

ORDINANCE NO. 2009-02-19-0119

AN ORDINANCE ESTABLISHING A REVOLVING FINANCE PROGRAM IN A PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000 FOR THE CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS TO BE KNOWN AS THE “CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS FLEXIBLE RATE REVOLVING NOTE PRIVATE PLACEMENT PROGRAM”; APPROVING AND AUTHORIZING THE ISSUANCE, FROM TIME TO TIME, UNDER SUCH PROGRAM OF OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT AT ANY TIME OUTSTANDING NOT TO EXCEED \$100,000,000 TO PROVIDE INTERIM FINANCING TO PAY PROJECT COSTS FOR ELIGIBLE PROJECTS RELATING TO THE CITY’S ELECTRIC AND GAS SYSTEMS; AUTHORIZING SUCH OBLIGATIONS TO BE ISSUED, SOLD, AND DELIVERED IN THE FORM OF TAXABLE OR TAX EXEMPT NOTES, BEARING INTEREST AT FIXED OR VARIABLE RATES, AND PRESCRIBING THE TERMS, FEATURES, AND CHARACTERISTICS OF SUCH OBLIGATIONS; MAKING PROVISION FOR THE PAYMENT AND SECURITY THEREOF; AUTHORIZING THE EXECUTION OF CONTRACTS IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING ONE OR MORE NOTE PURCHASE AGREEMENTS; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE PERIODIC SALE OF THESE OBLIGATIONS WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; ENACTING OTHER MATTERS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, and there are currently outstanding, revenue bonds supported by a first and prior lien on and pledge of the net revenues (the *Net Revenues*) of the City’s electric and gas systems (the *Systems*), on a parity with certain currently outstanding revenue bonds, revenue refunding bonds, and revenue and refunding bonds (the *New Series Bonds* or *Parity Bonds*); and

WHEREAS, the City Council of the City has heretofore issued, and there are currently outstanding revenue bonds (herein referred to as *Junior Lien Obligations*) supported by a junior lien on and pledge of the Net Revenues of the Systems which are categorized as the Prior Lien Bonds in the ordinance authorizing the issuance of the currently outstanding Commercial Paper Obligations (hereafter defined); and

WHEREAS, the City Council of the City has heretofore issued, sold, and delivered, and there are currently outstanding, a series of commercial paper notes (herein referred to as either the *Commercial Paper* or *Commercial Paper Obligations*) which are equally and ratably secured

by a lien on and pledge of the Net Revenues of the Systems subordinate to the liens securing the payment of Parity Bonds and Junior Lien Obligations; and

WHEREAS, the City at this time desires to establish, pursuant to the provisions of Chapters 1371 and 1502, as amended, Texas Government Code (collectively, the *Act*) and its home rule charter, a revolving finance program known as the "City of San Antonio, Texas Electric and Gas Systems Flexible Rate Revolving Note Private Placement Program" (the *Program*) benefiting the Systems for the purpose of providing the City with ready access to capital as necessary to improve, operate, and maintain the Systems; and

WHEREAS, under the Program, the City shall be permitted to issue, from time to time, notes (the *Program Notes*), the proceeds from which may be used for the purposes, shall have the characteristics, and shall be secured in the manner hereinafter described; and

WHEREAS, Program Notes shall be purchased, when issued, by the Program Note Purchaser (defined herein) pursuant to the terms of the Note Purchase Agreement (defined herein) then in effect; and

WHEREAS, the City intends to ultimately fund or refund Program Notes from time to time through the issuance of its revenue refunding bonds pursuant to the provisions of Chapter 1207, as amended, Texas Government Code, on a parity with or subordinate to the New Series Bonds and, therefore (and in accordance with Section 1371.057(c) of the Act), the City shall treat the Program Notes as having the intended term and payment schedule of such revenue refunding bonds; and

WHEREAS, the City Public Service Board of San Antonio, Texas (the *Board*) has, by resolution adopted on January 20, 2009, recommended that the Program be established by the City and Program Notes subsequently issued thereunder in accordance with the provisions of this Ordinance; and

WHEREAS, in full recognition and consideration of all covenants and conditions prescribed in the proceedings and instruments pertaining to the outstanding and unpaid New Series Bonds, Junior Lien Obligations, and Commercial Paper, pursuant to the authority conferred by the laws of the State of Texas, including (particularly) the Act, and the City's home rule charter, and at the request of the Board, the City Council is now authorized and empowered, and deems it necessary and in the best interests of the citizens of the City, to proceed with the passage and adoption of this Ordinance authorizing (i) the establishment of the Program, pursuant to which Program Notes, bearing interest in the manner and having the characteristics as described herein, may be issued, sold, and delivered, from time to time, in an aggregate principal amount at any time outstanding not to exceed \$100,000,000, (ii) the execution of the initial Note Purchase Agreement, as well as the terms and conditions under which the City may enter into future Program Note Purchase Agreements with Program Note Purchasers, and (iii) certain powers and duties to be exercised and performed by the Board, acting through its General Manager and CEO, Deputy General Manager, or the CFO and Treasurer of the Board, including the execution of the initial Note Purchase Agreement; and

WHEREAS, the City is an incorporated city operating under a home rule charter adopted pursuant to Article XI, Section 5 of the Texas Constitution, has a population in excess of 50,000 according to the latest federal decennial census published by the U.S. Bureau of the Census, and has outstanding long-term indebtedness that is rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for a long-term obligation; and

WHEREAS, the proceeds of Program Notes shall be used only for the purposes of paying Project Costs of Eligible Projects (as each such term is herein defined); now, therefore,

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

ARTICLE I DEFINITIONS

SECTION 1.01. DEFINITIONS. Unless the context shall indicate a 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 the following meanings, to- wit:

“*Act*” shall mean Chapters 1371 and 1502, as amended, Texas Government Code.

“*Additional Junior Lien Obligations*” shall mean (i) any bonds, notes, warrants, certificates of obligation, or other similar debt 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 have or will be granted as security for the currently outstanding Parity Bonds and any Additional Parity Bonds hereafter issued by the City, but 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 and any 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.

“*Additional Parity Bonds*” shall mean bonds or other obligations authorized to be issued under the provisions of the New Series Bond Ordinance, including refunding bonds, which are secured by a lien on and pledge of the Net Revenues of the Systems on a parity with the Previously Issued Parity Bonds.

“*Agreement*” or “*Note Purchase Agreement*” shall mean a note purchase agreement approved and authorized to be entered into by Section 3.03, as from time to time in effect between the City and the Program Note Purchaser pursuant to which the Program Note Purchaser is obligated to purchase Program Notes at the times, subject to the conditions, and bearing interest calculated in the manner specified therein, but in all respects consistent with the provisions of this Ordinance.

“Authorized Investments” shall mean any investment permitted under Chapter 2256, as amended, Texas Government Code and which is in conformity with the Board’s Investment Policy, as each of the foregoing may be amended from time to time.

“Authorized Representative” shall mean one or more of the following officers or employees of the City, acting in concert or individually as an officer of the City, to-wit: the General Manager and CEO of the City Public Service Board, the Deputy General Manager of the City Public Service Board, or the CFO and Treasurer of the City Public Service Board or such other officer or employee of the City authorized by the City Council to act as an Authorized Representative.

“Available Revenues” shall mean that portion of the Net Revenues deposited pursuant to Section 2.10 into the Program Note Payment Fund.

“Board of Trustees,” “Board,” and *“City Public Service Board,”* shall mean the City Public Service Board of San Antonio, Texas, existing and functioning pursuant to the Bond Ordinance.

“Bond Counsel” shall mean Fulbright & Jaworski L.L.P., or any other firm of nationally recognized Bond Counsel selected by the Board.

“Bond Ordinance” shall mean collectively the New Series Bond Ordinance and any ordinance authorizing Systems Revenue Priority Obligations.

“Business Day” shall mean any day (a) when the principal banking building of the Paying Agent/Registrar is open for business in the City and (b) when banks are not authorized to be closed in New York, New York.

“Chapter 1371” shall mean Chapter 1371, as amended, Texas Government Code.

“Chapter 1502” shall mean Chapter 1502, as amended, Texas Government Code.

