CERTIFICATE OF CITY CLERK

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

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 15th day of May, 2014, City Council (the *Council*) of the City of San Antonio, Texas (the *City*) convened in regular session at its regular meeting place in the City Hall of the City (the *Meeting*), the duly constituted members of the Council being as follows:

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

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

> AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $300,000,000 "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2014" OR ONE OR MORE ADDITIONAL SERIES PURSUANT TO THE DELEGATION PROVISIONS SET FORTH HEREIN; PROVIDING THE TERMS, CONDITIONS, AND SPECIFICATIONS FOR SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF ONE OR MORE OFFICIAL STATEMENTS PERTAINING THERETO; MAKING PROVISION FOR THE PAYMENT AND SECURITY THEREOF, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS, BY A JUNIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S ELECTRIC AND GAS SYSTEMS; STIPULATING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL REVENUE REFUNDING BONDS SECURED BY A JUNIOR LIEN ON AND PLEDGE OF

SUCH NET REVENUES; AUTHORIZING THE EXECUTION OF ONE OR MORE PAYING AGENT/REGISTRAR AGREEMENTS, ESCROW AGREEMENTS, AND PURCHASE CONTRACTS; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DATE

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

10 voted "For" Ø voted "Against" Ø abstained

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

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

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City, this 15th day of May, 2014.

(SEAL)

City Clerk
City of San Antonio, Texas

40575774.1

FINAL

ORDINANCE NO. 2014-05-15-0348

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $300,000,000 "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2014" OR ONE OR MORE ADDITIONAL SERIES PURSUANT TO THE DELEGATION PROVISIONS SET FORTH HEREIN; PROVIDING THE TERMS, CONDITIONS, AND SPECIFICATIONS FOR SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF ONE OR MORE OFFICIAL STATEMENTS PERTAINING THERETO; MAKING PROVISION FOR THE PAYMENT AND SECURITY THEREOF, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS, BY A JUNIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S ELECTRIC AND GAS SYSTEMS; STIPULATING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS SECURED BY A JUNIOR LIEN ON AND PLEDGE OF SUCH NET REVENUES; AUTHORIZING THE EXECUTION OF ONE OR MORE PAYING AGENT/REGISTRAR AGREEMENTS, ESCROW AGREEMENTS, AND PURCHASE CONTRACTS; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DA

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

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

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

Commercial Paper Obligations have been issued, sold, and delivered by the City and are currently outstanding; and

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

Whereas, the Bonds are categorized as "Prior Lien Bonds" in the ordinance authorizing the issuance of the currently outstanding Commercial Paper Obligations; and

Whereas, the City Council has determined that a series of revenue refunding bonds (the *Bonds*), payable from and equally and ratably secured solely by a junior lien on and pledge of the Net Revenues of the Systems on a parity with the outstanding Junior Lien Obligations should be issued for the primary purpose of refunding the hereinafter-defined Refunded Obligations; and

Whereas, the City has heretofore issued, sold, and delivered, and there are currently outstanding obligations in the aggregate principal amount of $294,625,000, being the obligations set forth on Schedule I hereto which is incorporated by reference for all purposes to this ordinance (the *Refunded Obligations*); and

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

Whereas, the Act permits that the proceeds from the sale of the Bonds may be deposited directly with any designated escrow agent for the Refunded Obligations that is not the depository bank of the City; and

Whereas, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas currently serves as the paying agent for the Refunded Obligations; and

Whereas, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas will serve as the Paying Agent/Registrar (hereinafter defined) and Escrow Agent (hereinafter defined) for the Bonds; and

Whereas, the City Council also hereby finds and determines that the Refunded Obligations are scheduled to mature or are subject to being redeemed, not more than twenty (20) years from the date of the Bonds herein authorized and such refunding will result in a net present value savings of approximately $35,967,229.05 (12.207799%) to the City and a gross savings of

$37,292,775.83, including the cash transfer from the Retirement Account by the Board of $3,620,312.50; and

Whereas, the City Public Service Board of San Antonio, Texas (the *Board*), pursuant to a resolution adopted on April 28, 2014, has recommended that the Bonds should be issued, and that the other actions herein authorized should be taken, by the City; and

Whereas, in full recognition and consideration of all covenants and conditions prescribed in the proceedings and instruments pertaining to the outstanding and/or authorized but unissued Senior Lien Obligations, Junior Lien Obligations, Commercial Paper Obligations, and Inferior Lien Obligations, pursuant to authority conferred by the laws of the State of Texas and at the request of the Board, the City Council deems it necessary to issue and sell the Bonds in one or more series in the aggregate principal amount herein authorized, for the purpose of providing funds (i) to discharge and finally pay the Refunded Obligations and (ii) to pay certain costs of issuance related thereto, which Bonds shall be payable solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues of the Systems, which lien and pledge is subject and subordinate to the lien and pledge securing the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued, on a parity with the lien and pledge securing the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued, and prior and superior to the lien and pledge securing the currently authorized Commercial Paper Obligations and Inferior Lien Obligations; and

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

Whereas, the City Council is now authorized and empowered to proceed with the passage and adoption of this Ordinance authorizing (i) the issuance of the Bonds in the total principal amount not to exceed $300,000,000 for the purposes described herein, (ii) the execution and delivery of the Paying Agent/Registrar Agreement, the Escrow Agreement, and the Purchase Contract, relating to the Bonds, (iii) provision of notice of redemption for the Refunded Obligations, (iv) the distribution of one or more Official Statements relating to the Bonds, (v) compliance with a Letter of Representations with the Securities Depository (herein defined), and (vi) certain powers and duties to be exercised and performed by the Board, acting through any Designated Financial Officer (herein defined), including the execution of the Approval Certificate(s) (herein defined) setting forth the final pricing terms; and

Whereas, the City Council hereby finds and determines that the issuance of the Bonds and the adoption of this Ordinance are in the best interest of the citizens of the City; now, therefore,

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

SECTION 1: Authorization. In order to provide funds for the purpose of (i) discharging and making final payment of the Refunded Obligations and (ii) paying the costs of issuance related thereto, which Bonds shall be payable from the same source and secured in the same manner as the previously issued and outstanding Junior Lien Obligations, the City Council of the City of San Antonio, Texas, acting pursuant to the laws of the State of Texas, particularly Chapters 1207 and 1371, as amended, Texas Government Code (*Chapter 1207* and *Chapter 1371*, respectively, and, together, the *Act*), has determined that there shall be issued and there is hereby ordered to be issued a series of revenue refunding bonds to be designated "City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Refunding Bonds, Series 2014", in the principal sum of TWO HUNDRED SIXTY TWO MILLION FIVE HUNDRED THIRTY THOUSAND AND NO/100 DOLLARS ($262,530,000) (the *Bonds*).

As authorized by the Act, the President and Chief Executive Officer of the Board or the Group EVP – Financial & Administrative Services, CFO & Treasurer of the Board (each of the foregoing a *Designated Financial Officer*) are hereby authorized, appointed and designated as the officers of the City authorized to act on behalf of the City in selling and delivering one or more series of revenue refunding bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the following terms and provisions for each series of revenue refunding bonds:

(i) Approval of the underwriting syndicate for the Bonds (including the senior and book-running manager thereof);

(ii) Approval of the aggregate principal amount of each maturity of the Bonds;

(iii) Approval of the rate of interest to be borne on the principal amount of each maturity;

(iv) Approval of the interest payment dates;

(v) Approval of the optional and/or mandatory redemption provisions, if any;

(vi) Approval of the manner of sale;

(vii) Approval of the terms of sale, including the determination of the transaction as a forward or current refunding, and the approval and execution of an appropriate form of Escrow Agreement pursuant to such designation;

(viii) Approval of the pricing of each series of bonds (including the Bonds), including use of premium, discount, underwriters compensation, and costs of issuance;

(ix) Evaluation and determination of the purchase of municipal bond insurance, as well as the provider thereof (if any), with respect to the guarantee of payment of regularly-scheduled principal and interest requirements on any series of revenue bonds (including the Bonds) issued pursuant to this Ordinance; and

(x) Priority of the pledge of and lien on Net Revenues securing the repayment of the particular series of Bonds (being a pledge of and lien on Net Revenues of the Systems that is on parity with the lien thereon and pledge thereof that secures the Senior Lien Obligations or the Junior Lien Obligations, respectively).

