

ORDINANCE NO. 2013-04-04-0230

AN ORDINANCE AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$74,285,000 "CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013"; PLEDGING THE REVENUES OF THE DRAINAGE UTILITY SYSTEM FOR THE PAYMENT OF THE BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE OF THE BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND A PURCHASE CONTRACT; DELEGATING AUTHORITY TO AUTHORIZED OFFICIALS TO FINALIZE CERTAIN SALE TERMS RELATING TO THE BONDS; ENACTING ANY OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, pursuant to authority conferred by Subchapter C of then Chapter 402, which has been renumbered effective April 1, 2009 to Chapter 552 of the Texas Local Government Code, as amended (the "Act") the City Council (the "City Council") of the City of San Antonio, Texas (the "City") held public hearings on the creation of a municipal drainage utility system and adopted Ordinance No. 86711 on September 25, 1997 (the "Creation Ordinance") establishing and declaring the creation of the City of San Antonio Municipal Drainage Utility System (the "Municipal Drainage Utility System" or "System") within the municipal boundaries and unincorporated extraterritorial jurisdiction of the City;

WHEREAS, the initial establishment of the System pursuant to the ordinance adopted by the City on September 25, 1997 has been validated pursuant to the provisions of Section 51.003, Texas Local Government Code, as amended, because three years have passed, no lawsuit to annul or invalidate the Creation Ordinance has been filed as of the date hereof, and Section 51.003(b) Texas Local Government Code, as amended, is not applicable;

WHEREAS, the City has previously issued its "CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE BONDS, SERIES 2003" in the original aggregate principal amount of \$44,150,000 of which \$31,920,000 remain outstanding (the "Series 2003 Bonds");

WHEREAS, the City has also previously issued its "CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE BONDS, SERIES 2005" in the original aggregate principal amount of \$61,060,000 of which \$49,045,000 remain outstanding (the "Series 2005 Bonds");

WHEREAS, the City Council desires to defease and refund certain of the outstanding Series 2003 Bonds and the Series 2005 Bonds to be determined as herein provided (the "Refunded Bonds") to realize a present value savings;

WHEREAS, pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), the City is authorized to issue refunding bonds and deposit the proceeds of sale directly with a trust company or commercial bank not a depository of the City, under an escrow agreement to provide for the payment of the Refunded Bonds, and such deposit, when made in accordance with the Chapter 1207, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds;

WHEREAS, when firm banking arrangements have been made for the payment of principal of and interest to the stated maturity or redemption dates of the Refunded Bonds, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose and may not be included in or considered to be an indebtedness of the City for the purpose of a limitation on outstanding indebtedness or taxation or for any other purpose; and

WHEREAS, the City also hereby finds and determines that the Refunded Bonds are scheduled to mature or are subject to being redeemed not more than 20 years from the date of the refunding bonds herein authorized and being issued to restructure the City's debt service in the coming years; and such refunding will result in a gross savings and a net present value savings in amounts determined on the date of sale of the bonds authorized hereby.

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

Section 1. Authorization; Designation; Principal Amount; Purposes. Bonds of the City to be designated and bear the title "City of San Antonio, Texas Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013" (the "Bonds") are hereby authorized to be issued for the purpose of (i) refunding the Refunded Bonds and (ii) paying the costs of issuing the Bonds.

As authorized by Chapter 1207, Texas Government Code, as amended, each Authorized Official (defined below) is severally hereby authorized, appointed, and designated as an officer of the City authorized to act on its behalf in selling and delivering the Bonds and carrying out the procedures specified in this Ordinance, including (but not limited to, and only to the extent necessary) determining the aggregate principal amount of each maturity of the Bonds and the rate of interest to be borne on the principal amount of each maturity; the allocation of premium, if any, generated from the sale of the Bonds; the redemption provisions therefor; the principal amount and maturities of the Refunded Bonds; the amount of the City's contribution to the refunding of the Refunded Bonds and the source thereof if any; and the identity of the insurer, if any, and the terms and conditions governing issuance of the insurance policy. Each of such individuals, acting for and on behalf of the City, is authorized to execute the Approval Certificate substantially in the form attached hereto as Exhibit "A" and which shall be completed, as appropriate, subsequent to the pricing of the Bonds. The Bonds shall be issued in a principal amount not to exceed \$85,000,000; the final maturity of the Bonds shall not exceed 30 years; the refunding of the Refunded Bonds will result in an aggregated present value savings, when compared to the repayment obligations on the Bonds of 5%, including the City's cash contribution, if any; and the net effective per annum interest rate, calculated in a manner consistent with the provisions of Chapter 1204, Texas Government Code, as amended, shall not exceed 4%. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the City to the Underwriters. Upon execution of the Approval Certificate, it shall become a part of this Ordinance and be incorporated by reference herein, and (to the extent necessary or appropriate) Bond Counsel (defined herein) is authorized to complete this Ordinance to reflect such final terms.

Section 2. Fully Registered Obligations; Authorized Denominations, Stated Maturities, and Interest Rates; Bond Date. The Bonds are issuable in fully registered form only; shall be dated May 1, 2013 (the "Bond Date"); shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity (defined herein)); shall become due and payable on February 1 in each of the years and in principal amounts (the "Stated Maturities"); and shall bear interest on the unpaid principal amounts from the date of initial delivery, or from the most recent Interest Payment Date (hereinafter defined) to which

interest has been paid or duly provided for, at per annum rates, while Outstanding (hereinafter defined), in accordance with the Approval Certificate.

Section 3. Payment of Bonds - Paying Agent/Registrar. The principal of and the interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable, without exchange or collection charges to the Owner (defined herein), appearing on the registration and transfer books maintained by the Paying Agent/Registrar (defined herein), 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 Owner of the Bonds.

The Bonds shall bear interest at the per annum rates established in the Approval Certificate, and interest thereon shall be payable on August 1 and February 1 of each year (the "Interest Payment Dates") commencing August 1, 2013.

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

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

Both principal of and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable only to the registered owner of the Bonds (the "Owner" or "Owners") appearing on the Register maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (the "Register") (i) on the Record Date (defined herein) for purposes of paying interest thereon, (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof upon redemption of the Bonds or at the Bonds' Stated Maturity, and (iii) on any date for any other purpose. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Owner as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Owner whose name appears in the Register at the close of business on the 15th day of the month next preceding

the applicable Interest Payment Date (the "Record Date") and shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Owner appearing in the Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Owner at the Owner's risk and expense.

If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day 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. The payment on such later date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

Section 4. Redemption. (a) Redemption of Bonds. The Approval Certificate shall provide for any mandatory redemption of the Bonds and at the prices therein described. The Bonds having stated maturities on and after February 1, 2024 are subject to optional redemption in whole or in any part thereof, in the principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

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

(c) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed; provided, however, that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by \$5,000.

(d) Notice of Redemption. Not less than 30 days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first-class postage prepaid, in the name of the City and at the City's expense, to each Owner of a Bond to be redeemed in whole or in part at the address of the Owner appearing on the 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 Owner.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Owner. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*). Additionally, this notice shall also be sent by the City to the MSRB (hereinafter defined).

If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on the 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 hereunder.

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

Section 5. Execution and Registration. The Bonds shall be executed on behalf of the City by its Mayor under the seal of the City reproduced or impressed thereon and attested by its City Clerk. The signature of any of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers (hereinafter defined), all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

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 8(c), executed by the Comptroller of Public Accounts of the State of Texas (the "Comptroller") or her duly authorized agent by manual signature with respect to the Initial Bond only, or a certificate of registration substantially in the form provided in Section 8(d), executed by the Paying Agent/Registrar by manual signature with respect to all definitive Bonds, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

Section 6. Registration; Transfer; Exchange of Bonds; Predecessor Bonds. A Register relating to the registration, payment, transfer, or exchange of the Bonds shall at all times be kept and maintained by the City at the corporate trust office of the Paying Agent/Registrar, and the Paying

Agent/Registrar shall obtain, record, and maintain in the Register the name and address of each Owner of the Bonds issued under and pursuant to the provisions of this Ordinance. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Register by the Owner, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Owner or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

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

At the option of the Owner, Bonds may be exchanged for other Bonds of authorized denominations and having the same Stated Maturity, bearing the same rate of interest, and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds executed on behalf of, and furnished by, the City to the Owner requesting the exchange.

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

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

Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Bonds", evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 30 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

Section 7. Initial Bond. The Bonds herein authorized shall be issued initially as a fully registered bond in the total principal amount of and with principal installments to become due and payable as provided in the Approval Certificate and numbered I-1 (the "Initial Bond") and the Initial Bond shall be registered in the name of the Purchasers (defined herein) or the designee thereof. The Initial Bond shall be submitted to the Office of the Attorney General of the State of Texas (the "Attorney General") for approval and certified and registered by the Comptroller of Public Accounts of the State of Texas (the "Comptroller"). At any time after the delivery of the Initial Bond to the Purchasers, the Paying Agent/Registrar, upon written instructions from the Purchasers, or their designee, shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated

Maturities, principal amounts, and bearing applicable interest rates for transfer and delivery to the Owners named and at the addresses identified therefor; all in accordance with and pursuant to such written instructions from the Purchasers, or his or their designee, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

Section 8. Form of Bonds. (a) General. The Bonds, the Registration Certificate of the Comptroller, the Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on the Bonds shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association ("CUSIP") and such legends and endorsements (including insurance legends, if any, and any reproduction of an opinion of counsel) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

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

[FORM OF BONDS]

(b) Form of Definitive Bonds.

United States of America
State of Texas
CITY OF SAN ANTONIO, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BOND, SERIES 2013

NUMBER	AMOUNT
R- _____	\$ _____
REGISTERED	REGISTERED

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>STATED MATURITY</u>	<u>CUSIP NO.</u>
May 1, 2013	%	February 1, _____	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS (\$ _____)

The City of San Antonio, Texas (the "City"), a body corporate, municipal corporation, and home-rule city located primarily in the County of Bexar, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Ordinance of the Registered Owner named above (the "Owner"), 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 (computed on the basis of a 360-day year of twelve 30-day months) from the date of initial delivery, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rate specified above; such interest being payable on August 1 and February 1 of each year commencing August 1, 2013.

Principal of this Bond shall be payable to the Owner hereof, upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor. Interest shall be payable to the Owner of this Bond (or one or more Predecessor Bonds, as defined in the Ordinance hereinafter referenced) whose name appears on the Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the 15th day of the month next preceding the Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Owner hereof at the address appearing in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Owner hereof at the Owner's risk and expense.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$70,685,000 (the "Bonds") pursuant to an ordinance adopted by the governing body of the City (the "Ordinance"), for the purposes of (i) refunding the Refunded Bonds described in the Ordinance and (ii) paying the costs of issuing the Bonds, under and in strict conformity with the laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended; Section 99 of the Home Rule Charter of the City, and Section 552.051, Texas Local Government Code, as amended. Capitalized terms used herein have the same meanings assigned in the Ordinance.

The Bonds stated to mature on and after February 1, 2024 may be redeemed prior to their Stated Maturities, at the option of the City, on February 1, 2023, or on any date thereafter, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity at random and by lot by the Paying Agent/Registrar) at the redemption price of par, and upon 30 days prior written notice being given by United States mail, first-class postage prepaid, to Owners of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Bond is subject to redemption prior to stated maturity and is of a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Owner hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Ordinance for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption has been duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within 45 days of the date

fixed for redemption; provided, however, that such limitation of transfer shall not be applicable to an exchange by the Owner of the unredeemed balance hereof in the event of its redemption in part.

The Bonds, together with any Bonds Similarly Secured issued in the future, are special obligations of the City payable solely from and equally and ratably secured by a first lien on and pledge of the Revenues (as defined in the Ordinance) of the City's Municipal Drainage Utility System (as defined in the Ordinance and hereinafter referred to as the "System"). The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or the System, except with respect to the Revenues. The Owner hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

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

Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Owner by the acceptance hereof hereby assents, for definitions of terms; a description of and the nature and extent of the security for the Bonds, including the Revenues pledged to the payment of the Bonds and the lien and pledge securing the payment of the Bonds; conditions for the issuance of additional revenue obligations; rights and conditions relating to transferability or exchange of this Bond; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Owner; the rights, duties, and obligations of the City and the Escrow Agent; provisions relating to the defeasance and discharge of the liens, pledges, charges, and covenants contained in the Ordinance at or prior to the maturity or redemption of this Bond; and for other terms and provisions contained therein.

As provided in the Ordinance and subject to certain limitations contained therein, this Bond is transferable on the Register, upon surrender of this Bond for transfer 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 Owner hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Owner hereof whose name appears on the Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity or its redemption, in whole or in part, and (iii) on all dates for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to or in the issuance of this Bond in Ordinance to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that the issuance of this Bond does not exceed any constitutional or statutory limitation. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

CITY OF SAN ANTONIO

ATTEST:

Mayor

City Clerk

(CITY SEAL)

* * *

(c) Form of Registration Certificate of the Comptroller to appear on Initial Bond only.

REGISTRATION CERTIFICATE OF THE COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS
THE STATE OF TEXAS

REGISTER NO. _____

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

WITNESS my signature and seal of office this _____.

(SEAL)

Comptroller of Public Accounts of the
State of Texas

* * *

(d) Form of Certificate of Paying Agent/Registrar to appear on Definitive Bonds only.

CERTIFICATE OF PAYING AGENT/REGISTRAR

It is hereby certified that this bond has been delivered pursuant to the Ordinance authorizing the issuance of the Bonds described in the text of this bond, in exchange for or in replacement of a bond, bonds, or a portion of a bond or bonds of a series which was originally 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

* * *

(e) Form of Assignment.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto

/ _____ / _____
(Please insert Social Security or Taxpayer Identification Number of Transferee) (Please print or type name, address, and zip code of Transferee)

_____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____ attorney to transfer said bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond to the name of the registered owner as shown on the face of this bond in every particular, without any alteration, enlargement, or change whatsoever.