“City” shall mean the City of San Antonio, Texas.

“City Council” shall mean the governing body of the City.

“Commercial Paper” or *“Commercial Paper Obligations”* shall mean 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 Parity Bonds and the Junior Lien Obligations and any Additional Parity Bonds, Prior Lien Bonds, and Additional Junior Lien Obligations hereafter issued by the City, identified as follows:

“City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series A”, originally authorized in the aggregate principal amount of \$450,000,000, including the credit agreement relating thereto entered into under the Act; and

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.

“*Commitment Fee*” shall mean the amount payable from time to time by the City to the Program Note Purchaser under a Note Purchase Agreement as compensation to the Program Note Purchaser for its commitment to purchase Program Notes, the method of calculation and time for payment of which shall be specified in the subject Note Purchase Agreement.

“*Eligible Project*” shall mean the acquisition or construction of improvements, additions, or extensions for the Systems, including capital assets and facilities incident and related to the operation, maintenance, and administration thereof and also including, but not limited to, fuel acquisition and development and facilities for the transportation thereof, or to refinance or refund any principal and/or interest payment relating to any debt secured by the Net Revenues of the Systems or with respect to the payment of any obligation of the Systems pursuant to any credit agreement as permitted by the provisions of Section 1371.051, as amended, of the Act.

“*Fiscal Year*” shall mean the twelve-month operational period of the Systems commencing on February 1 of each year and ending on the following January 31.

“*Fitch*” shall mean Fitch Ratings Ltd., a Delaware limited partnership, or its successors and assigns.

“*Government Securities*” shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; or (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the 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 (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.

“*Holder*” or “*Program Noteholder*” shall mean the Registered Owner of any Program Note and/or any person, firm, association, or corporation who is in possession of any Program Note issued to the order of “bearer” or in blank.

“*Inferior Lien Obligations*” shall mean (i) the Program Notes and any bonds, notes, warrants, certificates of obligation, or other similar debt 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 Parity Bonds, the Junior Lien Obligations, the Commercial Paper Obligations, and any Additional Parity Bonds, Prior Lien Bonds, and Additional Junior Lien Obligations hereafter

issued by the City, (ii) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and (iii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

“Initial Program Note Purchaser” shall mean JPMorgan Chase Bank, N.A., San Antonio, Texas, or its successors and assigns.

“Junior Lien Obligations” shall mean 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 Parity Bonds and any Prior Lien Bonds or Additional Parity Bonds 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 entered into pursuant to Chapter 1371 relating thereto;
- (2) “City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Series 2004”, originally authorized in the aggregate principal amount of \$160,000,000, including the credit agreement entered into pursuant to Chapter 1371 relating thereto; and

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

“Maintenance and Operating Expenses” shall mean those expenses required by the law (Chapter 1502) 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.

“Maximum Interest Rate” shall mean the lesser of (a) fifteen percent (15%) per annum, (b) the maximum nonusurious rate of interest permitted to be charged by applicable federal or Texas law (whichever shall permit the higher lawful rate) from time to time in effect, and (c) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the City in the exercise of its borrowing powers (currently prescribed by Chapter 1204, as amended, Texas Government Code, or any successor provision).

“Maximum Maturity Date” shall mean November 1, 2028.

“Moody’s” means Moody’s Investors Service, Inc. or its successors and assigns.

“Net Revenues” shall mean all income and revenues from the operation of the Systems after the deduction of Maintenance and Operating Expenses.

“New Series Bond Ordinance” shall mean collectively the ordinances authorizing the Previously Issued Parity Bonds.

“Outstanding” shall mean as of the date of determination, all Parity Bonds theretofore issued and delivered except:

- (1) those System Revenue Obligations theretofore canceled by the respective paying agents for such System Revenue Obligations or delivered to such paying agents for cancellation;
- (2) those System Revenue Obligations for which payment has been duly provided by the City by the irrevocable deposit with the respective paying agents for such System Revenue Obligations of money in the amount necessary to fully pay principal of, premium, if any, and interest thereon to maturity or redemption, if any, as the case may be, provided that, if such System Revenue Obligations are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing the issuance of such System Revenue Obligations or irrevocably provided to be given to the satisfaction of such paying agents, or waived;
- (3) those System Revenue Obligations that have been mutilated, destroyed, lost, or stolen and for which replacement bonds have been registered and delivered in lieu thereof; and
- (4) those System Revenue Obligations for which the payment of principal, premium, if any, and interest has been duly provided for by the City by the deposit in trust of money or Government Securities, or both.

“Parity Bonds” or *“New Series Bonds”* shall mean the Previously Issued Parity Bonds and any Additional Parity Bonds hereafter issued by the City.

“Previously Issued Parity Bonds” shall mean (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 Refunding Bonds, New Series 1998A”, dated November 1, 1998 and originally issued in the total aggregate principal amount of \$785,515,000; “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, New Series 2000A”, dated October 1, 2000 and originally issued in the total aggregate principal amount of \$170,770,000; “City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2001”, dated October 1, 2001 and originally issued in the total aggregate principal amount of \$115,280,000; “City of San Antonio, Texas, Electric and Gas Systems

Revenue 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 Refunding Bonds, New Series 2003A”, dated July 1, 2003 and originally issued in the total aggregate principal amount of \$93,935,000; “City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2003 (Forward Delivery)”, dated July 1, 2003 and originally issued in the total aggregate principal amount of \$350,490,000; “City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2005”, dated March 15, 2005 and originally issued in the total aggregate principal amount of \$294,625,000; “City of San Antonio, Texas, Electric and Gas Systems Revenue Bonds, New Series 2005”, dated March 15, 2005 and originally issued in the total aggregate principal amount of \$240,675,000; “City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2005A”, dated October 1, 2005 and originally issued in the total aggregate principal amount of \$197,335,000; “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 \$127,845,000; “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; and “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.

“*Prior Lien Bonds*” shall have the meaning ascribed thereto in the ordinance of the City establishing the Commercial Paper program.

“*Program*” shall mean the “City of San Antonio, Texas Electric and Gas Systems Flexible Rate Revolving Note Private Placement Program” established pursuant to the provisions of this Ordinance.

“*Program Note*” shall mean, collectively, the Tax Exempt Program Notes and the Taxable Program Notes.

“*Program Note Purchaser*” shall mean the Initial Program Note Purchaser and any party from time to time obligated to purchase Program Notes pursuant to the terms of a Note Purchase Agreement.

“*Project Costs*” shall mean all costs and expenses incurred in relation to Eligible Projects and permitted by law to be paid with the proceeds of the Program Notes, including without limitation design, planning, engineering and legal costs, acquisition costs of land, interests in land, rights-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, and financing costs, including interest during construction, underwriter’s discount and/or fees, legal, financial, and other professional services.

“Rating Agency” shall mean any nationally-recognized municipal bond rating agency then maintaining a rating on the Program Notes at the request of the City, which as of the date of passage of this Ordinance includes only Fitch but, in the future, could also include Moody’s and Standard & Poor’s.

“Registered Owner” shall mean the person or entity in whose name any Program Note is registered in the Registration Books (as defined in Section 2.02(c)).

“Standard & Poor’s” means Standard & Poor’s Rating Services, a Division of The McGraw- Hill Companies, Inc., its successors and assigns.

“Systems” shall mean 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 plant 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 Previously Issued Parity Bonds issued before May 29, 1997, and the defeasance of the ordinances authorizing the issuance of such Previously Issued Parity Bonds, the term Systems shall not mean to 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 Parity Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

“Systems Revenue Obligations” shall mean collectively any obligations of the City heretofore or hereafter issued in connection with an Eligible Project which are secured by and payable, in whole or in part, from a lien on and/or pledge of the Net Revenues, including without limitation, the Systems Revenue Priority Obligations and the Program Notes.

“Systems Revenue Priority Obligations” shall mean collectively the New Series Bonds, any Additional Parity Bonds, any Prior Lien Bonds, the Junior Lien Obligations, any Additional Junior Lien Obligations, the Commercial Paper, and any Inferior Lien Obligations hereafter issued which are secured by and payable from a lien on and pledge of the Net Revenues prior and superior in rank and dignity to the lien on and pledge of Net Revenues securing the payment of the Program Notes.