If the City issues a series of revenue refunding bonds subsequent to the issuance of the Bonds pursuant to this Ordinance, each Designated Financial Officer shall be authorized to determine for such subsequent series of revenue refunding bonds:

(i) The underwriting syndicate and related allocation of liabilities by percentage;

(ii) The dated date; and

(iii) The designation of series name.

Each series of the revenue refunding bonds (including the Bonds) shall be issued within the following parameters:

(i) The total principal amount of all series of the revenue refunding bonds authorized to be issued pursuant to this Ordinance shall not exceed $300,000,000;

(ii) The maximum maturity of each series of the revenue bonds authorized to be issued pursuant to this Ordinance will be February 1, 2020;

(iii) The net interest cost applicable to each series of revenue refunding bonds authorized to be issued pursuant to this Ordinance shall not exceed a rate greater than 5% per annum calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code;

(iv) The "escrow efficiency" shall be at least 50% calculated in a manner approved by the Treasurer, and the net present value savings shall be at least 5.00%, excluding the Board's cash contribution; and

(v) The final series of revenue refunding bonds authorized to be issued pursuant to this Ordinance must be sold within 12 months from May 15, 2014 (but delivery thereof is expressly permitted to occur after this date).

Any Designated Financial Officer, acting for and on behalf of the City, is authorized to execute an Approval Certificate in substantially the form attached hereto as Schedule II evidencing the final terms of sale of a series of revenue refunding bonds (including the Bonds) authorized to be issued pursuant to this Ordinance in accordance with the provisions of the Act. It is further provided, however, that notwithstanding the foregoing provisions, that no series of revenue refunding bonds (including the Bonds) shall be delivered hereunder unless prior to

delivery, such bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371. Upon execution of the Approval Certificate, Co-Bond Counsel is authorized to complete this Ordinance to reflect such final terms.

SECTION 2: Dated Date-Denomination-Stated Maturities-Redemption Option.

A. The Bonds shall be issued as fully registered obligations, without coupons, totaling $262,530,000 in aggregate principal amount and be dated November 1, 2014 (the *Dated Date*).

B. The Bonds shall be in denominations of Five Thousand Dollars ($5,000) or any integral multiple (within a stated maturity) thereof, shall be lettered "R" and numbered consecutively from One (1) upward. The Bonds herein authorized to be issued shall bear interest on the unpaid principal amounts from the Closing Date (anticipated to occur on or about November 5, 2014) or from the most recent interest payment date to which interest has been duly paid or provided and principal shall become due and payable on February 1 in each of the years and in amounts in accordance with the following schedule. Said interest shall be payable to the registered owner of any such Bond in the manner provided and on the dates stated in the FORM OF DEFINITIVE BOND set forth in this Ordinance.

Stated Maturity	Principal Amount ($)	Interest Rate (%)
2016	28,030,000	5.000
2017	27,510,000	5.000
2018	5,210,000	2.000
2018	43,235,000	5.000
2019	77,340,000	5.000
2020	81,205,000	5.000

C. Redemption Provisions. The Bonds are not subject to redemption prior to Stated Maturity.

SECTION 3: A. Payment of Bonds - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Bonds shall be payable, without exchange or collection charges to the owner or holder thereof, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Bonds shall bear interest at the per annum rates shown above in Section 2, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable on February 1 and August 1 of each year commencing February 1, 2015.

The selection and appointment of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, to serve as 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 office of the Paying Agent/Registrar books and records (the *Registration Books*) 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 (in substantially the form attached hereto as

Exhibit A, which Paying Agent/Registrar Agreement is hereby authorized to be executed and delivered) 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 until the Bonds are paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change (which shall be at the sole discretion of the City) in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Bonds, due and payable by reason of stated maturity, or otherwise, shall be payable only to the registered owner of the Bonds (the *Bondholder* or *Bondholders*) appearing on the Registration Books (i) on the Record Date (as hereinafter defined) for purposes of paying interest thereon and (ii) on the date of surrender of the Bonds for purposes of paying principal at stated maturity. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Bondholder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and, to the extent permitted by law, neither the City nor the Paying Agent/Registrar, nor any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Bondholder whose name appears in the Registration Books at the close of business on the Record Date (the 15th day of the month next preceding each interest payment 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 Bondholder appearing in the Registration Books or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Bondholder at the Bondholder's risk and expense.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Bondholder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

B. Registration - Transfer - Exchange of Bonds-Predecessor Bonds. The Registration Books relating to the registration, payment, and 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 Registration Books the name and address of each registered 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 Registration Books by the Bondholder, 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 Bondholder 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 Bonds executed on behalf of, and furnished by, the City of authorized denominations and having the same stated maturity, bearing the same rate of interest, and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Bondholder, 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 replacement Bonds executed on behalf of, and furnished by, the City to the Bondholder 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 mail to the Bondholder, and, upon the delivery thereof, the same shall be valid obligations of the City, evidencing the same obligation to pay, 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 Bondholder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Bondholder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds cancelled 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 replacement Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any mutilated, lost, destroyed, or stolen Bond in lieu of which a replacement Bond has been registered and delivered pursuant to Section 25 hereof which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 4: Execution - Authentication - Initial Bonds. The Bonds shall be executed on behalf of the City by the Mayor under its seal reproduced or impressed thereon and attested by the City Clerk. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Dated Date shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or either of them shall cease to hold such offices at the

time of delivery of the Bonds to the Purchasers (defined herein) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 5, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of authentication substantially in the form provided in Section 5, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly registered or authenticated and delivered.

The Bonds shall be issued initially either (i) as a fully registered Bond in the total aggregate principal amount of $262,530,000 with principal installments to become due and payable as provided in Section 2A and numbered T-1, or (ii) as one (1) fully registered Bond for each year of stated maturity in the applicable principal amount, interest rate, and denomination and to be numbered consecutively from T-1 and upward (the *Initial Bonds*) and, in either case, the Initial Bonds shall be registered in the name of the Purchasers or their designee. The Initial Bonds shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval and certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas. At any time after the delivery of the Initial Bonds to the Purchasers, the Paying Agent/Registrar, upon written instructions from the purchasers, or their designee, shall cancel the Initial Bonds and exchange therefor definitive Bonds of authorized denominations, stated maturities, principal amounts, and bearing applicable interest rates for transfer and delivery to the registered owners named and at the addresses identified therefor, all in accordance with and pursuant to such written instructions from the Purchasers, or their designee, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 5: Form of Bond. The form of all Bonds, including the form of the Paying Agent/Registrar's Certificate of Authentication, the Form of Assignment, and the form of the Comptroller's Registration Certificate to accompany the Bonds on the initial delivery thereof, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance:

[The remainder of this page intentionally left blank.]

A. FORM OF DEFINITIVE BOND:

REGISTERED
NO._____

REGISTERED
PRINCIPAL AMOUNT
$_____

United States of America
State of Texas
Counties of Bexar, Comal and Medina

CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE REFUNDING BONDS,
SERIES 2014

Dated Date:	Stated Maturity:	Interest Rate (%):	CUSIP No.
November 1, 2014			

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE STATED MATURITY DATE SPECIFIED ABOVE, THE CITY OF SAN ANTONIO, IN BEXAR, COMAL AND MEDINA COUNTIES, TEXAS, a municipal corporation of the State of Texas (the *City*), hereby promises to pay to the order of the Registered Owner specified above, or to the registered assignee thereof (either being hereinafter called the *Registered Owner* or *Bondholder*), the Principal Amount specified above and to pay interest thereon, from the Closing Date (anticipated to occur on or about November 5, 2014) or from the most recent interest payment date to which interest has been paid or duly provided, at the rate of interest per annum specified above, with said interest being payable initially on February 1, 2015, and semiannually thereafter on each August 1 and February 1.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at stated maturity, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, which is the Paying Agent/Registrar for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof as shown by the Registration Books kept by the Paying Agent/Registrar at the close of business on the Record Date, which is the 15th day of the month next preceding such interest payment date, either (i) by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on the appropriate date of payment to the Registered Owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Registered Owner hereof at the Registered Owner's

risk and expense. The City covenants with the Registered Owner of this Bond that no later than each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the 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; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of bonds of like tenor and effect except as to number, principal amount, interest rate, and stated maturity, aggregating TWO HUNDRED SIXTY TWO MILLION FIVE HUNDRED THIRTY THOUSAND AND NO/100 DOLLARS ($262,530,000) (the *Bonds*), issued for the purpose of providing funds for (i) the discharge and final payment of the Refunded Obligations and (ii) paying the costs of issuance related thereto, which Bonds shall be payable from the same source and secured in the same manner as the previously issued Junior Lien Obligations, in accordance with the laws of the State of Texas, particularly Chapters 1207 and 1371, as amended, Texas Government Code, and pursuant to an ordinance passed by the City Council of the City and duly recorded in the minutes of said City Council (the *Ordinance*). The Bonds are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of $5,000.

