquidity Provider, respectively, if any at such time exist. Additionally, the City agrees promptly to cause a written notice of any such substitution to be sent to each Holder of the Bonds by United States Mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar. No removal or replacement of the Paying Agent/Registrar shall be effective until a successor shall have been appointed and qualified as such and shall have or have been assigned the right to draw or claim under the Liquidity Facility, if any, and the Credit Facility, if any, as therein required or permitted if the Paying Agent/Registrar is the designated party to draw under either such Credit Agreement.

Principal of, premium, if any, and interest on each Bond, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the Holder in whose name such bond is registered on the Securities Register (i) as of the close of business on the Record Date for payment of interest, in the case of interest, and (ii) on the date of surrender of the Bonds, in the case of payment of principal. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and (unless otherwise expressly stated herein) all

other purposes whatsoever, and neither the City nor the Paying Agent/Registrar nor any agent of either shall be affected by notice to the contrary.

Principal of and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office, except as otherwise agreed with the Securities Depository in the case of partial redemptions. Interest (other than Bank Differential) on the Bonds or any portions thereof due on any Interest Payment Date shall be paid to the person in whose name such Bonds are registered in the Securities Register at the close of business on the Record Date for such interest, and shall be paid (i) by check sent by United States Mail, first-class postage prepaid, by the Paying Agent/Registrar to the address of such person appearing in the Securities Register, (ii) if such Bond or portion thereof is a Bank Bond or registered to the Securities Depository and otherwise at the option of the Holder thereof (*if* the Holder of not less than $1,000,000 principal amount of Bond) exercised by written notice delivered to the Paying Agent/Registrar not less than 15 days prior to (or, *if* the Interest Period for such Bond or portion thereof immediately preceding such Interest Payment Date is less than 16 days in duration, then not later than the last Business Day preceding) the relevant Record Date therefor, by Federal Funds wire to any designated account within the United States of America, or (iii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by such person at such person's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. Payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

In the event interest (other than Bank Differential) due on an Interest Payment Date is not paid or duly provided for by the City for 30 days thereafter, a new record date for such interest (herein referred to as a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (herein referred to as the *Special Payment Date*, which shall be 15 days after the Special Record Date) shall be sent by the Paying Agent/Registrar at least five business days prior to the Special Record Date by United States Mail, first-class postage prepaid, to the address of each Holder appearing on the Securities Register at the close of business on the last business day next preceding the date of mailing of such notice.

The Bank Differential on any Bank Bond which is payable on any Interest Payment Date therefor shall be paid to the person in whose name that Bank Bond (or one or more Predecessor Bonds) is registered on the Bank Bond Register at the close of business on the Record Date or Special Record Date, as applicable, for such interest as immediately available funds by wire transfer to such person to the account specified in the Bank Bond Register or pursuant to other customary arrangements made by such person and acceptable to the Paying Agent/Registrar.

In addition to the foregoing, and for so long as the Bonds are Outstanding in SIFMA Index Mode, the City shall maintain a Calculation Agent, who shall provide those services that are described in *paragraph (e)* of the insert to the Bonds set forth in *Section 2.2B*. The Calculation Agent shall be the Paying Agent/Registrar, the Remarketing Agent, or such other banking or financial institution designated by a Designated Financial Officer and shall serve in such capacity pursuant to applicable terms included in the Paying Agent/Registrar Agreement, the Remarketing Agreement, or a separate agreement entered into between the City and the Calculation Agent. In the absence of manifest error, the determination by the Calculation Agent of any index component and the SIFMA Index Rate shall be conclusive and

binding on the Bondholders, the Paying Agent/Registrar, the Calculation Agent, the Remarketing Agent, and the City. If during any SIFMA Index Period, the Calculation Agent fails to calculate or recalculate the applicable interest rate not later than the Business Day immediately succeeding the Calculation Reset Date, such calculation may instead be made by any other party authorized to serve as the Calculation Agent, as directed by a Designated Financial Officer. The initial Calculation Agent shall be the initial Paying Agent/Registrar and the terms governing the initial Paying Agent/Registrar's role as the initial Calculation Agent shall be included in the Paying Agent/Registrar Agreement.

SECTION 2.4. ***Redemption.***

A. ***Optional Redemption***. During their initial Interest Period, the Bonds are not subject to redemption prior to August 1, 2017. Thereafter (and including the initial Rate Adjustment Date), the City (at its option) may redeem prior to their Stated Maturity all or from time to time any part of the Bonds at a price equal to 100% of the principal amount thereof together with interest, if any, accrued thereon from the most recent Interest Payment Date therefor to which interest thereon has been paid or duly provided for to the specified Redemption Date. Subsequent to their initial Interest Period (and any period immediately thereafter during which the Bonds bear interest at a Stepped Rate), and unless specified otherwise in the Approval Certificate or Conversion Ordinance (as applicable) concerning the subject remarketing of the Bonds into a new Interest Period (which may specify differing redemption provisions applicable to such then-remarketed Bonds), the City may redeem prior to their Stated Maturity all or from time to time any part of the Bonds at a price equal to 100% of the principal amount thereof together with interest, if any, accrued thereon from the most recent Interest Payment Date therefor to which interest thereon has been paid or duly provided for to the Redemption Date on:

(1) ***Daily or Weekly Mode*****:** any Business Day, if the Bonds or portions thereof to be redeemed bear interest at a Daily Rate or Weekly Rate,

(2) ***Commercial Paper Mode, SIFMA Index Mode, or Term Mode*****:** any Rate Adjustment Date for the Bonds or portions thereof to be redeemed, if such Bonds or portions are in a Commercial Paper Mode, SIFMA Index Mode, or Term Mode, unless (as described above) with respect to Bonds in a SIFMA Index Mode or Term Mode, the Approval Certificate or Conversion Ordinance delivered in connection with a remarketing of such Bonds specifies a different optional redemption date or dates (in which case, such differing date or dates will control),

(3) ***Fixed Mode*****:** the first day of the Fixed Mode for the Bonds or portions thereof to be redeemed, or as otherwise specified or provided in the Approval Certificate or Conversion Ordinance delivered in connection with a remarketing of such Bonds converted to a Fixed Mode (in which case, the redemption terms described in such Approval Certificate or Conversion Ordinance will control),

(4) ***Bank Bonds*****:** any date, in the case of Bank Bonds, or

(5) ***Term Mode when Bonds Bear Interest at a Stepped Rate:*** any date, or

(6) ***SIFMA Index Mode when Bonds Bear Interest at a Stepped Rate:*** any date.

In addition, following conversion of the Bonds or any portion thereof to a new SIFMA Index Mode, Term Mode or Fixed Mode with an Interest Period of one of the following durations, the City may redeem on any date prior to their Stated Maturity all such Bonds or portions or from time to time any part of such

Bonds or portions (and provided that the applicable Approval Certificate or Conversion Ordinance does not specify alternative redemption features for Bonds in such specified Interest Mode or Modes):

(7) ***Absent Further Action***: after the no-call period shown below following the first day of such Interest Mode, at a price equal to 100% of the principal amount thereof:

Interest Period		
Equal to or Greater than	**But less than**	**No-Call Period**
12 years	N/A	10 years
9 years	12 years	8 years
7 years	9 years	6 years
5 years	7 years	4 years
0 years	5 years	3 years

Upon satisfaction of the conditions of *Subsection A(7)* of this *Section 2.4*; and

(8) ***Further Action***: on the dates and at the prices stated in any alternate table substituted for the table specified in *Subsection A(7)* of this *Section 2.4* by Approval Certificate or Conversion Ordinance, as applicable, enacted by the City Council prior to the Rate Determination Date for such Interest Period if the City receives an Opinion of Counsel to the effect that such substitution of such alternate dates and prices will not adversely affect any exclusion of interest on any Bond from the gross income of the owner thereof for federal income tax purposes;

plus in each case interest, if any, accrued thereon from the most recent Interest Payment Date therefor to which the interest thereon has been paid or duly provided for to the redemption date.

B. ***Sinking Fund Redemption***. The City shall redeem Bonds on February 1 in the following years, in the aggregate principal amount set forth opposite such year below, at a price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date to which interest thereon has been paid or duly provided for to the Redemption Date:

Years of Stated Maturity	Principal Amounts ($)
2029	25,000,000
2030	25,000,000
2031	25,000,000
2032	25,000,000
2033	25,000,000

provided, however, that the principal amount of Bonds so to be redeemed in any year shall be reduced upon written request of the Board delivered to the Paying Agent/Registrar by an amount equal to the principal amount of Bonds (1) surrendered uncancelled and in transferable form by the Board to the Paying Agent/Registrar not less than 50 days prior to such redemption date or (2) selected (not less than five days prior to the last day for mailing notice of such redemption date) for redemption in or prior to such year pursuant to *Subsection A* or *C* of this *Section 2.4*, if in either case such Bonds shall not have previously served as the basis for any such reduction.

C. ***Mandatory Redemption of Bank Bonds.*** The City shall redeem the Bank Bonds as a whole or in part on the dates and in the aggregate principal amounts provided in the Liquidity Facility at such time valid and in effect (if any), in each case at a price equal to 100% of the principal amount thereof plus interest, if any, accrued thereon to the redemption date from the most recent Interest Payment Date to which the interest thereon has been paid or duly provided for.

D. ***Exercise of Redemption Option.*** At least 30 days, in the case of Bonds in a Daily Mode or Weekly Mode, and 45 days, in the case of Bonds in any other Interest Mode, prior to a date set for the redemption of Bonds at the option of the City (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar or the Bonds to be redeemed are Bank Bonds, Bonds in a SIFMA Index or Term Mode bearing interest at a Stepped Rate), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Bonds, the principal amount to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise its right to redeem Bonds, other than Bank Bonds, Bonds in a SIFMA Index Mode or Term Mode bearing interest at a Stepped Rate, or Bonds that have been redeemed as a result of the generation of a premium in connection of the remarketing of Bonds from one Interest Period to another (but which redemption(s) resulting from premium generation shall be evidenced in the applicable Approval Certificate or Conversion Ordinance), shall be entered in the minutes of the governing body of the City.

E. ***Selection of Bonds for Redemption.*** If less than all the Outstanding Bonds are to be redeemed, the City shall redeem all Bank Bonds before redeeming any other Bonds. If less than all Outstanding Bonds (other than Bank Bonds) are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, treating each Bond as representing a number of Bonds outstanding which is obtained by dividing the principal amount of such Bond by the smallest authorized denomination for Bonds of the Interest Mode to be redeemed; *provided* that, if so provided in any Approval Certificate or Conversion Ordinance designating the Fixed Mode for the Bonds or any portion thereof, the Paying Agent/Registrar shall select the Bonds of such Interest Mode or portions thereof to be redeemed on any redemption dates therefor described in *Subsection B* of this *Section 2.4* which are specified in such Approval Certificate or Conversion Ordinance by not later than the Rate Determination Date for the Fixed Mode, and each such redemption date shall be inserted under the caption "Stated Maturity" immediately below the title of any such Bond so selected for redemption on such redemption date which is authenticated and delivered on or after the Rate Adjustment Date for the Fixed Mode.

F. ***Notice of Redemption.*** Not less than twenty 20 days, in the case of Bonds in a Daily Mode or Weekly Mode, and not less than 30 days, in the case of Bonds in any other Interest Mode, and in either case not more than 60 days prior to a redemption date for Bonds (other than Bank Bonds or Bonds in a SIFMA Index Mode or a Term Mode bearing interest at a Stepped Rate), a notice of redemption shall be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each Holder of a Bond to be redeemed, in whole or in part, at the address of the Holder thereof appearing on the Securities Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. All notices of redemption shall (i) specify the date of redemption, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the Interest Mode, Interest Period (if in a Commercial Paper Mode), and principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds or the portion of the principal amount thereof to be redeemed shall become due and payable on the redemption date specified, and in that case the interest thereon (or on the portion of the principal amount thereof to be redeemed) shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds or the principal amount thereof to be

redeemed shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder.

The City hereby reserves the right, in the case of an optional redemption, to make such redemption conditional and/or to rescind the notice of its election or direction to redeem Bonds. Such notice may state that the redemption is conditioned upon the deposit of money and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar and/or that such notice may be rescinded by the City not later than one Business Day prior to the scheduled redemption date by written directive to the Paying Agent/Registrar. If rescinded, such notice and redemption shall be of no force and effect and the Bonds shall thereafter remain Outstanding. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the Holders of affected Bonds. A rescission of a notice of redemption shall not constitute an event of default hereunder or the affected Bonds. Further, in the case of a conditional redemption, the failure of the City to make money and/or authorized securities available in part or in whole on or before the scheduled redemption date shall not constitute an event of default hereunder or the affected Bonds.

Notwithstanding any provision hereof to the contrary, and with respect to redemptions of Bonds effected on a Rate Adjustment Date, the notice of mandatory tender provided in accordance with *Section 2.5B* shall serve as sufficient notice of redemption to the Holders of any such redeemed Bonds.

G. ***Effect of Redemption.*** If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable on the redemption date, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

H. ***Transfer/Exchange.*** Neither the City nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning 45 days prior to the date fixed for redemption of Bonds or (2) to transfer or exchange any Bond selected for redemption; *provided, however,* such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

I. ***Bond Provisions.*** Each Bond shall include the following text relating to the terms of redemption thereof, ***if authenticated and delivered in any Interest Mode other than the Fixed Mode*:**

"The Bonds are subject to (a) mandatory sinking fund redemption on February 1 of the years and in the aggregate principal amounts specified in the Ordinance and, in the case of Bank Bonds, on the dates and in the principal amounts specified in the Ordinance, and (b) redemption at the option of the City (i) on August 1, 2017 or any date thereafter during the initial Interest Period, (ii) if the Bonds or portions thereof to be redeemed are in a Daily Mode or Weekly Mode, as a whole or from time to time in part on any Business Day, (iii) in whole or in part on any Rate Adjustment Date therefor, if such Bonds or portions thereof to be redeemed are in a Commercial Paper Mode, SIFMA Index Mode, or Term Mode, (iv) in whole or in part on the first day of the Fixed Mode for the Bonds or portions thereof to be redeemed, (v) as a whole or from time to time in part on any day for Bank Bonds, or Bonds in a SIFMA Index Mode or a Term Mode that are bearing interest at a Stepped Rate, and (vi) unless specified otherwise herein or

in an Approval Certificate or Conversion Certificate (as applicable), on any date during a SIFMA Index Mode, Term Mode, or Fixed Mode with an Interest Period of duration described in the following table, but only after the no-call period following the first day thereof described in such table:

Interest Period		
Equal to or greater than	**But less than**	**No-Call Period**

[insert applicable dates and prices]

in all cases on not less than 20 days, in the case of Bonds in a Daily Mode or Weekly Mode, not less than 30 days, in the case of Bonds in any other Interest Mode (except Bank Bonds or Bonds in a SIFMA Index Mode or a Term Mode that are bearing interest at a Stepped Rate), and in either case not more than 60 days prior written notice given by mail as provided in the Ordinance, upon payment of the redemption price, which shall consist of 100% of the principal amount of the Bonds or parts thereof so redeemed plus interest, if any, accrued thereon from the Bond Date specified above or the most recent Interest Payment Date to which the interest thereon has been paid or duly provided for to the redemption date.