“Tax Exempt Program Notes” shall mean the notes authorized to be issued and at any time outstanding under the Program pursuant to this Ordinance the interest on which is excludable from gross income for federal income tax purposes.

“Taxable Program Notes” shall mean the notes authorized to be issued and at any time outstanding under the Program pursuant to this Ordinance that are not obligations described in

section 103(a) of the Code (as herein defined in Section 4.08) or are obligations which constitute "specified private activity bonds" within the meaning of section 141(b) of the Code.

SECTION 1.02. CONSTRUCTION OF TERMS UTILIZED IN THIS ORDINANCE. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

ARTICLE II AUTHORIZATION OF PROGRAM NOTES

SECTION 2.01. GENERAL AUTHORIZATION. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, including particularly the Act, and the City's home rule charter, and in accordance with this Ordinance, Program Notes, having the characteristics as herein specified, shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed ONE HUNDRED MILLION DOLLARS (\$100,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund other Program Notes issued pursuant to the provisions hereof and other Systems Revenue Obligations which qualify as "obligations" under Chapter 1371. For purposes of this Section 2.01, any portion of outstanding Program Notes to be paid from money on deposit in the Program Note Payment Fund and/or from the available proceeds of other debt obligations of the City, including additional Program Notes and other Systems Revenue Obligations, issued for the purpose of refinancing, renewing, or refunding such outstanding Program Notes, on the day of calculation shall not be considered Outstanding. Notwithstanding any provision hereof to the contrary, no Program Notes shall be issued unless there exists and is then in effect one or more Note Purchase Agreements, and then, Program Notes shall never be issued in a principal amount that exceeds the amount that the Program Note Purchaser(s) are obligated to purchase under such Note Purchase Agreement(s).

SECTION 2.02. TERMS APPLICABLE TO PROGRAM NOTES. (a) Dated Date; Maturity Date; Authorized Denominations. Program Notes herein authorized shall (i) be dated as of their date of issuance or prior thereto, but within 30 days of the date of issuance (the "Program Note Date") and (ii) mature on a date specified by an Authorized Representative on the date that the Project Note is issued, which maturity date shall not be later than (A) the date that is the first anniversary of the date on which the City receives payment from the Program Note Purchaser for the subject Program Note and (B) the Maximum Maturity Date. Program Notes shall be issued in denominations of \$100,000 or any integral of \$1,000 in excess thereof and shall be numbered in ascending consecutive numerical order in the order of their issuance.

(b) Determination of Federal Tax Treatment; Style; Calculation and Payment of Interest. Program Notes shall be issued as either (i) Tax Exempt Program Notes, to be designated "City of San Antonio, Texas Electric and Gas Systems Tax Exempt Flexible Rate Revolving Notes, Series A" or (ii) Taxable Program Notes, to be designated "City of San Antonio, Texas Electric and Gas Systems Taxable Flexible Rate Revolving Notes, Series A". Program Notes shall bear interest at such rate or rates (either fixed, variable, or floating) per annum computed on the basis of actual days elapsed based upon either (A) a 360-day year of

twelve 30-day months or (B) a 365-day or 366-day year; provided, however that in no event shall the interest rate on any Program Note exceed the Maximum Interest Rate in effect on the date of issuance thereof. Program Notes issued without a fixed numerical rate of interest for the term thereof specified at their time of issuance shall bear interest in accordance with any clearly stated formula or method of calculation specified in the Note Purchase Agreement.

Interest on Program Notes shall be payable at maturity (in conjunction with payment of principal) and at such intervals prior to maturity as specified, if at all, in a Note Purchase Agreement. The manner of payment of interest on Program Notes shall be as specified in a Note Purchase Agreement.

(c) Redemption. Program Notes issued hereunder shall be subject to redemption, in whole or in part, prior to stated maturity on any date at the price of par plus accrued interest to such date of redemption; provided, however, that redemption of Program Notes bearing interest at a variable or floating may be subject to further restriction regarding the timing and requisite notice of, but not the price for, such redemption, as further specified, if at all, in a Note Purchase Agreement.

At least thirty (30) days prior to the date any Program Notes are to be redeemed, as determined by an Authorized Representative, a notice of redemption shall be given in the manner set forth below. A written notice of such redemption shall be given to the Registered Owner of each Program Note or a portion thereof being called for redemption by depositing such notice in the United States mail, first class postage prepaid, addressed to each such Registered Owner at his address shown on the Registration Books kept by the Paying Agent/Registrar. Notwithstanding the foregoing, if the Registered Owner of a Program Note to be redeemed is the Program Note Purchaser, then such Program Notes are redeemable upon one (1) day's prior written notice delivered by the City, at the direction of an Authorized Representative, to the Program Note Purchaser.

By the date fixed for any such redemption, due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the Program Notes or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, the Program Notes, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, shall not bear interest after the date fixed for their redemption, and shall not be regarded as being Outstanding except for the right of the Registered Owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books (defined herein) all such redemptions of principal of the Program Notes or any portion thereof. If a portion of any Program Notes shall be redeemed, a substitute Program Note or Program Notes having the same stated maturity date, bearing interest at the same interest rate (or calculated in the same manner, as applicable), in any denomination or denominations in excess of \$100,000, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance.

(d) Program Notes in Registered Form; Paying Agent/Registrar; Payment. The Program Notes shall be issued in registered form, without coupons, in the name of the Registered Owner thereof or to bearer. Program Notes shall initially be registered in the name of the Program Note Purchaser. Both principal of and interest on each Program Note shall be payable in lawful money of the United States of America, without exchange or collection charges to the Holder. The principal of any Program Note is payable upon presentation and surrender thereof at the corporate office of the Paying Agent/Registrar; interest on Program Notes shall be paid as described in Subsection (a) above. If the date for the payment of the principal of or interest on any Program Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Program Note was due.

As a condition to entering into a Note Purchase Agreement, the Program Note Purchaser shall serve as the Paying Agent/Registrar for the Program Notes. The City, acting through the Board, covenants and agrees to keep and maintain at the corporate office of the Paying Agent/Registrar books and records (the "Registration Books") for the registration, payment, transfer, and exchange of the Program Notes, all as provided herein and under such reasonable rules and regulations as the Paying Agent/Registrar may prescribe. The City, acting through the Board, covenants to maintain and provide a Paying Agent/Registrar at all times while the Program Notes are outstanding, which shall be a banking institution authorized under applicable laws to exercise trust powers. Should a change in the Paying Agent/Registrar for the Program Notes occur, the Board shall promptly cause a written notice thereof to be (i) sent to each Registered Owner of Program Notes then Outstanding by United States Mail, first class, postage prepaid and (ii) published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two calendar weeks; provided, however, that the publication of such notice shall not be required if notice is given to each Holder. Such notice shall give the address of the successor Paying Agent/Registrar. A successor Paying Agent/Registrar may be appointed without the consent of the Holders.

The City and the Paying Agent/Registrar may treat the bearer (in the case of Program Notes so registered) or the Registered Owner as the absolute owner of any Program Note for the purpose of receiving payment thereof and for all purposes, and, to the extent permitted by law, the City and the Paying Agent/Registrar shall not be affected by any notice or knowledge to the contrary.

The Program Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

SECTION 2.03. FORM OF PROGRAM NOTES. The Program Notes, the Certificate of Authentication, and the Certificate of Assignment to appear on each of the Program Notes shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements thereon as may, consistently herewith, be

approved by an Authorized Representative. Any portion of the text of any Program Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Program Notes.

Form of Tax Exempt Program Note Style:

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS
TAX EXEMPT FLEXIBLE RATE REVOLVING NOTE, SERIES A

Form of Taxable Program Note Style:

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS
TAXABLE FLEXIBLE RATE REVOLVING NOTE, SERIES A

Form of Heading and First Paragraph for Fixed Rate Program Note:

Program Note No. _____	Program Note Date: _____
Principal Amount: \$ _____	Maturity Date: _____
Interest to Maturity: \$ _____	Number of Days: _____
Interest Rate: _____ %	Primary Security: [Revenue/Security Fund]

The City of San Antonio ("City"), a municipal corporation of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of _____ on the Maturity Date specified above, the principal sum specified above, and to pay interest, if any, on said principal amount at said Maturity Date [, and at _____], from the above specified Program Note Date or from the most recent date to which interest has been paid or duly provided for to said Maturity Date at the per annum Interest Rate shown above (computed on the basis of actual days elapsed and a 365- day or 366-day year); both principal and interest on this Program Note being payable in lawful money of the United States of America at the designated office of the Paying Agent/Registrar executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor. No interest will accrue on the Principal Amount hereof after said Maturity Date.