AS PROVIDED in the Ordinance and subject to certain limitations contained therein, this Bond is transferable only on the Registration Books of the City, 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 Registered Owner hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same stated maturity date, 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 Registered Owner hereof whose name appears on the Registration Books (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 date, and (iii) on any date as the owner hereof for all other purposes, and, to

the extent permitted by law, neither the City nor the Paying Agent/Registrar, nor any such agent of either, shall be affected by notice to the contrary.

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

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the City, and agrees that the terms and provisions of this Bond and the Ordinance constitute a contract between the Registered Owner hereof and the City.

THIS BOND and all Bonds of the series of which it is a part constitute special limited obligations of the City, and, together with certain Outstanding revenue bonds heretofore issued by the City (defined in the Ordinance as the *Junior Lien Obligations*) are payable as to both principal and interest solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues specified in the Ordinance (herein referred to as the *Net Revenues*) derived from the City's ownership and operation of the Systems, as described in the Ordinance, (i) subject and subordinate to the liens on and pledges of the Net Revenues that secure payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations referred to in the Ordinance, (ii) on a parity with the liens on and pledges of the Net Revenues that secure payment of the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations referred to in the Ordinance, and prior and superior to the lien on and pledge of Net Revenues that secure payment of the currently authorized Commercial Paper Obligations and Inferior Lien Obligations referred to in the Ordinance, in each case whether now outstanding or hereafter issued. In the Ordinance, the City reserves and retains the right to issue Additional Senior Lien Obligations, Additional Junior Lien Obligations, Commercial Paper Obligations, and Additional Inferior Lien Obligations without limitation as to principal amount but subject to certain terms, conditions, or restrictions set forth in the Ordinance or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon the Systems or any other property of the City, except the Net Revenues.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the aforesaid Net Revenues.

IN ADDITION TO ALL OTHER RIGHTS, the owners of this series of Bonds shall be subrogated to all pertinent and necessary rights of the owners of the obligations being refunded thereby.

IT IS HEREBY certified and recited that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond to render the same lawful and valid

have been properly done, have happened and have been performed in regular and due time, form, and manner as required by the laws of the State of Texas and the Ordinance; that this series of revenue refunding bonds does not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part by pledging the Net Revenues of the Systems of the City at the level of priority specified above.

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 or holder of this Bond by the acceptance hereof hereby assents, for definitions of capitalized (but undefined) terms used herein; the further description of and the nature and extent of the lien on and pledge of Net Revenues (including, but not limited, to lien level of such pledge) securing the payment of the Bonds; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; and for the other terms and provisions thereof.

IN TESTIMONY WHEREOF, the City Council of the City of San Antonio, Texas, in accordance with the provisions of Chapter 618, as amended, Texas Government Code, as amended, has caused the seal of said City to be impressed or a facsimile thereof to be printed hereon, and this Bond to be executed with the manual or imprinted facsimile signatures of the Mayor and City Clerk of said City.

CITY OF SAN ANTONIO, TEXAS

By:_____
Mayor

ATTEST:

_____
City Clerk

(SEAL)

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B. FORM OF PAYING AGENT/REGISTRAR'S CERTIFICATE OF AUTHENTICATION.

CERTIFICATE OF AUTHENTICATION

It is hereby certified that this Bond has been issued under the provisions of the Ordinance described on the face of this Bond, and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: _____

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

By: _____
Authorized Representative

C. FORM OF ASSIGNMENT.

ASSIGNMENT

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

_____

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

DATED: _____

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

Signature guaranteed:

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

D. FORM OF COMPTROLLER'S CERTIFICATE ATTACHED TO THE BONDS UPON INITIAL DELIVERY THEREOF.

COMPTROLLER'S REGISTRATION CERTIFICATE

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

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, and that he finds that it has been issued in conformity with the laws of the State of Texas and that it is a valid and binding special obligation of the City of San Antonio, Texas, payable in the manner provided by and in the ordinance authorizing same, and said Bond has this day been registered by me.

WITNESS my signature and seal of office at Austin, Texas _____.

_____
Comptroller of Public Accounts
of the State of Texas

(SEAL)

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E. INITIAL BOND(S) shall be in the form set forth in paragraph (a) of this Section, except that the form of the single fully registered Initial Bond shall be modified as follows:

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

(2) the first paragraph shall read as follows:

ON THE STATED MATURITY DATES SPECIFIED BELOW, THE CITY OF SAN ANTONIO, IN BEXAR, COMAL AND MEDINA COUNTIES, TEXAS, a municipal corporation of the State of Texas (the *City*), hereby promises to pay to the order of the Registered Owner specified above, or to the registered assignee thereof (either being hereinafter called the *Registered Owner* or *Bondholder*) on February 1 of the years and in the Principal Amounts specified below and to pay interest thereon, from the Closing Date (anticipated to occur on or about November 5, 2014) or from the most recent interest payment date to which interest has been paid or duly provided, at the rates of interest per annum specified in accordance with the following schedule:

Stated Maturities	Principal Amounts ($)	Interest Rates (%)

(Information to be inserted from schedule in Section 2.)

said interest shall be payable initially on February 1, 2015 and semiannually thereafter on each February 1 and August 1.

F. INSURANCE LEGEND

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

SECTION 6: Definitions. Unless the context shall indicate contrary meaning or intent, the terms below defined, for all purposes of this Ordinance or any ordinance amendatory or supplemental hereto, shall be construed, are used, and are intended to have meanings as follows:

A. *Additional Inferior Lien Obligations* – (i) any bonds, notes, warrants, certificates of obligation, or other Debt (other than the currently authorized Inferior Lien Obligations) hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge of the Net Revenues that have or will be granted as security for the currently outstanding Senior Lien Obligations, Junior Lien Obligations, and Commercial Paper Obligations and any Additional Senior Lien Obligations and Additional Junior Lien Obligations hereafter issued by the City, on a parity with the lien on and pledge of the Net Revenues that have been or are being granted as security for the currently authorized Inferior Lien Obligations, including certificates of obligation as described in Section 271.052, as amended, Texas Government Code, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably

secured, in whole or in part, by such a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

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

C. *Additional Senior Lien Obligations* – (i) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 and which are equally and ratably secured solely by a prior and first lien on and pledge of the Net Revenues of the Systems and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a prior and first lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

D. *Board of Trustees*, *Board*, or *City Public Service Board* – the City Public Service Board of San Antonio, Texas, existing and functioning pursuant to the ordinances authorizing the issuance of the Senior Lien Obligations and this Ordinance.

E. *Bonds* – the bonds authorized by this Ordinance.

F. *City* or *Issuer* – the City of San Antonio, Texas.

G. *Closing Date* – the date of physical delivery of the Initial Bonds in exchange for the payment in full by the Purchasers.