The following abbreviations, when used in the assignment above or on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the 15th day of the month next preceding the Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Owner hereof at the address appearing in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Owner hereof at the Owner's risk and expense.

[Mandatory Redemption if needed]

*Information to be inserted from schedule in Approval Certificate.

[END OF FORMS]

Section 9. Definitions. For all purposes of this Ordinance (as defined below), and in addition to other terms defined herein, except as otherwise expressly provided or unless the context otherwise requires in addition to other words and terms defined in this Ordinance: (i) the terms defined in this Section have the meanings assigned to them in this Section, certain terms used in Sections 31 and 50 of this Ordinance have the meanings assigned to them in such Sections, and all such terms, include the plural as well as the singular; (ii) all references in this Ordinance to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

"Act" means Subchapter C of Chapter 552 (formerly Chapter 402) of the Texas Local Government Code, as amended, or any successor statute.

"Additional Bonds" means revenue bonds or other evidences of indebtedness issued or entered into, as the case may be, in the future in accordance with the terms and conditions provided in Section 17 hereof and, by their terms, are equally and ratably secured by a lien on and pledge of the Revenues of the System.

"Approval Certificate" means the certificate, in substantially the form attached hereto as Exhibit "A", specifying the terms detailed in Section I hereof and executed by an Authorized Official.

"Authorized Officials" means the Mayor, the City Clerk, the City Manager, the Chief Financial Officer, or any other officer or employee of the City appointed by the Council to serve as an "Authorized Official" hereafter.

"Average Annual Debt Service Requirements" means an amount which, at the time of computation, is derived by dividing the total amount of Debt Service Requirements to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service Requirements. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

"Bond Date" means May 1, 2013.

“Bond Fund” means the special fund created and established by the provisions of Section 13 of this Ordinance.

“Bonds” means the “CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013” authorized by this Ordinance.

“Bonds Similarly Secured” means collectively, the Series 2005 Bonds, the Bonds, and any Additional Bonds.

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

“Closing Date” means the date of physical delivery of the Initial Bond in exchange for the payment in full by the Purchasers.

“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, Texas Government Code, as amended.

“Credit Facility” means a policy of insurance or a surety bond issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations or a letter or line of credit issued by any financial institution whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument and approved by the City as a Credit Facility in connection with the authorization, issuance, security, or payment of any obligation authorized by Chapter 1371, Texas Government Code, as amended.

“Credit Provider” means any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Facility.

“Debt Service Requirement” 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, 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). 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 an official depository bank of the City.

“Federal Tax Certificate” means the certificate of the City delivered on the Closing Date concerning federal income tax matters.

“Fiscal Year” means the 12 month financial accounting period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

“Funds” means all funds created or confirmed by this Ordinance.

“Government Securities” means (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America, or (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City 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 (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City 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.

“Interest Payment Date” means the date semiannual interest is payable on the Bonds, being August 1 and February 1 of each year, commencing August 1, 2013, while any of the Bonds remain Outstanding.

“Net Revenues” means Revenues of the System, with respect to any period, after deducting the System’s Operating and Maintenance Expenses during such period.

“Operating and Maintenance Expenses” means all current expenses of operating and maintaining the System not paid from the proceeds of any Debt, including all salaries, labor, materials, and administrative costs, allocable under generally accepted accounting principles, to the System. This term shall also include any payments made by the City, or any transfer or allocation of Revenues, to the San Antonio Water System, or any other entity utilized by the City for instream monitoring, sampling, testing and analysis, industrial site inspection, water quality modeling, inspection of illicit connections, legal services and public education relating to the System, to collect the Revenues of the System, or to construct capital improvements to the System for the benefit of the City. Depreciation charges and other costs and disbursements which may be capitalized under generally accepted accounting principles shall not be considered Operating and Maintenance Expenses.

“Ordinance” means this ordinance adopted by the City Council on April 4, 2013.

“Outstanding” when used in this Ordinance with respect to Bonds Similarly Secured, as the case may be, means, as of the date of determination, all Bonds Similarly Secured theretofore sold, issued, and delivered by the City, except:

(1) Bonds Similarly Secured cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 32 hereof; and

(3) Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

“Owner” or “Owners” means the registered owner, whose name appears in the Register for any Bond.

“Paying Agent/Registrar” means U.S. Bank National Association, Dallas, Texas or any successor.

“Purchasers” means the initial purchaser(s) of the Bonds named in Section 34 of this Ordinance.

“Refunded Bonds” means those obligations of the City currently outstanding as described in Schedule I attached hereto, and which will be refunded as finalized and fully described in the Approval Certificate.

“Required Reserve” means the total amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 14 hereof.

“Revenues” means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding restricted gifts, grants in aid of construction and any amounts received from drainage charges specifically provided by ordinance for contribution to the funding of future drainage system construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds Similarly Secured and other obligations payable solely from and secured only by a lien on and pledge of the Revenues of the System, and excluding those amounts subject to payment to the United States of America as rebate pursuant to section 148 of the Code.

“Stated Maturity” means the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Ordinance.

“System” or “Municipal Drainage Utility System” means all land, easements and interest in land, together with all structures, equipment, and facilities used in draining benefitted property (within the meaning of the Act), including, but not limited to, bridges, catch basins, channels, conduits, creeks, culverts, detention ponds, ditches, draws, flumes, pipes, pumps, sloughs, treatment works, and appurtenances to those items, whether natural or artificial, or using force or gravity, that are used to draw off surface water from land, carry the water away, collect, store, or treat the water, or divert the water into natural or artificial watercourses and excluding the property or entities exempted from the Act pursuant to Section 552.053 of the Act; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any

kind which are declared not to be a part of the System 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 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 Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Section 10. Pledge. The City hereby covenants and agrees that the Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, to the payment and security of the Debt Service Requirements on the Bonds (including any Credit Agreements) and any Additional Bonds, if issued, including the establishment and maintenance of the special funds created and established by this Ordinance, all as hereinafter provided, and it is hereby ordained that such pledge of the Revenues securing the payment of the Bonds Similarly Secured and interest thereon shall constitute a first lien on such Revenues and be valid and binding in accordance with the terms hereof without any filing or recording thereof (except in the official records of the City) or physical delivery of such Revenues or further act by the City.

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds Similarly Secured and the pledge of Revenues granted by the City under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at anytime while the Bonds Similarly Secured are outstanding and unpaid such that the pledge of the 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 Similarly Secured the perfection of the security interest in this pledge, the City 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.

Section 11. Rates and Charges. For the benefit of the Owners of the Bonds Similarly Secured and in accordance with the provisions of the Act and other applicable laws of the State of Texas, the City hereby expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, to establish, maintain and impose drainage charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Revenues in each Fiscal Year sufficient:

(1) to pay the principal of and interest on the Bonds Similarly Secured (including any Credit Agreement) and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Revenues of the System,

(2) to pay for all Operating and Maintenance Expenses,

(3) in an amount equivalent to at least 1.25 times the annual Debt Service Requirements for the Fiscal Year on the Bonds Similarly Secured then Outstanding, and

(4) to pay all other indebtedness payable from and/or secured in whole or in part by a lien on and pledge of the Revenues of the System.

Section 12. System Fund. The City hereby covenants and agrees that the Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and Reserve Fund) shall be deposited as collected to the credit of a fund maintained at the Depository, and known on the books and records of the City as the "Drainage Utility System Fund" (herein called the "System Fund"). All revenues deposited in the System Fund 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 the amounts required to be deposited in the Bond Fund for the payment of Debt Service Requirements on the Bonds Similarly Secured (including any Credit Agreement) as the same becomes due and payable.

Second: To the payment of all necessary and reasonable Operating and Maintenance Expenses.

Third: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to issuance of Bonds Similarly Secured, including payment of amounts, if any, pursuant to the terms of a Credit Facility as provided in Section 14 hereof. Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be transferred to the City's General Fund or used for any other purpose now or hereafter permitted by law.

Section 13. Bond Fund; Excess Bond Proceeds. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Bonds Similarly Secured (including any Credit Agreement), the creation of a special Fund to be designated "City of San Antonio Drainage Utility System Revenue Bond Interest and Sinking Fund" (the "Bond Fund"), which Fund shall be kept and maintained at the Depository, and money deposited in such Fund shall be used for no other purpose and shall be maintained as provided in Section 26, is hereby confirmed. The City covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Revenues an amount equal to 100% of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

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

Accrued interest received from the Purchasers shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the

Revenues of the System. Additionally, 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 Revenues of the System.

Section 14. Reserve Fund. For purposes of accumulating and maintaining a reserve amount for the payment of the Bonds Similarly Secured, the City agrees and covenants to create and maintain a special fund or account on its books and records known as the "City of San Antonio Drainage Utility System Revenue Bond Reserve Fund" (the "Reserve Fund"). All moneys deposited to the credit of such Fund shall be held in a fund or account maintained at the Depository. All funds deposited to the credit of the Reserve Fund (excluding investment or deposit earnings and income which may be transferred to the System Fund established in Section 12 hereof during such periods as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when (whether at maturity, upon a mandatory redemption date or any interest payment date) other funds available for such purposes are insufficient, and, in addition, may be used to the extent not required to maintain the Required Reserve, to pay, or provide for the payment of, the final principal amount of a series of Bonds Similarly Secured so that such series of Bonds Similarly Secured is no longer deemed to be Outstanding.

Initially, the total amount to be accumulated and maintained in the Reserve Fund by reason of the issuance of the Bonds shall be an amount equal to the Average Annual Debt Service Requirements for the Bonds (calculated on a Fiscal Year basis), and hereinafter referred to as the "Required Reserve". Beginning on or before the 10th day of the month next following the delivery of the Bonds to the initial purchasers on or before the 10th day of each following month until the Required Reserve has been accumulated in said Fund, the City covenants and agrees to cause an amount to be deposited in the Reserve Fund equal to at least 1/60th of the Required Reserve.

When Additional Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Bonds are delivered or incurred and annually following each principal payment date or redemption date for Bonds Similarly Secured, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of section 148 of the Code, and regulations promulgated thereunder. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the City, by the deposit of monthly installments, made on or before the 10th day of each month following the month of delivery of the then proposed Additional Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

While cash and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the initial funding of the Required Reserve or issuance of Additional Bonds as provided in the preceding paragraph), the City covenants and agrees to cure the deficiency in the Required Reserve by making monthly deposits on or before the 10th day of each month to said Fund from the Revenues in amounts equal to not less than 1/60th of the then

total Required Reserve to be maintained in said Fund until the total Required Reserve then to be maintained in said Fund has been fully restored. The City further covenants and agrees that, subject only to the payments to be made to the Bond Fund, the Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Bonds.

During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund.

The City, at its option and consistent with the provisions of this Section, may fund the Reserve Fund at the Required Reserve by purchasing a Credit Facility that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Bond Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All ordinances adopted after the date hereof authorizing the issuance of Additional Bonds shall contain a provision to this effect. The City reserves the right to use Revenues of the System to fund the payment of periodic premiums on the Credit Facility and any repayment obligation incurred by the City (including interest) to the issuer of the Credit Facility, the payment of which will result in the reinstatement of such Credit Facility, prior to making payments required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the Required Reserve for the Bonds Similarly Secured.

In the event a Credit Facility is issued to satisfy all or part of the City's obligation with respect to the Reserve Fund which causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, the City may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code, as amended) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

Notwithstanding the foregoing provisions of this section, the requirement to maintain the Required Reserve in the Reserve Fund shall be suspended for such time as the Revenues for each Fiscal Year are equal to at least 1.75 times the Average Annual Debt Service Requirements. In the event that the Revenues for any Fiscal Year are less than 1.75 times the Average Annual Debt Service requirements, the City will be required to commence making the Required Reserve deposits as provided in this Section, and to continue such deposits until the Reserve Fund contains the Required Reserve or the Revenues in each of two Fiscal Years have been equal to not less than 1.75 times the Average Annual Debt Service Requirements.

Section 15. Deficiencies; Excess Revenues. (a) If on any occasion there shall not be sufficient Revenues of the System to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Revenues of the System, or from any other sources available for such purpose.

(b) Subject to making the required deposits to the Bond Fund and the Reserve Fund in accordance with the provisions of this Ordinance, or any ordinance authorizing the issuance of Additional Bonds, the excess Revenues may be transferred to the City's general operating fund or used by the City for any lawful purpose.

Section 16. Payment of Bonds. While any of the Bonds are Outstanding, the City's Chief Financial Officer (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds 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 last business day next preceding the date of payment for the Bonds.

Section 17. Issuance of Additional Bonds. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Bonds for any authorized purpose, including the issuance of refunding bonds. Such Additional Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(1) The Chief Financial Officer of the City or the City Manager shall have executed a certificate stating (a) that, to the best of his/her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Revenues of the System that would materially affect the security or payment of such obligations and (b) either (i) payments into all special Funds maintained for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Revenues of the System have been made and that the amounts on deposit in such special Funds equal or exceed the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(2) The Additional Bonds shall be scheduled to mature or be payable as to principal on February 1 or August 1 (or both) in each year the same are to be outstanding or during the term thereof.

(3) The City has secured a certificate of the City Manager or the Chief Financial Officer of the City to the effect that, according to the books and records of the City, the Revenues for the last completed Fiscal Year, or for 12 consecutive months out of the 18 months, immediately preceding the date of issuance of the Additional Bonds (the date of issuance being the date of initial delivery of all or a portion of the Additional Bonds to the initial purchasers) are at least equal to 1.25 times the Average Annual Debt Service Requirements for all Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Revenues, the Chief Financial Officer or City Manager may take into consideration a change in the charges for services afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Revenues are determined and, for purposes of satisfying the above Revenues test, make a pro forma determination of the Revenues of the System for the period of time covered by his/her certification based on such change in charges being in effect for the entire period covered by the certificate.