Form of Heading and First Paragraph for Variable Rate Program Note:

<u>Note</u>	<u>Note</u>	<u>Maturity</u>	<u>Principal</u>	<u>Primary Security:</u>
<u>Number</u>	<u>Date</u>	<u>Date</u>	<u>Amount</u>	<u>[Revenue/Security Fund]</u>

The City of San Antonio ("City"), a municipal corporation of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of _____ on the Maturity Date specified above, the principal sum specified above, and to pay interest, if any, on said principal amount at said Maturity Date [, and _____,] from the above specified Program Note Date [or from the most recent date to which interest has been paid or duly provided for to said Maturity Date] at the rate per annum (computed on the basis of actual days elapsed and a [360 day year of twelve 30-day months/365-day or 366-day year, as applicable]) equal to [insert formula or method of calculation for determining variable or floating interest rate]. Both principal and interest on this Program Note being payable in lawful money of the United States of America at the designated office of the Paying Agent/Registrar executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor. No interest will accrue on the principal amount hereof after said Maturity Date.

Form of Remainder of all Program Notes:

This Program Note is one of a series of notes authorized under the "City of San Antonio, Texas Electric and Gas Systems Flexible Rate Revolving Note Private Placement Program" (the "Program"), pursuant to which the City may issue additional notes, bearing interest at fixed, variable, or floating rates (and which interest may or may not, dependant upon form, be excludable from gross income for federal tax purposes), in an aggregate principal amount at any one time outstanding not to exceed ONE HUNDRED MILLION DOLLARS (\$100,000,000) (such notes, the "Program Notes"). The Program, as well as the issuance of Program Notes thereunder, has been duly authorized in accordance with the provisions of an ordinance (the "Ordinance") passed by the City Council of the City for the purpose of financing Project Costs of Eligible Projects for the City's Electric and Gas Systems (the "Systems") and to refinance, renew, or refund certain obligations described in the Ordinance; all in accordance and in strict conformity with the provisions of the Constitution and laws of the State of Texas, including but not limited to, Chapters 1371 and 1502, as amended, Texas Government Code (collectively, the "Act"), and the City's home rule charter.

This Program Note is payable from and equally secured by a lien on and pledge of the proceeds from (a) the sale of other Program Notes issued for the purpose of refinancing, renewing, or redeeming this Program Note and (b) the sale of a series or issue of bonds or other obligations to be issued by the City subsequent to the Program Note Date hereof for the purpose of refinancing, renewing, or redeeming this Program Note. [INSERT APPLICABLE SECURITY SECTION, AS IDENTIFIED BELOW, BASED UPON THIS NOTE'S DESIGNATION AS TAX-EXEMPT OR TAXABLE.]

This Program Note, together with other Program Notes similarly secured, is payable solely from the sources hereinabove identified securing the payment thereof. The Program Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or the Systems, except as otherwise described above, and the Holder hereof shall never have the right to demand payment of this obligation from any sources or properties of the City except as identified above.

The Ordinance reserves the right and permits the issuance of Systems Revenue Priority Obligations while this Program Note is outstanding, as well as the issuance of additional Program Notes payable from the same sources, or any portion of such sources, securing the payment of this Program Note and equally and ratably secured by a parity lien on and pledge of such sources, or any portion thereof, without any limitation as to principal amount, but subject to any terms, conditions, and limitations as may be applicable thereto.

Reference is hereby made to the Ordinance, copies of which may be obtained upon request to the City, and to all of the terms and provisions the Holder hereof by acceptance of this Program Note hereby assents, including, but not limited to, provisions relating to definitions of terms, the description of and the nature of the security for this Program Note, the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders of this Program Note, and the right to issue obligations payable from and secured by the Net Revenues.

[INSERT APPLICABLE REDEMPTION PROVISIONS BASED ON FINAL TERMS OF THE NOTE PURCHASE AGREEMENT]

At least thirty (30) days prior to the date any Program Notes are to be redeemed, as determined by an Authorized Representative, a notice of redemption shall be given in the manner set forth below. A written notice of such redemption shall be given to the Registered Owner of each Program Note or a portion thereof being called for redemption by depositing such notice in the United States mail, first class postage prepaid, addressed to each such Registered Owner at his address shown on the Registration Books kept by the Paying Agent/Registrar. Notwithstanding the foregoing, if the Registered Owner of a Program Note to be redeemed is the Program Note Purchaser, then such Program Notes are redeemable upon one (1) day's prior written notice delivered by the City, at the direction of an Authorized Representative, to the Program Note Purchaser.

By the date fixed for any such redemption, due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the Program Notes or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, the Program Notes, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, shall not bear interest after the date fixed for their redemption, and shall not be regarded as being Outstanding except for the right of the Registered Owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Program Notes or any portion thereof. If a portion of any Program Notes shall be redeemed, a substitute Program Note or Program Notes having the same stated maturity date, bearing interest at the same interest rate (or calculated in the same manner, as applicable), in any denomination or denominations in excess of \$100,000, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance.

[INSERT ADDITIONAL PROVISIONS, IF ANY, DEEMED NECESSARY BY THE AUTHORIZED REPRESENTATIVE BASED ON FINAL TERMS OF THE NOTE PURCHASE AGREEMENT, AS DETERMINED STRICTLY WITHIN THE LIMITATIONS SPECIFIED IN SECTION 2.14 OF THE ORDINANCE.]

It is hereby certified and recited that all acts, conditions, and things required by law and the Ordinance to exist, to have happened, and to have been performed precedent to and in the issuance of this Program Note, do exist, have happened, and have been performed in regular and in due time, form, and manner as required by law and that the issuance of this Program Note, together with all other Program Notes, is not in excess of the principal amount of Program Notes permitted to be issued under the Ordinance.

This Program Note has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

This Program Note may be registered to bearer or to any designated payee. Title to any Program Note registered to bearer shall pass by delivery. If not registered to bearer, this Program Note may be transferred only on the books of the City maintained at the designated office of the Paying Agent/Registrar. Upon surrender hereof at the designated office of the Paying Agent/Registrar, this Program Note may be exchanged for a like aggregate principal amount of fully registered (which registration may be to bearer) Program Notes of authorized denominations of like interest rate and maturity, but only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance and upon surrender and cancellation of this Program Note.

This Program Note shall not be entitled to any benefit under the Ordinance or be valid or become obligatory for any purpose until this Program Note shall have been authenticated by the execution by the Paying Agent/Registrar of the Certificate of Authentication hereon.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the City Council of the City of San Antonio, Texas, has authorized and caused this Program Note to be executed on its behalf by the manual or facsimile signatures of its Mayor and City Clerk, as well as an Authorized Representative, and its official seal impressed or a facsimile thereof to be printed hereon.

CITY OF SAN ANTONIO, TEXAS

Mayor

Authorized Representative

ATTEST:

City Clerk

(SEAL)

Form of Paying Agent/Registrar's Certificate of Authentication.

CERTIFICATE OF AUTHENTICATION

This Program Note is one of the Program Notes delivered pursuant to the within mentioned Ordinance.

as Paying Agent/Registrar

By _____
Authorized Signer

Form of Tax Exempt Program Note Security Pledge

and (ii) a lien on and pledge of the Net Revenues of the System, such pledge of Net Revenues, however, being inferior and subordinate to the pledge thereof securing the payment of Systems Revenue Priority Obligations (such lien being at the FIFTH level of priority as specified in Section 4.04 of the Ordinance).