"The Ordinance requires this Bond to be tendered by the Holder for purchase upon each Purchase Date described under "*Mandatory Tender*" in the "*Notice of Demand Privilege , Mandatory Tender, and Liquidity Support*" appearing hereon. By accepting this Bond the Holder agrees to all such provisions."

and, ***if authenticated and delivered in the Fixed Mode***:

"The Bonds are subject to (a) mandatory sinking fund redemption on February 1 of the years and in the aggregate principal amounts specified in the Ordinance and (b) redemption at the option of the City, in whole or from time to time in part on any date (but not before .....), in all cases on not less than 30 nor more than 60 days prior notice given by mail as provided in the Ordinance, upon payment of the redemption price, which shall consist of 100% of the principal amount of the Bonds or parts thereof so redeemed plus interest, if any, accrued thereon from the most recent Interest Payment Date therefor to which the interest thereon has been paid or duly provided for to the redemption date."

SECTION 2.5. ***Purchase of Bonds.***

A. ***Tender and Purchase***. For Bonds in a Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, or Term Mode when there exists a Liquidity Facility, the Paying Agent/Registrar shall effect the purchase of Bonds (or portions thereof in principal amount equal to, and leaving unpurchased, an authorized denomination), other than Bank Bonds, from any person (other than an Ineligible Owner thereof), at the Purchase Price therefor, payable in immediately available funds by the close of business on the applicable Purchase Date, but solely from and to the extent of the funds described in *Subsection C* of this *Section 2.5*, for the account of the persons described in *Subsection D* of this *Section 2.5*,

(1) ***Daily Mode Tender Option***: while such Bonds or portions thereof are in a Daily Mode, upon tender (or constructive tender pursuant to *Subsection F* of this *Section 2.5*) for purchase of such Bonds or portions at the option of such Person on any Business Day for such Bonds, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, at the principal office of the Tender Agent in the Place of Payment therefor by 12:00 noon, New York, New York time, on such Business Day, *if* notice (which notice shall be irrevocable and effective upon receipt) of such tender (specifying the principal

amount thereof to be tendered, the Interest Mode then in effect therefor, the Purchase Date therefor, the name of the Holder thereof, and, if such Bond is a Book-Entry Only Bond, the name and number of the account to which such Bond or portion is credited by the Securities Depository) shall have been given to the Remarketing Agent for such Bonds by 11:00 a.m., New York, New York time, on such Purchase Date, by telephone, facsimile, or other electronic notice, and

(2) ***Weekly Mode Tender Option***: while such Bonds or portions thereof are in a Weekly Mode, upon tender (or constructive tender pursuant to *Subsection E* of this Section) for purchase of such Bonds or portions at the option of such Person on any Business Day therefor, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, at the office of the Tender Agent by 12:00 noon, New York, New York time, on such Business Day, in the Place of Payment, *if* notice (which notice shall be irrevocable and effective upon receipt) of the tender of such Bond (or portion thereof) for purchase (specifying the principal amount or portion of such Bond so to be tendered, the Interest Mode then in effect therefor, the Purchase Date therefor, the name of the Holder thereof and, if such Bond is a Book-Entry Bond, the name and number of the account to which such Bond or portion is credited by the Securities Depository) shall have been given by the Holder thereof or his attorney duly authorized in writing or, if such Bond is a Book-Entry Bond, by the beneficial owner thereof or his attorney duly authorized in writing, to the Remarketing Agent and the Tender Agent by 4:00 p.m., New York, New York time, on a Business Day therefor which is at least seven calendar days prior to such Purchase Date, in writing or by facsimile or other written electronic means, and

(3) ***Mandatory Tender***: upon tender (or constructive tender pursuant to *Subsection E* of this Section) for purchase of such Bonds or portions as required by this Subsection, on:

(a) ***Liquidity Facility Release***: if such Bonds or portions are in a Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, or Term Mode, and there then exists and is in effect a Liquidity Facility relating to the Bonds, (i) the third Business Day prior (A) to the expiration of the Liquidity Facility or (B) to the date of termination or suspension of the obligation of the Liquidity Bank under the Liquidity Facility with prior written notice to the Paying Agent/Registrar, and (ii) the last Business Day on or before any release of the Liquidity Facility pursuant to *Section 4.1B(4)*;

(b) ***Interest Mode Changes***: the first Business Day therefor in each new Interest Mode for such Bonds or portions thereof designated pursuant to *Section 2.2C*, whether or not such new Interest Mode is effected;

(c) ***Rate Adjustment***: the first Business Day of each Interest Period for such Bonds or portions while such Bonds or portions are in a (i) Commercial Paper Mode, (ii) SIFMA Index Mode, or (iii) Term Mode; and

(d) ***Credit Facility Release***: if a Credit Facility is in effect hereunder, the third Business Day prior to the expiration of the Credit Facility or prior to the date of termination of the obligations of the Credit Enhancer thereunder with prior written notice to the Paying Agent/Registrar, and (ii) the last Business Day on or before the release of such Credit Facility pursuant to *Section 4.2J(5)*.

Each owner of Bonds or any portion thereof (other than an Ineligible Owner thereof), upon notice given by the Tender Agent pursuant to *Subsection B* of this *Section 2.5* and, if in a Commercial Paper Mode, on the first Business Day on or after each Rate Adjustment Date therefor, shall tender, and in any event shall be deemed to have tendered, to the Tender Agent at the Place of Payment, as agent for the persons which purchase the same pursuant to *Subsection D* of this *Section 2.5*, such Bonds or portions for purchase pursuant to this Subsection. Any Book-Entry Only Bond (or portion thereof) which is required to be tendered for purchase pursuant to this Section shall be deemed tendered to the Tender Agent endorsed in blank when the Securities Depository shall have received sufficient instruction from the person to whose account at the Securities Depository such Bond or portion is credited to transfer beneficial ownership of such Bond (or portion) in blank or for the account of the Tender Agent, and payment of the Purchase Price of such Bond (or portion) shall be deemed to be made when the Tender Agent or the Remarketing Agent gives sufficient instructions to (while maintaining sufficient funds at or delivering such funds to) the Securities Depository to credit such Purchase Price to the account of such person at the Securities Depository. Notwithstanding the foregoing, any Book-Entry Only Bond may be so tendered, transferred, and paid for in accordance with the delivery order procedures of the Securities Depository.

B. ***Notice of Mandatory Tender***. The Tender Agent shall give notice of each Purchase Date for Bonds or portions thereof described in *Subsection A(3)* of this *Section 2.5* (other than Purchase Dates described in *Subsection A(3)(c)(i)* of this *Section 2.5* for Bonds or portions thereof in a Commercial Paper Mode) to the Liquidity Bank (if any), the Paying Agent/Registrar, the Remarketing Agent, and each Holder of Bonds affected thereby by mail, first-class postage prepaid, not less than 20 days, if such Bonds or portions are in a Daily Mode or Weekly Mode, not less than 30 days, if such Bonds or portions are in any other Interest Mode (other than a Bank Bond or any Bond in a SIFMA Index Mode or a Term Mode bearing interest at Stepped Rate), and in either case not more than 60 days preceding such Purchase Date, stating:

(1) ***Purchase Date***: the date of such Purchase Date,

(2) ***Identification***: the Bonds to be purchased and, if less than all of the Bonds are to be tendered for purchase on such Purchase Date, an identification (by Bond and CUSIP number, Stated Maturity, Closing Date, and Interest Mode) and the principal amount of the Bonds or portions thereof so to be tendered;

(3) ***Termination of Rights***: that each such Bond or portion thereof not tendered for purchase pursuant to *Subsection A(3)* of this *Section 2.5* by 12:00 noon, New York, New York time, on such Purchase Date shall be deemed to have been tendered for purchase on such Purchase Date at the Purchase Price therefor, and that, if due provision is made for the payment of such Purchase Price on such Purchase Date, such Holder shall not be entitled to any payment (including any interest accrued subsequent thereto) in respect of such Bond or portion other than the Purchase Price therefor,

(4) ***Release of Liquidity Facility or Credit Facility***: in the case of a Purchase Date described in *Subsection A(3)(a)* or *(d)* of this *Section 2.5*, that the Liquidity Facility or Credit Facility, respectively, then in effect will thereafter no longer be in effect, and that any credit rating then assigned to the Bonds by any Rating Service may be reduced or withdrawn,

(5) ***Payment Provisions***: the time and place for the tender of such Bonds or portions thereof and the then current names and addresses of the Tender Agent and the Remarketing Agent for such Bonds, and

(6) ***Interest Mode or Period Change***: if applicable, the matters described in *Section 2.2F*,

and shall comply with the requirements of *Section 4.1A*, to the extent required or necessary in respect of each such Purchase Date.

During the initial Interest Period (and in subsequent Interest Periods if provided in the applicable Approval Certificate and/or Conversion Ordinance relating to Bonds in such subsequent Interest Period), the Bonds are subject to mandatory tender, without right of retention and at the direction of the City, prior to the expiration of the applicable Interest Period, in accordance with and as provided in *Section 2.2C(2)* hereof. With respect to any notice of mandatory tender delivered in accordance with this *Section 2.5B* in connection with a Purchase Date scheduled to occur prior to the latest Purchase Date permitted hereunder for Bonds in such applicable Interest Period (being the Purchase Date to occur immediately after the scheduled expiration of such Interest Period; such latest Purchase Date, the *Latest Purchase Date*), the City may rescind any such notice of mandatory tender so long as such rescission occurs at least one Business Day prior to the scheduled Purchase Date. In the event of such rescission, the Bonds shall continue to bear interest at the applicable rate then in effect (including, with respect to Bonds in the initial Interest Period, at the SIFMA Index Rate) through the remainder of the scheduled duration of the then applicable Interest Period (being the Business Day preceding the Latest Purchase Date). A rescission of a notice of mandatory tender relating to a scheduled tender of Bonds on the Latest Purchase Date shall occur in the manner, and the effect of such rescission shall be as, provided in *Section 2.5E* hereof.

C. ***Purchase Fund; Purchase of Tendered Bonds***. The Tender Agent shall establish and maintain for the account of the persons described in *Subsection D* of this *Section 2.5* a special trust fund designated the "City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B Purchase Fund" (herein referred to as the *Purchase Fund*) and, within the Purchase Fund, separate accounts for Eligible Bonds and all other Bonds, respectively. The money deposited to each account of the Purchase Fund shall be held in trust separate and apart from all other funds held by the Tender Agent and applied solely as provided in this Subsection.

The Tender Agent shall deposit to the credit of the applicable account of the Purchase Fund the following funds promptly upon receipt (and no other funds) and shall apply the money in the applicable account of the Purchase Fund on each Purchase Date to pay the Purchase Price of the Bonds for which such account was established (or portions thereof) and which are tendered pursuant to *Subsection A* of this *Section 2.5* from the following sources in the following order of priority:

(1) ***Remarketing Proceeds***: *first*, proceeds of the remarketing of such Bonds or portions (other than Bonds or portions remarketed to the City),

(2) ***Liquidity Draws***: *second*, in the case of tendered Eligible Bonds and the related account in the Purchase Fund, amounts drawn under or derived from a Liquidity Facility, if having been accepted pursuant to *Section 4.1C* and at such time in force and effect pursuant to *Section 4.1A*, and

(3) ***City Advances***: *third*, if sufficient amounts for the payment of the unpaid Purchase Price have not been deposited to the Purchase Fund by 4:00 p.m., New York, New York time on the Purchase Date, from payments, if any, elected to be made by the City.

Upon tender for purchase of any Bond or portion thereof on the Purchase Date therefor or of any Untendered Bond on or after the Purchase Date therefor in accordance with *Subsection A* of this *Section 2.5*, endorsed in blank (or accompanied by a bond power executed in blank) to the extent of the portion to be purchased, the Paying Agent/Registrar shall pay to the Holder of such Bond or such Untendered Bond the Purchase Price therefor or for such portion on behalf of the purchaser thereof specified in *Subsection D* of this *Section 2.5* from funds available for such purchase held in the applicable account of the Purchase Fund.

Upon constructive tender for purchase in accordance with *Subsection D* of this *Section 2.5* of any Book-Entry Only Bond or portion thereof to be purchased in accordance with *Subsection A* of his *Section 2.5*, the Tender Agent shall pay to the Securities Depository, for credit to all accounts to which such Bonds or portions are credited (other than accounts and in amounts specified by the Tender Agent), the Purchase Price therefor on behalf of the purchaser thereof specified in *Subsection D* of this *Section 2.5* from funds available for such purchase held in the applicable account of the Purchase Fund.

The Tender Agent shall hold all money delivered to it hereunder and deposited (or required to be deposited) to each account in the Purchase Fund for the purchase of the applicable Bonds or portions thereof in trust solely for the benefit of the respective persons which shall have so delivered such money until the Bonds or portions thereof purchased with such money are delivered pursuant to *Subsection D* of this *Section 2.5* and, thereafter, in the order specified above, for the benefit of the persons to whom such money is to be paid hereunder.

Amounts deposited to the Purchase Fund for the payment of the Purchase Price of Bonds or portions thereof which have been sold pursuant to the Remarketing Agreement (other than to the City) or purchased by the Liquidity Bank, if any, shall be promptly applied to effect the purchase thereof from the Remarketing Agent or the Liquidity Bank (if any), *if* permitted or required by the Liquidity Facility. If, at 4:30 p.m., New York, New York time, on any Purchase Date or upon any earlier payment of the Purchase Price of all Bonds or portions thereof required by this Section to be purchased on such Purchase Date, any balance remains in the accounts of the Purchase Fund in excess of any unsatisfied purchase obligation under this Section, such excess shall be promptly disbursed, *first*, to the Liquidity Bank, if any, from amounts in the account established for Eligible Bonds to the extent of any unpaid obligation owed to such Person under the Liquidity Facility (if one is at such time valid and in effect) and, *second*, to the City to the extent of any remaining balance. Money held for the credit of the Purchase Fund shall be held by the Tender Agent without investment.