Section 18. Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in subparagraph (3) of Section 17 hereof shall be satisfied and the certificate of the Accountant required in subparagraph (3) shall give effect to the Debt Service Requirements of the proposed refunding bonds (and shall not give effect to the Debt Service Requirements of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

Section 19. Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas.

Section 20. Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the City Council of the City, any property of the System which is obsolete, damaged or worn out or otherwise unsuitable. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Section 21. Records and Accounts. The City hereby covenants and agrees that while any Bonds remain Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the receipt and disbursement of Revenues of the System in accordance with generally accepted accounting principles, as well as an inventory or list of System properties. The Owners of any Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect such records, accounts and data relating thereto and the inventory of System properties. The City further agrees that annually an audit of the books and accounts of the System shall 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 accountant, shall particularly include the following:

- (1) A statement of the receipts and disbursements of the System for such Fiscal Year.
- (2) A balance sheet for the System as of the end of such Fiscal Year.
- (3) The Accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and any other ordinance authorizing the issuance of Additional Bonds and his/her recommendations for any changes or improvements in the operations, records and accounts of the System.

Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon request, to the initial purchasers of the Bonds and subsequent Owners of 15% or more in principal amount of the Bonds. Such required annual audit of the financial records and accounts of the City shall be completed, insofar as possible, within 120 days following the close of each Fiscal Year and may be a part of the annual audit made of all City records and accounts.

Section 22. Special Covenants. The City further covenants and agrees by and through this Ordinance as follows:

It has the lawful power to pledge the Revenues of the System to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State of Texas, including the Act, and that the Bonds issued hereunder, together with the Additional Bonds, shall be ratably secured in such manner that no one bond shall have preference over any other bond of said issues.

The Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the City or the System, save and except for the Series 2005 Bonds and the Bonds.

To exercise and pursue with due diligence available remedies provided by law for the collection of delinquent drainage charges, including the power under Section 552.050 of the Act to discontinue all utility services, particularly water and sewer services provided by the City to a user of benefitted property who is delinquent in the payment of drainage charges.

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 23. Special Obligations. The Bonds are special obligations of the City payable from the pledged Revenues and the Owners thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

Section 24. Investments. Pending the transfer of funds to the Paying Agent/Registrar, money in any Fund established by this Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit, guaranteed investment contracts, or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, or Federal Housing Association; provided, however, that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. All interest and income derived from deposits and investments in such Fund shall be credited to, and any losses debited to, such Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

Section 25. Security for Funds. All money on deposit in the Funds 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 the State of Texas for the security of public funds, and money on deposit in the Funds shall be used only for the purposes permitted by this Ordinance.

Section 26. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Bond Fund or Reserve Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Owners 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 remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

Section 27. Notices to Owners, Waiver. Wherever this Ordinance provides for notice to Owners 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 Owner appearing in the Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Owners is given by mail, neither the failure to mail such notice to any particular Owners, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds or Owners. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Owner 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 Owners shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 28. Cancellation. All Bonds surrendered for payment, redemption, 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 29. Mutilated, Destroyed, Lost, and Stolen Bonds. If (i) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchasers, the City shall execute and, upon the City's request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond. Upon the issuance of any new Bond, or payment in lieu thereof, under this Section, the City may require payment by the Owner of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses and charges (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith. Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

Section 30. Covenants to Maintain Tax-Exempt Status. (a) Definitions. When used in this Section, the following terms have the following meanings:

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

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

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

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

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

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

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

"Yield" of

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

(ii) the Bonds mean the yield on the Bonds, as calculated pursuant to 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 directly or indirectly with Gross Proceeds) in a manner which if made or

omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except to the extent that it will 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:

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

(ii) 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 (including property financed with Gross Proceeds of the Refunded Bonds), other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent that it will 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: (i) 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; (ii) 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 (iii) 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 to the extent that it will 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 Investments acquired with Gross Proceeds (or with money replaced thereby), 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:

(i) 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.

(ii) 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.

(iii) 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 (A) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, 100% of the Rebate Amount on such date; and (B) in the case of any other Computation Date, 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.

(iv) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii), 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 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.

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

(ii) 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 four years or more.

(k) Qualified Advance Refunding. The Bonds are issued to refund the Refunded Bonds, and the Bonds will be issued more than 90 days before the redemption of certain of the Refunded Bonds. The City represents as follows:

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

(ii) The Refunded Bonds are being called for redemption, and will be redeemed (A) in the case of the Refunded Bonds issued after 1985, not later than the earliest date on which such obligations may be redeemed and on which the City will realize present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds; and (B) in the case of the Refunded Bonds issued before 1986, not later than the earliest date on which such obligations may be redeemed at par or at a premium of 3% or less and on which the City will realize present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds.

(iii) The initial temporary period under section 148(c) of the code will end: (A) with respect to the proceeds of the Bonds used to refund the Refunded Bonds not later than 30 days after the Closing Date; and (B) with respect to proceeds of the Refunded Bonds on the Closing Date if not ended prior thereto.

(iv) On and after the Closing Date, no proceeds of the Refunded Bonds will be invested in Nonpurpose Investments having a Yield in excess of the Yield on such Refunded Bonds.

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

(l) Current Refunding. The Bonds are issued in part to redeem the Refunded Bonds within 90 days after the issuance of the Bonds. The City hereby waives such temporary periods with respect to the Bonds as provided in the Federal Tax Certificate. The City will not invest the proceeds of the Bonds at a Yield higher than the Yield on the Bonds.

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

(n) General. The covenants contained herein are intended to assure compliance with the Code and any Regulations or rulings promulgated by the U.S. Department of Treasury pursuant thereto. In the event that Regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of nationally-recognized bond counsel, will not adversely affect the exclusion from gross income of interest on the Bonds under section 103 of the Code. In the event that Regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code.

Proper officers of the City charged with the responsibility of issuing the Bonds are hereby authorized and directed to execute any documents, certificates, or reports required by the Code and to make such elections as described in Subsection (j), on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Notwithstanding any other provision in this Ordinance, to the extent necessary to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code the covenants contained in this Section shall survive the later of the defeasance or discharge of the Bonds.

Section 31. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, the principal of and interest on the Bonds, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and all covenants, agreements, and other obligations of the City to the Owners shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the

Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 31).

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

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in Subsection (i) or (ii) above shall not be irrevocable, provided, however, that: (A) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Bonds for redemption; (B) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (C) directs that notice of the reservation be included in any redemption notices that it authorizes; and (D) at the time of the redemption, satisfies the conditions of (A) or (B) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

Any money so deposited may at the written direction of the City also be invested in Government Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Securities received by a depository which is not required for the payment of the defeased Bonds and interest thereon, with respect to which such money has been so deposited, shall be used as directed in writing by the City.

Until all defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

The City reserves the right to purchase any of the Bonds for cancellation at any time and at any price.

Section 32. 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 Owners from time to time, be binding on the City, 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 Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Owners holding a majority in aggregate principal amount of the

Bonds Similarly Secured then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided, however, that, without the consent of all Owners of Bonds Similarly Secured, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, affect the redemption price therefor, or modify the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds; (ii) give any preference to any Bond over any other Bond; or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

Section 33. Sale of the Bonds; Purchase Contract; Use of Proceeds. (a) Sale of the Bonds. The sale and delivery of the Bonds by the City, on a negotiated basis, to Stifel, Nicolaus & Company, Inc., as the authorized representative of a group of underwriters (the "Purchasers"), is hereby authorized and approved, upon the respective terms and conditions set forth in the Purchase Contract and the Approval Certificate.

(b) Purchase Contract. The Authorized Officials, acting for and on behalf of the City as permitted by Chapter 1207, Texas Government Code, are hereby severally authorized and directed for any one of them to execute and deliver the Purchase Contract on behalf of the City, with such changes therein as the Authorized Official executing the same may approve, and therein set the principal amount, the price at which the Bonds shall be sold, redemption provisions, and other matters relating to the issuance, sale, and delivery of the Bonds; provided, however, that the Purchase Contract must provide for the Bonds to be sold on terms that produce (i) scheduled maturities and interest rates complying with Section 1 hereof and (ii) a sales price for the Bonds of not less than 95% of the par amount thereof (plus accrued interest from the date of the Bonds to the date of delivery against payment therefor). An Authorized Official's approval of such terms shall be conclusively evidenced by his execution of the Approval Certificate and the Purchase Contract.

(c) Use of Proceeds. The use of the proceeds from the sale of the Bonds, along with a cash contribution from the City, if any, shall be as follows: (i) accrued interest on the Bonds shall be deposited to the credit of the Bond Fund; (ii) the amount described in the Approval Certificate from Bond proceeds shall be deposited to credit of the Escrow Fund, for further credit by the Escrow Agent to the appropriate accounts as specified in the Escrow Agreement, which proceeds, together with other funds on deposit therein and received from the investment thereof, shall be used to retire the Refunded Bonds; and (iii) the amount described in the Approval Certificate of the proceeds will be used to pay costs of issuing the Bonds and other costs related thereto.

Amounts held in the Interest and Sinking Fund for the Refunded Bonds and not used as part of the City's contribution to the Escrow Fund, if any, shall be deposited into the Bond Fund and used to pay principal on the Bonds.

Section 34. Escrow Agreement Approval and Execution. The Escrow Agreement dated as of May 1, 2013 to be effective upon the initial delivery of the Bonds to the Purchasers (the "Agreement") between the City and U.S. Bank National Association (the "Escrow Agent"), attached hereto as Exhibit "D" and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and such Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is hereby authorized to be executed by the Mayor and City Clerk on behalf of the City;

and such Agreement as executed by said officials shall be deemed approved by the Governing Body and constitute the Agreement herein approved.

Furthermore, the Mayor, the City Clerk, or the City Manager, any one or more of said officials, and Bond Counsel in cooperation with the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the purchase of the Escrowed Securities referenced in the Agreement and the initial delivery thereof to the Escrow Agent on the day of delivery of the Bonds to the Purchasers for deposit to the credit of the "City of San Antonio, Texas Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013 Escrow Fund" (the "Escrow Fund"), including the execution of the subscription forms for the purchase and issuance of the "United States Treasury Securities - State and Local Government Series", if any, for deposit to the Escrow Fund; all as contemplated and provided by the provisions of the Chapter 1207, this Ordinance, and the Agreement.

Section 35. Redemption of Refunded Bonds. The Refunded Bonds are subject to redemption prior to their stated maturities at the price of par and accrued interest to their date of redemption. The Mayor shall give written notice to the Escrow Agent that all of the Refunded Bonds have been called for redemption, and the City Ordinances that such obligations are called for redemption on the earliest optional redemption date, and such Ordinance to redeem the Refunded Bonds on such date shall be irrevocable upon the delivery of the Bonds. Copies of the notices of redemption pertaining to the Refunded Bonds are attached to this Ordinance as Exhibit "E" and are incorporated herein by reference for all purposes. The Escrow Agent is authorized and instructed to provide notices of these redemptions to the owners of the Refunded Bonds in the form and manner described in the ordinance authorizing the issuance of the Refunded Bonds.

Section 36. Control and Custody of Bonds. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary ordinances and records pending investigation by the Attorney General including the printing and supply of definitive Bonds and shall take and have charge and control of the Initial Bond pending its approval by the Attorney General, the registration thereof by the Comptroller and the delivery thereof to the Purchasers.

Furthermore, the Mayor, the Mayor Pro Tem, the City Clerk, the City Attorney, the Chief Financial Officer, or the City Manager, 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, Bond Counsel, and the Paying Agent/Registrar, to make the necessary arrangements for the delivery of the Initial Bond to the Purchasers and the initial exchange thereof for definitive Bonds.

Section 37. Official Statement. 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, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale, attached as Exhibit "A" to the Purchase Contract (together with such changes approved by the Mayor and the City Clerk of the City Council and the City Manager, any one or more of said officials), shall be and is hereby in all respects approved and the Purchasers are hereby authorized to use and distribute the final Official Statement, dated the date of sale of the Bonds, in the reoffering, sale and delivery of the Bonds to the public. The Mayor and the City Clerk of the City 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 38. Opinion. The Purchasers' obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Winstead PC ("Bond Counsel"), substantially in the form attached to the Official Statement as "Appendix B", with said opinion to be dated and delivered as of the Closing Date. Printing of a true and correct reproduction of said opinion on each of the Bonds is hereby approved and authorized, but is not required.

Section 39. CUSIP Numbers. CUSIP numbers may be printed or typed on the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof, and neither the City nor attorneys opining as to the legality thereof are to be held responsible for CUSIP numbers incorrectly printed or typed on the Bonds.

Section 40. 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 Paying Agent/Registrar, Bond Counsel, the Purchasers, the Escrow Agent, and the Owners 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 Paying Agent/Registrar, Bond Counsel, the Purchasers, the Escrow Agent, and the Owners.

Section 41. Inconsistent Provisions. All ordinances, orders, or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

Section 42. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 43. 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, Texas Government Code, as amended.

Section 44. Incorporation of Preamble Recitals. The recitals contained in the preamble to this Ordinance are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the Governing Body of the City.

Section 45. Book-Entry Only System. The Bonds initially shall be registered so as to participate in a securities depository system (the "DTC System") with The Depository Trust Company, New York, New York, or any successor entity thereto ("DTC"), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bond described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are

authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System.