Form of Taxable Program Note Security Pledge

(ii) the amounts held, from time to time, in the Program Note Security Fund; and (iii) the Net Revenues of the Systems in an amount limited to \$100,000, such limited pledge of Net Revenues, however, being inferior and subordinate to the pledge thereof securing the payment of Systems Revenue Priority Obligations (such lien being at the FIFTH level of priority as specified in Section 4.04 of the Ordinance).

Form of Paying Agent/Registrar's Certificate of Assignment.

CERTIFICATE OF 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.

* * *

SECTION 2.04. EXECUTION – AUTHENTICATION. The Program Notes shall be executed on behalf of the City by the Mayor and an Authorized Representative under its seal reproduced or impressed thereon and attested by the City Clerk or Assistant City Clerk. The signature of said officers on the Program Notes may be manual or facsimile. Program Notes

bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the date of passage of this Ordinance 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 the initial sale and delivery of Program Notes authorized to be issued hereunder and with respect to Program Notes delivered in subsequent sales, exchanges, and transfers, all as authorized and provided in the Public Security Procedures Act, Chapter 1201, as amended, Texas Government Code.

No Program Note shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Program Note a certificate of authentication substantially in the form provided in Section 2.03 hereof, executed by the Paying Agent/Registrar by manual signature, and such certificate upon any Program Note shall be conclusive evidence, and the only evidence, that such Program Note has been duly certified or registered and delivered.

SECTION 2.05. PROGRAM NOTES MUTILATED, LOST, DESTROYED, OR STOLEN. If any Program Note shall become mutilated, the City, at the expense of the Holder of said Program Note, shall execute and deliver a new Program Note of like tenor and number in exchange and substitution for the Program Note so mutilated, but only upon surrender to the City of the Program Note so mutilated. If any Program Note shall be lost, destroyed, or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the City, at the expense of the owner, shall execute and deliver a new Program Note of like tenor in lieu of and in substitution for the Program Note so lost, destroyed, or stolen. Neither the City nor the Paying Agent/Registrar shall be required to treat both the original Program Note and any duplicate Program Note as being Outstanding for the purpose of determining the principal amount of Program Notes which may be issued hereunder, but both the original and the duplicate Program Note shall be treated as one and the same.

SECTION 2.06. NEGOTIABILITY, REGISTRATION, AND EXCHANGEABILITY. The Program Notes issued hereunder shall be, and shall have all of the qualities and incidents of, a negotiable instrument under the laws of the State of Texas, and each successive Holder, in accepting any of the Program Notes, shall be conclusively deemed to have agreed that such obligations shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

The Paying Agent/Registrar shall obtain, record, and maintain in the Registration Books the name and address of each Registered Owner of the Program Notes, except for Program Notes registered to bearer, issued under and pursuant to the provisions of this Ordinance. Any Program Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Program Notes of like tenor and character and of other authorized denominations upon the Registration Books by the Holder in person or by his duly authorized agent, upon surrender of such Program Note to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Program Note at the designated office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Program Notes executed on behalf of, and furnished by, the City of like tenor and character and of authorized denominations and having the same maturity, bearing interest at the same rate (or calculated in the same manner, as applicable), and of a like aggregate principal amount as the Program Note or Program Notes surrendered for transfer.

Furthermore, Program Notes may be exchanged for other Program Notes of like tenor and character and of authorized denominations and having the same maturity, bearing the same rate of interest (or calculated in the same manner, as applicable), and of like aggregate principal amount as the Program Notes surrendered for exchange, upon surrender of the Program Notes to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Program Notes are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Program Notes of like tenor and character as the Program Notes exchanged, executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

The City and the Paying Agent/Registrar may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer. The Paying Agent/Registrar or the City may also require payment from the Holder of any Program Note surrendered for exchange or transfer of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Program Note shall be delivered.

New Program Notes delivered upon any transfer or exchange shall be valid special obligations of the City, evidencing the same debt as the Program Notes surrendered, shall be secured by this Ordinance, and shall be entitled to all of the security and benefits hereof to the same extent as the Program Notes surrendered.

The City reserves the right to change the above registration and transferability provisions of the Program Notes at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the United States in effect at the time of issuance thereof.

SECTION 2.07. PROGRAM NOTE PAYMENT FUND. There is hereby created and established with the Paying Agent/Registrar a separate and special fund to be designated as the "City of San Antonio, Texas Electric and Gas Systems Flexible Rate Revolving Note Program Payment Fund" (the "Program Note Payment Fund"). Within the Program Note Payment Fund there shall be created two accounts, known as the "Tax Exempt Program Note Payment Account" and the "Taxable Program Note Payment Account", respectively.

(a) Tax Exempt Program Note Payment Account. Money on deposit in the Tax Exempt Program Note Payment Account shall be used to pay principal of and interest on Tax Exempt Program Notes at the respective interest payment, maturity, or redemption dates of each issue of such Tax Exempt Program Notes as provided herein. Amounts remaining in the Tax Exempt Program Note Payment Fund not then necessary for the purposes for which such funds were originally held in such account may be transferred to the Tax Exempt Program Note

Construction Account (created pursuant to Section 2.09 hereof) or the General Account upon request of an Authorized Representative.

Pending the expenditure of money in the Tax Exempt Program Note Payment Account for authorized purposes, money deposited therein may be invested at the direction of an Authorized Representative in Authorized Investments. Any income received from investments in the Tax Exempt Program Note Payment Account shall be retained in such account.

(b) Taxable Program Note Payment Account. Money on deposit in the Taxable Program Note Payment Account shall be used to pay principal of and interest on Taxable Program Notes at the respective interest payment, maturity, or redemption dates of each issue of such Taxable Program Notes as provided herein. Amounts remaining in the Taxable Program Note Payment Fund not then necessary for the purposes for which such funds were originally held in such account may be transferred to the Taxable Program Note Construction Account (created pursuant to Section 2.09 hereof) or the General Account upon request of an Authorized Representative.

Pending the expenditure of money in the Taxable Program Note Payment Account for authorized purposes, money deposited therein may be invested at the direction of an Authorized Representative in Authorized Investments. Any income received from investments in the Taxable Program Note Payment Account shall be shall be retained in such account.

SECTION 2.08. PROGRAM NOTE SECURITY FUND. To provide additional security for the payment of the Program Notes and the Commitment Fee, the City, as permitted by and in accordance with the provisions of the Act, hereby creates and establishes, and agrees to maintain with the Paying Agent/Registrar, a separate and special fund known as the "City of San Antonio, Texas Electric and Gas Systems Flexible Rate Revolving Note Program Security Fund" (the "Program Note Security Fund"). Within the Program Note Security Fund, an Authorized Representative is hereby authorized to create accounts as necessary to segregate deposits maintained therein as may be necessary to distinguish between security held for (i) Program Notes sold under separate Note Purchase Agreements or (ii) Tax Exempt Program Notes and Taxable Program Notes.

The Program Note Security Fund shall be funded, from time to time, using lawfully available funds of the Board (which are hereby authorized to be used for such purpose, subject to the limitations herein described), at the times and in the amounts determined by an Authorized Representative to be in the best interest of the Board. At no time shall the amount deposited to the Program Note Security Fund exceed the total principal amount of Program Notes that the Program Note Purchaser(s) are obligated to purchase under Note Purchase Agreement(s) then in effect. Amounts on deposit in the Program Note Security Fund may be invested in Authorized Investments, with any resultant investment earnings to be transferred in the manner specified by an Authorized Representative. At the direction of an Authorized Representative, or if funds otherwise available for such purpose are insufficient, funds held in the Program Note Security Fund shall be used solely for the payment of the Commitment Fee and the principal of and interest on the Program Notes when due whether by maturity or acceleration. An Authorized Representative may, at its discretion, withdraw funds held in the Program Note Security Fund

(and, to the extent necessary, liquidate any Authorized Investments) and use such withdrawn funds for any lawful purpose.

The treatment of the Program Note Security Fund, including (but not limited to) the timing of deposits thereto and withdrawals therefrom, the amounts to be held on deposit therein from time to time, the investment of funds held in the Program Note Security Fund and the specific Program Notes which it secures, are subject to further limitation, as determined by an Authorized Representative, in any manner not inconsistent with the provisions of this Section. Any such limitation shall be evidenced in a Note Purchase Agreement.