H. *Commercial Paper* – (i) the currently authorized obligations of the City from time to time outstanding and unpaid that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations and the Junior Lien Obligations and any Additional Senior Lien Obligations and Additional Junior Lien Obligations hereafter issued by the City, identified as follows:

(i) "City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series A", "City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series B", and "City of San Antonio, Texas Electric

and Gas Systems Commercial Paper Notes, Series C", originally authorized in the combined aggregate principal amount of $600,000,000, including the Credit Agreement (as defined in the ordinance authorizing the issuance of the Commercial Paper Obligations) pertaining to each series of Commercial Paper (providing liquidity support for the Commercial Paper Notes in the aggregate amount of $600,000,000); and

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

I. *Debt* – (1) all indebtedness payable from Net Revenues incurred or assumed by the City for borrowed money (including indebtedness payable from Net Revenues arising under any Credit Agreement (as such term is defined in the ordinances of the City authorizing the issuances of the Outstanding Junior Lien Obligations that bear interest at variable rates)) and all other financing obligations of the Systems payable from Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and (2) all other indebtedness payable from Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations pertaining to the Systems that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise. For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Systems in prior Fiscal Years.

J. *Debt Service Requirements* – as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, (i) assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The*

Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to stated maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly); and (ii) after giving effect as an offset to regularly-scheduled debt service on a series of obligations the receipt or anticipated receipt of a refundable tax credit or similar payment from the United States Department of the Treasury to which the City is entitled as a result of the City's irrevocable designation of such series of obligations as "build America bonds" and "qualified bonds" under the Code (or such similar designations that results in the City's receipt of a similar payment from the United States Department of the Treasury). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the City under such hedge agreement from the amounts payable by the City under such hedge agreement and such obligations.

K. *Depository* – such bank or banks at any time selected by the Board of Trustees to serve as depository of the funds hereinafter provided for with relation to the Bonds.

L. *Fiscal Year* – the twelve-month operational period of the Systems commencing on February 1 of each year and ending on the following January 31.

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

N. *Inferior Lien Obligations* – (i) any bonds, notes, warrants, certificates of obligation, or other similar debt currently outstanding or hereafter issued by the City that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledges thereof securing payment of the currently outstanding Senior Lien Obligations, the Junior Lien Obligations, the Commercial Paper Obligations, and any Additional Senior Lien Obligations and Additional Junior Lien Obligations hereafter issued by the City, including the "City of San Antonio, Texas Electric and Gas Systems Tax Exempt

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

O. *Junior Lien Obligations* – (i) the currently authorized obligations of the City from time to time outstanding and unpaid that are payable wholly or in part from a lien on and pledge of the Net Revenues that is junior and inferior to the pledge thereof securing payment of the currently outstanding Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued by the City, identified as follows:

(1) "City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Series 2003", originally authorized in the aggregate principal amount of $250,000,000, including the Credit Agreement (as defined in the ordinance authorizing the issuance of these Junior Lien Obligations);

(2) "City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Taxable Series 2010A (Direct Subsidy – Build America Bonds)", originally authorized in the aggregate principal amount of $300,000,000.00;

(3) "City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy – Build America Bonds)", originally authorized in the aggregate principal amount of $200,000,000.00;

(4) "City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A", originally authorized in the aggregate principal amount of $48,170,000.00;

(5) "City of San Antonio, Texas Electric and Gas Systems Junior Lien Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012B", originally authorized in the aggregate principal amount of $47,815,000.00;

(6) "City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012C", originally authorized in the aggregate principal amount of $47,660,000.00;

(7) "City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Series 2013", originally authorized in the aggregate principal amount of $375,000,000.00;

(8) "City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Series 2014", originally authorized in the aggregate principal amount of $200,000,000; and

(9) upon issuance, the Bonds; and

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

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

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

R. *Outstanding* – as of the date of determination, all Bonds theretofore issued and delivered except:

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

(2) those Bonds for which payment has been duly provided by the City by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption; provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

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

S. *Parity Bonds* – the Junior Lien Obligations, the Bonds, and any Additional Junior Lien Obligations.

T. *Paying Agent/Registrar* – the financial institution named in Section 3 of this Ordinance, or any successor thereto named in accordance with the provisions of Section 3 of this Ordinance.

U. *Registered Bonds* – any Bonds issued as fully-registered bonds, without coupons.

V. *Senior Lien Obligations* – (i) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the Systems, identified as follows: "City of San Antonio, Texas, Electric and Gas Systems Revenue and Refunding Bonds, New Series 2002", dated August 1, 2002 and originally issued in the total aggregate principal amount of $576,705,000; "City of San Antonio, Texas, Electric and Gas Systems Revenue Bonds, New Series 2006A", dated August 15, 2006 and originally issued in the total aggregate principal amount of $384,185,000; "City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2006B", dated January 15, 2007 and originally issued in the total aggregate principal amount of $128,845,000; "City of San Antonio, Texas Electric and Gas Systems Revenue and Refunding Bonds, New Series 2007", dated June 15, 2007 and originally issued in the principal amount of $449,410,000; "City of San Antonio, Texas, Electric and Gas Systems Revenue Bonds, New Series 2008", dated June 15, 2008 and originally issued in the principal amount of $287,935,000; "City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2008A, dated December 1, 2008 and originally issued in the principal amount of $158,030,000; "City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2009A," dated February 1, 2009 and originally issued in the principal amount of $442,005,000; "City of San Antonio, Texas, Electric and Gas Systems Revenue Bonds, Taxable New Series 2009C (Direct Subsidy—Build America Bonds)", dated May 1, 2009 and originally issued in the principal amount of $375,000,000; "City of San Antonio, Texas Electric And Gas Systems Revenue Refunding Bonds, New Series 2009D, dated June 1, 2009 and originally issued in the principal amount of $207,940,000; "City of San Antonio, Texas Electric and Gas Revenue Bonds, Taxable Series 2010A (Direct Subsidy – Build America Bonds)", dated February 1, 2010 and originally issued in the principal amount of $380,000,000; "City of San Antonio, Texas Electric and Gas Revenue Refunding Bonds, New Series 2011", dated November 1, 2011 and originally authorized in the aggregate principal amount of $50,915,000.00; "City of San Antonio, Texas Electric and Gas Revenue Bonds, Taxable New Series 2012", dated March 1, 2012 and originally authorized in the aggregate principal amount of $521,000,000.00; "City of San Antonio, Texas Electric and Gas Revenue Refunding Bonds, New Series 2012", dated June 1, 2012 and originally authorized in the aggregate principal amount of $655,370,000.00; and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the Systems as determined by the City Council in accordance with any applicable law.

W. *Systems* – the entire electric light and power plants and systems and gas distribution system and all property of every kind appurtenant to and used or acquired in connection with said electric light and power plants and systems and gas distribution system owned by the City, together with all property of every kind now and hereafter owned or acquired by the City as a part of or for use in the operation of the City's electric light and power plants and systems and gas distribution system. Notwithstanding the foregoing, upon payment in full, or provision for such payment, of the Senior Lien Obligations issued before May 29, 1997, and

the defeasance of the ordinances authorizing the issuance of the Senior Lien Obligations, the term Systems shall mean or include facilities of any kind which are declared not to be a part of the Systems and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Senior Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 7: Pledge.

A. Payment of the principal of and interest on the Bonds are and shall be secured by and payable solely from, and the City hereby grants a junior lien on and pledge of, the Net Revenues, *subject* and *subordinate* to the liens on and pledges of Net Revenues heretofore or hereafter made to secure payment of the Senior Lien Obligations and the Additional Senior Lien Obligations (and equally and ratably with the lien on and pledge of Net Revenues heretofore or hereafter made to secure payment of the Junior Lien Obligations and Additional Junior Lien Obligations, as well as with respect to any payment obligation arising under a "credit agreement", as such term is defined in Chapter 1371, relating to any series of Parity Bonds. The Bonds are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting the Systems. The Bonds are being issued as Additional Junior Lien Obligations. As such, the Bonds are special limited obligations of the City payable solely from the Net Revenues, and the holders thereof shall never have the right to demand payment out of funds raised or to be raised by taxation.

Subject to making the deposits required by this Ordinance or any other ordinance of the City Council, the excess Net Revenues of the Systems may be used by the Board for any lawful purpose.

B. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of Net Revenues granted by the City under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Parity Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Parity Bonds 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 8: Rates and Charges. While any of the Bonds authorized hereby are Outstanding, the City shall establish and maintain rates and charges for facilities and services afforded by the Systems that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce income and revenues in each Fiscal Year sufficient:

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

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

C. *Junior Lien Expenses.* to produce Net Revenues, together with any other lawfully available funds, to pay the interest on and principal of all Junior Lien Obligations, the Bonds, and any Additional Junior Lien Obligations hereafter issued, as well as any "credit agreement" authorized under Chapter 1371 relating to any of the foregoing, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds;

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

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

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

SECTION 9: General Account. The City, acting through the Board of Trustees, hereby covenants with respect to the holders of the Bonds that all revenues of every nature received through the operation of the Systems shall be deposited as received in the "City of San Antonio Electric and Gas Systems General Account" (the *General Account*), which shall be kept separate and apart from all other funds of the City. Revenues received for the General Account shall be deposited from time to time as received in such Depository as may be selected by the Board of Trustees in accordance with applicable laws relating to the selection of City depositories.

SECTION 10: Flow of Funds. The City, acting through the Board of Trustees, hereby agrees and reaffirms its covenant to the holders of the Parity Bonds that funds in the General

Account shall be pledged and appropriated to the following uses and in the order of priority shown below:

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

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

THIRD: to the payment of the Junior Lien Obligations, the Bonds, and any Additional Junior Lien Obligations hereafter issued by the City or any other Prior Lien Bonds (as defined in the ordinance authorizing the Commercial Paper Obligations), as well as any "credit agreement" authorized under Chapter 1371 relating to any of the foregoing and the establishment and maintenance of a reserve therefor;

FOURTH: to the payment and security of the Notes and any Credit Agreement (as defined in the ordinance authorizing the Commercial Paper);

FIFTH: to the payment and security of the Inferior Lien Obligations and any Additional Inferior Lien Obligations hereafter issued, including obligations hereinafter issued which are inferior in lien to the Senior Lien Obligations, any Additional Senior Lien Obligations, the Junior Lien Obligations, the Bonds, any Additional Junior Lien Obligations, and the Notes, as well as any "credit agreement" authorized under Chapter 1371 relating to any of the foregoing;

SIXTH: to the payment of an annual amount equal to six percent (6%) of the gross revenues of the Systems to be deposited in the Repair and Replacement Account provided for in Section 12 of this Ordinance;

SEVENTH: to the payment of the annual amount due the General Fund of the City of San Antonio, as provided in Section 13 of this Ordinance; and

EIGHTH: any remaining Net Revenues of the Systems in the General Account, to the Repair and Replacement Account in accordance with Section 12 of this Ordinance.

Any Net Revenues remaining in the General Account after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Board purpose now or hereafter permitted by law and the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, subject to Section 12.

SECTION 11: Bond Fund; Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on, and other amounts payable under, the Bonds and the Paying Agent/Registrar Agreement, as the same become due and payable, and for so long as any Bonds remain Outstanding or the City remains obligated under any other such agreement, the City agrees to maintain, at the Depository, a separate and special Fund or account relating to the Bonds to be created and known as the "City of San Antonio, Texas, Electric and Gas Systems Junior Lien Revenue Refunding Bonds, Series 2014 Interest and Sinking Fund" (the *Bond Fund*).

The City covenants that there shall be deposited into the Bond Fund prior to each payment date from the available Net Revenues an amount equal to one hundred percent (100%) of the amount required to fully make such payments when due and payable, such deposits to be made in monthly installments that are substantially equal. If the Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the Systems, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these funds or accounts during such month or months.

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

SECTION 12: Repair and Replacement Account. The City reaffirms its covenant with the holders of Parity Bonds that a special fund or account shall be created and established to be known as the "City of San Antonio Electric and Gas Systems Repair and Replacement Account" (the *Repair and Replacement Account*) at such Depository as may be designated by the Board of Trustees. Money on deposit in the Repair and Replacement Account shall be used for the following purposes: providing extensions, additions, and improvements to the Systems; meeting contingencies of any nature in connection with the operations, maintenance, improvement, replacement, or restoration of properties of the Systems; and paying bonds or other obligations for which other funds are not available, or for any or all of such purposes, as, from time to time, may be determined by the Board of Trustees.

From the Net Revenues remaining in the General Account after payments in accordance with *Clauses First* through *Fifth* of Section 10 of this Ordinance and after payment and provisions for payments and additions to the Bond Fund in accordance with the provisions of Section 11, there shall be paid into the Repair and Replacement Account an annual sum equal to six percent (6%) of the gross revenues of the Systems for the then current Fiscal Year. This annual payment to the Repair and Replacement Account shall be accumulated each Fiscal Year by monthly installments, such monthly installments to be based on each month's gross revenues to the extent funds in the General Account are available each month; provided, however, should the total annual payment to the Repair and Replacement Account in any Fiscal Year exceed six percent (6%) of the gross revenues of the Systems, as shown by the Systems' audited annual financial statement, proper year-end adjustments shall be made (on or before March 1 after the close of each Fiscal Year) by causing any excess amount deposited therein to be transferred to the General Account.

No deposit in excess of six percent (6%) of the annual gross revenues of the Systems shall be made to the Repair and Replacement Account (as provided in the preceding paragraph) unless and until complete and full payments, or provisions for such payments, shall have been paid over or credited to the General Fund of the City in accordance with Section 13 of this Ordinance. After complete and full payments, or provisions for such payments, shall have been paid over or credited to the General Fund of the City to the full extent required in Section 13 hereof, additional deposits may be made to the Repair and Replacement Account; and at the close of each Fiscal Year, all Net Revenues of the Systems remaining in the General Account

after full and complete payment to the General Fund of the City has been made (except such amounts as may be required to meet unpaid accounts and obligations which have accrued or are payable during the year to insure continued operation of the Systems), shall be deposited in the Repair and Replacement Account.

SECTION 13: Payments or Credits to the General Fund of the City. In accordance with the provisions of the ordinances authorizing the issuance of the Senior Lien Ordinance and this Ordinance, and after the payments specified in *Clauses First* through *Fifth* of Section 10 and the Repair and Replacement Account (for purposes of accumulating therein an amount equal to six percent (6%) of the annual gross revenues of the Systems) have been made in full in accordance with the provisions of Sections 10, 11, and 12 of this Ordinance, there shall be paid over or credited to the General Fund of the City (for general purposes of the City), to the extent Net Revenues of the Systems are available in the General Account and in monthly installments, an amount in cash not to exceed 14% of the gross revenues of the Systems for the month next preceding the month in which the monthly deposit is made, less the value of gas and electric services of the Systems used by the City for municipal purposes and the amount expended for additions to the street lighting system for the month for which such payment is being made. The maximum amount in cash to be transferred or credited to the General Fund of the City from the Net Revenues of the Systems during any Fiscal Year shall not exceed 14% of the gross revenues of the Systems less the value of gas and electric services of the Systems used by the City for municipal purposes and the amounts expended during the Fiscal Year for additions to the street lighting system. The percentage of gross revenues of the Systems to be paid over or credited to the General Fund of the City each Fiscal Year shall be determined (within the 14% limitation) by the governing body of the City.

SECTION 14: Investments. Funds on deposit in the General Account, the Construction Account (hereinafter defined), the Bond Fund and the Repair and Replacement Account may be, at the option of the Board of Trustees, invested in any investment permitted by the provisions of the Board of Trustees' Investment Policy and the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or in any other investment authorized under applicable laws of the State of Texas from time to time, including time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements. Any obligations, or evidences of ownership of said obligations, in which funds on deposit in the aforementioned Accounts are so invested shall be kept in escrow in the respective Depositories for such Accounts, and such investments shall be promptly sold when required and the proceeds of the sale applied to the making of payments required to be made from the Account from which the investment was made whenever such payments are necessary to be made. All income and profits received from the investment of funds in the Repair and Replacement Account shall be transferred and credited to the General Account. Income and profits received from investments of funds on deposit in the Bond Fund shall be used only for the purposes of paying the principal of and interest on the Bonds, as and when the same shall become due.