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a "Depository Participant") or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an "Indirect Participant"). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than an owner of the Bonds, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than an Owner of a Bond, of any amount with respect to principal of or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond certificate evidencing the obligation of the City to make payments of principal 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 Owner, 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 Blanket Issuer Letter of Representation (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 DTC 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 Owners 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 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 46. No Recourse Against City Officials. No recourse shall be had for the payment of principal of or interest on any Bond or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bond.

Section 47. Continuing Disclosure Undertaking.

(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).

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

(b) Annual Reports. The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2013, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 38 of this Ordinance, being the information described in Exhibit F hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be: (i) prepared in accordance with the accounting principles described in Exhibit F hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide unaudited financial statements within such period and audited for the applicable fiscal year to the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, the City must keep its fiscal records in accordance with generally accepted accounting principles and audited by a certified or permitted public accountant. Upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Chapter 552, Texas Government Code, as amended.

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

(c) Material Event Notices. The City shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 exempt status of the Bonds, or other material events affecting the tax status of the Bonds;

- (vii) Modifications to rights of Owners of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

The provisions of this Section are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except

as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection B of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. If the City so amends the provisions of this Section, the City shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(e) Information Format — Incorporation by Reference. The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by

electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

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

Section 48. Further Procedures. The officers and employees of the City are hereby authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in Ordinance to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Escrow Agreement, the Purchase Contract, and the Official Statement. In addition, prior to the initial delivery of the Bonds, the Mayor, the City Manager, the Chief Financial Officer, and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Attorney General. 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 49. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 50. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

Section 51. 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.

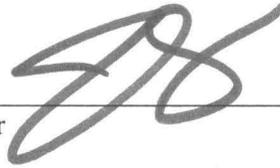
Section 52. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other persons or circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 53. Effective Date. The effective date of this Ordinance shall be governed by the provisions of the City Charter and Section 1-15 of the City Code if this Ordinance is 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.

PASSED AND ADOPTED by an affirmative vote of 11 members of the City Council of the City of San Antonio, Texas, this the 4th day of April, 2013.

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.



Michael D. Bernard, City Attorney
City of San Antonio, Texas



CERTIFICATE FOR ORDINANCE

I, the undersigned City Clerk of the City of San Antonio, Texas (the "Issuer"), hereby certify as follows:

1. The City Council of the Issuer (the "Council") convened in regular session, open to the public, on April 4, 2013 (the "Meeting"), at the designated meeting place, and the roll was called of the duly constituted officers and members of said Council, to wit:

Julián Castro, Mayor
Diego M. Bernal, Councilmember
Ivy R. Taylor, Councilmember
Leticia Ozuna, Councilmember
Rey Saldana, Councilmember

David Medina, Jr., Councilmember
Ray Lopez, Councilmember
Cris Medina, Councilmember
W. Reed Williams, Councilmember
Elisa Chan, Councilmember
Carlton Soules, Councilmember

and all of said persons were present, except NONE, thus constituting a quorum. Whereupon among other business, the following was transacted at the Meeting: a written Ordinance, entitled:

AN ORDINANCE AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$74,285,000 "CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013" FOR INTEREST COST SAVINGS; PLEDGING THE REVENUES OF THE DRAINAGE UTILITY SYSTEM FOR THE PAYMENT OF THE BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE OF THE BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND A PURCHASE CONTRACT; DELEGATING AUTHORITY TO AUTHORIZED OFFICIALS TO FINALIZE CERTAIN SALE TERMS RELATING TO THE BONDS; ENACTING ANY OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING FOR AN EFFECTIVE DATE

(the "Ordinance") was duly introduced for the consideration of the Council. It was then duly moved and seconded that the Ordinance be finally passed and adopted in accordance with the Issuer's Home Rule Charter; and after due discussion, such motion, carrying with it the adoption of the Ordinance prevailed and carried by the following vote:

YES: 11 NOES: 0 ABSTENTIONS: 0.

2. A true, full, and correct copy of the Ordinance adopted at the Meeting is attached to and follows this Certificate; the Ordinance has been duly recorded in the Council's minutes of the Meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Council's minutes of the Meeting pertaining to the adoption of the Ordinance; the persons named in the above and foregoing paragraph are duly chosen, qualified, and acting officers and members of the Council as indicated therein; each of the officers and members of the Council was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting, and that the Ordinance would be introduced and considered for adoption at the Meeting and each of such officers and members consented, in advance, to the holding of the Meeting for such purpose; and the Meeting was open to the public, and public notice of the time, place, and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 4th day of April, 2013.

(SEAL)



Letecia M. Vacut

City Clerk, City of San Antonio, Texas

EXECUTION PAGE OF CERTIFICATE FOR ORDINANCE AUTHORIZING THE ISSUANCE OF
CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM
REVENUE REFUNDING BONDS, SERIES 2013

SCHEDULE I

SCHEDULE OF POSSIBLE OBLIGATIONS TO BE REFUNDED

<u>Series</u>	<u>Principal Amount to be Redeemed</u>	<u>Maturities (February 1)</u>	<u>Redemption Date</u>
City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003	1,520,000	2014	5/22/2013
	1,580,000	2015	5/22/2013
	1,645,000	2016	5/22/2013
	1,715,000	2017	5/22/2013
	1,790,000	2018	5/22/2013
	1,885,000	2019	5/22/2013
	1,980,000	2020	5/22/2013
	2,080,000	2021	5/22/2013
	2,190,000	2022	5/22/2013
	7,220,000	2025	5/22/2013
	<u>8,315,000</u>	2028	5/22/2013
	\$31,920,000		
City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2005	2,040,000	2016	2/01/2015
	2,150,000	2017	2/01/2015
	2,265,000	2018	2/01/2015
	2,385,000	2019	2/01/2015
	2,515,000	2020	2/01/2015
	2,650,000	2021	2/01/2015
	2,795,000	2022	2/01/2015
	2,945,000	2023	2/01/2015
	3,105,000	2024	2/01/2015
	3,270,000	2025	2/01/2015
	3,450,000	2026	2/01/2015
3,635,000	2027	2/01/2015	
<u>12,070,000</u>	2030	2/01/2015	
	\$45,275,000		

TOTAL

* * *

EXHIBIT A

[See Tab No. 2]

APPROVAL CERTIFICATE

I, Ben Gorzell, Jr., Chief Financial Officer of the City of San Antonio, Texas (the "City") and an "Authorized Official" pursuant to Section 1 of the ordinance adopted by the City Council of the City (the "Council") on April 4, 2013 (the "Ordinance") authorizing the issuance of "City of San Antonio, Texas Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013" (the "Bonds"), hereby approve the terms of the Bonds included in this Certificate. Capitalized terms not defined herein shall have the meanings ascribed thereto in the Ordinance.

1. A description of the Refunded Bonds is attached hereto as Exhibit A.
2. The total principal amount of the Bonds; the blended net effective interest rate on the Bonds; the purchase price for the Bonds; net present value savings; the gross savings realized by the issuance of the Bonds; and other characteristics of the Bonds are as described in Exhibit B attached hereto.
3. The optional requirement provisions relating to the Bonds, as specified in the Ordinance, are hereby confirmed. The mandatory redemption provisions for the Bonds that are Term bonds, if any, are as specified in the schedule attached hereto as Exhibit B.
4. On the date of delivery of the Bonds, the City will cause to be deposited with the Escrow Agent, for further deposit thereby to the respective accounts within the Escrow Fund, a total amount described in Exhibit B, derived from Bond proceeds.
5. I have approved the foregoing in my capacity as Authorized Representative under the Ordinance and hereby find and determine that the parameters governing the delegated sale of the Bonds, as identified in the Ordinance, have been satisfied.

EXECUTED AND DELIVERED this _____, 2013.

CITY OF SAN ANTONIO, TEXAS

Authorized Official

**EXHIBIT A TO APPROVAL CERTIFICATE
REFUNDED BONDS**

**EXHIBIT B TO APPROVAL CERTIFICATE
FINAL TERMS**

EXHIBIT B

PAYING AGENT/REGISTRAR AGREEMENT

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT entered into as of May 1, 2013 (this "Agreement") is between the CITY OF SAN ANTONIO, TEXAS (the "City") and U.S. BANK NATIONAL ASSOCIATION, Dallas, Texas, a national banking association duly organized and existing under the laws of the United States of America and authorized to transact business in the State of Texas (the "Bank").

RECITALS OF THE CITY

The City has duly authorized and provided for the issuance of its "CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013," in the aggregate principal amount of \$70,685,000 (the "Securities"), dated May 1, 2013, to be issued as registered securities without coupons;

All things necessary to make the Securities the valid obligations of the City, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The City is desirous that the Bank act as the Paying Agent of the City in paying the principal, premium (if any) and interest on the Securities, in accordance with the terms thereof, and that the Bank act as Registrar for the Securities;

The City has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the City, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I. APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment. The City hereby appoints the Bank to act as Paying Agent with respect to the Securities, in order to pay, when due, the principal, premium (if any), and interest on all or any of the Securities to the Owner of the Securities.

The City hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the City books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Ordinance authorizing the issuance of the Securities.

The Bank hereby accepts its appointment, and agrees to act, as the Paying Agent and Registrar for the Securities.

Section 1.02. Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the City hereby agrees to pay the Bank the fees and amounts set forth in Annex A hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for political subdivisions, which shall be supplied to the City on or before 90 days prior to the close of the Fiscal Year of the City and which shall be effective upon the first day of the following Fiscal Year. The City covenants to provide notice to the Bank upon any change in the City's Fiscal Year within ten business days of the governing body of the City's decision to change the Fiscal Year of the City.

In addition, the City agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE II. DEFINITIONS

Section 2.01. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms, whenever the same appears herein without qualifying language, are defined to mean as follows:

“Bank Office” means the corporate trust office of the Bank set forth on the signature page of this agreement. The Bank will notify the City, in writing, of any change in location of the Bank Office.

“City Request” and “City Order” each mean a written request or order signed in the name of the City by the Mayor or the City Clerk of the City Council of the City and delivered to the Bank.

“Fiscal Year” means the fiscal year of the City, which currently begins on October 1 and ends on September 30 of each year.

“Legal Holiday” means a day on which the Bank is required or authorized to be closed.

“Ordinance” means the ordinance of the governing body of the City pursuant to which the Securities are issued, certified by the City Clerk or any other officer of the City, and delivered to the Bank.

“Owner” means a Person in whose name a Security is registered in the Register.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

“Register” means a register maintained by the Bank on behalf of the City providing for the registration of Securities and of transfers of Securities.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Stated Maturity” means the date specified in the Ordinance as the fixed date on which the principal of a Security is scheduled to be due and payable.

Section 2.02. Other Definitions. The terms "Bank", "City", and "Security" have the meanings assigned to them in the opening paragraph of this Agreement or in the Recitals of the City.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE III. PAYING AGENT

Section 3.01. Duties of Paying Agent. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City the principal and premium, if any, of each Security at its Stated Maturity, Redemption Date, if any, or Acceleration Date, to the Owner upon surrender of the Security to the Bank at its corporate trust operations office located in Dallas, Texas.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City the interest on each Security when due, by computing the amount of interest to be paid each Owner, preparing the checks and mailing the checks on the payment date, to the Owner of the Securities on the Record Date, addressed to their address appearing on the Register.

Section 3.02. Payment Dates. The City hereby instructs the Bank to pay the principal of and premium, if any, and interest on the Securities on the dates specified in the Ordinance.

ARTICLE IV. REGISTRAR

Section 4.01. Transfer and Exchange. The Bank agrees to keep and maintain for and on behalf of the City at the Bank Principal Payment Office books and records (herein sometimes referred to as the "Register") for recording the names and addresses of the Owners of the Securities, the transfer, exchange, and replacement of the Securities, and the payment of the principal of and interest on the Securities to the Owners and containing such other information as may be reasonably required by the City and subject to such reasonable regulations as the City and the Bank may prescribe. All transfers, exchanges, and replacement of Securities shall be noted in the Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Owner thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Owners thereof will be completed and new Securities delivered to the Owner or the assignee of the Owner in not more than three business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Owner, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02. Securities. The City shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in

maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03. Form of Register. The Bank as Registrar will maintain the records of the Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. List of Security Owners. The Bank will provide the City at any time requested by the City, upon payment of any required fee, a copy of the information contained in the Register. The City may also inspect the information in the Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

Unless required by law, the Bank will not release or disclose the content of the Register to any person other than to, or at the written request of, an authorized officer or employee of the City, except upon receipt of a subpoena, court order, or as required by law. Upon receipt of a subpoena or court order the Bank will notify the City so that the City may contest the subpoena or court order.

Section 4.05. Return of Cancelled Securities. All Securities surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The City may at any time deliver to the Bank for cancellation any Securities previously authenticated and delivered which the City may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Bank. All cancelled Securities held by the Bank shall be destroyed, and evidence of such destruction furnished to the City at such reasonable intervals as it determines subject to applicable rules and regulations of the Securities and Exchange Commission.

Section 4.06. Mutilated, Destroyed, Lost, or Stolen Securities. The City hereby instructs the Bank, subject to the applicable provisions of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an over issuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Owner thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the City and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Security shall be borne by the Owner of the Security mutilated, or destroyed, lost, or stolen.

Section 4.07. Transaction Information to City. The Bank will, within a reasonable time after receipt of written request from the City, furnish the City information as to the Securities it has paid pursuant to Section 3.01 and Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01.

ARTICLE V. THE BANK

Section 5.01. Duties of Bank. The Bank undertakes to perform the duties set forth herein and in the Ordinance and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum approved by the City as prepared by the City's co-financial advisors or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum acknowledged by one of the financial advisors or the City as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

Section 5.02. Transfer of Funds. The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum approved by the City as prepared by the City's Co-Financial Advisor(s) or other agent.