SECTION 2.09. NOTE CONSTRUCTION FUND. There is hereby created and established a separate account hereby designated as the "City of San Antonio, Texas Electric and Gas Systems Program Note Construction Fund" (the "Program Note Construction Fund"). Within the Program Note Construction Fund there shall be created two accounts, known as the "Tax Exempt Program Note Construction Account" and the "Taxable Program Note Construction Account", respectively.

(a) Tax Exempt Program Note Construction Account. Proceeds derived from the sale of Tax Exempt Program Notes shall be deposited to the credit of the Tax Exempt Program Note Construction Account. Money deposited in the Tax Exempt Program Note Construction Account shall remain therein until from time to time expended for the purposes specified in Section 3.02 hereof, and shall not be used for any other purposes whatsoever, except for temporary investment thereof as provided in Section 3.02 hereof.

In the event proceeds of Tax Exempt Program Notes are deposited in the Tax Exempt Program Note Construction Account in order to renew, refinance or refund Systems Revenue Obligations as permitted by Section 2.01 hereof and such Systems Revenue Obligations will not be redeemed simultaneously with the issuance of such Tax Exempt Program Notes, the City will utilize the proceeds of such Tax Exempt Program Notes (and other available funds of the City, if any) in an amount sufficient, without investment or reinvestment, to provide for the payment on the redemption date of any such Systems Revenue Obligations, to provide firm banking and financial arrangements for such payment in the manner provided by Chapter 1207, as amended, Texas Government Code. Any such Systems Revenue Obligations which are to be redeemed prior to scheduled maturity shall be selected for redemption and redeemed in the manner specified in the ordinance or resolution authorizing their issuance.

Any money remaining in the Tax Exempt Program Note Construction Account and not necessary for the payment of Project Costs or the purpose described in the preceding paragraph shall be paid into the Tax Exempt Program Note Payment Account.

(b) Taxable Program Note Construction Account. Proceeds derived from the sale of Taxable Program Notes shall be deposited to the credit of the Taxable Program Note Construction Account. Money deposited in the Taxable Program Note Construction Account shall remain therein until from time to time expended for the purposes specified in Section 3.02 hereof, and shall not be used for any other purposes whatsoever, except for temporary investment thereof as provided in Section 3.02 hereof.

In the event proceeds of Taxable Program Notes are deposited in the Taxable Program Note Construction Account in order to renew, refinance or refund Systems Revenue Obligations as permitted by Section 2.01 hereof and such Systems Revenue Obligations will not be redeemed simultaneously with the issuance of such Taxable Program Notes, the City will utilize the proceeds of such Taxable Program Notes (and other available funds of the City, if any) in an amount sufficient, without investment or reinvestment, to provide for the payment on the redemption date of any such Systems Revenue Obligations, to provide firm banking and financial arrangements for such payment in the manner provided by Chapter 1207, as amended, Texas Government Code. Any such Systems Revenue Obligations which are to be redeemed prior to scheduled maturity shall be selected for redemption and redeemed in the manner specified in the ordinance or resolution authorizing their issuance.

Any money remaining in the Taxable Program Note Construction Account and not necessary for the payment of Project Costs or the purpose described in the preceding paragraph shall be paid into the Taxable Program Note Payment Account.

SECTION 2.10. PLEDGE OF NET REVENUES AND FUNDS; PAYMENTS. The Program Notes and the Commitment Fee are special obligations of the City payable from and secured solely by the sources specified in this Ordinance. The City agrees to make payments into the Program Note Payment Fund, for further deposit into the appropriate account therein, at such times and in such amounts as are necessary to provide for the full payment of the Commitment Fee and the principal of and the interest on the Program Notes when due, whether by reason of maturity, redemption, or otherwise. Unless paid from Available Revenues, such payments are to be made from the proceeds of other Program Notes or System Revenue Obligations issued for the purposes of refinancing, redeeming, or refunding then-outstanding Program Notes.

(a) Tax Exempt Program Notes. To provide security for the payment of the principal of and interest on the Tax Exempt Program Notes as the same shall become due and payable, there is hereby pledged, subject to the provisions of this Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth herein, (i) the proceeds from the sale of the System Revenue Obligations and other Program Notes issued for the purpose of refinancing, redeeming, or refunding then-outstanding Program Notes and (ii) the Net Revenues of the Systems, such pledge of Net Revenues, however, being inferior and subordinate to the pledge thereof securing the payment of Systems Revenue Priority Obligations (such lien being at the FIFTH level of priority as specified in Section 4.04), and it is hereby resolved and declared the principal of and interest on the Program Notes shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i) and (ii), subject and subordinate only to the exceptions noted above.

(b) Taxable Program Notes. To provide security for the payment of the principal of and interest on the Taxable Program Notes as the same shall become due and payable, there is hereby pledged, subject to the provisions of this Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth herein, (i) the proceeds from the sale of the System Revenue Obligations and other Program Notes issued for the purpose of refinancing, redeeming, or refunding then-outstanding Program Notes; (ii) the amounts held, from time to time, in the Program Note Security Fund; and (iii) the Net Revenues of the Systems in an amount limited to \$100,000, such limited pledge of Net Revenues, however, being inferior and

subordinate to the pledge thereof securing the payment of Systems Revenue Priority Obligations (such lien being at the FIFTH level of priority as specified in Section 4.04), and it is hereby resolved and declared the principal of and interest on the Program Notes shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii), and (iii), subject and subordinate only to the exceptions noted above.

(c) Perfection of Pledge of Interest in Security. Chapter 1208, Texas Government Code, applies to the issuance of the Program Notes and the pledge of Net Revenues granted by the City herein, and such pledge is, therefore, valid, effective, and perfected. If Texas law is amended at anytime while the Program Notes 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, as amended, Texas Business & Commerce Code, then in order to preserve to the Registered Owners of the Program Notes 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, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 2.11. APPLICATION OF PRIOR COVENANTS – AVAILABLE REVENUES. The covenants and agreements (to the extent the same are not inconsistent herewith) contained in the Bond Ordinance are hereby incorporated herein and shall be deemed to be for the benefit and protection of the Program Notes and the Holders thereof in like manner as applicable to the Systems Revenue Priority Obligations; provided, however, that in the event of any conflict between the terms, covenants, and agreements contained herein and the terms, covenants, and agreements contained in the Bond Ordinance, the provisions of the Bond Ordinance shall control over the provisions hereof.

In accordance with the provisions of the New Series Bond Ordinance, the Program Notes represent obligations which are inferior and subordinate to the Systems Revenue Priority Obligations. As provided in Section 4.04 of this Ordinance, the term “Available Revenues” as used in this Ordinance means the Net Revenues remaining in the “City of San Antonio Electric and Gas Systems General Account”, after paying the principal of and interest on the Systems Revenue Priority Obligations, any amounts owed under credit agreements entered into pursuant to the Act which relate to any such Systems Revenue Priority Obligations, and the reserves established to secure the payment of such Systems Revenue Priority Obligations. The Available Revenues shall be deposited into the Program Note Payment Fund, for further deposit into the appropriate account therein, from time to time in amounts necessary to pay the principal of and/or interest on the Program Notes to the extent not paid from the proceeds of other Program Notes or System Revenue Obligations issued for such purpose.

SECTION 2.12. CANCELLATION. All Program Notes surrendered at maturity to the Paying Agent/Registrar for the collection of the principal thereof and interest thereon or are surrendered for transfer or exchange pursuant to the provisions hereof shall, upon payment or issuance of new Program Notes, be cancelled by the Paying Agent/Registrar and forthwith transmitted to the Board, and the Board, shall thereafter have the custody and responsibility for destruction.

SECTION 2.13. FISCAL AND OTHER AGENTS. In furtherance of the purposes of this Ordinance, the Board may from time to time appoint and provide for the payment of such additional fiscal, paying, or other agents or trustees as it may deem necessary or appropriate in connection with the administration of the Program and the Program Notes.