D. ***Disposition of Tendered Bonds***. Bonds or portions thereof tendered or deemed tendered pursuant to *Subsection A* of this *Section 2.5*, the Purchase Price for which has been paid pursuant to *Subsection C* of this *Section 2.5*, shall have been purchased:

(1) ***Remarketing***: by the Remarketing Agent, if the obligation of the Remarketing Agent to remarket the Bonds under the Remarketing Agreement represents a firm financial arrangement or commitment and, if not, by the persons to whom Bonds or portions thereof have been remarketed to the extent the Purchase Price for such Bonds or portions has been paid pursuant to *Subsection C(1)* of this *Section 2.5*,

(2) ***Liquidity Bank***: by the Liquidity Bank (if any) to the extent the Purchase Price therefor is paid from amounts drawn under or derived from the Liquidity Facility at such time as may then be in force and effect pursuant to *Subsection C(2)* of this *Section 2.5*, and

(3) ***City***: otherwise by the City.

Whenever any Bond or portion thereof (other than a Book-Entry Only Bond) tendered or deemed tendered pursuant to this *Section 2.5* is purchased pursuant to this *Section 2.5*, the City shall execute, and the Tender Agent shall authenticate and deliver, in the name of and to the person deemed to have purchased the same or its designee, one or more new Bonds of any authorized denomination and same Interest Mode, bearing interest at the same rate and for the same Interest Period, and of a like aggregate principal amount pursuant to *Section 2.7*. Whenever any Book-Entry Only Bond or portion thereof tendered or deemed tendered and is purchased pursuant to this *Section 2.5*, the Tender Agent shall cause such Bond or portion to be credited to the account at the Securities Depository of the person deemed to have purchased the same or any nominee thereof specified by such Person.

The Tender Agent shall hold all Bonds delivered to it hereunder in trust solely for the benefit of the respective Holders which have so delivered such Bonds until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders.

In carrying out its responsibilities under this Section, the Tender Agent shall be acting solely as the agent of the Holders and owners from time to time of the Bonds or portions thereof tendered or deemed tendered pursuant to this *Section 2.5* and of the persons purchasing the same pursuant to this *Section 2.5*, respectively. No delivery of Bonds to the Tender Agent pursuant to this *Section 2.5* shall constitute a redemption of Bonds or other extinguishment of the debt evidenced thereby.

E. ***Failed Remarketing in Certain Term Modes***. If the Bonds are tendered for purchase in connection with a conversion to an Interest Period from an existing Interest Period during which the Bonds are in a SIFMA Index Mode or a Term Mode, and there then exists no Liquidity Facility relating to the Bonds (and there was no Liquidity Facility upon the commencement of the then-expiring Interest Period), then the Bonds shall be subject to mandatory tender on the first day of such subsequent Interest Period pursuant to *Section 2.5A(3)(b)*. In the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the City shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an Event of Default under this Ordinance or the Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will, while bearing interest at Stepped Rate, be subject to redemption and mandatory tender for purchase on any date upon which a conversion occurs (which shall occur at the City's discretion upon delivery of at least one day's notice to the Holders thereof), and (iv) will be deemed to continue in a SIFMA Index Mode or at a Term Mode, as applicable, for all other purposes of this Ordinance, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of this Ordinance. In the event of a failed conversion and remarketing as described above, the City will cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such Interest Mode or Modes as the City directs, at a rate not exceeding the Maximum Rate. All other provisions of this Ordinance applicable to Bonds in a SIFMA Index Mode or a Term Mode, as applicable, shall apply to and govern Bonds described in this *Section 2.5E* to the extent such terms are not in conflict with those included herein.

F. ***Untendered Bonds***. Any Bond (or portion thereof) which is required to be but which is not tendered for purchase on a Purchase Date by the time specified in this *Section 2.5* (such Bonds or portions herein referred to as *Untendered Bonds*) shall, upon deposit in the Purchase Fund of an amount sufficient to pay the Purchase Price of such Bond or portion on such Purchase Date, be deemed to have been tendered and sold on such Purchase Date to the person specified in *Subsection D* of this *Section 2.5*, and thereafter (a) the Holder thereof shall not be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than the Purchase Price for such Bond or portion thereof, and such Untendered Bond (except any Bond issued in lieu thereof pursuant to *Subsection D* of this *Section 2.5*) shall no longer be entitled to the benefit of this Ordinance, except for the purpose of payment of the Purchase Price therefor, and (b) the City shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the Person specified in *Subsection D* of this *Section 2.5*, one or more new Bonds of any authorized denomination, with same aggregate principal amount, in the same Interest Mode, having the same Maturity, and bearing interest at the same rate.

G. ***Remarketing Agent***. The City hereby appoints Morgan Stanley & Co. LLC, New York, New York, to serve as the initial Remarketing Agent and authorizes the execution of the Remarketing Agreement, dated as October 30, 2014, between the City and the Remarketing Agent, in substantially the form presented to the City in connection herewith (and as attached hereto as Exhibit G, by a Designated Financial Officer as the act and deed of the City. At the discretion of the Board, the City Council, or the Designated Financial Officer and prior to the commencement of the period during which the Bonds may be remarketed, the City shall be permitted to appoint a substitute Remarketing Agent for the Bonds (which appointment may be made or be authorized in an Approval Certificate or a Conversion Ordinance), with power to act in the determination of the duration of each Interest Period for each Bond or portion thereof in a Commercial Paper Mode pursuant to *Section 2.2D* and of each Daily Rate, Weekly Rate, Commercial Paper Rate, Applicable Spread (other than for the initial Interest Period in the initial Interest Period, in which case such substantive role for determining the Applicable Spread will be served by the Purchasers), Term Rate, and Fixed Rate for each Bond or portion thereof pursuant to *Section 2.2E*, and to offer and resell Bonds or portions thereof tendered or deemed tendered pursuant to this Section. Each Remarketing Agent shall at all times be a bank or trust company or a member of the New York Stock Exchange or the Financial Industry Regulatory Authority and shall have a minimum capitalization of $15,000,000 and be authorized by law to perform all the duties imposed by this Ordinance on a Remarketing Agent.

The form of any Remarketing Agreement to be entered into with any substitute Remarketing Agent shall be approved by the City in a Conversion Ordinance or by the Board in a resolution authorizing the execution of an Approval Certificate.

Any corporation into which the Remarketing Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which the Remarketing Agent shall be a party, or any corporation succeeding to the corporate trust business of the Remarketing Agent, shall be the successor of the Remarketing Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Remarketing Agent or successor.

The Remarketing Agent may at any time resign by giving written notice of such resignation to the Paying Agent/Registrar, the Tender Agent, any Credit Enhancer, any Liquidity Bank, and to the Board. The City may terminate the agency of the Remarketing Agent at any time by giving written notice of such termination to such Remarketing Agent, the Paying Agent/Registrar, the Tender Agent, any Credit Enhancer, and any Liquidity Bank. Upon receiving such a notice of resignation or upon such a termination, or in case at any time the Remarketing Agent shall cease to be eligible under this Section, the

City shall, unless the Interest Mode for all Bonds is then a SIFMA Index Mode or a Term Mode that is not in the period specified for remarketing or has been converted to the Fixed Mode (in the case of a Remarketing Agent), appoint a successor Remarketing Agent for the Bonds with the consent of the Credit Enhancer, and shall give written notice of such appointment to the Paying Agent/Registrar, the Tender Agent, any Credit Enhancer, and any Liquidity Bank. Such appointment shall be evidenced by an Approval Certificate or a Conversion Ordinance.

H. ***Tender Agent.*** Whenever Bonds are in or are to be converted to an Interest Mode (other than Bonds in a Fixed Mode), there shall be a Tender Agent (which may be the Paying Agent/Registrar, if qualified for such appointment hereunder) appointed by the City and the approval (in the case of successor Tender Agents) of any Credit Enhancer and any Liquidity Bank with power to act in the purchase of Bonds pursuant to this *Section 2.5* and payment of the Purchase Price therefor.

The Tender Agent shall at all times be a commercial bank or trust company that, in either case, has an office in the Place of Payment and is organized and doing business under the laws of the United States or of any state, has a combined capital and surplus of at least $50,000,000, is authorized under such laws to exercise corporate trust powers, is subject to supervision or examination by federal or state authority, and satisfies the qualifications, if any, stated in any Liquidity Facility. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this *Section 2.5* the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

U.S. Bank National Association, Dallas, Texas is appointed Tender Agent. The form of Tender Agent Agreement attached hereto as Exhibit B is incorporated herein by reference for all purposes and his hereby approved as to form and content, and any Designated Financial Officer is hereby authorized to execute and deliver a Tender Agent Agreement substantially in such form and to such effect with the Tender Agent on behalf of the City as the act and deed of the City Council.

Any Person into which any Tender Agent may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, consolidation, or conversion to which any Tender Agent shall be a party, or any Person succeeding to the corporate trust or debt securities administration business of any Tender Agent, shall be the successor of the Tender Agent hereunder, if such successor Person is otherwise eligible under this Section, without the execution or filing of any further document on the part of the parties hereto or the Tender Agent or such successor Person.

Any Tender Agent may resign by giving 30 days prior written notice of such resignation to the Paying Agent/Registrar, the Board, any Credit Enhancer, and any Liquidity Bank. The City may terminate the agency of any Tender Agent by giving written notice of such termination to such Tender Agent and the Paying Agent/Registrar, any Credit Enhancer, and any Liquidity Bank. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Tender Agent shall cease to be eligible under this Section, the City shall promptly appoint a successor Tender Agent with the consent of any Credit Enhancer and any Liquidity Bank and give written notice of such appointment to the Paying Agent/Registrar, and the Paying Agent/Registrar shall then give written notice of such appointment to the Remarketing Agent (if any at such time serving) and the Bondholders. A successor Tender Agent shall be appointed hereunder unless no Bonds are in a Daily Mode, Weekly Mode, SIFMA Index Mode, Commercial Paper Mode, or Term Mode.

No such resignation or removal shall take effect until a successor Tender Agent shall have been appointed and accepted such appointment and, if a Liquidity Facility is then in effect hereunder and the Tender Agent is then a beneficiary thereunder, either effective transfer to the successor Tender Agent of

the existing Liquidity Facility or delivery to the successor Tender Agent of a substitute Liquidity Facility naming such successor Tender Agent as beneficiary but otherwise containing the same terms as the Liquidity Facility then in effect. If no successor Tender Agent has accepted appointment within 30 days after the Tender Agent has given notice of its resignation or has been removed as provided above, the Tender Agent may petition any court of competent jurisdiction for the appointment of a temporary successor Tender Agent, provided that any Tender Agent so appointed shall immediately and without further act be superseded by any Tender Agent appointed by the City as provided above. If the Tender Agent does elect to act to petition a court of competent jurisdiction for the appointment of a temporary successor Tender Agent, it will do so only to the extent that it is indemnified to its satisfaction against the cost and expense of such defense or initiation, including attorneys' fees.

SECTION 2.6. ***Book-Entry Only System.***

It is intended that the Bonds initially be registered so as to participate in a securities depository system (herein referred to as the *DTC System*) with The Depository Trust Company, New York, New York, or any successor entity thereto (herein referred to as *DTC*), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bonds described in *Section 2.8*) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations with DTC attached hereto as *Exhibit D* (herein referred to as the *Representation Letter*).

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

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

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

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

SECTION 2.7. ***Execution; Registration; Transfer; and Exchange.***

A. ***Execution.*** The Bonds shall be executed on behalf of the City by its Mayor, or Mayor Pro Tem, its seal reproduced or impressed thereon, and attested by its City Clerk or Acting City Clerk. The signature of either officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time their signatures were affixed to the Bonds, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

B. ***Registration Certifications.*** No Bond shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in *Section 3.3*, executed by the Comptroller of Public Accounts of the State of Texas or her duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in *Section 3.4*, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

C. ***Registration; Beneficial Owners.*** The Paying Agent/Registrar shall obtain, record, and maintain in the Securities Register the name and address of every Holder of Bonds and assigns, which initially shall be DTC or its nominee. In addition, the Paying Agent/Registrar shall maintain a register of the name and address of each Person who (1) states in writing to the Paying Agent/Registrar that it is a beneficial owner of Bonds, (2) provides the Paying Agent/Registrar with its name, mailing address, and internet address, and (3) on any request by the Paying Agent/Registrar has confirmed that it continues to be a beneficial owner of Bonds.

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

E. ***Exchange.*** At the option of the Holder, Bonds may be exchanged for other Bonds of authorized denominations and having the same Maturity, bearing the same rate of interest, and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the City shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds exchanged therefor to the Holder requesting the exchange.

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

G. ***Expenses of Transfer and Exchange.*** All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any fee, tax, or other governmental charges required to be paid with respect to such transfer or exchange.

H. ***Predecessor Bonds.*** Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are referred to herein as *Predecessor Bonds* evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in exchange or transfer therefor. Additionally, the term *Predecessor Bonds* shall include any Bond registered and delivered pursuant to *Section 2.11* in lieu of a mutilated, destroyed, lost, or stolen Bond, which shall be deemed to evidence the same obligation as the mutilated, destroyed, lost, or stolen Bond.

SECTION 2.8. ***Initial Bonds.***

The Bonds herein authorized shall be issued initially as one fully-registered Bond in the principal amount of Bonds authorized hereby numbered T-1 (herein referred to as the *Initial Bond*), shall be dated January 1, 2015 (the *Dated Date*), and shall be registered in the name of the Purchasers or the designee thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas, and delivered to the initial purchaser. Any time after the delivery of the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, principal amounts, and interest rates, all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 2.9. ***Bonds Are Negotiable Instruments.***

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

SECTION 2.10. ***Cancellation.***

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

SECTION 2.11. ***Mutilated, Destroyed, Lost, and Stolen Bonds.***

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

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

Upon the issuance of any new Bond or payment in lieu thereof, under this *Section 2.11*, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this *Section 2.11* in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

The provisions of this *Section 2.11* are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 2.12. ***Sale of Bonds; Delivery of Official Statement.***

The Bonds authorized by this Ordinance are hereby sold by the City to Morgan Stanley & Co. LLC, New York, New York, as the authorized representative of a group of underwriters (*the Purchasers*, and having all the rights, benefits, and obligations of a Holder), at the price of par and no accrued interest, in accordance with the provisions of the Purchase Contract (the *Purchase Contract*) attached hereto as Exhibit C. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Initial Bonds shall be registered in the name of Morgan Stanley & Co. LLC. The Bonds are initially issued in an Interest Period during which the Bonds bear interest in a SIFMA Index Mode commencing on the date of initial delivery of the Bonds (anticipated to occur on or about January 7, 2015) and concluding on January 31, 2018 (being the day immediately preceding February 1, 2018 (which is also a Business Day).