Section 5.03. Reliance on Documents, etc. (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have foregoing statement, the Bank need not to examine the ownership of any Securities but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Owner or an agent of the Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by the City.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.04. Recitals of City. The recitals contained herein and in the Securities shall be taken as the statements of the City, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the City, any Owner or Owners of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.05. May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the City with the same rights it would have if it were not the Paying Agent/Registrar or any other agent.

Section 5.06. Money Held by Bank. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of money received from the City hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Owners of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under the laws of the State of Texas to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such account shall be made by check drawn on such account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

All funds at any time and from time to time provided to or held by the Bank hereunder shall be deemed, construed, and considered for all purposes as being provided to or held by the Bank in trust. The Bank acknowledges, covenants, and represents that it is acting herein in trust in relation to such funds, and is not accepting, holding, administering, or applying such funds as a banking depository, but solely as a paying agent for and on behalf of the Security thereto. The Owners shall be entitled to the same preferred claim and first lien on the funds so provided as are enjoyed by the beneficiaries of trust funds generally. The funds provided to the Bank hereunder shall not be subject to warrants, drafts or checks drawn by the City and, except as expressly provided herein, shall not be subject to compromise, setoff, or other charge or diminution by the Bank.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the unclaimed property laws of the State of Texas and any provisions in the Ordinance to the contrary, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Texas Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Texas Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Texas Property Code or inactive under Chapter 73 of the Texas Property Code.

Section 5.07. Indemnification. The City agrees, to the extent permitted by law, to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or substitution of the Bank or the termination of this Agreement.

Section 5.08. Interpleader. The City and the Bank agree that the Bank may seek adjudication of any adverse claim, demands or controversy over its persons as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and County or Counties where either the Bank (Texas offices only) or the City is located, waive personal service of any process, and agree that service of process by certified or registered mail, return receipt requested, to the address set forth in Section 6.03 of this Agreement shall constitute adequate service. The City and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming interest herein.

Section 5.09. Depository Trust Company. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements", promulgated from time to time by The Depository Trust Company, which establishes requirements for securities to be eligible for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE VI. MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the City or the Bank shall be mailed or delivered to the City or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 6.04. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns. All covenants and agreements herein by the City shall bind its successors and assigns, whether so expressed or not.

Section 6.06. Severability. In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08. Entire Agreement. This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar for the Securities, and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern.

Section 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Termination. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Owners thereof or (ii) may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the City and such appointment accepted and (b) notice has been given to the Owners of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and City mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay, or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the City.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas and the United States of America.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF SAN ANTONIO, TEXAS

By: _____
Title: Mayor
Address: 100 Military Plaza
San Antonio, Texas 78205

[SEAL]

Attest:

Title: City Clerk

U.S. BANK NATIONAL ASSOCIATION

By: _____
Title: _____
Address: 14241 Dallas Parkway, Suite 490
Dallas, Texas 75254

Annex A – Fee Schedule

[SIGNATURE PAGE FOR PAYING AGENT/REGISTRAR AGREEMENT FOR THE CITY OF SAN ANTONIO, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013]

Annex A – Fee Schedule

Paying Agent Fees
for
CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013

Acceptance Fee	Waived
Annual Paying Agent Administration Fee	\$200
Escrow Agent Fee	\$200 per Year or Part Year
Pricing for Call or Redemption of Bonds	\$200 Per Call Event
Extraordinary Services/Miscellaneous Fees	At Appraisal

Customer Notice Required by the USA Patriot Act

To help the US government fight the funding of terrorism and money laundering activities, U.S. Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

When you establish a relationship with U.S. Bank National Association, we will ask you to provide certain information (and documents) that will help us identify you. We will ask you for your organization's name, physical address, tax identification or other government registration number and other information that will help us identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

U.S. BANK NATIONAL ASSOCIATION

EXHIBIT C

PURCHASE CONTRACT

PURCHASE CONTRACT

RELATING TO

\$70,685,000

**CITY OF SAN ANTONIO, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM
REVENUE REFUNDING BONDS, SERIES 2013**

April 24, 2013

City of San Antonio, Texas
City Hall
100 Military Plaza
San Antonio, Texas 78205

Dear Mayor and Members of the City Council:

STIFEL, NICOLAUS & COMPANY, INCORPORATED, as representative (the "*Representative*") of the underwriters identified herein (collectively, the "*Underwriters*"), offers to enter into the following agreement (this "*Contract*") with the CITY OF SAN ANTONIO, TEXAS (the "*Issuer*") which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriters. This offer is made subject to the Issuer's written acceptance hereof on or before 10:00 p.m., Central Time, on April 24, 2013, and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Contract shall have the same meanings set forth in the Ordinance (as defined herein) or in the Official Statement (as defined herein). Stifel, Nicolaus & Company, Incorporated represents that it has been duly authorized to execute this Contract and has been duly authorized to act hereunder as the Representative. All actions which may be taken hereunder by the Underwriters may be taken by the Representative alone.

1. **PURCHASE AND SALE OF THE BONDS.** (a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree, jointly and severally, to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Issuer's **MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013** (the "*Bonds*").

(b) The purchase price for the Bonds shall be **\$82,639,279.94** (representing the principal amount of the Bonds, plus net original issue premium on the Bonds in the amount of **\$12,350,161.50**, and less an Underwriters' discount on the Bonds of **\$395,881.56**) and no accrued interest.

(c) The principal amount of the Bonds to be issued, the dated date therefor, the maturities, redemption provisions and interest rates per annum shall be as set forth in the Official Statement. The Bonds shall be as described in, and shall be issued and secured under and pursuant to an ordinance adopted by the governing body of the Issuer on April 4, 2013 (the "**Ordinance**"). In the Ordinance, the City Council of the Issuer delegated the authority to certain officials of the Issuer to individually act on behalf of the Issuer to establish the pricing terms for the Bonds through the execution of an Approval Certificate dated the date hereof (the "**Approval Certificate**"). The Bonds shall be dated as of May 1, 2013, shall mature on the dates and in the respective amounts, shall bear interest, shall be payable, and shall be subject to redemption as provided in the Ordinance and the Approval Certificate, and as set forth in Schedule I attached hereto.

(d) The primary role of the Underwriters is to purchase the Bonds, for resale to investors, in an arm's-length commercial transaction between the Issuer and the Underwriters. The Underwriters have financial and other interests that differ from those of the Issuer. Accordingly, the Issuer acknowledges and agrees that: (i) the transactions described in this Purchase Contract are arm's length, commercial transactions between the Issuer and the Underwriters in which the Underwriters are acting solely as a principal and are not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transactions described in and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters or their affiliates have provided other services or are currently providing other services to the Issuer on other matters); (iii) the only obligations the Underwriters have to the Issuer with respect to the transaction described herein expressly are set forth in this Purchase Contract and in the disclosures described in clause (v) of this paragraph; (iv) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate; and (v) the Underwriters have provided the Issuer prior disclosures required under Rule G-17 of the Municipal Securities Rulemaking Board (the "**MSRB**"), which disclosures have been received by the Issuer.

2. **PUBLIC OFFERING.** The Underwriters agree to make a bona fide public offering of all of the Bonds at a price not to exceed the public offering price set forth on the inside cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page of the Official Statement.

3. **THE OFFICIAL STATEMENT.** (a) The Preliminary Official Statement of the Issuer, dated April 9, 2013, including the cover page and appendices thereto, relating to the Bonds (the "**Preliminary Official Statement**"), as amended to conform to the terms of this Contract and with changes and amendments to the date hereof as have been mutually agreed to by the Issuer and the Representative, is referred to herein as the "**Official Statement**."

(b) The Issuer hereby represents and warrants that the Preliminary Official Statement delivered to the Underwriters in a "designated electronic format" as defined in and specified by Rule G-32 of the MSRB prior to or concurrently herewith is deemed final by the Issuer as of its date,

except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Rule 15c2-12 under the Securities Exchange Act of 1934 ("**Rule 15c2-12**"). Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriters the Preliminary Official Statement in a "designated electronic format" so that the Underwriters may satisfy their obligations under Rule 15c2-12 with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(c) As soon as practicable after the date hereof, and in any event within seven business days after the acceptance of this Contract by the Issuer and, in the event the date of Closing is less than seven business days following the date hereof, upon request of the Representative, the Issuer shall deliver or cause to be delivered to the Underwriters, without charge, in sufficient time to accompany any confirmation requesting payment from any customers of the Underwriters the final Official Statement relating to the Bonds, in a "designate electronic format" which will be determined by an officer duly authorized by the Issuer to be a final Official Statement for purposes of Rule 15c2-12, as well as the number of printed Official Statements reasonably requested by the Representative to permit satisfaction of the requirements of Rule G-32 of the MSRB obligating the Underwriters to deliver a copy of the Official Statement to a purchaser of Bonds not later than the date of Closing upon an Underwriters' receipt from the purchaser of a request therefor.

(d) The Issuer ratifies the use of the Preliminary Official Statement and authorizes the Official Statement to be used in connection with the offering of the Bonds.

(e) If, after the date of this Purchase Contract to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 [the earlier of (i) 25 days from the "end of the underwriting period" (as defined in Rule 15c2-12) and (ii) the time when the Official Statement is available to any person through the MSRB], the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time request), and if, in the reasonable opinion of the Representative, such fact or event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a manner approved by the Representative), an amendment or supplement to the Official Statement, and make the same available to the Underwriters in a "designated electronic format," so that the statements in the Official Statement as so amended and supplemented will not, in the light of the circumstances when the Official Statement is delivered to a purchaser, be misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Purchase Contract and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representation with respect to the descriptions in the Preliminary Official Statement or the Official Statement of The Depository Trust Company, New York, New York ("**DTC**"), or its book-entry-only system. If such notification shall be subsequent to the

Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Representative may deem reasonably necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The Representative hereby agrees to timely file the Official Statement and the Escrow Agreement described in the Official Statement (the "*Escrow Agreement*") with the MSRB through its Electronic Municipal Markets Access system (commonly referred to as "*EMMA*") and notify the Issuer of the date of such filing. Unless otherwise notified in writing by the Representative, the Issuer can assume that the "end of the underwriting period" for purposes of Rule 15c2-12 shall be the date of the Closing (hereinafter defined).

(g) To the best knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account or person that is material to an evaluation of the offering of the Bonds. The Issuer has not failed to substantially comply with any undertaking specified in paragraph (b)(5)(i) of Rule 15c2-12 within the last five years, except as noted and disclosed in the Official Statement.

4. **SECURITY DEPOSIT.** Delivered to the Issuer as a good faith deposit is a corporate check of the Representative payable to the order of the Issuer in the amount of **\$742,850.00**. In the event you accept this offer, such check shall be held uncashed by you until the time of Closing, at which time such check shall be returned uncashed to the Representative. In the event that the Issuer does not accept this Contract, such check will be immediately returned to the Representative. Should the Issuer fail to deliver the Bonds at Closing, or should the Issuer be unable to satisfy the conditions of the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds, as set forth in this Contract (unless waived by the Representative), or should such obligations of the Underwriters be terminated for any reason permitted by this Contract, such check shall immediately be returned to the Representative. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Bonds at the Closing as herein provided, the check shall be cashed and the amount thereof retained by the Issuer as and for fully liquidated damages for such failure of the Underwriters, and, except as set forth in Sections 9 and 11 hereof, no party shall have any further rights against the other hereunder. The Representative hereby agrees not to stop or cause payment on said check to be stopped unless the Issuer has breached any of the terms of this Contract. The Underwriters and the Issuer understand that in such event the Issuer's actual damages may be greater or may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the Issuer's actual damages are less than such amount, and the Issuer's acceptance of this offer shall constitute a waiver of any right the Issuer may have to additional damages from the Underwriters.

5. **REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE ISSUER.** The Issuer hereby represents and warrants to and covenants with the Underwriters that:

(a) The Issuer is a municipal corporation, a home rule municipality, and a political subdivision of the State of Texas (the "*State*") duly created, organized and existing under the laws of the State, and has full legal right, power and authority under the laws of the State, and at the date of the Closing will have full legal right, power and authority under

the laws of the State and the Ordinance (i) to enter into, execute and deliver this Contract, the Ordinance, the Escrow Agreement, and all documents required hereunder and thereunder to be executed and delivered by the Issuer, (ii) to sell, issue and deliver the Bonds to the Underwriters as provided herein, and (iii) to carry out and consummate the transactions described in this Contract, the Ordinance, the Escrow Agreement, and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all material respects, with the terms of the laws of the State and the Ordinance as they pertain to such transactions;

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

(c) The Ordinance, the Approval Certificate, the Escrow Agreement, and this Contract constitute legal, valid and binding agreements of the Issuer, enforceable in accordance with their respective terms, subject to principles of sovereign immunity and by bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights or by general principles of equity which permit the exercise of judicial discretion; the Bonds, when issued, delivered and paid for, in accordance with the Ordinance and this Contract, will constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Ordinance authorizing the issuance of the Bonds and be enforceable in accordance with their terms, subject to principles of sovereign immunity and by bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Ordinance will provide the legally valid and binding pledge of the Revenues of the Issuer's Municipal Drainage System as set forth in the Ordinance;

(d) The Issuer is not aware nor has it been notified that it is in material breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any such instrument; and the execution and delivery of the Approval Certificate, the Bonds, the Escrow Agreement, this Contract and the adoption of the Ordinance and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the

Issuer is a party or to which the Issuer is otherwise subject or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Ordinance;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under this Contract, the Escrow Agreement, the Ordinance, and the Bonds have been duly obtained or will be obtained prior to Closing, except for compliance with the provisions of Section 5(i) hereof and approval of the Bonds by the Office of the Attorney General of the State (the "*Attorney General*") and registration of the Bonds by the Office of the Comptroller of the State (the "*Comptroller*"), and the Issuer shall timely cause a transcript of proceedings to be filed with the Attorney General in form and substance consistent with the administrative rules of the Public Finance Division of the Attorney General, which will permit the review of such transcript and the approval of the Bonds by the Attorney General, and the registration of the Bonds by the Comptroller on or before the Closing, as required by Section 7(j)(5) hereof, but subject to the discretion of the Attorney General with respect to the issuance of his approving opinion;