SECTION 2.14. DELEGATION OF AUTHORITY TO AUTHORIZED REPRESENTATIVE. As authorized by Chapter 1371, each Authorized Representative is hereby appointed and designated as an officer of the City, authorized to act on behalf of the City, from time to time, in connection with entering into Note Purchase Agreements, selling and delivering, from time to time, Program Notes under the Program, and carrying out the duties and procedures specified in this Ordinance, including approval (subject only to the limitations specified within this Ordinance) of the following terms and provisions for each issue of Program Notes:

1. the principal amount of each Program Note;
2. the Program Note Date;
3. the rate of interest or the method of calculating the interest to be borne on the principal amount of each Program Note;
4. the maturity date of each Program Note;
5. the date, dates, or intervals on which interest on each Program Note shall be paid;
6. whether the subject Program Notes shall be issued as Tax Exempt Program Notes or Taxable Program Notes;
7. the Commitment Fee, including the method of calculation thereof and its timing for payment; and
8. such other matters as herein delegated to an Authorized Representative for final determination.

These characteristics, as finally determined by the Authorized Representative consistent with the provisions of this Ordinance shall be evidenced in the Note Purchase Agreement, and (to the extent applicable) in each definitive Program Note.

ARTICLE III ISSUANCE AND SALE OF PROGRAM NOTES

SECTION 3.01. GENERAL. The Program Notes shall be completed and delivered by the Paying Agent/Registrar in accordance with telephonic, computer, or written instructions of any Authorized Representative and in the manner specified in the Paying Agent/Registrar Agreement and below. To the extent such instructions are not written, they shall be confirmed in writing within 24 hours. Said instructions shall specify such principal amounts, dates of issue, maturities, rates of interest, whether the Program Note is a Tax Exempt Program Note or a Taxable Program Note, and other terms and conditions which are hereby authorized and

permitted to be fixed by any Authorized Representative at the time of sale of the Program Notes. Such instructions shall include the purchase price of the Program Notes (which shall equal the principal amount of the Program Notes sold, without original issue premium or discount, and without accrued interest), and a request that the Paying Agent/Registrar authenticate such Program Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser or purchasers thereof upon receipt of payment. Such instructions shall also specify the amounts of the proceeds of such issue of Program Notes which are to be deposited to the Program Note Payment Fund and/or to the Program Note Construction Fund. Such instructions shall also contain provisions representing that all action on the part of the City necessary for the valid issuance of the Program Notes then to be issued, has been taken, that all provisions of Texas and federal law necessary for the valid issuance of such Program Notes, with provision for original issue discount and interest exemption from federal income taxation with respect to the Tax Exempt Program Notes, have been complied with, and that such Program Notes in the hands of the Holders thereof will be valid and enforceable obligations of the City according to their terms, subject to the exercise of judicial discretion in accordance with general principles of sovereign immunity and of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that, based upon the advice of Bond Counsel, the earned original issue discount on the Tax Exempt Program Notes or stated interest on the Tax Exempt Program Notes, as the case may be, will be excluded from the gross income of the Holders for federal income tax purposes. Such instructions shall also certify that: no Event of Default under Section 5.01 of this Ordinance has occurred and is continuing as of the date of such Certificate; other than Section 4.08 with respect to Taxable Program Notes, the City is in compliance with the covenants set forth in Article IV hereof as of the date of such instructions; and the sum of the interest payable on such Program Note and any discount established for such Program Note will not exceed a yield (calculated on the principal amount of the Program Note in the applicable manner specified herein) to the maturity date of such Program Note in excess of the Maximum Interest Rate in effect on the date of issuance of such Program Note.

SECTION 3.02. PROCEEDS OF SALE OF PROGRAM NOTES. The proceeds of the sale of any Program Notes (net of all expenses and costs of sale and issuance) shall be applied for any or all of the following purposes, as directed by an Authorized Representative:

(i) Proceeds to be used for the payment and redemption of the outstanding Program Notes at or before maturity shall be deposited into the Program Note Payment Fund, for further deposit to the appropriate account therein, and expended therefor; provided, however, that no Tax Exempt Program Note proceeds shall be used for the payment and redemption of outstanding Taxable Program Notes unless the deposit of Tax Exempt Program Note proceeds to be used for such purpose shall be accompanied by an opinion of Bond Counsel stating that such use of Tax Exempt Program Note proceeds shall not affect the excludability of the interest on such Tax Exempt Program Notes from the gross income of the holders thereof, pursuant to section 103 of the Code, for federal income tax purposes.

(ii) Proceeds not deposited into the Program Note Payment Fund as provided in subparagraph (i) above shall be deposited to the Program Note Construction Fund, for further deposit to the appropriate account therein, and used and applied in accordance with the

provisions of Section 2.09 hereof to pay Project Costs for Eligible Projects, Maintenance and Operating Expenses, or to otherwise accomplish the purposes permitted by this Ordinance.

Pending expenditure for the foregoing purposes, proceeds from the sale of Program Notes may be invested in Authorized Investments. Earnings and profits from the investment of money in the Program Note Construction Fund shall be held therein.

SECTION 3.03. NOTE PURCHASE AGREEMENT. The Note Purchase Agreement, substantially in the form attached hereto as Exhibit A, has been approved, has been entered into with the Initial Program Note Purchaser, and is hereby confirmed. Each Authorized Representative is hereby authorized and directed to execute and deliver the Note Purchase Agreement on the City's behalf. The payment of the Commitment Fee, as specified in the Note Purchase Agreement pursuant to mutual agreement between the Program Note Purchaser and the Authorized Representative, and the other costs, expenses, and taxes described in the Note Purchase Agreement is hereby authorized from funds lawfully available to the Board for the payment thereof.

The Board is hereby authorized to enter into any Note Purchase Agreement with any Program Note Purchaser supplemental to or in replacement of the Note Purchase Agreement between the City and the Initial Program Note Purchaser, which replacement or supplemental Note Purchase Agreement shall have the terms and provisions, consistent with this Ordinance, and entered into with the Program Note Purchaser, as an Authorized Representative may deem appropriate.

Notwithstanding any provision herein to the contrary, the aggregate amount of the commitments of Program Note Purchasers to purchase Program Notes under all Note Purchase Agreements at any time in effect shall never exceed the maximum principal amount of Program Notes authorized at any one time to be outstanding under the Program.

SECTION 3.04. PAYING AGENT/REGISTRAR AGREEMENT. The City Council hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the registration, transferability, and payment of the Program Notes. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit B and is incorporated herein by reference as fully as if recopied in its entirety in this Ordinance. Each Authorized Representative is hereby authorized and directed to execute the Paying Agent/Registrar Agreement on behalf of the City. The Board is hereby authorized to enter into any supplemental agreements with the Paying Agent/Registrar or with any successor Paying Agent/Registrar.

ARTICLE IV COVENANTS OF THE CITY

SECTION 4.01. LIMITATION ON ISSUANCE. Unless this Ordinance is amended and modified by the City Council and in accordance with the provisions of Section 6.01 hereof, the City covenants that there will not be issued and Outstanding at any time more than \$100,000,000 in principal amount of Program Notes. For purposes of this Section 4.01 any portion of Outstanding Program Notes to be paid on the day of calculation from money on deposit in the

Program Note Payment Fund and/or the proceeds of other Program Notes or System Revenue Obligations issued for the purpose of refinancing, redeeming, or refunding then-outstanding Program Notes shall not be considered Outstanding.

SECTION 4.02. RATES AND CHARGES. The City hereby agrees and reaffirms its covenants to the Holders of the Systems Revenue Priority Obligations and covenants to the Holders of the Program Notes that it will at all times maintain rates and charges for the sale of electric energy, gas, or other services furnished, provided, and supplied by the Systems to the City and all other consumers which shall be reasonable and non-discriminatory and which will produce income and revenues sufficient to pay:

(a) All Maintenance and Operating Expenses, depreciation, replacement and betterment expenses and other costs as may be required by law (Chapter 1502).

(b) The interest on and principal of all Systems Revenue Priority Obligations, as and when the same shall become due, and provide for the establishment and maintenance of the Funds and Accounts created for the payment and security of the Systems Revenue Priority Obligations.

(c) To the extent the same are reasonably anticipated to be paid with Available Revenues or the lien on and pledge of Net Revenues granted under this Ordinance as the interest on and principal of all Program Notes as security for the Program Notes is modified pursuant to the provisions of a Note Purchase Agreement, and when the same shall become due.