Any Designated Financial Officer is hereby authorized and directed to execute the Purchase Contract for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of the Purchase Contract, the City Council hereby finds, determines and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract are true and correct in all material respects and shall be honored and performed by the City. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined), and (ii) the use and distribution of the Preliminary Official Statement by the Purchasers in connection with the public offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement shall be and is hereby in all respects approved and the Purchasers is hereby authorized to use and distribute the final Official Statement, dated December 11, 2014, in the reoffering, sale and delivery of the Bonds to the public. The Mayor and/or City Clerk are further authorized and directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchasers, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the City Council and constitute the Official Statement authorized for distribution and use by the Purchasers. The proper officials of the City are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Bonds.

SECTION 2.13. ***Proceeds of Sale; Contribution by City.***

Immediately following the delivery of the Bonds, certain proceeds of sale along with a cash contribution from the City, acting by and through the Board (less certain costs of issuance, including Purchasers' discount, all of which shall be paid from the City's contribution), shall be deposited to the debt service fund for the Refunded Obligations, established and maintained with the Refunded Obligations Paying Agent, and used to effect the redemption of the Refunded Obligations on their scheduled redemption date. The proceeds of sale of the Bonds not so deposited with the Refunded Obligations Paying Agent for the refunding of the Refunded Obligations shall be disbursed for payment of costs of issuance or deposited in the Bond Fund (defined herein), all in accordance with written instructions from a Designated Financial Officer.

Additionally, on or immediately prior to the date of the initial delivery of the Bonds to the Purchasers, a Designated Financial Officer shall, in addition to causing the proceeds of the Concurrently Issued Bonds to be deposited in the manner described in the City ordinance authorizing their issuance, cause to be utilized or transferred, as applicable, in immediately available funds to the Refunded Obligations Paying Agent from money on deposit in the debt service fund maintained for the payment of the Refunded Obligations and other lawfully available funds representing the City's cash contribution to accomplish the refunding of the Refunded Obligations.

SECTION 2.14. ***Redemption of Refunded Obligations.***

The Refunded Obligations described in Schedule I attached hereto are or will be subject to redemption prior to their stated maturity at the price of par, premium, if any, and accrued interest to the date of redemption. The Mayor hereby gives written notice to the Refunded Obligations Paying Agent that these Refunded Obligations have been called for redemption, and the City Council ordains that such obligations are called for redemption on the date shown on Schedule I hereto, and such direction to redeem the Refunded Obligations on the date herein specified shall be irrevocable upon the delivery of the Bonds and the Concurrently Issued Bonds. A copy of the notice of redemption pertaining to these Refunded Obligations is attached to this Ordinance as Exhibit G and is incorporated herein by reference for all purposes.

SECTION 2.15. ***Control and Custody of Bonds.***

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

Furthermore, the Mayor, City Clerk, City Attorney, Chief Financial Officer of the City, and each Designated Financial Officer, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the City's co-financial advisors, co-bond counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond to the Purchasers.

SECTION 2.16. ***Opinion.***

The Purchasers' obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Fulbright & Jaworski LLP and Escamilla & Poneck, LLP, approving certain legal matters as to the Bonds, said opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Reproduction of a true and correct copy of said opinion on each of said Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the City Clerk of the City, is hereby approved and authorized.

SECTION 2.17. ***CUSIP Numbers.***

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

ARTICLE III
FORMS OF BONDS

SECTION 3.1. ***Forms Generally.***

The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Initial Bond, the Certificate of Registration, the form of Assignment, and the Notice of Demand Privilege, Mandatory Tender, and Liquidity Support to be reproduced on Bonds in any Interest Mode other than the Fixed Mode shall be substantially in the forms set forth in this Article III, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Bonds are insured, identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association, and such legends and endorsements (including any reproduction of an Opinion of Counsel) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or typed or produced in any other manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof.

[The remainder of this page intentionally left blank.]

SECTION 3.2. ***Form of Definitive Bond.***

REGISTERED NO._____ **REGISTERED AMOUNT $_____**

United States of America
State of Texas
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B

Interest Rate:	Bond Date:	Stated Maturity:	CUSIP No.
.....	January 1, 2015	.....	.....

REGISTERED OWNER: .....

PRINCIPAL AMOUNT: ..... **DOLLARS**

The City of San Antonio, Texas (herein referred to as the *City*), a body corporate and municipal corporation located primarily in Bexar County, Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above (herein referred to as the *Holder*), or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount stated above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Closing Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rate or rates of interest and to the persons hereinafter described until payment thereof is made or duly provided for at or after the Stated Maturity or any earlier redemption date therefor. Principal of and premium, if any, on this Bond shall be payable upon presentation and surrender of this Bond at a corporate trust office of U.S. Bank National Association, Dallas, Texas (the *Paying Agent/Registrar*) executing the registration certificate appearing hereon, or a successor thereof, in a city designated by it for such purpose (herein after referred to as the *Place of Payment*).

If the specified date for any payment hereon shall be a Saturday, Sunday, or legal holiday or the equivalent (other than a moratorium) on which banking institutions generally are authorized to close in the Place of Payment *[or shall otherwise be a day other than a Business Day, as herein defined]**, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

1. ***Series, Purpose, and Authority.*** This Bond is one of a duly authorized issue of bonds of the City designated as its "Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B" issued and to be issued in the aggregate principal amount of ONE HUNDRED TWENTY-FIVE MILLION AND NO/100 DOLLARS ($125,000,000) (herein referred to as the *Bonds*) pursuant to an ordinance adopted by the governing body of the City (referred to as the *Ordinance*) for the purpose of providing funds for discharging and making final payment of the Refunded Obligations and to

* Bracket phrase may be omitted from the Bonds authenticated on or after the first day of the Fixed Mode for the Bonds of such series.

pay the costs of issuing the Bonds. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapters 1207, 1371, and 1502, as amended, Texas Government Code, the City's Home Rule Charter, and the Ordinance.

2. ***Interest.*** *[Insert the applicable paragraphs from Section 2 relating to the payment of interest on the Bonds.]*

3. ***Redemption.*** *[Insert the applicable paragraph(s) from Section 2 relating to the redemption of Bonds.]*

It is provided in the Ordinance that Bonds may be redeemed in part and that upon any partial redemption of any such Bond the same shall, *except* as otherwise permitted by the Ordinance, be surrendered in exchange for one or more new Bonds of the same interest rate in authorized form and denominations for the unredeemed portion of principal. Bonds (or portions thereof) for whose redemption and payment provision is made in accordance with the Ordinance shall thereupon cease to be entitled to the lien of the Ordinance and shall cease to bear interest from and after the date fixed for redemption.

4. ***Limited Obligations***. The Bonds are limited obligations of the City, the principal of and interest on which are payable solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues specified in the Ordinance (herein referred to as the *Net Revenues*) derived from the operation of the City's electric and gas systems described in the Ordinance, subject and subordinate to the liens on and pledges of the Net Revenues that secure payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations referred to in the Ordinance, on a parity with the liens on and pledges of the Net Revenues that secure payment of the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations referred to in the Ordinance, and prior and superior to the lien on and pledge of Net Revenues that secure payment of the currently authorized and outstanding Commercial Paper Obligations and Inferior Lien Obligations, respectively, and any Additional Inferior Lien Obligations referred to in the Ordinance, in each case whether now outstanding or hereafter issued. In the Ordinance, the City reserves and retains the right to issue Additional Senior Lien Obligations, Additional Junior Lien Obligations, Commercial Paper Obligations, and Additional Inferior Lien Obligations without limitation as to principal amount but subject to certain terms, conditions, or restrictions set forth in the Ordinance or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon the Systems or any other property of the City, except the Net Revenues. The Holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

5. ***Provisions of Ordinance***. Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Net Revenues pledged for the payment of the Bonds; the terms and conditions under which the City may issue Additional Senior Lien Obligations, Additional Junior Lien Obligations, Commercial Paper Obligations, and Additional Inferior Lien Obligations; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be deemed to be no longer Outstanding thereunder; and the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

6. ***Transfer***. This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Securities Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Holder hereof or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

7. ***Conclusive Owner***. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Securities Register (i) on each Record Date for the payment of interest hereon as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at Stated Maturity, or redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar nor any such agent of either shall be affected by notice to the contrary.

8. ***Representations***. It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law; that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of and lien on the Net Revenues. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

9. ***Governing Law***. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

Unless either a Registration Certificate of the Comptroller of Public Accounts of the State of Texas hereon has been executed by such Comptroller or her duly authorized agent or a Certificate of Authentication hereon has been executed by the Paying Agent/Registrar, in each case by manual signature, this Bond shall not be entitled to any benefit under the Ordinance or be valid or obligatory for any purpose.

[Signature page follows]

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

CITY OF SAN ANTONIO, TEXAS

By:_____
Mayor

ATTEST:

_____
City Clerk

(CITY SEAL)

SECTION 3.3. ***Form of Registration Certificate of Comptroller of Public Accounts.***

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

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

WITNESS my signature and seal of office this _____.

_____
Comptroller of Public Accounts
of the State of Texas

(SEAL)

SECTION 3.4. ***Form of Certificate of Paying Agent/Registrar.***

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Ordinance, a Predecessor Bond for which has been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Date of Authentication:

U.S. BANK NATIONAL ASSOCIATION, Dallas, Texas,
as Paying Agent/Registrar

_____

By: _____
Authorized Signature

SECTION 3.5. ***Form of Assignment.***

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee):_____
_____
(Social Security or other identifying number): _____
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:_____

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

Signature guaranteed:

_____

SECTION 3.6. ***Form of Notice of Demand Privilege, Mandatory Tender, and Liquidity Support.***

NOTICE OF DEMAND PRIVILEGE, MANDATORY TENDER, AND LIQUIDITY SUPPORT

Optional Tender. The Tender Agent is required by the Ordinance to purchase, but solely from and to the extent of the sources of funds hereinafter described, for the account of one or more purchasers specified in the Ordinance, at the Purchase Price hereinafter described, the within Bond (or any portion thereof which in principal amount is equal to an authorized denomination), unless (and to the extent) such Bond or portion is a Bank Bond (as defined in the Ordinance) or is owned by or on behalf or for the benefit or account of the City or certain affiliates described in the Ordinance, upon tender for purchase by the Holder (or, if registered in the name of the Securities Depository or its nominee, the beneficial owner) thereof on:

(1) ***Daily Mode***: any Business Day while such Bond is in a Daily Mode, if telephone, facsimile, or other electronic notice of such tender has been received by the Remarketing Agent referred to below not later than 11:00 a.m., New York, New York time, on such Business Day, and

(2) ***Weekly Mode***: any Business Day while such Bond or portion is in a Weekly Mode, if notice of such tender has been received by the Remarketing Agent and the Paying Agent/Registrar in writing or by facsimile or other written electronic means not later than 4:00 p.m., New York, New York time, on a Business Day which is at least seven calendar days prior to such Purchase Date,

in each case upon presentment of such Bond endorsed in blank (or accompanied by a bond power executed in blank) by such Holder at the office of the Tender Agent or, in the case of a Bond registered in the name of the Securities Depository or its nominee, upon credit of the beneficial ownership of such Bond to the account of the Tender Agent at the Securities Depository or any direct or indirect participant thereof other than such beneficial owner, in each case to the extent of the portion to be purchased, not later than 12:00 noon, New York, New York time, on such Purchase Date, such notice in each case stating the principal amount and Interest Mode of such Bond to be tendered, the Purchase Date therefor, and the name of the registered Holder thereof (or, if such Bond is registered in the name of the Securities Depository or its nominee, the name of the beneficial owner thereof and the name and number of the account at the Securities Depository to which the beneficial ownership of such Bond or portion thereof is then credited). The "*Purchase Price*" at which such Bond or portion thereof is to be so purchased is equal to 100% of the principal amount thereof plus interest, if any, accrued thereon (excluding Bank Differential) from the Bond Date specified in the within Bond or the most recent Interest Payment Date therefor to which interest thereon has been paid or duly provided for to, but excluding, such Purchase Date, payable in immediately available funds on such Purchase Date, *provided* that such Purchase Price shall be payable solely from and to the extent of available funds realized from the remarketing of Bonds or drawn under or derived from the Liquidity Facility or, at the election of the City, funds advanced by the City. All notices of optional tender shall be irrevocable and effective upon receipt.

Mandatory Tender. As provided in the Ordinance, the within Bond (or the applicable portion thereof specified below) is required to be tendered for purchase (except to the extent such Bond or any portion thereof is a Bank Bond, as defined in the Ordinance, or registered in the name of the City) in the manner and place and for the account of the persons specified below, at the Purchase Price, but solely from and to the extent of available funds realized from the remarketing of Bonds or drawn under or

derived from the Liquidity Facility (if any) referred to below or, at the election of the City, funds advanced by the City, upon:

(1) ***Liquidity Facility Release***: if a Liquidity Facility is in effect under the Ordinance, the (a) third Business Day preceding the date on which (i) the Liquidity Facility referred to below shall expire or (ii) the obligations thereunder of the Person obligated thereon shall terminate on prior notice to the Paying Agent/Registrar, and (b) last Business Day on or before any release of the Liquidity Facility upon acceptance of a substitute therefor, if in either case such Bond or portion is in a Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, or Term Mode,

(2) ***New Interest Mode or Period***: the first Business Day of each new Interest Mode for such Bond or portion thereof for which notice is given to the Holder, whether or not such new Interest Mode is effected,

(3) ***New Commercial Paper Rate, SIFMA Index Mode or Term Rate***: the first Business Day of each Interest Period for such Bond or portion thereof while it is in (a) a Commercial Paper Mode, (b) a SIFMA Index Mode, or (c) a Term Mode, and

(4) ***Credit Facility Release***: if a Credit Facility is in effect under the Ordinance, (a) the third Business Day prior to the expiration of the Credit Facility or prior to the date of termination of the obligations of the Credit Enhancer thereunder with prior written notice to the Paying Agent/Registrar, and (b) the last Business Day on or before the release of the Credit Facility due to substitution of an alternate Credit Facility,

in each case upon presentment of such Bond endorsed in blank (or accompanied by a bond power executed in blank) by such Holder at the corporate trust office of the Tender Agent or, in the case of a Bond registered in the name of the Securities Depository or its nominee, upon credit of the beneficial ownership of such Bond to the account of the Tender Agent at the Securities Depository or any direct or indirect participant thereof other than such beneficial owner, not later than 12:00 noon, New York, New York time, on such Purchase Date. Written notice of each such mandatory tender for purchase is required to be mailed by the Tender Agent to the Holder of such Bond (*except* in the case of a tender required pursuant to *Clause (3)(a)* immediately above) not less than 20 days, if such Bond or portion thereof is in a Daily Mode or Weekly Mode, not less than 30 days, if such Bond or portion thereof is in any other Interest Mode, and in either case not more than 60 days prior to such Purchase Date.