SECTION 15: Transfer of Funds to the Paying Agent/Registrar. On or before an interest or principal payment date of any Bonds, the Treasurer of the Board shall make transfer of funds on deposit in the Bond Fund to the Paying Agent/Registrar in the amounts calculated as fully sufficient to pay and discharge promptly, as due, each installment of interest and principal pertaining to the Bonds then Outstanding. In making such transfers, the Treasurer shall take into

account any money on deposit with the Paying Agent/Registrar relating to the Bonds. In the event Bonds may be called for redemption prior to stated maturity, the Treasurer of the Board shall cause amounts calculated as sufficient to pay and discharge the Bonds (including accrued interest) so called for redemption to be transferred to the paying agent or paying agents (including the Paying Agent/Registrar) on or before the date fixed for the redemption of such bonds.

SECTION 16: Security of Funds. All money on deposit in the special Accounts for which this Ordinance makes provision (except any portions thereof as may be at any time properly invested) 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.

SECTION 17: Application of Covenants and Agreements of the Senior Lien Obligations. It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the Systems, and the administration and application of gross revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, and to the extent of any irreconcilable conflict between the provisions contained herein and in the ordinance authorizing the issuance of the currently outstanding Senior Lien Obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the currently outstanding Senior Lien Obligations. It is expressly recognized that, prior to the issuance of any Additional Senior Lien Obligations or Additional Junior Lien Obligations, the City must comply with each of the conditions precedent contained in this Ordinance and the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations and any other Junior Lien Obligations, as appropriate.

SECTION 18: Issuance of Additional Senior Lien Obligations, Additional Junior Lien Obligations, Commercial Paper Obligations, and Additional Inferior Lien Obligations. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations payable wholly or in part from and secured by a pledge of and lien on the Net Revenues of the Systems with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

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

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

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

(2) *Coverage Certificate*: a Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the Systems, the Net Revenues of the Systems for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted (determined without regard to revenue received by the City under any interest rate hedge agreement entered into in connection with any Senior Lien Obligations, Additional Senior Lien Obligations, or Parity Bonds) are at least equal to 100% of the average annual Debt Service Requirements for all Senior Lien Obligations, Junior Lien Obligations, Bonds, Additional Senior Lien Obligations, and Additional Junior Lien Obligations in any future Fiscal Year while the Additional Junior Lien Obligations then proposed to be issued are to be outstanding, after giving effect to such Additional Junior Lien Obligations (and, in making a determination of the Net Revenues, such Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Systems that became effective at least 60 days prior to the last day of the period for which Net Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by the certification based on such change in rates and charges being in effect for the entire period covered by such Designated Financial Officer's certificate); and

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

C. *Inferior Lien.* Commercial Paper Obligations, Inferior Lien Obligations, and Additional Inferior Lien Obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems that is inferior and subordinate to the liens and pledges made to secure payment of the Senior Lien Obligations, Additional Senior Lien Obligations, the Bonds, and Additional Junior Lien Obligations, upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently outstanding Senior Lien Obligations, the ordinances authorizing the issuance of the currently outstanding Junior Lien Obligations, this Ordinance, the ordinance authorizing the issuance of the Commercial Paper Obligations, and, to the extent applicable, the ordinance authorizing the issuance of the Inferior Lien Obligations.

SECTION 19: Management of the Systems. In accordance with the provisions of the ordinances authorizing the currently outstanding Senior Lien Obligations, the currently outstanding Junior Lien Obligations, and this Ordinance, the City hereby agrees, covenants, and reaffirms that during such time as any Bonds issued hereunder are Outstanding and unpaid, the complete management and control of the Systems, pursuant to the authority contained in Section 1502.070, as amended, Texas Government Code, shall be vested in a Board of Trustees consisting of five citizens (one of whom shall be the Mayor of the City) of the United States of America permanently residing in Bexar County, Texas, to be known as the "City Public Service Board of San Antonio, Texas". The Mayor of the City shall be a voting member of the Board, shall represent the City Council thereon, and shall be charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations and decisions of the Board and its conduct of the management of the Systems.

All vacancies in membership on the Board (excluding the Mayor of the City), whether occasioned by failure or refusal of any person previously named to accept appointment or by expiration of term of office or otherwise, shall be filled in the following manner: a nominee to fill such vacancy shall be elected by the majority vote of the remaining members of the Board of Trustees, such majority vote to include the vote of the Mayor. The name of such nominee shall then be submitted by the Mayor to the vote of the City Council, which by a majority vote of the members thereof then in office shall, as evidenced by ordinance or resolution, either confirm or reject such nominee; provided, however, if the City Council fails to act upon such nominee, such failure to do so shall be considered as a rejection of such nominee and another nominee shall be selected by the Board. If a vacancy occurs and the remaining members of the Board (including the Mayor) fail to elect a nominee to fill such vacancy within sixty (60) days after the vacancy occurs (or fail to select another nominee within sixty (60) days after rejection of a nominee by the City Council), the City Council, by a majority vote of the members thereof then in office, shall elect a person to fill such vacancy and shall appoint such Trustee by resolution or ordinance. In the event the City rejects or fails to confirm three (3) consecutive nominees of the Board to fill a vacancy on the Board, the City Council shall, within thirty (30) days after the third rejection, appoint a temporary Trustee to fill such vacancy pending the appointment of a permanent Trustee to fill such vacancy. The appointment of a temporary Trustee by the City Council shall constitute the nomination of such appointee as the permanent Trustee to fill such vacancy. Unless the remaining members of the Board, by a majority vote, reject the nominee selected by the City Council within thirty (30) days after his appointment as a temporary Trustee, the appointment shall become final and the temporary Trustee shall automatically become the permanent Trustee to fill such vacancy. In such vote, the vote of the Mayor shall automatically be cast as a vote in favor of the confirmation of such Trustee, whether cast by the Mayor or not.

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

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

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

The Board of Trustees, in exercising the management powers granted herein, will ensure that policies adopted affecting research, development, and corporate planning will be consistent

with City Council policy, and policies adopted by the Board of Trustees pertaining to such matters will be subject to City Council review.

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

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

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

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

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

SECTION 20: Maintenance and Operation--Insurance. The City hereby agrees and reaffirms that the Systems shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds are Outstanding, the City, acting by and through the Board of Trustees, agrees to maintain insurance of a kind and in an amount (including self-insurance) which usually would be carried by private companies engaged in a similar type of business.

SECTION 21: Records--Accounts--Accounting Reports. The City, acting by and through the Board of Trustees, hereby agrees, covenants, and reaffirms that so long as any Bonds, or any interest thereon, remain Outstanding and unpaid, a proper and complete set of records and accounts pertaining to the operation of the Systems shall be kept and maintained separate and

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

Expenses incurred in making the audit referred to above are to be regarded as Maintenance and Operating Expenses and paid as such. A copy of the aforesaid annual audit shall be furnished to the Municipal Securities Rulemaking Board, where it will be available through the Electronic Municipal Market Access System, in accordance with the provisions of Section 45 hereof.

SECTION 22: Remedies in the Event of Default. In addition to all of the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payments to be made to the Bond Fund as required by this Ordinance, or (ii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the holder or holders of any Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City, its officers, the Board of Trustees, and/or all of them, to observe and perform any covenants, conditions, or obligations 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 specifications of such remedies shall not be deemed to be exclusive.

SECTION 23: Special Covenants. The City hereby further covenants as follows:

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

B. It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised said power under the laws of the State of Texas, including said power existing

under the Acts, and the Additional Junior Lien Obligations, when issued, shall be equally and ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond of said issues.