(f) The Bonds, the Ordinance, the Approval Certificate and the Escrow Agreement conform to the descriptions thereof contained in the Official Statement under the captions "PLAN OF FINANCING" and "THE BONDS," and the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the subcaption "PLAN OF FINANCING - Purpose" and "Sources and Uses";

(g) Except as may otherwise be disclosed in the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, after due inquiry threatened against the Issuer, affecting the corporate existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of the Revenues pledged to the payment of principal of and interest on the Bonds pursuant to the Ordinance or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance, the Escrow Agreement, or this Contract, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Ordinance or the execution and delivery of the Approval Certificate, the Escrow Agreement or this Contract, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Ordinance, the Approval Certificate, the Escrow Agreement or this Contract

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

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

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

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

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

(m) The financial statements of, and other financial information regarding, the Issuer in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. Prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or

condition, financial or otherwise, of the Issuer. Except as disclosed in the Official Statement, the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

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

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

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

6. **CLOSING.** At 10:00 A.M., Central Time, on *May 16, 2013* (the "*Closing*"), the Issuer will deliver the initial Bonds (as provided for in the Ordinance) to the Representative and, provided the Representative shall have made arrangements with DTC for the Bonds to be qualified for trading as book-entry only securities through the facilities of DTC, the Issuer shall take appropriate steps to provide DTC or the Paying Agent/Registrar (defined below) acting on behalf of DTC, with one definitive Bond for each year of maturity of such Bonds and to provide the Representative with the other documents hereinafter mentioned, and the Representative will accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 1 hereof in immediately available funds. Concurrently with such payment by the Representative, the Issuer shall return to the Representative the check referred to in Paragraph 4 hereof. Payment for the Bonds shall be made at the offices of U.S. Bank National Association, Dallas, Texas (the "*Paying Agent/Registrar*"). Delivery of all documents required herein shall be made at the office of Winstead PC, 300 Convent Street, Suite 2700, San Antonio, Texas 78205, or such other place, as shall have been mutually agreed upon by the Issuer and the Representative.

In addition, the Issuer and the Underwriters agree that there shall be a preliminary closing held at such place as the Issuer and the Representative shall mutually agree, commencing at least 24 hours prior to the Closing; provided, however, that in lieu of this preliminary closing Bond Counsel may provide the counsel to the Underwriters with a complete Transcript of Proceedings or the documents described in Section 7(j) hereof on the business day preceding the Closing. Drafts of all documents to be delivered at the Closing shall be prepared and distributed to all partes and their counsel for review at least three business days prior to the Closing.

7. **CLOSING CONDITIONS.** The Underwriters have entered into this Contract in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and

instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations, hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Representative, Bond Counsel and counsel to the Underwriters:

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

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

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

(d) At the time of the Closing, all official action of the Issuer relating to this Contract, the Escrow Agreement, the Bonds, the Ordinance and the Approval Certificate shall be in full force and effect and shall not have been amended, modified or supplemented, and the Underwriters shall have received, in appropriate form, evidence thereof;

(e) At or prior to the Closing, the Ordinance and the Approval Certificate shall have been duly approved and executed by the Issuer, and the Issuer shall have duly executed, and the Paying Agent/Registrar shall have duly authenticated, the Bonds;

(f) At the time of the Closing, the Issuer shall deliver the Bonds in accordance with the provisions of Section 6 hereof;

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

(h) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

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

(j) At or prior to the Closing, the Representative shall have received one copy of each of the following documents:

(1) a conformed copy of the Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Representative;

(2) the Ordinance, duly adopted by the Issuer and in full force and effect, with such supplements or amendments as may have been agreed to by the Representative; such Ordinance shall contain the agreement of the Issuer, in form satisfactory to the Underwriters, which is described under the caption "CONTINUING DISCLOSURE OF INFORMATION" in the Official Statement;

(3) the executed Approval Certificate, Escrow Agreement, and Paying Agent/Registrar Agreement between the Issuer and the Paying Agent/Registrar;

(4) the opinion of Bond Counsel with respect to the Bonds, in substantially the form attached to the Official Statement;

(5) the opinion of the Attorney General, dated on or prior to the date of Closing, approving the Bonds as required by law, and the registration certificate of the Comptroller relating to the registration of the Bonds as required by law;

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

(7) an opinion, dated the date of the Closing and addressed to the Underwriters, of counsel for the Underwriters, in substantially the form attached hereto as Exhibit B;

(8) An opinion of the City Attorney of the Issuer substantially in the form attached hereto as Exhibit C;

(9) a certificate, dated the date of Closing, signed by the [Chief Financial Officer] of the Issuer, to the effect that (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed

in the Official Statement, no litigation is pending or, to the knowledge of such persons, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection of the Revenues pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Ordinance, the Approval Certificate, the Escrow Agreement, or this Contract, or contesting the power of the Issuer or the authorization of the Bonds or the Ordinance, or contesting in any way the accuracy, completeness or fairness of the Official Statement (but in lieu of or in conjunction with such certificate, the Representative may, in its sole discretion, accept certificates or opinions of the Issuer's City Attorney that, in the opinion thereof, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (iii) to the best of their knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (iv) that there has not been any material and adverse change in the affairs or financial condition of the Issuer since September 30, 2012, the latest date as to which audited financial information is available;

(10) any other certificates and opinions required by the Ordinance for the issuance thereunder of the Bonds;

(11) a letter evidencing the rating on the Bonds by Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, of not less than "AA," "Aa2," and "AA+," respectively, in a form acceptable to the Representative, and that such ratings are in effect as of the date of Closing; and

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

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

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Contract, this Contract shall terminate and neither the Underwriters nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriters set forth in Sections 4 and 11 hereof shall continue in full force and effect.

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

(a) legislation shall be enacted by or introduced in the Congress or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, of the interest on the Bonds as described in the Official Statement, or other action or events shall transpired which may have the purpose or the effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions described herein, or any other action or events shall have occurred which, in the reasonable judgment of the Representative, materially adversely affect the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(b) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(c) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(d) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities, or the validity or enforceability of the pledge of Revenues to secure the payment of principal of and interest on the Bonds;

(e) any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the Issuer;

(g) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Representative, would materially and adversely affect the ability of the Underwriters to market the Bonds;

(h) any fact or event shall exist or have existed that, in the Representative's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement, and the Issuer has not provided the Underwriters with such amendment or supplement as required by Section 3(e) hereof;

(i) there shall have occurred any downgrading, or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status, by any rating agency that has been asked by the Issuer to furnish a rating on the Bonds; and

(j) the purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

With respect to the conditions described in subparagraphs (c) and (j) above, the Representative is not aware of any current, pending or proposed restriction or law as of the date of execution of this Contract which would permit the Underwriters to invoke their termination rights thereunder.

9. **EXPENSES.** (a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, the Ordinance, the Preliminary Official Statement and Final Official Statement, (ii) the fees and disbursements of Bond

Counsel; (iii) the fees and disbursements of the Financial Advisor to the Issuer; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; and (v) the fees for bond ratings.

(b) The Underwriters shall pay (i) the cost of preparation and printing of this Contract; (ii) all advertising expenses in connection with the public offering of the Bonds; (iii) all other expenses incurred by it in connection with the public offering of the Bonds, including any Blue Sky fees and expenses and the fees and disbursements of counsel retained by the Underwriters; and (iv) other expenses incurred at the Underwriters' discretion (including, but not limited to, travel, lodging, meals, entertainment, deal mementos, and similar expenses).

10. **NOTICES.** Any notice or other communication to be given to the Issuer under this Contract may be given by delivering the same in writing to the Chief Financial Officer at 111 Soledad, 5th Floor, San Antonio, Texas 78205, and any notice or other communication to be given to the Underwriters under this Contract may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, 70 NE Loop 410, Suite 295, San Antonio, Texas 78216, Attn: Nora Chavez.

11. **PARTIES IN INTEREST.** This Contract as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Contract may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds pursuant to this Contract; and (iii) any termination of this Contract.

12. **EFFECTIVENESS.** This Contract shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

13. **CHOICE OF LAW.** This Contract shall be governed by and construed in accordance with the law of the State of Texas and the United States of America.

14. **SEVERABILITY.** If any provision of this Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contract invalid, inoperative or unenforceable to any extent whatever.

15. **BUSINESS DAY.** For purposes of this Contract, "business day" means any day on which the New York Stock Exchange is open for trading.

16. **SECTION HEADINGS.** Section headings have been inserted in this Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Contract and will not be used in the interpretation of any provisions of this Contract.

17. **NO PERSONAL LIABILITY.** No member of the City Council, nor any officer, agent, or employee of the Issuer, shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term or provision of this Contract, or because of execution or attempted execution, or because of any breach or attempted alleged breach of this Contract.

18. **COUNTERPARTS.** This Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

[The remainder of this page intentionally left blank]

If you agree with the foregoing, please sign the enclosed counterpart of this Contract and return it to the Representative. This Contract shall become a binding agreement between you and the Underwriters when at least the counterpart of this Contract shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

THE UNDERWRITERS:

**STIFEL, NICOLAUS & COMPANY, INCORPORATED
CABRERA CAPITAL MARKETS, LLC
LOOP CAPITAL MARKETS, LLC
SAMCO CAPITAL MARKETS, INC.**

By: **STIFEL, NICOLAUS & COMPANY,
INCORPORATED**
(as Representative of the Underwriters)

By: _____
Title: Managing Director

ACCEPTANCE

ACCEPTED AND APPROVED by the Authorized Representative of the City of San Antonio, Texas at __: __.m. on April __, 2013.

By: _____
Title: Chief Financial Officer
City of San Antonio, Texas

SCHEDULE I

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS
AND REDEMPTION PROVISIONS**

\$70,685,000

CITY OF SAN ANTONIO, TEXAS

MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013

<u>Maturity (February 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>Maturity (February 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>
2014	1,410,000	3.000	0.250	2023	4,840,000	5.000	2.020
2015	1,455,000	3.000	0.380	2024	5,090,000	5.000	2.170 ⁽¹⁾
2016	3,515,000	3.000	0.520	2025	5,325,000	4.000	2.530 ⁽¹⁾
2017	3,645,000	4.000	0.710	2026	5,570,000	5.000	2.500 ⁽¹⁾
2018	3,785,000	4.000	0.900	2027	5,855,000	5.000	2.630 ⁽¹⁾
2019	3,965,000	5.000	1.100	2028	6,155,000	5.000	2.720 ⁽¹⁾
2020	4,165,000	5.000	1.360	2029	3,405,000	4.000	3.000 ⁽¹⁾
2021	4,375,000	5.000	1.620	2030	3,525,000	3.250	3.360
2022	4,605,000	5.000	1.840				

⁽¹⁾Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 1, 2023, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

(Interest on the Bonds accrues from date of delivery)

Optional Redemption of Bonds:

The Bonds scheduled to mature on and after February 1, 2024, are subject to redemption, in whole or in part, at the option of the Issuer, on February 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Form of Supplemental Opinion previously distributed by Bond Counsel will be attached]

EXHIBIT B

FORM OF UNDERWRITERS' COUNSEL OPINION

May 16, 2013

STIFEL, NICOLAUS & COMPANY, INCORPORATED
CABRERA CAPITAL MARKETS, LLC
LOOP CAPITAL MARKETS, LLC
SAMCO CAPITAL MARKETS, INC.
C/O STIFEL, NICOLAUS & COMPANY, INCORPORATED
70 NE Loop 410, Suite 295
San Antonio, Texas 78216

RE: \$70,685,000 CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013

Ladies and Gentlemen:

We have acted as counsel to you as the underwriters (the "*Underwriters*") of \$70,685,000 aggregate principal amount of the *City of San Antonio, Texas Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013* (the "*Bonds*"), issued under and pursuant to an ordinance (the "*Ordinance*") of the City of San Antonio, Texas (the "*Issuer*") authorizing the issuance of the Bonds, which Bonds you are purchasing pursuant to a Purchase Contract, dated April 24, 2013 (the "*Purchase Contract*"), between the Underwriters and the Issuer.

In connection with the rendering of this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of documents, opinions, certificates, instruments and records as we have considered necessary or appropriate for purposes of rendering the opinions hereinafter expressed. In addition, we have made such investigations of law and facts as we have deemed appropriate or necessary as a basis for these opinions. We have assumed, but have not independently verified, that the signatures on all documents and certificates that we have examined are genuine and that the Bonds conform to the specimen copies thereof that we have examined.

Based upon the foregoing, we are of the opinion that:

(1) the Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended; and

(2) the Ordinance is not required to be qualified under the Trust Indenture Act of 1939, as amended.

Because the primary purpose of our professional engagement as your counsel was not to establish factual matters, because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement, and because the information in the Official Statement under the headings "BOOK-ENTRY-ONLY SYSTEM," "FEDERAL TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings" and the Appendices thereto were prepared by others who have been engaged to review or provide such information, we are not passing on and do not assume any responsibility for, except as set forth in the last sentence of this paragraph, the accuracy, completeness or fairness of the statements contained in the Official Statement (including any appendices, schedules and exhibits thereto), and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. In the course of our participation in the preparation and review of the Official Statement as your counsel, we had discussions with representatives of the Issuer, including its Financial Advisor and Bond Counsel, regarding the contents of the Official Statement. In the course of such activities, no facts came to our attention which would lead us to believe that the Official Statement (except for the financial statements and other financial and statistical data contained therein, the information set forth under the headings "BOOK-ENTRY-ONLY SYSTEM," "FEDERAL TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings" and the Appendices thereto, as to which we express no opinion), as of its date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter is furnished by us for your sole benefit and no other person or entity shall be entitled to rely upon this opinion without our express written consent.