During the initial Interest Period (and in subsequent Interest Periods if provided in the applicable Approval Certificate and/or Conversion Ordinance relating to Bonds in such subsequent Interest Period), the Bonds are subject to mandatory tender, without right of retention and at the direction of the City, prior to the expiration of the applicable Interest Period, in accordance with and as provided in *Section 2.2C(2)* of the Ordinance. With respect to any notice of mandatory tender delivered in accordance with this *Section 2.5B* of the Ordinance in connection with a Purchase Date scheduled to occur prior to the latest Purchase Date permitted hereunder for Bonds in such applicable Interest Period (being the Purchase Date to occur immediately after the scheduled expiration of such Interest Period; such latest Purchase Date, the *Latest Purchase Date*), the City may rescind any such notice of mandatory tender so long as such rescission occurs at least one Business Day prior to the scheduled Purchase Date. In the event of such rescission, the Bonds shall continue to bear interest at the applicable rate then in effect (including, with respect to Bonds in the initial Interest Period, at the SIFMA Index Rate) through the remainder of the scheduled duration of the then applicable Interest Period (being the Business Day preceding the Latest Purchase Date). A rescission of a notice of mandatory tender relating to a scheduled tender of Bonds on

the Latest Purchase Date shall occur in the manner, and the effect of such rescission shall be as, provided in *Section 2.5E* of the Ordinance.

Untendered Bonds. Bonds or portions thereof for which notice of tender is duly given in accordance with the provisions described under "Optional Tender" above for any Purchase Date, or which are required to be tendered pursuant to the provisions described under "Mandatory Tender" above on any Purchase Date, and for which payment of the Purchase Price therefor is duly provided for on such Purchase Date, will be deemed to be sold on such Purchase Date, and the owner thereof shall not thereafter be entitled to any payment (including any interest accrued subsequent to such Purchase Date) in respect thereof other than such Purchase Price or otherwise be secured by or entitled to any benefit under the Ordinance.

[***Liquidity Support; Remarketing***. Payment of the Purchase Price of Bonds that are tendered in accordance with the provisions of the Ordinance described above has been provided for the period stated therein, subject to certain conditions, by a *[name of Liquidity Facility]*, dated as of *[date]* (together with any extension thereof or substitution therefor obtained by the City in accordance with the Ordinance, herein and in the within Bond referred to as the *Liquidity Facility*), among the Paying Agent/Registrar, the Tender Agent, the City, and *[name of Liquidity Bank]* (herein and in the within Bond in such capacity, together with the obligor on any such substitute Liquidity Facility, referred to as the *Liquidity Bank*), unless such Bonds are sooner purchased pursuant to remarketing in accordance with a remarketing agreement between the City and the remarketing agent appointed by the City for the Bonds (herein and in the within Bond, together with substitutes therefor, referred to as a *Remarketing Agent*). The Remarketing Agent for the Bonds is [*name of Remarketing Agent*].

Remarketing with No Liquidity Facility in Place. The Bonds were sold or remarketed into the current Interest Period without additional liquidity support being provided in the form of a Liquidity Facility. As a result, payment of the Purchase Price of Bonds that are tendered in accordance with the provisions of the Ordinance shall be made only from proceeds resultant from the remarketing of the Bonds by the Remarketing Agent (defined herein) on the City's behalf in accordance with the Ordinance. As required under the Ordinance, the City has entered into a "Remarketing Agreement" between the City and the remarketing agent appointed by the City for the Bonds (herein and in the within Bond, together with substitutes therefor, referred to as a *Remarketing Agent*), who shall serve in such capacity until the remarketing of the Bonds has been accomplished. The Remarketing Agent for the Bonds is [*name of Remarketing Agent*].

In the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the City shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an Event of Default under the Ordinance or the Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will, while bearing interest at a Stepped Rate, be subject to redemption and mandatory tender for purchase on any date upon which a conversion occurs (which shall occur at the City's discretion upon delivery of at least one day's notice to the holders thereof), and (iv) will be deemed to continue in a SIFMA Index Mode or Term Mode, as applicable, for all other purposes of the Ordinance, though bearing interest during such time at the Stepped Rate until remarketed or redeemed in accordance with the terms of the Ordinance. In the event of a failed conversion and remarketing as described above, the City will cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such Interest Mode or Modes as the City directs, at a rate not exceeding the Maximum Rate.*]

**Insert applicable paragraph in bracketed text.*

Definitions. All terms in the above notice have the meanings ascribed to such terms in the within Bond or the Ordinance.

ARTICLE IV
SECURITY AND LIQUIDITY

SECTION 4.1. ***Liquidity Facility.***

A. ***Tender Agent to Demand Purchase Price***. If a Liquidity Facility is in effect hereunder, the Tender Agent shall give such notice and do such other acts as may be required by such Liquidity Facility (in the manner therein permitted and by the time required thereby) to cause the Liquidity Bank on each Purchase Date to purchase at the Purchase Price, or otherwise to advance the Purchase Price of, all Eligible Bonds or portions thereof (1) that are required to be purchased pursuant to this *Section 4.1* on such Purchase Date and (2) for which the Purchase Price therefor has not been paid or deposited in immediately available funds to the Purchase Fund from the proceeds of the remarketing of such Bonds (other than to the City) by 12:00 noon, New York, New York time, on such Purchase Date. On each Purchase Date the Tender Agent shall give notice to the City and the Liquidity Bank by telephone, promptly confirmed in writing, or by facsimile or other electronic means specifying the Purchase Price of Bonds to be purchased pursuant to or with funds drawn under the Liquidity Facility on such date. In making draws or claims for payment under the Liquidity Facility, the Tender Agent shall act on behalf and for the account and benefit of the Holders (other than the City) and not on behalf, for the account or benefit, or subject to the control of the City. All funds drawn or claimed by the Tender Agent under the Liquidity Facility shall be credited to the Purchase Fund and applied in accordance with this *Section 4.1*.

B. ***Release of Liquidity Facility***. The Tender Agent shall release and return the Liquidity Facility to the Liquidity Bank at the request of the City (or the Board) or approve the assignment of the Liquidity Facility by the Liquidity Bank without recourse:

(1) ***Defeasance***: when there are no Outstanding Bonds other than Bonds in a Fixed Mode; or

(2) ***Expiration or Termination***: when the Liquidity Facility has expired or been terminated in accordance with its terms; or

(3) ***Successor Tender Agent***: when a successor Tender Agent has been appointed and qualified pursuant to this Ordinance and a new Liquidity Facility has been issued to such successor; or

(4) ***Replacement***: at the close of business on the first Business Day for all Bonds on or after the first day as of which (i) an alternate Liquidity Facility has been issued to and accepted by the Tender Agent at the direction of the City in accordance with *Subsection C* of this *Section 4.1* and (ii) the Purchase Price of all Bonds tendered or deemed tendered on such Business Day pursuant to this *Section 4.1* has been paid or duly provided for; *provided* that, if any portion of the Bonds is then in a Commercial Paper Mode, SIFMA Index Mode, Term Mode, or Fixed Mode, such Business Day is also the first Business Day of an Interest Period for each such Bond; or

(5) ***Release Upon Conversion:*** at the close of business on the first Business Day on which all Bonds are in a Fixed Mode, provided that the Purchase Price of all Bonds tendered or deemed tendered on such Business Day pursuant to this *Section 4.1* has been paid or duly provided for;

and not otherwise; *provided* that, no such release or assignment shall be effected by the Tender Agent pursuant to *Clause B(4)* of this Section unless the Credit Enhancer consents in writing to such release or assignment or the Credit Facility is then released pursuant to *Section 4.2J*. The Tender Agent shall give notice of the mandatory tender of Bonds prior to the date of any release or assignment pursuant to *Clause B(2)* or *B(4)* of this *Section 4.1* in accordance with *Section 2.5B*.

C. ***Acceptance of Liquidity Facility***. The initial Liquidity Facility and each alternate Liquidity Facility accepted by the Tender Agent in substitution for the Liquidity Facility then in effect, and each extension or amendment of the Liquidity Facility then in effect,

(1) ***Stated Amount***: shall provide for draws or claims sufficient to pay a Purchase Price up to the principal of the Bonds or portions thereof in a Daily Mode, Weekly Mode, Commercial Paper Mode, SIFMA Index Mode, or Term Mode plus interest on each such Bond, at the maximum per annum rate of interest which may be borne by such Bonds or portions during any Interest Mode to be in effect therefor (assuming no subsequent ordinance designating a different Interest Mode) during the term of such Liquidity Facility, for up to at least (i) 35 days in respect of all such Bonds or portions thereof then in a Daily Mode or Weekly Mode plus (ii) the greatest number of days between Interest Payment Dates therefor in respect of all such Bonds or portions then in a Commercial Paper Mode and a SIFMA Index Mode plus (iii) 180 days in respect of all such Bonds in a Term Mode;

(2) ***Term***: shall have a term which, if the resulting release of the Liquidity Facility then in effect shall occur while any Bonds (or portions thereof) are in a Commercial Paper Mode, SIFMA Index Mode, or Term Mode, is not less than the shorter of the remaining term of the Liquidity Facility then in effect or the remaining term of the Interest Period for such Bonds (or portions thereof) then in effect,

(3) ***Form***: may be a bond purchase agreement, letter of credit, line of credit, policy of insurance, surety bond, acceptance, or guarantee or otherwise be in structure and form different from the Liquidity Facility then in effect; and

(4) ***Approval***: shall be consented to (as to both form and the identity of the provider) in writing by the Credit Enhancer, if any.

The Tender Agent shall accept an alternate Liquidity Facility in substitution for the Liquidity Facility then in effect which is to be released in accordance with *Subsection B* of this *Section 4.1* or an extension or amendment thereof, at the direction of the City given by ordinance of the City Council delivered to the Tender Agent, but (in the case of an alternate Liquidity Facility or an amendment, not comprising a mere extension, that affects the payment obligations of the Liquidity Bank) only upon receipt by the Tender Agent and by the Credit Enhancer (if any) of an Opinion of Counsel stating that (1) such Liquidity Facility or amendment was issued in accordance with the conditions of this *Section 4.1*, (2) such Liquidity Facility constitutes a legal, valid, and binding obligation of the obligor thereon and is enforceable in accordance with its terms (*except* to the extent that the enforceability thereof may be limited by principles of sovereign immunity and by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the City and by general principles of equity which permit

the exercise of judicial discretion), and (3) the substitution of such alternate Liquidity Facility for the Liquidity Facility then in effect or the acceptance of such amendment, as the case may be, will not adversely affect any exclusion of the interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. The Tender Agent shall not be required to accept or cause to be accepted any such alternate Liquidity Facility or amendment which materially adversely affects the rights, duties, and immunities of the Tender Agent or its agents hereunder.

The Tender Agent shall give prompt notice of each extension of the Liquidity Facility, stating the new expiration date, to each Holder of Bonds.

D. ***No Liquidity Facility in Initial Interest Period.*** The Bonds are sold and delivered into the initial Interest Period during which the Bonds bear interest at a SIFMA Index Rate and there has been acquired no, and there is not at such time in force and effect any, Liquidity Facility. As a result, the provisions of this *Section 4.1* shall become effective only upon delivery to and acceptance by the Tender Agent pursuant to *Subsection C* of this *Section 4.1* of a Liquidity Facility therein described and until such delivery and acceptance neither this *Section 4.1* nor any reference to Liquidity Facility or Liquidity Bank in this Ordinance shall have or be given any effect.

SECTION 4.2. ***Credit Enhancement.***

A. ***Application of Section.*** The provisions of this *Section 4.2* shall become effective only upon delivery to and acceptance by the Paying Agent/Registrar pursuant to *Subsection K* of this *Section 4.2* of a Credit Facility therein described and until such delivery and acceptance neither this *Section 4.2* nor any reference to Credit Facility or Credit Enhancer in this Ordinance shall have or be given any effect. There is initially no Credit Facility.

B. ***Draws or Claims Under Credit Facilities.*** After the Paying Agent/Registrar accepts any Credit Facility pursuant to *Subsection K* of this *Section 4.2*, the Paying Agent/Registrar shall present all notices, drafts, demands, claims, and other documents required by such Credit Facility (in the manner and to the extent therein permitted and by the time required thereby) to draw or claim funds thereunder in an amount sufficient, and by the time required (to the extent therein permitted), to pay the principal of (and premium, if any) and interest on (but not the Purchase Price of) the Bonds to become due at the Maturity thereof (whether by reason of the Stated Maturity thereof or call for redemption), and the interest thereon to become due on each Interest Payment Date therefor, *but* in every case only in respect of Bonds that are not Bank Bonds (unless the Credit Facility is in the form of a municipal bond or financial guaranty insurance policy) and, to the actual knowledge of the Paying Agent/Registrar, are not owned by an Ineligible Owner. The Paying Agent/Registrar shall deposit all receipts from such draws and claims in a separate account held by it for the sole benefit of the Bondholders and shall apply such receipts to pay principal of, premium, if any, and interest on the Bonds for which such claim or draw was made.

C. ***Amendments.*** The City shall not amend or repeal this Ordinance unless the Credit Enhancer consents to such action in writing or such supplement is not detrimental to the interests of the Holders or the Credit Enhancer.

D. ***Thirty Party Beneficiary.*** The Credit Enhancer shall be a beneficiary of all agreements contained herein and may enforce such agreements to the same extent as if it were the Holder of all Outstanding Bonds.

E. ***Notices.***

(1) ***General***. Any notice that is required to be given by the City or the Paying Agent/Registrar to a Holder of a Bond pursuant to this Ordinance also shall be given to the Credit Enhancer by such Person.

(2) ***Amendments***. If the City enacts any amendment to this Ordinance or any other document executed in connection with the issuance of the Bonds, the City shall send a copy of such amendment to (1) Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: Public Finance Group—Texas Local Ratings; (2) Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10004, Attention: Municipal Structured Finance, email pubfin_structured@standardandpoors.com; and (3) Fitch Ratings, One State Street Plaza, New York, New York, 10004, Attention: Municipal Structured Finance, or at such other address as may have been provided to the City by such Person, if the Credit Facility is in the form of a policy of municipal bond insurance.

F. ***Defeasance***. The City shall not enter into or authorize any agreement for the future reinvestment of amounts deposited, or invested in obligations deposited, pursuant to *Section 4.4*, unless the Credit Enhancer shall have consented to such agreement in writing, if the Credit Facility is in the form of a policy of municipal bond insurance.

G. ***Consents***. Whenever in this Ordinance it is provided that certain acts or agreements may be taken, made, or waived with the consent of the Holder of the Bonds or any portion thereof, no such act or agreement may be taken, made, or waived unless the Credit Enhancer has consented thereto in writing.