C. Other than for the payment of the Senior Lien Obligations, the Junior Lien Obligations, the Bonds, the Commercial Paper Obligations, and the Inferior Lien Obligations, the rents, revenues and income of the Systems have not in any manner been pledged to the payment of any debt or obligation of the City or of the Systems, except that certain reimbursement agreements, indemnity agreements, credit facility agreements, and other financial or contractual arrangements which have been or may be entered into by the City grant a subordinate and inferior lien on and pledge of the Net Revenues of the Systems to secure the payment obligations of the City or the Board under these agreements, which lien is subordinate and inferior to the lien on and pledge thereof securing the payment of any Maintenance and Operating Expenses, the debt service requirements on the Senior Lien Obligations, the Junior Lien Obligations, the Bonds, the Commercial Paper Obligations, the Inferior Lien Obligations and any other provision of the ordinances authorizing the issuance of these obligations.

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

E. No free service of the Systems shall be allowed, and, should the City or any of its agents or instrumentalities make use of the services or facilities of the Systems, payments for services rendered by the Systems should either be made by the City or amounts equal in value to the services rendered by the Systems shall be deducted from the annual payment due the General Fund of the City from the Net Revenues of the Systems as provided in Section 13 hereof.

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

SECTION 24: Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance, then the lien on and the pledge of Net Revenues and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

To provide for the payment of the principal of, premium, if any, and interest on any Bond, the City may irrevocably deposit in trust with the Paying Agent/Registrar, or an authorized escrow agent, (a) money sufficient to pay in full such principal, premium, if any, and interest at Stated Maturity and/or (b) Government Securities certified, in the case of a net defeasance, by an independent accounting firm, or such other persons as permitted by the laws of the State of Texas, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of, premium, if any, and interest on such Bond

on and prior to the Stated Maturity thereof. In the event of a gross defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, and interest due on any defeased Bonds. If interest to become due on such Bond on any such date shall accrue at a rate not determined at the time of such deposit, the City shall provide for such interest as if accrued at the maximum possible rate. The City covenants that no deposit of money or Government Securities will be made under this Section 24 and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code.

Any money so deposited with the Paying Agent/Registrar or authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section 24 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 or authorized escrow agent for the payment of the principal of, premium, if any, or interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity 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.

SECTION 25: Damaged, Mutilated, Lost, Stolen, or Destroyed Bonds.

A. In the event any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, stated maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

B. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

C. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

D. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection

therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City, whether or not the lost, stolen, or destroyed Bond shall be found at any time or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

E. In accordance with Chapter 1201, as amended, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty to replace such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such bonds in the form and manner and with the effect, as provided in Section 3B of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

SECTION 26: Ordinance to Constitute Contract; Amendment. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Bonds. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; *provided* that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

SECTION 27: Approval by Attorney General and Registration by the Comptroller of Public Accounts. The Mayor of the City and Treasurer of the Board are hereby authorized to have control and custody of the Bonds and all necessary records and proceedings pertaining thereto pending the sale of the Bonds and the initial delivery thereof to the Purchasers and the Mayor and other officers and employees of the City and the Board are hereby authorized and instructed to make such certifications, execute such instruments, and perform such acts as may be necessary to assure the proper investigation, examination and approval thereof by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Account of the State of Texas, and to accomplish delivery of said bonds to the Purchasers.

SECTION 28: Covenants to Maintain Tax-Exempt Status

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

"Closing Date" shall mean the date of physical delivery of the Bonds in exchange for the payment of the agreed purchase price for the Bonds.

"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

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

(2) the Bonds has the meaning set forth in section 1.148-4 of the Regulations.

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

C. No Private Use or Private Payments. Except 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 at all times prior to the last stated maturity of Bonds:

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

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

(3) not allow any nonqualified amount (as defined in section 141(b)(8) of the Code) of the Bonds to exceed the excess of (i) $15,000,000 over (ii) the aggregate nonqualified amounts with respect to all prior tax-exempt bonds, five percent or more of the proceeds of which are or will be used with respect to any facility financed by the Bonds (or any other facility which is part of the same project as a facility financed by the Bonds), all within the meaning of section 141(b)(4) of the Code; and

(4) not allow more than the lesser of (i) $5,000,000 or (ii) five percent of the proceeds of the Bonds to acquire nongovernmental output property, as defined in section 141(d)(2) of the Code, except if 95 percent or more of the output from such facility will be consumed in a qualified service area (as defined in section 141(d)(3 of the Code) of the City or in a qualified annexed area (as defined in section 141(d)(3) of the Code) of the City.

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.

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

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

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

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

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 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.

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.

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, any Rebate Amount in the manner and on or before the dates specified in section 148(f) of the Code and the Regulation and rulings thereunder. 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.

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

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the stated maturity or final payment of the Bonds, enter into any transaction that

reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

J. Bonds Not Hedge Bonds.

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

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

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

L. Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Clerk, City Manager, City Attorney, or City's Chief Financial Officer, or the President and Chief Executive Officer of the Board, the Secretary or Assistant Secretary of the Board, or the Group EVP – Financial & Administrative Services, CFO & Treasurer of the Board, either or any combination of the foregoing, to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code, or Regulations as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document, and other transactions related to any Parity Bonds. Such elections shall be deemed to be made on the Closing Date.

SECTION 29: Printed Legal Opinion on Bonds. The Purchasers' obligation to accept delivery of the Bonds is subject to their being furnished a final opinion of Co-Bond Counsel, Fulbright & Jaworski LLP and LM Tatum, PLLC, both of San Antonio, Texas, approving certain legal matters pertaining to the Bonds, said opinion to be dated and delivered as of the date of delivery and payment for such bonds. Printing of a true and correct copy of said opinion on the reverse side of each of such bonds with appropriate certificate pertaining thereto executed by facsimile signature of the City Clerk is hereby approved and authorized.

SECTION 30: CUSIP Numbers. CUSIP numbers may be printed 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 approving said bonds as to legality are to be held responsible for any CUSIP number incorrectly printed on the bonds.

SECTION 31: Sale of Bonds - Authorization of Bond Purchase Agreement - Official Statement Approval. The Bonds authorized by this Ordinance are hereby sold by the City to Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York, New York, as the authorized representative of a group of underwriters (the *Purchasers* and having all the rights, benefits and obligations of a holder), or such other senior managing underwriter if replaced by a Designated Financial Officer, in accordance with the provisions of a Bond Purchase Agreement dated September 23, 2014 (the *Purchase Contract*), attached hereto as Exhibit B and incorporated hereby by reference as a part of this Ordinance for all purposes. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Initial Bonds shall be registered in the name of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Any of the Mayor, Mayor Pro Tem, the Chairman or Vice Chairman of the Board, or a Designated Financial Officer is hereby authorized and directed to execute the Purchase Contract for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of the Purchase Contract, the City Council hereby finds, determines, and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract are true and correct in all material respects and shall be honored by the City. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined) and (ii) the use and distribution of the Preliminary Official Statement by the Purchasers in connection with the public offering and sale of the Bonds. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale, attached as Exhibit A to the Purchase Contract (together with such changes approved by the Mayor or Mayor Pro Tem and City Clerk of the City, or any Designated Financial Officer, any one or more of said officials), and any addenda, supplement, or amendment thereto, shall be and is hereby in all respects approved and the Purchasers are hereby authorized to use and distribute the final Official Statement, dated September 23, 2014 , in the reoffering, sale and delivery of the Bonds to the public. The Mayor and/or City Clerk are further authorized and directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchasers, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the City Council and constitute the Official Statement authorized for distribution and use by the Purchasers.

SECTION 32: Escrow Agreement Approval and Execution; Proceeds of Sale; Contribution by City. The Escrow and Trust Agreement, dated as of May 15, 2014 and to be effective upon the initial delivery of the Bonds to the Purchasers (the *Escrow Agreement*), between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the *Escrow Agent*), attached hereto as Exhibit C and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and such Escrow 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 any Designated Financial Officer as the act and deed of the City

Council; and such Escrow Agreement as executed by said official or officials shall be deemed approved by the City Council and constitute the Escrow Agreement herein approved.