Very truly yours,

EXHIBIT C

[LETTERHEAD OF THE CITY ATTORNEY]

May 16, 2013

STIFEL, NICOLAUS & COMPANY, INCORPORATED
CABRERA CAPITAL MARKETS, LLC
LOOP CAPITAL MARKETS, LLC
SAMCO CAPITAL MARKETS, INC.
c/o STIFEL, NICOLAUS & COMPANY, INCORPORATED
70 NE Loop 410, Suite 295
San Antonio, Texas 78216

CITY OF SAN ANTONIO, TEXAS
100 Military Plaza
San Antonio, Texas 78205

**RE: CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM
REVENUE REFUNDING BONDS, SERIES 2013**

Ladies and Gentlemen:

I am the City Attorney to the **CITY OF SAN ANTONIO, TEXAS** (the "City") and I, or my designated attorneys, have acted as such in connection with the issuance of an aggregate of the **\$70,685,000 CITY OF SAN ANTONIO, TEXAS MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2013** (the "Bonds"), issued pursuant to an ordinance duly adopted by the City Council of the City on April 4, 2013 (the "Bond Ordinance"). All other capitalized terms not otherwise defined in this letter have the meanings assigned in the Purchase Contract described below.

In my capacity as City Attorney to the City, I, or my designated attorneys, have reviewed the following:

1. The Bond Ordinance as adopted by the City Council;
2. Executed Approval Certificate;
3. Executed counterparts of the Purchase Contract, dated April 24, 2013 (the "Purchase Contract"), between the City and Stifel, Nicolaus & Company, Incorporated (as representative of the Underwriters) with respect to the Bonds;
4. Executed counterparts of the Paying Agent/Registrar Agreement related to the Bonds, dated as of May 1, 2013, between the City and U.S. Bank National Association, as Paying Agent/Registrar (the "Paying Agent Agreement");
5. Executed counterparts of the Escrow Agreement, dated as of May 1, 2013, between the City and U.S. Bank National Association, as Escrow Agent (the "Escrow Agreement");

6. A copy of the Official Statement, dated April 24, 2013;

7. Such other agreements, documents, certificates, opinions, letters and other papers as I have deemed necessary or appropriate in rendering the opinions set forth below; and

8. Chapter 1207, Texas Government Code, as amended, and Section 552.051, Texas Local Government Code, as amended (collectively, the "Act") and such other provisions of the Constitution and laws of the State of Texas and the United States of America as I believe necessary to enable me to render the opinions herein contained.

In making my review, I, or my designated attorneys, have assumed the authenticity of all documents and agreements submitted to me as originals, conformity to the originals of all documents and agreements submitted to me as certified or photostatic copies, the authenticity of the originals of such latter documents and agreements, and the accuracy of the statements contained in such documents.

Based upon the foregoing, it is my opinion that:

1. The City has duly adopted and enacted the Bond Ordinance in accordance with the Act; the City has full legal right, power and authority to enter into the Purchase Contract, the Approval Certificate, the Paying Agent Agreement and the Escrow Agreement, to adopt the Bond Ordinance, and to issue, sell and deliver the Bonds to the Underwriters as provided in such Purchase Contract; the City has duly authorized and approved the execution and the delivery of, and the performance by the City of the obligations contained in, the Bonds, the Purchase Contract, the Approval Certificate, the Paying Agent Agreement, the Escrow Agreement and the Bond Ordinance, and all other transactions described in the Official Statement; the City has complied with, and is in compliance with, Texas law in all respects regarding the sale, issuance and delivery of the Bonds, including the provisions relating to its obligations under the Act, the Bond Ordinance, the Bonds and the Purchase Contract, and assuming the due authorization, execution, and delivery by the other contracting parties of the Purchase Contract, the Paying Agent Agreement and the Escrow Agreement, the Bond Ordinance, the Purchase Contract, the Paying Agent Agreement and the Escrow Agreement constitute valid, legal and binding agreements of the City, enforceable in accordance with their respective terms, subject to principles of sovereign immunity and to bankruptcy, insolvency, reorganization or other laws relating to or affecting the rights of creditors generally and general equitable principles;

2. The City is a body politic and corporate, duly incorporated and existing under the laws of the State of Texas, is a political subdivision thereof, and has good right and lawful authority to operate, maintain and improve the System and to fix and establish rates and other charges in respect thereof and collect revenues therefrom, as required by the Bond Ordinance, and to perform all of its obligations under the Bond Ordinance;

3. Except for permits and similar authorizations under the securities or blue sky laws of certain jurisdictions, no consent, waiver or any other action of any person, board or body, public or private, is required as of the date hereof for the City to adopt the Bond Ordinance or issue the Bonds,

or to enter into the Purchase Contract, or to perform its obligations under any of the foregoing other than those which have been duly and validly obtained and are in full force and effect;

4. Based on reasonable inquiry made of the responsible City employees and public officials, the City is not, to the best of my knowledge, in material breach of or in default under any applicable constitutional provision, law or administrative regulation of the State of Texas or the United States relating to the System, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject and, to the best of my knowledge after due inquiry, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default by the City under any of the foregoing; and the execution and delivery of the Purchase Contract, the Bonds, the Paying Agent Agreement and the Escrow Agreement and the adoption of the Bond Ordinance and compliance with the provisions of each of such agreements or instruments do not conflict with or constitute a material breach of or default under any applicable constitutional provision, law or administrative regulation of the State of Texas or the United States or, to the best of my knowledge, any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject; and

5. Except as disclosed in the Preliminary Official Statement and the Official Statement, no litigation is pending against, or, to my knowledge, threatened against the City or the System, in any court (a) in any way challenging the titles of the Mayor or any of the other members of the City Council of the City to their respective offices, or (b) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, or the collection of a material amount of revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Ordinance, the Purchase Contract, the Paying Agent Agreement or the Escrow Agreement or the collection of a material amount of revenues or the pledge thereof, or contesting the powers of the City or any authority for the issuance of the Bonds, or the adoption of the Bond Ordinance, or contesting or affecting in any way the ability of the City to establish rates and charges for the use of the System.

In addition, without having undertaken to determine independently the accuracy and completeness of the statements contained in the Preliminary Official Statement and the Official Statement, nothing has come to my attention which would lead me to believe that the Preliminary Official Statement as of its date and the date of execution of the Purchase Contract, and the Official Statement as of its date and the date hereof (excluding therefrom the financial, engineering, and statistical data and forecasts included therein) contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The opinions herein are expressed as of the date hereof.

Very truly yours,

Michael D. Bernard
City Attorney for the
City of San Antonio, Texas

EXHIBIT D
ESCROW AGREEMENT

ESCROW AGREEMENT

Between

CITY OF SAN ANTONIO, TEXAS

and

U.S. BANK NATIONAL ASSOCIATION

Pertaining to

\$70,685,000
City of San Antonio, Texas
Municipal Drainage Utility System Revenue Refunding Bonds,
Series 2013

Dated as of May 1, 2013

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of May 1, 2013 (herein, together with any amendments or supplements hereto, called the "Agreement"), entered into by and between CITY OF SAN ANTONIO, TEXAS (the "City"), and U.S. BANK NATIONAL ASSOCIATION, Dallas, Texas, a national banking association, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent").

WITNESSETH:

WHEREAS, the City has heretofore issued and there presently remain outstanding the obligations (collectively the "Refunded Bonds") of the City listed and described in the Verification Report of Causey Demgen & Moore, P.C. (the "Report") relating to the Refunded Bonds, as Exhibit "A," attached hereto and made a part hereof;

WHEREAS, the Refunded Bonds are scheduled to mature or have been called for early redemption in such years, bear interest at such rates, and are payable at such times and in such amounts as are set forth in the Report;

WHEREAS, when firm banking arrangements have been made for the payment of principal and interest to the maturity dates or redemption dates of the Refunded Bonds, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose;

WHEREAS, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), authorizes the City to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with any place of payment (paying agent) for any of the Refunded Bonds, or with a trust company or commercial bank that does not act as a depository for the City, and such deposit, if made before the payment dates of the Refunded Bonds and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds;

WHEREAS, Chapter 1207 (specifically, Section 1207.062, Texas Government Code) further authorizes the City to enter into an escrow agreement with the paying agent for any of the Refunded Bonds, trust company, or commercial bank with respect to the safekeeping, investment, administration, and disposition of any such deposit, upon such terms and conditions as the City and such paying agent may agree, provided that such deposits may be invested only in direct obligations of the United States of America, including obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be in book entry form, and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of principal and interest on the Refunded Bonds when due;

WHEREAS, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas and its predecessor Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida is the paying agents for the Refunded Bonds (the "Refunded Bonds Paying Agent");

WHEREAS, the Escrow Agent is a trust company or commercial bank that does not act as depository for the City and is named in the Ordinance authorizing execution of this Agreement; therefore, this Agreement constitutes an escrow agreement of the kind authorized and required by Chapter 1207;

WHEREAS, Chapter 1207 makes it the duty of the Escrow Agent to comply with the terms of this Agreement and timely make available to the other places of payment, if any, for the Refunded Bonds the amounts required to provide for the payment of the principal of and interest on such obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement;

WHEREAS, the issuance, sale, and delivery of the City of San Antonio, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013 (the "Bonds"), have been duly authorized for the purpose, among others, of obtaining the funds required to provide for the payment of the principal of the Refunded Bonds at their respective maturity or redemption dates and the interest thereon to such maturity or redemption dates;

WHEREAS, the City desires that, concurrently with the delivery of the Bonds to the purchasers thereof, a portion of the proceeds of the Bonds shall be applied to purchase certain "Escrowed Securities" (as herein defined) for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund;

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts as will provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay the interest on the Refunded Bonds as it accrues and becomes payable and the principal of the Refunded Bonds on their maturity dates or redemption dates;

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities the City desires to establish the Escrow Fund at the designated office of the Escrow Agent; and

WHEREAS, the Escrow Agent hereby acknowledges its acceptance of the terms and provisions hereof.

NOW, THEREFORE, in consideration of the mutual undertakings, promises, and agreements herein contained, the sufficiency of which hereby is acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the City and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I. DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Beginning Cash Balance" means the funds described in the Report attached to this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings, and court decisions thereunder.

"Escrow Fund" means the fund created in Section 3.01 of this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means direct, noncallable obligations of the United States of America, including noncallable obligations of which the full and timely payment of the principal and interest are unconditionally guaranteed by the United States of America, that mature and/or bear interest payable at

such times and in such amounts sufficient without reinvestment to provide for the scheduled payment of the principal of and interest on the Refunded Bonds. Investments in mutual funds and unit investment trusts are prohibited.

Section 1.02. Other Definitions. The terms "Agreement," "City," "Escrow Agent," "Refunded Bonds," "Refunded Bonds Paying Agent," "Report," and "Bonds," when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

ARTICLE II. DEPOSIT OF FUNDS AND ESCROWED SECURITIES IN THE ESCROW FUND

Concurrently with the sale and delivery of the Refunding Obligations, the City shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in the Report, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the City in writing.

ARTICLE III. CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent hereby creates on its books a special trust and irrevocable escrow fund to be known as "City of San Antonio, Texas, Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013 Escrow Fund" (the "Escrow Fund") for the purpose of paying the principal of and interest on the Refunded Bonds, as described in the Report, in order to make firm banking arrangements therefor. The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the Beginning Cash Balance and the Escrowed Securities described in the Report. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (i) shall be the property of the Escrow Fund, (ii) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (iii) to the extent needed to pay the principal and interest requirements on the Refunded Bonds, are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the City, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer to the Refunded Bonds Paying Agent, from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Bonds at their respective maturity date or dates as of which such Refunded Bonds have been called for earlier redemption, and interest thereon when due, in the amounts and at the times shown in the Report.

Section 3.03. Sufficiency of Escrow Fund. The City represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Refunded Bonds Paying Agent, at the times and in the amounts required to pay the interest on the

Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as such principal comes due, all as more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Refunded Bonds Paying Agent to make the payments set forth in Section 3.02 hereof, the City shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional moneys in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the City's failure to make additional deposits thereto.

Section 3.04. Trust Funds. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities, and all other assets of the Escrow Fund wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds, and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Bonds shall be entitled to a preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the City, and the Escrow Agent shall have no right or title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the City or, except to the extent expressly herein provided, by a place of payment for the Refunded Bonds.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct noncallable obligations of, or noncallable obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

ARTICLE IV. LIMITATION ON INVESTMENTS

Section 4.01. In General. Except as provided in Section 4.02, 4.03, and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions for the Escrowed Securities, or to sell, transfer, or otherwise dispose of such Escrowed Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in the Report, the Escrow Agent shall reinvest cash balances shown in the Report in United States Treasury Obligations – State and Local Government Series with an interest rate equal to zero percent (0%) to the extent such Obligations are available from the Department of the Treasury. All such re-investments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities that are United States Treasury Certificates of Indebtedness, Notes or Bonds – State and Local Government Series. All such re-investments shall be acquired on and shall mature on the dates shown on the Report.