H. ***Control by Credit Enhancer***. Anything in this Ordinance to the contrary notwithstanding, any request, demand, authorization, direction, notice, consent, waiver, or other action provided in this Ordinance to be given or taken by the Holders of Bonds to direct, consent to, or waive the exercise by the City of any right hereunder (except in respect of an amendment described in *Clause (1), (2),* or *(3)* of *Section 7.1)* shall be given or taken by, and only by, a written instrument signed by the Credit Enhancer.

I. ***References to Credit Enhancer***. The provisions of *Subsections C, E, F, G* and *H* of this Section shall be and remain effective only so long as no Credit Enhancer Default shall have occurred and be continuing.

J. ***Release of Credit Facilities***. The Paying Agent/Registrar shall release and return a Credit Facility to the Credit Enhancer obligated thereon:

(1) ***Defeasance***: when there are no Outstanding Bonds, *provided* that such Credit Facility provides for its release and return upon defeasance by its terms; or

(2) ***Expiration or Termination***: when such Credit Facility has expired or been terminated in accordance with its terms; or

(3) ***Successor Paying Agent/Registrar***: when a successor Paying Agent/ Registrar has been appointed and qualified pursuant to this Ordinance and a new Credit Facility has been issued to such successor with at least the maximum aggregate credit available under the Credit Facility to be released and otherwise identical to such Credit Facility; or

(4) ***Reduction of Amount***: in the case of a Credit Facility other than a municipal bond or financial guaranty insurance policy, when the maximum aggregate credit available under

such Credit Facility is reduced pursuant to the terms thereof and the Credit Enhancer obligated thereon has issued a new Credit Facility to the Paying Agent/Registrar in the stated amount of the maximum aggregate credit available under such Credit Facility as so reduced and otherwise identical to the Credit Facility to be released; or

(5) ***Replacement***: at the close of business on a day when (i) there is in effect an alternate Credit Facility issued to and accepted by the Paying Agent/Registrar at the direction of the City in accordance with *Subsection K* of this Section and (ii) the Purchase Price of all Bonds tendered or deemed tendered in respect of such release pursuant to *Section 2.5A(3)(d)* has been paid or duly provided for other than with funds advanced by the City; *provided* that, if any portion of the Bonds is then in Commercial Paper Mode, Term Mode, SIFMA Index Mode, or Fixed Mode, such day is also the first Business Day of an Interest Period for each such Bond or portion;

and not otherwise; *provided*, however, that no Credit Facility shall be released pursuant to *Clause J(5)* of this *Section 4.2* or otherwise canceled, terminated, amended, or modified unless the Liquidity Facility shall also be released pursuant to *Section 4.1B(4)* or *(5)* or the Liquidity Bank shall consent in writing. The Paying Agent/Registrar shall give notice, pursuant to *Section 2.5B*, of the mandatory tender of Bonds prior to the date of any release pursuant to *Clause J(2)* or *J(5)* of this *Section 4.2*.

K. ***Acceptance of Credit Facility***. The initial Credit Facility and each alternate Credit Facility accepted by the Paying Agent/Registrar in substitution for a Credit Facility then in effect and each extension or amendment of any Credit Facility then in effect,

(1) ***Stated Amount***: shall provide for draws or claims sufficient to pay the principal of the Bonds then Outstanding plus interest on each such Bond, at the maximum per annum rate of interest which may be borne by such Bond during any Interest Mode to be in effect therefor (assuming no subsequent ordinance designating a different Interest Mode and excluding Bank Differential, except as otherwise agreed with the Liquidity Bank) during the term of such Credit Facility, for up to at least the sum of (a) the greatest number of days during which interest can accrue and remain unpaid as of any Interest Payment Date in any such Interest Mode without default, (b) the greatest number of days which may transpire after a draw or claim under the alternate Credit Facility to pay interest on Bonds prior to the reinstatement of such amount, and (c) (if terminable prior to the Stated Maturity of the Bonds) 5 days,

(2) ***Term***: if the resulting release of the Credit Facility then in effect required by *Subsection J* of this Section shall occur while any Bonds (or portions thereof) are in a Commercial Paper Mode, SIFMA Index, Mode, or Term Mode, the Bonds shall have a term which is not less than the shorter of the remaining term of such Credit Facility or the remaining term of the Interest Period for such Bonds or portions then in effect,

(3) ***Form***: may be a letter of credit, policy of insurance, surety bond, acceptance, or guarantee or otherwise be in structure and form different from the Credit Facility then in effect, and

(4) ***Approval***: shall be consented to in writing by the Liquidity Bank if a Liquidity Facility is then in effect and is not then to be released.

The Paying Agent/Registrar shall accept a Credit Facility, or an extension or amendment thereof at the direction of the City given by ordinance of the City Council delivered to the Paying

Agent/Registrar, but (in the case of an alternate Credit Facility or an amendment, not comprising a mere extension, that affects the payment obligations of the Credit Enhancer) only upon receipt by the Paying Agent/Registrar and by any Liquidity Bank which is not obligated on such alternate or amended Credit Facility of an Opinion of Counsel stating that (i) such Credit Facility or amendment is in accordance with the conditions of this *Section 4.2*, (ii) such Credit Facility, as amended, constitutes a legal, valid, and binding obligation of the obligor thereon and is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by principles of sovereign immunity and by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the City and by general principles of equity which permit the exercise of judicial discretion), and (iii) the acceptance of such alternate Credit Facility or amendment, as the case may be, will not adversely affect any exclusion of the interest on any Bond from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. The Paying Agent/Registrar shall not be required to accept any Credit Facility, extension, or amendment which materially adversely affects the rights, duties, or immunities of the Paying Agent/Registrar or its agents hereunder.

SECTION 4.3. ***Pledge of Net Revenues.***

A. ***Pledge.*** Payment of the principal of and interest on (but not the Purchase Price of) the Bonds and the obligations of the City under any Liquidity Facility are and shall be secured by and payable solely from, and the City hereby grants a junior lien on and pledge of, the Net Revenues, *subject* and *subordinate* to the liens on and pledges of Net Revenues heretofore or hereafter made to secure payment of the Senior Lien Obligations and the Additional Senior Lien Obligations (and equally and ratably with the lien on and pledge of Net Revenues heretofore or hereafter made to secure payment of the Junior Lien Obligations and Additional Junior Lien Obligations) but senior and superior to the lien on and pledge of Net Revenues securing the payment of the Commercial Paper Obligations and the Inferior Lien Obligations now or hereafter outstanding and any Additional Inferior Lien Obligations hereafter issued by the City. Neither the Bonds nor any Liquidity Facility is secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting the Systems. The Bonds are being issued as Additional Junior Lien Obligations.

With respect to the use of Net Revenues to pay debt service on outstanding obligations, the City shall first give consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of obligations irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any Senior Lien Obligations or Junior Lien Obligations designated as "build America bonds" and "qualified bonds" under the Code).

B. ***Perfection.*** Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of Net Revenues granted by the City under *Subsection A* of this *Section 4.3*, 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 Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in this pledge to occur.

C. ***No Tax Support.*** The Bonds are special obligations of the City payable solely from the Net Revenues, and the holders thereof shall never have the right to demand payment out of funds raised or to be raised by taxation.

SECTION 4.4. ***Satisfaction of Obligation of City.***

When no Bond remains Outstanding and the obligations of the City under any Liquidity Facility have been paid in full or otherwise discharged, then the lien on and pledge of Net Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

To provide for the payment of the principal of, premium, if any, and interest on any Bond, the City may irrevocably deposit in trust with the Paying Agent/Registrar, or an authorized escrow agent, (a) money sufficient to pay in full such principal, premium, if any, and interest at Stated Maturity or to the redemption date therefor and/or (b) Government Obligations certified, in the case of a net defeasance, by an independent accounting firm, or such other persons as permitted by the laws of the State of Texas, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of, premium, if any, and interest on such Bond on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. In the event of a gross defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Obligations to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. If interest to become due on such Bond on any such date shall accrue at a rate not determined at the time of such deposit, the City shall provide for such interest as if accrued at the maximum possible rate. The City covenants that no deposit of money or Government Obligations will be made under this *Section 4.4* and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code.

Any money so deposited with the Paying Agent/Registrar or authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this *Section 4.4* which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the Board or deposited as directed by the Board. Furthermore, any money held by the Paying Agent/Registrar or authorized escrow agent for the payment of the principal of, premium, if any, or interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the Board be remitted to the Board against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in *Clause (a)* or *(b)* above shall be revocable, *provided* that the City (1) in the proceedings providing for such defeasance, expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of *Clause (a)* or *(b)* above with respect to such defeased Bonds as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

ARTICLE V
SYSTEMS FUNDS AND ACCOUNTS

SECTION 5.1. ***General Account.***

The City, acting through the Board, hereby covenants with respect to the holders of the Bonds that all revenues of every nature received through the operation of the Systems shall be deposited as received in the "City of San Antonio Electric and Gas Systems General Account" (the *General Account*), which shall be kept separate and apart from all other funds of the City. Revenues received for the General Account shall be deposited from time to time as received in such Depository as may be selected by the Board in accordance with applicable laws relating to the selection of political subdivision depositories. All gross revenues deposited into the General Account shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- **FIRST:** to the payment of reasonable and proper Maintenance and Operating Expenses of the Systems upon approval by the Board of Trustees;

- **SECOND:** to the payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, including the establishment and maintenance of the reserve therefor;

- **THIRD:** to the payment of the Junior Lien Obligations, the Bonds, any Liquidity Facility, and any Additional Junior Lien Obligations hereafter issued by the City or any other Prior Lien Bonds (as defined in the City ordinance authorizing the Commercial Paper Obligations), including the establishment and maintenance of a reserve therefor (if any);

- **FOURTH:** to the payment and security of the Notes and the Agreement (each as defined in the City ordinance authorizing the Commercial Paper Obligations);

- **FIFTH:** to the payment and security of any Inferior Lien Obligations and any Additional Inferior Lien Obligations hereafter issued by the City;

- **SIXTH:** to the payment of an annual amount equal to six percent (6%) of the gross revenues of the Systems to be deposited in the Repair and Replacement Account (created in the ordinances authorizing the Senior Lien Obligations) provided in *Section 5.4*;

- **SEVENTH:** to the payment of the annual amount due the General Fund of the City, as provided in *Section 5.3*; and

- **EIGHTH:** any remaining Net Revenues of the Systems in the General Account, to the Repair and Replacement Account to the extent provided in *Section 5.4*.

Any Net Revenues remaining in the General Account after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Board purpose now or hereafter permitted by law and the City ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, subject to *Section 5.4*.

SECTION 5.2. ***Bond Fund; Excess Bond Proceeds.***

For purposes of providing funds to pay the principal of and interest on, and other amounts payable under, the Bonds, any Liquidity Facility, any Credit Facility, the Tender Agent Agreement, any Remarketing Agreement, the Paying Agent/Registrar Agreement, and any separate agreement between the City and the Calculation Agent relating to the Bonds, as the same become due and payable, and for so long as any Bonds remain Outstanding or the City remains obligated under any other such agreement, the City agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the "City of San Antonio, Texas, Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B Interest and Sinking Fund" (herein referred to as the *Bond Fund*). The City covenants that there shall be deposited into the Bond Fund prior to each payment date from the available Net Revenues an amount equal to one hundred percent (100%) of the amount required to fully make such payments when due and payable, such deposits to be made in monthly installments that are substantially equal whenever Bonds are in a Term Mode, SIFMA Index Mode (with respect to principal payments coming due (whether by reason of stated maturity or mandatory sinking fund redemption), as interest on Bonds in a SIFMA Index Mode is payable monthly), or Fixed Mode. If the Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

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

SECTION 5.3. ***Payments to City General Fund.***

In accordance with the provisions of the ordinances authorizing the issuance of the Senior Lien Obligations and this Ordinance, and after the payments required by *Clauses First* through *Fifth* of *Section 5.1* and to the Repair and Replacement Account (for purposes of accumulating therein an amount equal to six percent (6%) of the annual gross revenues of the Systems) have been made in full in accordance with the provisions of this Ordinance, there shall be paid over or credited to the General Fund of the City (for general purposes of the City), to the extent Net Revenues of the Systems are available in the General Account and in monthly installments, an amount in cash not to exceed 14% of the gross revenues of the Systems for the month next preceding the month in which the monthly deposit is made, less the value of gas and electric services of the Systems used by the City for municipal purposes and the amount expended for additions to the street lighting system for the month for which such payment is being made. The maximum amount in cash to be transferred or credited to the General Fund of the City from the Net Revenues of the Systems during any Fiscal Year shall not exceed 14% of the gross revenues of the Systems less the value of gas and electric services of the Systems used by the City for municipal purposes and the amounts expended during the Fiscal Year for additions to the street lighting system. The percentage of gross revenues of the Systems to be paid over or credited to the General Fund of the City each Fiscal Year shall be determined (within the 14% limitation) by the governing body of the City.

SECTION 5.4. ***Repair and Replacement Account.***

The City reaffirms the prior creation and establishment of a special fund or account to be known as the "City of San Antonio Electric and Gas Systems Repair and Replacement Account" (the *Repair and Replacement Account*) at such Depository as may be designated by the Board of Trustees. Money on deposit in the Repair and Replacement Account shall be used for the following purposes: providing

extensions, additions, and improvements to the Systems; meeting contingencies of any nature in connection with the operations, maintenance, improvement, replacement, or restoration of properties of the Systems; and paying bonds or other obligations for which other funds are not available, or for any or all of such purposes, as, from time to time, may be determined by the Board of Trustees.

From the Net Revenues remaining in the General Account after payment and provisions for payments and additions to the Bond Fund in accordance with the provisions of *Section 5.2*, there shall be paid into the Repair and Replacement Account an annual sum equal to six percent (6%) of the gross revenues of the Systems for the then current Fiscal Year. This annual payment to the Repair and Replacement Account shall be accumulated each Fiscal Year by monthly installments, such monthly installments to be based on each month's gross revenues to the extent funds in the General Account are available each month; provided, however, should the total annual payment to the Repair and Replacement Account in any Fiscal Year exceed six percent (6%) of the gross revenues of the Systems, as shown by the Systems' audited annual financial statement, proper year-end adjustments shall be made (on or before March 1 after the close of each Fiscal Year) by causing any excess amount deposited therein to be transferred to the General Account.