Furthermore, the Mayor, Mayor Pro Tem, City Clerk, or City Manager or the President and Chief Executive Officer, Secretary, Group EVP – Financial & Administrative Services, CFO & Treasurer, or any Assistant Treasurer of the Board, any one or more of said officials, and the Escrow Agent are hereby authorized and directed to make the deposits of cash and to make the necessary arrangements for the purchase of the Escrowed Securities referenced in the Escrow Agreement, if any, and the delivery thereof to the Escrow Agent on the day of delivery of the Bonds to the Purchaser for deposit to the credit of the "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS JUNIOR LIEN REVENUE REFUNDING BONDS ESCROW FUND, SERIES 2014" (the *Escrow Fund*), including the execution of any subscription forms for the purchase and issuance of the "United States Treasury Securities - State and Local Government Series" for deposit to the Escrow Fund; all as contemplated and provided by the provisions of the Act, this Ordinance, and the Escrow Agreement.

Immediately following the delivery of the Bonds, certain proceeds of sale along with a cash contribution, if any, from the City, acting by and through the Board (less certain costs of issuance and accrued interest, if any, received from the Purchasers of the Bonds) shall be deposited with the Escrow Agent for application and disbursement in accordance with the provisions of the Escrow Agreement. The proceeds of sale of the Bonds not so deposited with the Escrow Agent for the refunding of the Refunded Obligations shall be disbursed for payment of costs of issuance or deposited in the Bond Fund, all in accordance with written instructions from a Designated Financial Officer.

Additionally, on or immediately prior to the date of the initial delivery of the Bonds to the Purchasers, the Group EVP – Financial & Administrative Services, CFO & Treasurer of the Board shall cause to be transferred in immediately available funds to the Escrow Agent from money on deposit in the Retirement Account maintained for the payment of the Refunded Obligations and other lawfully available funds representing the City's cash contribution, if any, to accomplish the refunding of the Refunded Obligations.

SECTION 33: Redemption of Refunded Obligations. The Refunded Obligations described in Schedule I attached hereto are or will be subject to redemption prior to their stated maturity at the price of par, premium, if any, and accrued interest to the date of redemption. The Mayor hereby gives written notice to the Escrow Agent that these Refunded Obligations have been called for redemption, and the City Council ordains that such obligations are called for redemption on the date shown on Schedule I hereto, and such direction to redeem the Refunded Obligations on the date herein specified shall be irrevocable upon the delivery of the Bonds. A copy of the notice of redemption pertaining to these Refunded Obligations is attached to this Ordinance as Exhibit D and is incorporated herein by reference for all purposes.

SECTION 34: Further Actions. The officers and employees of the City and the officers and employees of the Board are hereby authorized to execute such certificates, opinions, or other documents deemed necessary to carry out the purposes of this Ordinance.

SECTION 35: 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 36: 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 37: Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 38: Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 39: 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, Co-Bond Counsel, the Purchasers, and the Registered Owners of the Bonds 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, Co-Bond Counsel, the Purchasers, and the Registered Owners of the Bonds.

SECTION 40: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 41: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 42: No Recourse Against City or Board Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bonds or for any claim based thereon or on this Ordinance against any official of the City, the Board, or any person executing any Bonds.

SECTION 43: Authorization of Paying Agent/Registrar Agreement. The City Council of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the registration, transferability, and payment of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 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 City Council of the City.

SECTION 45: 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) http://www.emma.msrb.org.

MSRB means the Municipal Securities Rulemaking Board.

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

SEC means the United States Securities and Exchange Commission.

B. Annual Reports.

The Board, on behalf of the City, shall file annually with the MSRB, (1) within six months after the end of each fiscal year of the Board ending in or after 2015, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by Section 31 of this Ordinance, being the information described in Exhibit E hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit E hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Board commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Board shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Board must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Clerk within 180 days after the last day of the Board's fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the Board changes its fiscal year, it will file notice thereof with the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Board, on

behalf of the City, otherwise would be required to provide financial information and operating data pursuant to this Section.

C. Notice of Certain Events.

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

(1) Principal and interest payment delinquencies;

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

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

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

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

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

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

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

(9) Defeasances;

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

(11) Rating changes;

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

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

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

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent,

or similar officer for the City or the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City or the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or the Board.

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

D. Limitations, Disclaimers, and Amendments.

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

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

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

No default by the City or the Board in observing or performing their obligations under this Section 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 or the Board 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 or the Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City or the Board (such as nationally recognized co-bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, the Board 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 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 SEC.

SECTION 46: Book-Entry Only System. It is intended that the Bonds initially 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 Bonds described in Section 4) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the

nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the DTC Letter of Representations attached hereto as Exhibit F (the *Representation Letter*).

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

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

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

SECTION 47: Further Procedures. The officers and employees of the City and the Board are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the 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 City Attorney, the Chief Financial Officer of the City, the Secretary or Assistant Secretary of the Board, each Designated Financial Officer, and Co-Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (1) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (2) obtain a rating from any of the national bond rating agencies, or (3) obtain the approval of the Bonds by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 48: Senior Lien Obligations Debt Service Reserve Fund Surety Policy. The City has heretofore obtained from Assured Guaranty Municipal Corporation, as the successor in interest to Financial Security Assurance (*AGMC*), a municipal debt service reserve insurance policy (the *Policy*) for the purpose of satisfying the debt service reserve fund requirements associated with the Senior Lien Obligations and any Additional Senior Lien Obligations hereafter issued (such requirements being pursuant to and as specified in the respective City ordinances authorizing the issuance of any such obligations). The Policy is provided pursuant to the terms of a Second Amended and Restated Insurance Agreement, dated as of February 18, 2010. To provide additional capacity to issue Additional Senior Lien Obligations, each Designated Financial Officer is authorized to negotiate and enter into with AGMC a new insurance agreement, in substantially the form attached hereto as Exhibit G, to increase the capacity of the Policy; provided, however, that the term of any such agreement shall not extend beyond May 15, 2054 and the aggregate amount of coverage under the Policy shall not exceed $325,000,000.

SECTION 49: Effective Date. The effective date of this Ordinance shall be governed by the provisions of Section 1-15 of the City Code of San Antonio, Texas. This Ordinance shall take effect immediately if passed by the affirmative vote of at least eight members of the City Council, otherwise the same shall take effect on the tenth day after the date of its passage by the City Council.

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PASSED AND ADOPTED by an affirmative vote of 10 members of the City Council of the City of San Antonio, Texas, this the 15th day of May, 2014.

CITY OF SAN ANTONIO

Mayor

ATTEST:

City Clerk

(CITY SEAL)

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

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

INDEX OF SCHEDULES AND EXHIBITS

Schedule I ..... Schedule of Refunded Obligations

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SCHEDULE I

Refunded Obligations

City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2005, dated March 15, 2005, in the original principal amount of $294,625,000 and scheduled to mature on February 1 in each of the years 2016 through 2020 in the aggregate principal amount of $294,625,000. The redemption date for these Refunded Obligations is February 1, 2015.

SCHEDULE II

Approval Certificate

See Tab No. 2

EXHIBIT A

Paying Agent/Registrar Agreement

See Tab No. 4

EXHIBIT B

Bond Purchase Agreement

See Tab No. 9

EXHIBIT C

Escrow Agreement

See Tab No. 5

EXHIBIT D

Notice of Redemption

See Tab No. 33

EXHIBIT E

Description of Annual Financial Information

The following information is referred to in Section 45 of this Ordinance.

Annual Financial Statements and Operating Data

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

1. The Board's audited financial statements for the most recently concluded fiscal year or unaudited financial statements for such period to the extent that audited financial statements are not available.

2. Information under the Sections "SAN ANTONIO ELECTRIC AND GAS SYSTEMS - Customer Base as of January 31, 2014", "TEN-YEAR ELECTRIC CUSTOMER STATISTICS"; "FIVE-YEAR ELECTRIC AND GAS SALES BY CUSTOMER CATEGORY"; "FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE"; "DESCRIPTION OF PHYSICAL PROPERTY - Electric System - Generating Capability; "DESCRIPTION OF PHYSICAL PROPERTY - Electric System - Five-Year South Texas Project Capacity Factor"; and "DESCRIPTION OF PHYSICAL PROPERTY - Other Electric And Gas Systems Statistics"; and APPENDIX B.

Accounting Principles

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

EXHIBIT F

DTC Letter of Representations

See Tab No. 6

EXHIBIT G

Form of Insurance Agreement

N/A