Section 4.03. Substitutions and Reinvestments. At the discretion of the City, the Escrow Agent shall reinvest cash balances representing receipts from the Escrowed Securities, make substitutions of the Escrowed Securities, or redeem the Escrowed Securities and reinvest the proceeds thereof or hold

such proceeds as cash, together with other moneys or securities held in the Escrow Fund provided that the City delivers to the Escrow Agent the following:

- (a) an opinion by an independent certified public accountant that, after such substitution or reinvestment, the principal amount of the securities in the Escrow Fund (which shall be noncallable, not pre-payable direct obligations of the United States of America), together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with the Report, the principal of, interest on and premium, if any, on the Refunded Bonds which have not previously been paid, and
- (b) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (i) such substitution or reinvestment will not cause the Refunded Bonds to be "arbitrage bonds" within the meaning of section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the Refunded Bonds subject to federal income taxation, and (ii) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Bonds.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the City.

Section 4.04. Substitution for Escrowed Securities. Concurrently with the initial deposit by the City with the Escrow Agent, but not thereafter, the City, at its option, may substitute cash or non-interest bearing direct noncallable and not pre-payable obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for non-interest bearing Escrowed Securities, if any, but only if such Substitute Obligations

- (a) are in an amount, and/or mature in an amount, which is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted,
- (b) mature on or before the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted, and
- (c) produce the amount necessary to pay the interest on and principal of the Refunded Bonds, as set forth in the Report, as verified by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the City with the Escrow Agent, any such Substitute Obligations are so substituted for any Escrowed Securities, the City may, at any time thereafter, substitute for such Substitute Obligations the same Escrowed Securities for which such Substitute Obligations originally were substituted.

Section 4.05. Excess Balances. Except with respect to final transfers of amounts held in the Escrow Fund (which shall be controlled by Section 3.01), the Escrow Agent shall transfer excess amounts held in the Escrow Fund to or on the order of the City provided that the City delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that, after the transfer of the excess amounts, the principal amount of securities in the Escrow Fund, together with the interest thereon and other available money then held in the Escrow Fund, will be sufficient, without reinvestment, to pay on the Redemption Date the principal of and interest on the Refunded Bonds which have not previously been paid, and

(2) an unqualified opinion of nationally recognized bond counsel to the effect that (a) such transfer will not make the interest on the Refunding Obligations or the Refunded Bonds relating to such Escrow Fund subject to federal income taxation, and (b) such transfer complies with the laws of the State of Texas and with all relevant documents relating to the issuance of such Refunded Bonds and the Refunding Obligations.

Section 4.06. Arbitrage. The City hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Bonds to be an "arbitrage bond" within the meaning of the Code.

ARTICLE V. APPLICATION OF CASH BALANCES

Except as provided in Sections 3.02, 4.02, 4.03, and 4.04 hereof, no transfers or reinvestments shall be made of cash balances in the Escrow Fund.

ARTICLE VI. RECORDS, REPORTS AND NOTICES

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations, and application of the moneys and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the City and the owners of the Refunded Bonds.

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent at least annually shall prepare and send to the City a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the respective Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII. CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Refunded Bonds Paying Agent shall have any liability whatsoever for the insufficiency of funds from

time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the City promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the statements of the City and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except as a place of payment or a paying agent/registrars therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions, or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the City thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the City with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the City or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the City at any time.

Section 7.03. Compensation.

(a) Concurrently with the sale and delivery of the Bonds, the City shall pay to the Escrow Agent the sum of \$600.00, the sufficiency of which is hereby acknowledged by the Escrow Agent to pay its fee for performing the services of Escrow Agent hereunder and for all expenses incurred or to be incurred by it as Escrow Agent in the administration of this Agreement. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the City hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the City for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) The City covenants to timely pay for all future paying agency services of the Refunded Bonds Paying Agent in accordance with the paying agent fee schedule now or hereafter in effect through the final payment of the Refunded Bonds. In the event the City fails to pay the paying agent fee relating to the Refunded Bonds when due, such paying agent's sole remedy, as paying agent for such Refunded Bonds, for nonpayment shall be in accordance with the terms of the paying agent agreement relating to the Refunded Bonds, and no funds held in the Escrow Fund shall be available to pay such paying agent fees.

(c) To the extent permitted by law, the City agrees to indemnify the Escrow Agent and its officers, directors, agents, and employees for, and hold it and them harmless against, any loss, liability, claim, cost, suit, judgment, or expense (including, without limitation, legal fees and expenses) incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. This Section 7.03(c) shall survive the termination of this Agreement and the earlier removal or resignation of the Escrow Agent.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the City, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the City within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the City, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be: (i) a corporation organized and doing business under the laws of the United States or the State of Texas; (ii) authorized under such laws to exercise corporate trust powers; (iii) have its principal office and place of business in the State of Texas; (iv) have a combined capital and surplus of at least \$5,000,000; (v) subject to the supervision or examination by Federal or State authority; and (vi) qualified to serve as Escrow Agent under the provisions of Chapter 1207.

Any successor Escrow Agent shall execute, acknowledge, and deliver to the City and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers, and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the City shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trust hereby created by giving not less than 60 days' written notice to the City and publishing notice thereof, specifying the date when such resignation will take effect, in a newspaper printed in the English language and with general circulation in New York, New York, such publication to be made once at least

three (3) weeks prior to the date when the resignation is to take effect. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the owners of the Refunded Bonds or by the City as herein provided and such successor Escrow Agent shall be a paying agent for certain of the Refunded Bonds and shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

Under any circumstances, the Escrow Agent shall pay over to its successor Escrow Agent proportional parts of the Escrow Agent's fee and, if applicable, its paying agent's fee hereunder.

ARTICLE VIII. MISCELLANEOUS

Section 8.01. Acknowledgment of Receipt of Notice of Redemption. The Escrow Agent, by its execution of this Escrow Agreement, hereby acknowledges receipt of the Ordinance authorizing the issuance of the Bonds, the receipt of such Ordinance constituting written notice of redemption of such Refunded Bonds, as described in the Report. The Escrow Agent hereby agrees to provide or cause to be provided to the registered owners of the Refunded Bonds notice of deposit and notice of redemption as required by the ordinance authorizing the issuance thereof.

Section 8.02. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder, shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent: U.S. Bank National Association
14241 Dallas Parkway, Suite 490
Dallas, Texas 75254
Attention: Corporate Trust

To the City: City of San Antonio, Texas
111 Soledad, 5th Floor
San Antonio, Texas 78205
Attention: Chief Financial Officer

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery.

Either party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten days prior notice thereof.

Section 8.03. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the City, the owners of the Refunded Bonds, or to any other person or persons in connection with this Agreement.

Section 8.04. Binding Agreement. This Agreement shall be binding upon the City and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the City, the Escrow Agent, and their respective successors and legal representatives.

Section 8.05. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, but this

Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.06. Texas Law Governs. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 8.07. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.08. Effective Date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in the Report and the Escrowed Securities, together with the specific sums as stated in subsection (a) of Section 7.03 for Escrow Agent, paying agency fees, expenses, and services.

Section 8.09. Amendments. This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds.

Section 8.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes, and all counterparts shall together constitute one and the same instrument.

[Execution Page Follows]

IN WITNESS WHEREOF, this Escrow Agreement has been executed in multiple counterparts, each one of which shall constitute one and the same original Agreement, as of the date and year appearing on the first page of this Agreement.

CITY OF SAN ANTONIO, TEXAS

Mayor

ATTEST:

City Clerk

U.S. BANK NATIONAL ASSOCIATION

By: _____

Name:

Title:

ATTEST:

Name:
Title:

EXHIBIT A
VERIFICATION REPORT

[See Tab No. 16]

EXHIBIT E

NOTICE OF REDEMPTION

**TO THE OWNERS OF THE FOLLOWING NAMED SERIES OF
CITY OF SAN ANTONIO, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE BONDS,
SERIES 2003
DATED MAY 1, 2003**

NOTICE IS HEREBY GIVEN that the **CITY OF SAN ANTONIO, TEXAS** has called for redemption **ON JUNE 28, 2013 AT A PRICE OF PAR PLUS ACCRUED INTEREST** the following described outstanding Bonds of the above described series as follows:

MATURITY DATES (February 1)	INTEREST RATES	PRESENT CUSIP NUMBERS	PRINCIPAL AMOUNT REDEEMED
2014	4.000%	796311AL2	\$1,520,000.00
2015	4.000	796311AM0	1,580,000.00
2016	4.000	796311AN8	1,645,000.00
2017	4.000	796311AP3	1,715,000.00
2018	5.000	796311AQ1	1,790,000.00
2019	5.000	796311AR9	1,885,000.00
2020	5.000	796311AS7	1,980,000.00
2021	5.000	796311AT5	2,080,000.00
2022	5.000	796311AU2	2,190,000.00
xxxx	xxxxx	xxxxxxxxxx	xxxxxxxxxxx
2025	4.625	796311AW8	7,220,000.00
xxxx	xxxxx	xxxxxxxxxx	xxxxxxxxxxx
2028	4.750	796311AX6	8,315,000.00
TOTAL			<u>\$31,920,000.00</u>

NOTICE IS FURTHER GIVEN that due and proper arrangements have been made for providing THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Dallas, Texas, the Paying Agent for the Bonds called for redemption, with funds sufficient to pay the redemption price of the Bonds equal to the principal amount of the Bonds and the interest thereon to the redemption date. In the event the Bonds, or any of them, are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest. If due provision for the payment of the redemption price is made, then the Bonds automatically shall be deemed to have been redeemed prior to their scheduled maturity, and they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the owner thereof to receive the redemption price from the Paying Agent.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the Bonds and in accordance with the recitals and provisions of each of the Bonds.

NOTICE IS FURTHER GIVEN THAT the Bonds will be payable at and should be submitted either in person or by certified or registered mail to the following address:

First Class/Registered/Certified

The Bank of New York
Global Corporate Trust
Post Office Box 2320
Dallas, Texas 75221-2320

Express Delivery Only

The Bank of New York
Global Corporate Trust
2001 Bryan Street, 11th Floor
Dallas, Texas 75201

By Hand Only

The Bank of New York
Global Corporate Trust
101 Barclay Street, 1st Floor East
New York, New York 10286

EXECUTED UNDER MY HAND and seal of office this April 4, 2013.

/s/ Julián Castro

Mayor

City of San Antonio, Texas

In compliance with current federal tax law and broker reporting requirements, the Paying Agent is required to withhold 31% of the principal amount of your proceeds unless it is provided with your Social Security Number or federal employer identification number properly certified.

Any questions regarding this notice may be addressed to (800) 275-2048.

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.**
as Paying Agent

NOTICE OF REDEMPTION

TO THE OWNERS OF THE FOLLOWING NAMED SERIES OF
CITY OF SAN ANTONIO, TEXAS
MUNICIPAL DRAINAGE UTILITY SYSTEM REVENUE BONDS,
SERIES 2005
DATED APRIL 1, 2005

NOTICE IS HEREBY GIVEN that the **CITY OF SAN ANTONIO, TEXAS** has called for redemption **ON FEBRUARY 1, 2015 AT A PRICE OF PAR PLUS ACCRUED INTEREST** the following described outstanding Bonds of the above described series as follows:

MATURITY DATES	INTEREST	PRESENT	PRINCIPAL
<u>(February 1)</u>	<u>RATES</u>	<u>CUSIP</u>	<u>AMOUNT</u>
		<u>NUMBERS</u>	<u>REDEEMED</u>
2016	5.250	796311BK3	2,040,000.00
2017	5.250	796311BL1	2,150,000.00
2018	5.250	796311BM9	2,265,000.00
2019	5.250	796311BN7	2,385,000.00
2020	5.250	796311BP2	2,515,000.00
2021	5.250	796311BQ0	2,650,000.00
2022	5.250	796311BR8	2,795,000.00
2023	5.250	796311BS6	2,945,000.00
2024	5.250	796311BT4	3,105,000.00
2025	5.250	796311BU1	3,270,000.00
2026	5.250	796311BV9	3,450,000.00
2027	5.250	796311BX5	3,635,000.00
xxxx	xxxxxx	xxxxxxxxxx	xxxxxxxxxx
2030	5.000	796311BW7	<u>12,070,000.00</u>
TOTAL			<u>\$45,275,000.00</u>

NOTICE IS FURTHER GIVEN that due and proper arrangements have been made for providing THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Dallas, Texas, the Paying Agent for the Bonds called for redemption, with funds sufficient to pay the redemption price of the Bonds equal to the principal amount of the Bonds and the interest thereon to the redemption date. In the event the Bonds, or any of them, are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest. If due provision for the payment of the redemption price is made, then the Bonds automatically shall be deemed to have been redeemed prior to their scheduled maturity, and they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the owner thereof to receive the redemption price from the Paying Agent.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the Bonds and in accordance with the recitals and provisions of each of the Bonds.

NOTICE IS FURTHER GIVEN THAT the Bonds will be payable at and should be submitted either in person or by certified or registered mail to the following address:

First Class/Registered/Certified
The Bank of New York
Global Corporate Trust
Post Office Box 2320
Dallas, Texas 75221-2320

Express Delivery Only
The Bank of New York
Global Corporate Trust
2001 Bryan Street, 11th Floor
Dallas, Texas 75201

By Hand Only
The Bank of New York
Global Corporate Trust
101 Barclay Street, 1st Floor East
New York, New York 10286

EXECUTED UNDER MY HAND and seal of office this April 4, 2013.

/s/ Julián Castro
Mayor
City of San Antonio, Texas

In compliance with current federal tax law and broker reporting requirements, the Paying Agent is required to withhold 31% of the principal amount of your proceeds unless it is provided with your Social Security Number or federal employer identification number properly certified.

Any questions regarding this notice may be addressed to (800) 275-2048.

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.**
as Paying Agent

EXHIBIT F

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 47 of this Ordinance.

Annual Financial Statements and Operating Data

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

1. The City's audited financial statements for the most recently concluded fiscal year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the City appended to the Official Statement as Appendix C, but for the most recently concluded fiscal year.
2. Tables 1 through 4 in the Official Statement.

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.