No deposit in excess of six percent (6%) of the annual gross revenues of the Systems shall be made to the Repair and Replacement Account (as provided in the preceding paragraph) unless and until complete and full payments, or provisions for such payments, shall have been paid over or credited to the General Fund of the City in accordance with *Section 5.3*. After complete and full payments, or provisions for such payments, shall have been paid over or credited to the General Fund of the City to the full extent required in *Section 5.3*, additional deposits may be made to the Repair and Replacement Account; and at the close of each Fiscal Year, all Net Revenues of the Systems remaining in the General Account after full and complete payment to the General Fund of the City has been made (except such amounts as may be required to meet unpaid accounts and obligations which have accrued or are payable during the year to insure continued operation of the Systems), shall be deposited in the Repair and Replacement Account.

SECTION 5.5. ***Deficiencies; Excess Net Revenues.***

If on any occasion there shall not be sufficient Net Revenues of the Systems (after making all payments required by *Clauses First* through *Third* of *Section 5.1* to make the required deposits into the Bond Fund and the other payments required by *Clause Third* of *Section 5.1*, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the Systems, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these funds or accounts during such month or months. Subject to making the deposits required by this Ordinance or any other ordinance of the City Council, the excess Net Revenues of the Systems may be used by the Board for any lawful purpose.

SECTION 5.6. ***Payment of Bonds.***

The Designated Financial Officer or other authorized City or Board official shall cause to be transferred from funds on deposit in the Bond Fund, (1) while any of the Bonds are Outstanding, to the Paying Agent/Registrar, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds as such installment accrues or matures, such transfer to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date a debt service payment is due on the Bonds, and (2) to the Persons entitled to receive such payments, all amounts due and owing from the City under the Paying Agent/Registrar Agreement, the Tender Agent Agreement, any Liquidity Facility, any Credit Facility, and any Remarketing Agreement.

SECTION 5.7. ***Investments.***

Funds held in any Fund or account created, established, or maintained pursuant to this Ordinance may, at the option of the City, be invested as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, including time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses therefrom debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

ARTICLE VI
COVENANTS

SECTION 6.1. ***Application of the Covenants and Agreements of the Senior Lien Obligations.***

It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the Systems, and the administration and application of gross revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the City ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the currently outstanding Senior Lien Obligations. It is expressly recognized that, prior to the issuance of any Additional Senior Lien Obligations or Additional Junior Lien Obligations, the City must comply with each of the conditions precedent contained in this Ordinance and the City ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, as appropriate.

SECTION 6.2. ***Issuance of Additional Senior Lien Obligations, Additional Junior Lien Obligations, and Inferior Lien Obligations***

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

A. ***Senior Lien***: Additional Senior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the Systems upon (1) satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations or, in the event no Senior Lien Obligations are outstanding, the conditions precedent contained in the most recently adopted ordinance authorizing Senior Lien Obligations and (2) execution by a Designated Financial Officer of the certificates described in *Subsections B(1)* and *B(2)* of this Section, taking into account the Senior Lien Obligations then proposed to be issued;

B. ***Junior Lien***: Additional Junior Lien Obligations payable from and equally and ratably secured by a junior lien on and pledge of the Net Revenues that is subordinate and inferior to the liens and pledges made to secure payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued, upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations and upon satisfying each of the following conditions precedent:

(1) ***No Default Certificate***: a Designated Financial Officer (or other official of the City having primary responsibility for the fiscal affairs of the City) shall have executed a certificate stating that (a) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Junior Lien Obligations to satisfy the City's obligations under this Ordinance, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the Systems and (b) all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein;

(2) ***Coverage Certificate***: a Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the Systems, the Net Revenues of the Systems for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted (determined without regard to revenue received by the City under any interest rate hedge agreement entered into in connection with Senior Lien Obligations, the Bonds, Additional Senior Lien Obligations, or Additional Junior Lien Obligations) are at least equal to 100% of the average annual Debt Service Requirements for all Senior Lien Obligations, Junior Lien Obligations, Additional Senior Lien Obligations, and Additional Junior Lien Obligations in any future Fiscal Year while the Additional Junior Lien Obligations then proposed to be issued are to be outstanding, after giving effect to such Additional Junior Lien Obligations and after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of obligations irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any Senior Lien Obligations or Junior Lien Obligations designated as "build America bonds" and "qualified bonds" under the Code) (and, in making a determination of the Net Revenues, such Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Systems that became effective at least 60 days prior to the last day of the period for which Net Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by the certification based on such change in rates and charges being in effect for the entire period covered by such Designated Financial Officer's certificate); and

(3) ***Debt Service Deposits***: the City ordinance authorizing the issuance of the Additional Junior Lien Obligations provides for monthly deposits to be made to a debt service fund for such obligations in amounts sufficient to pay the Additional Junior Lien Obligations when due; and

C. ***Inferior Lien***: Commercial Paper Obligations and Inferior Lien Obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems that is inferior and subordinate to the liens and pledges made to secure payment of the Senior Lien Obligations, Additional Senior Lien

Obligations, the Bonds, the Concurrently Issued Bonds, and Additional Junior Lien Obligations, upon satisfying each of the conditions precedent contained in the City ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, this Ordinance, the City ordinance authorizing the issuance of the Concurrently Issued Bonds, and the ordinance authorizing the issuance of the Commercial Paper Obligations.

SECTION 6.3. ***Maintenance of Systems; Insurance.***

The City hereby agrees and reaffirms that the Systems shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds are Outstanding, the City, acting by and through the Board of Trustees, agrees to maintain insurance of a kind and in an amount (including self-insurance) which usually would be carried by private companies engaged in a similar type of business.

SECTION 6.4. ***Records and Accounts; Annual Audit.***

The City, acting by and through the Board of Trustees, hereby agrees, covenants, and reaffirms that so long as any Bonds, or any interest thereon, remain Outstanding and unpaid, a proper and complete set of records and accounts pertaining to the operation of the Systems shall be kept and maintained separate and apart from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Systems as provided in Chapter 1502, as amended, Texas Government Code, and that the holder or holders of any of the Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto and to inspect the Systems and all properties comprising the same. The Board of Trustees shall, so far as practicable and to the extent consistent with the provisions of this Ordinance, keep its books and records in the manner prescribed in the Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners. It is further agreed that as soon after the close of each Fiscal Year as may reasonably be done, the City (acting by and through the Board of Trustees) will cause an annual audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountants, shall reflect the revenues and expenses of the Systems for said Fiscal Year, and the assets, liabilities, and financial condition of the Systems (in reasonable detail) at the close of such Fiscal Year.

Expenses incurred in making the audit referred to above are to be regarded as Maintenance and Operating Expenses and paid as such.

SECTION 6.5. ***Special Covenants and Representations.***

The City hereby further warrants and covenants that:

A. ***Board Agreement.*** The City has secured from the Board of Trustees a resolution acknowledging its duties, responsibilities, and obligations under this Ordinance and agreeing to fully comply with all its terms and provisions, including the administration and operation of the Systems and the disposition of revenues of the Systems.

B. ***Lawful Pledge.*** It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised said power under the laws of the State of Texas, including said power existing under the Act, and the Additional Junior Lien Obligations, when issued, shall be equally and ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond of said issues.

C. ***No Inconsistent Liens.*** Other than for the payment of the Senior Lien Obligations, the Junior Lien Obligations, the Bonds, the Concurrently Issued Bonds, the Commercial Paper Obligations, and the Inferior Lien Obligation, the rents, revenues and income of the Systems have not in any manner been pledged to the payment of any debt or obligation of the City or of the Systems, except that certain reimbursement agreements, indemnity agreements, credit facility agreements, and other financial or contractual arrangements which have been or may be entered into by the City grant a subordinate and inferior lien on and pledge of the Net Revenues of the Systems to secure the payment obligations of the City or the Board under these agreements, which lien is subordinate and inferior to the lien on and pledge thereof securing the payment of any Maintenance and Operating Expenses, the debt service requirements on the Senior Lien Obligations, the Junior Lien Obligations, the Bonds, the Concurrently Issued Bonds, the Commercial Paper Obligations, and the Inferior Lien Obligations, and any other provision of the ordinances authorizing the issuance of these obligations.

D. ***Non-Disposition.*** So long as any of the Bonds or any interest thereon remain Outstanding, the City will not sell or encumber the Systems or any substantial part thereof; *provided* that this shall not be construed to prohibit the sale of such machinery or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the Systems.

E. ***No Free Service.*** No free service of the Systems shall be allowed, and, should the City or any of its agents or instrumentalities make use of the services or facilities of the Systems, payments for services rendered by the Systems should either be made by the City or amounts equal in value to the services rendered by the Systems shall be deducted from the annual payment due the General Account of the City from the Net Revenues of the Systems as provided in *Section 5.3*.

F. ***Non-Competition.*** To the extent it legally may, the City further covenants and agrees that, so long as any Bonds or any interest thereon are Outstanding, no franchise shall be granted for the installation or operation of any competing electric or gas system other than that owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited.

SECTION 6.6. ***Rates and Charges.***

While any of the Bonds authorized hereby are Outstanding, the City shall establish and maintain rates and charges for facilities and services afforded by the Systems that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce income and revenues in each Fiscal Year sufficient:

A. ***Prior Lien Expenses:*** to pay all Maintenance and Operating Expenses, depreciation, replacement and betterment expenses, and other costs as may be required by Chapter 1502, as amended, Texas Government Code;

B. ***Senior Lien Expenses:*** to produce Net Revenues, together with any other lawfully available funds, sufficient to satisfy the rate covenant contained in the City ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations and to pay the interest on and principal of all Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the Senior Lien Obligations;

C. ***Junior Lien Expenses:*** to produce Net Revenues, together with any other lawfully available funds, to pay the interest on and principal of all Junior Lien Obligations, the Bonds, the Concurrently Issued Bonds, any Liquidity Facility, and any Additional Junior Lien Obligations hereafter

issued, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds;

D. ***Commercial Paper Expenses:*** to the extent the same are reasonably anticipated to be paid with Available Revenues (as defined in the ordinance authorizing the Commercial Paper Obligations), the interest on and principal of all Notes (as defined in said ordinance) and the Agreement (as defined in said ordinance); and

E. ***Inferior Lien Expenses:*** to pay any Inferior Lien Obligations and any Additional Inferior Lien Obligations hereafter issued by the City or any other legal debt or obligation of the Systems as and when the same shall become due.

For the purpose of satisfying the covenants specified above, the City may consider debt service on any obligations secured by and payable from revenues of the Systems after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to any such obligations' having been irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any Senior Lien Obligations and Junior Lien Obligations designated as "build America bonds" and "qualified bonds" under the Code).

SECTION 6.7. ***Security of Funds.***

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

SECTION 6.8. ***Remedies in Event of Default.***

In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (1) defaults in the payments to be made to the Bond Fund or (2) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 6.9. ***Covenants to Maintain Tax-Exempt Status.***

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

Closing Date means the date of physical delivery of the Initial Bond in exchange for the agreed-upon purchase price for the Bonds.

Code means the Internal Revenue Code of 1986, as amended by all legislation, if any, applicable to the Bonds.

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

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

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

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

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

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

Yield of

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

(2) the Bonds and the Concurrently Issued Bonds, as a combined Yield, has the meaning set forth in Section 1.148-4 of the Regulations.

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

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

(1) ***No Private Use***: exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in

any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public;

(2) ***No Private Payment***: not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes; and

(3) ***No Service Outside Historic Service Area:*** if Gross Proceeds are used to acquire any interest in property that was used by a Person other than a governmental unit in connection with an electric or gas generation, transmission, distribution, or related facility, then 95% or more of the output of such facility will be consumed in qualified service areas or qualified annexed areas (as defined in section 141(d)(3)(B) of the Code) of the City as of the date of acquisition.

D. ***No Private Loan***. Except as would not cause the Bonds to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

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

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

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

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

(1) ***Accounting***. The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of

accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Bonds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

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

(3) ***Payment of Rebate.*** As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Bond Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

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

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

J. ***Bonds Not Hedge Bonds.***

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

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

K. ***Temporary Periods.*** The City will or will not waive temporary periods with respect to the Bonds as provided in the City's Certificate as to Tax Exemption.

L. ***Accounting for Expenditures of Proceeds.*** The City shall account for the allocation of proceeds of the Bonds (and investment income thereon) to expenditures not later than 18 months after the later of the date the expenditure is paid or the date the project, if any, is placed in service, but, in any event, by the date 60 days after earlier of the fifth anniversary of the date of issue of the Bonds or the date of retirement of all the Bonds.

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

N. ***Elections.*** The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Clerk, Acting City Clerk, City Manager, City Attorney, Chief Financial Officer of the City, and each Designated Financial Officer, or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

SECTION 6.10. ***Management of Systems.***

In accordance with the provisions of the ordinances authorizing the currently outstanding Senior Lien Obligations and this Ordinance, the City hereby agrees, covenants, and reaffirms that during such time as any Bonds issued hereunder are Outstanding and unpaid, the complete management and control of the Systems, pursuant to the authority contained in Section 1502.070, as amended, Texas Government Code, shall be vested in a Board of Trustees consisting of five citizens (one of whom shall be the Mayor of the City) of the United States of America permanently residing in Bexar County, Texas, to be known as the "City Public Service Board of San Antonio, Texas". The Mayor of the City shall be a voting member of the Board, shall represent the City Council thereon, and shall be charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations and decisions of the Board and its conduct of the management of the Systems.

All vacancies in membership on the Board (excluding the Mayor of the City), whether occasioned by failure or refusal of any person previously named to accept appointment or by expiration of term of office or otherwise, shall be filled in the following manner: a nominee to fill such vacancy shall be elected by the majority vote of the remaining members of the Board of Trustees, such majority vote to include the vote of the Mayor. The name of such nominee shall then be submitted by the Mayor to the vote of the City Council, which by a majority vote of the members thereof then in office shall, as evidenced by ordinance or resolution, either confirm or reject such nominee; provided, however, if the City Council fails to act upon such nominee, such failure to do so shall be considered as a rejection of such nominee and another nominee shall be selected by the Board. If a vacancy occurs and the remaining members of the Board (including the Mayor) fail to elect a nominee to fill such vacancy within sixty (60) days after the vacancy occurs (or fail to select another nominee within sixty (60) days after rejection of a nominee by the City Council), the City Council, by a majority vote of the members thereof then in office, shall elect a person to fill such vacancy and shall appoint such Trustee by resolution or ordinance. In the event

the City rejects or fails to confirm three (3) consecutive nominees of the Board to fill a vacancy on the Board, the City Council shall, within thirty (30) days after the third rejection, appoint a temporary Trustee to fill such vacancy pending the appointment of a permanent Trustee to fill such vacancy. The appointment of a temporary Trustee by the City Council shall constitute the nomination of such appointee as the permanent Trustee to fill such vacancy. Unless the remaining members of the Board, by a majority vote, reject the nominee selected by the City Council within thirty (30) days after his appointment as a temporary Trustee, the appointment shall become final and the temporary Trustee shall automatically become the permanent Trustee to fill such vacancy. In such vote, the vote of the Mayor shall automatically be cast as a vote in favor of the confirmation of such Trustee, whether cast by the Mayor or not.

If the nominee of the City Council is rejected by a majority vote of the remaining Trustees, the remaining Trustees shall within thirty (30) days after such rejection elect another nominee to fill such vacancy. Such nominee shall be considered by the City Council and if approved shall become the permanent Trustee. If such nominee is rejected by a majority vote of the members of the City Council then in office, or in the event the City Council fails to act upon such nomination within thirty (30) days after the nomination is presented to the City Council, the temporary Trustee theretofore appointed by the City Council shall automatically become the permanent Trustee to fill such vacancy. The term of office of each member appointed to the Board shall be five (5) years. A person who has served as an appointed member of the Board for a single five-year term shall be eligible for reappointment for one additional five-year term and one only. A member who is appointed to the Board to serve out an unexpired portion of a retired member's term shall not be considered to have served a "term" unless the unexpired portion of the term so served is three (3) years or more. Permanent removal of residence from Bexar County by any appointed member of the Board shall vacate his office as a member of the Board, or any member (other than the Mayor of the City) who shall be continuously absent from all meetings held by the Board for a period of four (4) consecutive months shall, unless he shall have been granted leave of absence by the unanimous vote of the remaining members of the Board, be considered to have vacated his office as a member of the Board. Any member of the Board, other than the Mayor of the City, may, by unanimous vote of the remaining members of the Board, be removed from office, but only for adequate cause.

Notwithstanding any of the foregoing provisions as contained in this *Section 6.10* or in any other section of this Ordinance pertaining to the appointment or selection of Trustees to the Board, the City Council reserves unto itself the absolute right at any time upon passage of an ordinance approved by a majority vote of its members to change the method of selection of and appointment to the Board of Trustees to direct selection by the City Council, with such change of method to direct selection being at the sole option of the City Council without approval of any persons, party, holder of Bonds, or the Board of Trustees.

Except as otherwise specifically provided in this Ordinance, the Board of Trustees shall have absolute and complete authority and power with reference to the control, management, and operation of the Systems and the expenditure and application of the revenues of the Systems subject to the provisions contained in this Ordinance, all of which shall be binding upon and shall govern the Board of Trustees. In connection with the management and operation of the Systems and the expenditure and application of the revenues therefrom, the Board of Trustees shall be vested with all of the powers of the City with respect thereto, including all powers necessary or appropriate for the performance of all of the covenants, undertakings, and agreements of the City contained in this Ordinance, and shall have full power and authority to make rules and regulations governing the furnishing of electric and gas service to customers and for the payment of the same, and for the discontinuance of such services upon failure of customers to pay therefor, and, to the extent authorized by law, shall have full authority with reference to making of

extensions, improvements, and additions to the Systems and the acquiring by purchase or condemnation of properties of every kind in connection therewith.

The Board of Trustees, in exercising the management powers granted herein, will ensure that policies adopted affecting research, development, and corporate planning will be consistent with City Council policy, and policies adopted by the Board of Trustees pertaining to such matters will be subject to City Council review.

The Board of Trustees shall elect one of its members as Chairman and one as Vice Chairman of the Board and shall appoint a Secretary and a Treasurer, or a Secretary-Treasurer, who may, but need not be, a member or members of the Board. If a member of the Board of Trustees is not appointed as Secretary or Treasurer, or Secretary-Treasurer, then an employee or employees of the Board whose duties in the operation of the Systems require performance of similar duties may be appointed as Secretary or Treasurer or Secretary-Treasurer. The Board of Trustees may follow and adopt such rules for the orderly handling of its affairs as it may see fit and may manage and conduct the affairs of the Systems with the same freedom and in the same manner ordinarily employed by the board of directors of private corporations operating properties of a similar nature. No member of the Board of Trustees, however, shall ever vote by proxy in the exercise of his duties as a Trustee.

The Board of Trustees shall appoint and employ all officers, employees, and professional consultants which it may deem desirable, including without limitation, a General Manager and CEO of the Systems, attorneys, engineers, architects, and other advisors. No officer or employee of the Board of Trustees may be employed who shall be related within the second degree of consanguinity or affinity to any member of the Board of Trustees.

The Board of Trustees shall obtain and keep continually in force an employees' fidelity and indemnity bond of the so-called "blanket" type, written by a solvent and recognized indemnity company authorized to do business in the State of Texas and covering losses to the amount of not less than One Hundred Thousand Dollars ($100,000).

The members of the Board of Trustees, other than the Mayor of the City, shall receive annual compensation in the minimum amount of Two Thousand Dollars ($2,000.00), except that the Chairman of the Board shall receive annual compensation in the minimum amount of Two Thousand Five Hundred Dollars ($2,500.00). Such compensation may be increased from time to time by the majority vote of the City Council then in office.

The members of the Board of Trustees and administrative officers shall not be personally liable, either individually or collectively, for any act or omission not willfully fraudulent or in bad faith.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. ***Ordinance a Contract; Amendments.***

The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Bonds. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any

ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; *provided* that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

SECTION 7.2. *Notices.*

A. ***General.*** Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder as it appears in the Securities Register. In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

B. ***Notice of Certain Events.*** The City shall mail, first-class postage prepaid, notice of any of the following events to each Rating Service, whenever:

(1) ***Successor Paying Agent/Registrar, Calculation Agent, or Tender Agent***: the Paying Agent/Registrar, Calculation Agent, and/or Tender Agent has resigned or been removed and a successor Paying Agent/Registrar, Calculation Agent, and/or Tender Agent has been appointed, such notice to be mailed within 10 Business Days after the appointment of such successor Paying Agent/Registrar, Calculation Agent, and/or Tender Agent,

(2) ***Amendments***: an amendment or supplement to this Ordinance or to any Credit Facility (including any extension of the term of such Credit Facility), or Liquidity Facility (including any extension of the term of such Liquidity Facility), is to be entered into, such notice to be mailed at least 10 Business Days prior to the effective date of such amendment or supplement,

(3) ***Release or Acceptance of Credit or Liquidity Support***: the expiration or release of the Credit Facility pursuant to *Section 4.2J(2)* or *(5)* or of any Liquidity Facility pursuant to *Section 4.1B(2)* or *(4)*, or the acceptance of any Credit Facility or Liquidity Facility pursuant to *Section 4.2K* or *4.1C*, is to occur, such notice to be mailed at least 10 Business Days prior to such date,

(4) ***Redemption***: the City elects to redeem all the Outstanding Bonds, such notice to be mailed within 10 Business Days after such election (and to specify the redemption date requested thereby),

(5) ***Change in Interest Mode***: the City elects to change the Interest Mode for the Bonds or any portion thereof, such notice to be mailed at least 10 Business Days prior to the effective date of the new Interest Mode for such Bonds or portions,

(6) ***Appointment of a Substitute Remarketing Agent***: the City appoints a substitute Remarketing Agent for the Bonds, such notice to be mailed promptly after the substitute Remarketing Agent for such Bonds is appointed,

(7) ***Defeasance***: any Bond is considered to be no longer Outstanding due to the deposit of money or Government Obligations in accordance with *Section 4.4*, such notice to be mailed promptly after such deposit,

(8) ***Waivers***: the Credit Enhancer has waived any default or compliance with any obligation of the City hereunder, such notice to be given promptly after such waiver, or

(9) ***Mandatory Tenders***: the Bonds are required to be tendered for purchase pursuant to *Section 2.5A(3)*, such notice to be given at least 10 days before the applicable Purchase Date.

Any such notice given (1) Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: Public Finance Group—Texas Local Ratings; (2) Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10004, Attention: Municipal Finance, and (3) Fitch Ratings, One State Street Plaza, New York, New York, 10004, Attention: Municipal Finance.

C. ***Notices to Beneficial Owners.*** The Paying/Agent Registrar shall send to the beneficial owners of Bonds who have registered their ownership of Bonds with the Paying Agent/Registrar pursuant to *Section 2.7C*, at the mailing or email address so registered, a copy of each notice sent (or required by this Ordinance to be sent) by the Paying Agent/Registrar to the Bondholders or the Rating Services, contemporaneously with such notice to Bondholders.

SECTION 7.3. ***Effect of Headings.***

The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 7.4. ***Benefits of Ordinance.***

Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any Person other than the City, the Board, the Paying Agent/Registrar, the Calculation Agent, the Tender Agent, the Credit Enhancer, the Liquidity Bank, the Remarketing Agent, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, the Board, the Paying Agent/Registrar, the Calculation Agent, the Tender Agent, the Credit Enhancer, the Liquidity Bank, the Remarketing Agent, and the Holders.

SECTION 7.5. ***Inconsistent Provisions.***

All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance after application of *Section 6.1* are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 7.6. ***Governing Law.***

This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 7.7. ***Severability.***

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

SECTION 7.8. ***Incorporation of Preamble Recitals.***

The recitals contained in the preamble hereof are hereby found to be true, and such recitals and other statements therein are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council.

SECTION 7.9. ***Public Meeting.***

It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 7.10. ***No Recourse Against City or Board Officials.***

No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Ordinance against any official of the City, the Board, or any Person executing any Bond.

SECTION 7.11. ***Unavailability of Authorized Publication.***

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

SECTION 7.12. ***Further Action.***

The officers and employees of the City and the officers and employees of the Board (including the Designated Financial Officers and any Designated Financial Officer), singly and collectively, are hereby authorized to execute such certificates, opinions, or other documents deemed necessary to carry out the purposes of this Ordinance.

SECTION 7.13. ***Further Procedures.***

The officers and employees of the City and the Board are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Purchase Contract, and the Official Statement. In addition, prior to the initial delivery of the Bonds, the Mayor, the City Manager, the City Attorney, the Chief Financial Officer of the City, each Designated Financial Officer, and Co-Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (1) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (2) obtain a rating from any of the national bond rating agencies, or (3) obtain the approval of the Bonds by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 7.14. ***Continuing Disclosure Undertaking.***

Definitions.

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

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

MSRB means the Municipal Securities Rulemaking Board.

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

SEC means the United States Securities and Exchange Commission.

B. ***Annual Reports.*** The Board, on behalf of the City, shall file annually with the MSRB, within six months after the end of each Fiscal Year ending in or after 2015, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by Section 2.12 of this Ordinance being the information described in Exhibit E hereto. All such information must be filed with the MSRB pursuant to its EMMA System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit E hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Board shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year with the MSRB, when and if the audit report on such statements becomes available.

If the Board changes its Fiscal Year, it will file notice thereof with the MSRB of the change (and of the date of the new Fiscal Year) prior to the next date by which the Board, on behalf of the City, otherwise would be required to provide financial information and operating data pursuant to this Section.

C. ***Notice of Certain Events.*** The Board, on behalf of the City, shall file notice of any of the following events with respect to the Bonds, to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of holders of the Bonds, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership, or similar event of the City or the Board, which shall occur as described below;

(13) the consummation of a merger, consolidation, or acquisition involving the City or the Board or the sale of all or substantially all of the assets of the City or the Board, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City or the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed

jurisdiction over substantially all of the assets or business of the City or the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City or the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or the Board.

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

D. ***Limitations, Disclaimers, and Amendments.*** The City and the Board, on behalf of the City, shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board on behalf of the City in any event will give notice of any deposit made in accordance with the laws of the State of Texas that causes the Bonds to be no longer Outstanding.

The provisions of this *Section 7.14* are for *the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section* 7.*14*, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Board, on behalf of the City, undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this *Section 7.14* or otherwise, except as expressly provided herein. Neither the City nor the Board makes any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

No default by the City or the Board in observing or performing their obligations under this *Section 7.14* shall constitute a breach of or default under the Ordinance for purposes of any other provision of this Ordinance.

Nothing in *this Section 7.14* is intended or shall act to disclaim, waive, or otherwise limit the duties of the City or the Board under federal and state securities laws.

The provisions of this *Section 7.14* may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Board, but only if (1) the provisions of this *Section 7.14*, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and

(2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City or the Board (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this *Section 7.14* if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this *Section 7.14* in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this *Section 7.14*, the Board, on behalf of the City, shall include with any amended financial information or operating data next provided in accordance with this *Section 7.14* an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. ***Information Format – Incorporation by Reference.*** The information required under this *Section 7.14* shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

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

SECTION 7.15. ***Effective Date.***

The effective date of this Ordinance shall be governed by the provisions of Section 1-15 of the City Code of San Antonio, Texas. This Ordinance shall take effect immediately if passed by the affirmative vote of at least eight members of the City Council, otherwise the same shall take effect on the tenth day after the date of its passage by the City Council.

[The remainder of this page intentionally left blank.]

PASSED AND ADOPTED by an affirmative vote of 11 members of the City Council of the City of San Antonio, Texas, this the 30th day of October, 2014.

CITY OF SAN ANTONIO, TEXAS

Mayor

ATTEST:

City Clerk

(CITY SEAL)

I, the undersigned, City Attorney of the City of San Antonio, Texas, hereby certify that I read, passed upon, and approved as to form the foregoing Ordinance prior to its adoption and passage as aforesaid.

Robert F. Greenblum, City Attorney
City of San Antonio, Texas

SCHEDULE I

TABLE OF REFUNDED OBLIGATIONS

City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Series 2003, dated May 1, 2003 and originally issued in the total aggregate principal amount of $250,000,000, to be refunded in the aggregate principal amount of $125,000,000, stated to mature on February 1, 2033, and called for redemption on January 7, 2015.

SCHEDULE II

APPROVAL CERTIFICATE

SEE TAB NO. 2

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. 4

EXHIBIT B

FORM OF TENDER AGENT AGREEMENT

SEE TAB NO. 6

EXHIBIT C

FORM OF PURCHASE CONTRACT

SEE TAB NO. 11

EXHIBIT D

FORM OF LETTER OF REPRESENTATIONS WITH DTC

SEE TAB NO. 8

EXHIBIT E

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

Annual Financial Statements and Operating Data

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

(1) The Board's audited financial statements for the most recently concluded fiscal year and unaudited financial statements for such period to the extent that audited financial statements are not available by the date by which audited financial statements are to be provided.

(2) Information under the Sections "SAN ANTONIO ELECTRIC AND GAS SYSTEMS-Customer Base as of January 31, 2014"; "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 "DESCRIPTION OF PHYSICAL PROPERTY - Electric System - Five-Year South Texas Project Capacity Factor"; and "DESCRIPTION OF PHYSICAL PROPERTY - Other Electric And Gas Systems Statistics"; and APPENDIX B.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

EXHIBIT F

ESCROW DEPOSIT LETTER

N/A

EXHIBIT G

NOTICE OF REDEMPTION

SEE TAB NO. 35