(d) Any legal debt or obligation of the Systems as and when the same shall become due.

SECTION 4.03. GENERAL ACCOUNT. The City, acting through the Board, hereby reaffirms its covenant to Holders of the Systems Revenue Priority Obligations and hereby covenants with respect to the Holders of the Program Notes, 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" (hereinafter referred to as "General Account"), which shall be kept separate and apart from all other funds of the City. Revenues received for the General Account shall be accounted for in the manner required in the ordinances of the City authorizing the currently outstanding Systems Revenue Obligations and shall be deposited from time to time as received in such bank or banks as may be selected by the Board in accordance with applicable laws relating to the selection of City depositories.

SECTION 4.04. FLOW OF FUNDS. The City, acting through the Board, hereby agrees and reaffirms its covenant to the Holders of the Systems Revenue Priority Obligations and covenants to the Holders of the Program Notes that funds in the General Account shall be pledged and appropriated to the following uses and in the order of precedence shown:

FIRST: To the payment of reasonable and proper Maintenance and Operating Expenses upon approval by the Board.

SECOND: To the payment of New Series Bonds, including the establishment and maintenance of the reserve therefor.

THIRD: To the payment of Prior Lien Bonds, including the Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued, including the establishment and maintenance of the funds and accounts therefor.

FOURTH: To the payment and security of the Commercial Paper and the amounts due and owing under the credit agreement relating thereto entered into in accordance with the Act.

FIFTH: To the payment and security of the Program Notes and the Commitment Fee and to any other Inferior Lien Obligations hereinafter issued which are inferior in lien to the other Systems Revenue Priority Obligations; provided, however, that the City's right to issue Inferior Lien Obligations secured by and payable from a lien on and pledge of the Net Revenues that is senior and superior to the lien thereon and pledge thereof securing the payment of the Program Notes is expressly reserved.

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 the New Series Bond Ordinance.

SEVENTH: To the payment of the annual amount due the General Fund of the City of San Antonio, as provided in the New Series Bond Ordinance; and

EIGHTH: Any remaining Net Revenues of the Systems in the General Account, to the Repair and Replacement Account, in accordance with the New Series Bond Ordinance.

SECTION 4.05. OBLIGATIONS FOR PAYMENT OF PROGRAM NOTES. The City in good faith shall endeavor to sell a sufficient principal amount of Program Notes and System Revenue Obligations in order to have funds available, together with other money available therefor, to pay the then-outstanding Program Notes and the interest thereon, or any renewals thereof, as the same shall become due.

SECTION 4.06. PUNCTUAL PAYMENT. The City will punctually pay or cause to be paid the principal of and interest, if any, on the Program Notes (but only from the funds pledged herein and Available Revenues), in conformity with the Program Notes, this Ordinance, and the Note Purchase Agreement.

SECTION 4.07. PROGRAM NOTES, OTHER THAN TAXABLE NOTES, TO REMAIN TAX EXEMPT. The City covenants that it will execute and deliver to the Paying Agent/Registrar a No-Arbitrage Certificate in the form prescribed by Bond Counsel in connection with the first issuance of Tax Exempt Program Notes, and that in connection with each subsequent issuance of Tax Exempt Program Notes, it will execute and deliver to the Paying Agent/Registrar in the form described in Section 3.01 a confirmation that the facts, estimates, circumstances, and reasonable expectations contained therein continue to be accurate as of such issue date. The City represents and covenants that it will not expend, or permit to be expended, the proceeds of any Tax Exempt Program Notes in any manner inconsistent with its reasonable expectations as certified in the No-Arbitrage Certificate to be executed from time to time with respect to the Tax Exempt Program Notes; provided, however, that the City may expend Tax Exempt Program Note proceeds in any manner if the City first obtains an

unqualified opinion of Bond Counsel that such expenditure will not impair the exemption from federal income taxes of interest paid on the Tax Exempt Program Notes. The City represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer who arbitrage certifications may not be relied upon.

In addition to the above covenants, the City covenants to take any action to maintain, or refrain from any action which would adversely affect, the treatment of the Tax Exempt Program Notes as obligations described in section 103 of the Internal Revenue Code of 1986 (the "Code"), the interest on which is not includable in the "gross income" of the Holder for purposes of federal income taxation. In furtherance thereof, the City specifically covenants as follows:

(a) To take any action to assure that no more than 10% of the proceeds of the Tax Exempt Program Notes are used for any "private business use," as defined in section 141(b)(6) of the Code, or, if more than 10% of the proceeds are so used, that amounts, whether or not received by the City with respect to such private business use, do not under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10% of the debt service on the Tax Exempt Program Notes, in contravention of section 141(b)(2) of the Code;

(b) To take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5% of the proceeds of the Tax Exempt Program Notes, then the amount in excess of 5% is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) To take any action to assure that no amount which is greater than the lesser of \$5,000,000 or 5% of the proceeds of the Tax Exempt Program Notes is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) To assure that the aggregate "nonqualified amount" with respect to output facilities shall not exceed the \$15,000,000 limitation of section 141(b)(4) of the Code;

(e) To refrain from taking any action which would otherwise result in the Tax Exempt Program Notes being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(f) To refrain from taking any action that would result in the Tax Exempt Program Notes being "federally guaranteed" within the meaning of section 149(b) of the Code;

(g) To refrain from using any portion of the proceeds of the Tax Exempt Program Notes, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire "investment property" (as defined in section 148(b)(2) of the Code) which would produce a materially higher yield over the term of the Tax Exempt Program Notes, other than investment property acquired with proceeds of the Tax Exempt Program Notes invested for a reasonable temporary period of three years or less until such proceeds are needed for the purpose for which the bonds are issued, amounts invested in a bona fide debt service fund, within the meaning of section 1.103 - 13 (b) (1 2) of the Treasury Regulations, and amounts deposited

in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10% of the proceeds of the Tax Exempt Program Notes;

(h) To otherwise restrict the use of the proceeds of the Tax Exempt Program Notes, or amounts treated as proceeds of the Tax Exempt Program Notes, as may be necessary, so that the Tax Exempt Program Notes do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(i) To pay to the United States of America at least once during each five year period (beginning on the date of delivery of the Tax Exempt Program Notes) an amount that is at least equal to 90% of the "Excess Earnings," within the meaning of section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Tax Exempt Program Notes have been paid in full, 100% of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and to maintain such records as will enable the City to fulfill its responsibilities under this Section and section 148 of the Code and to retain such records for at least six years following the final payment of principal and interest on the Tax Exempt Program Notes.

For purposes of the foregoing subparagraphs (a) and (b), the City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Tax Exempt Program Notes. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of Treasury pursuant thereto. In the event that the regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Tax Exempt Program Notes, the City will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of Bond Counsel, will not adversely affect the exemption of interest on the Tax Exempt Program Notes under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Tax Exempt Program Notes, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of Bond Counsel, to preserve the exemption from federal income taxation of interest on the Tax Exempt Program Notes under section 103 of the Code.

SECTION 4.08. TAXABLE NOTES. (a) The provisions of Section 4.07 notwithstanding, the Board has reserved the ability to issue Taxable Program Notes in the form set forth in Section 2.03.

(b) It is the intention of the Board that the interest on the Taxable Program Notes not be excludable from gross income for federal income tax purposes under section 103 of the Code. Accordingly, the Board covenants not to file any information return that would result in the interest on Taxable Program Notes being excludable from gross income under such section of the Code.

(c) The Board covenants and agrees to cause the Paying Agent/Registrar to undertake to report, to the extent required by the Code, interest payments on the Taxable Program Notes to

the Internal Revenue Service. Such information shall be filed by the Paying Agent/Registrar on the form published by the Internal Revenue Service for this purpose and contain the information required by the Code.

(d) The Board covenants and agrees to cause the Paying Agent/Registrar to obtain or cause to be obtained from the holder of each of the Taxable Program Notes the information required by Code relating to the correct social security number or other taxpayer identification number for the holder of each of the Taxable Program Notes or to withhold the portion of the payment required to be withheld under the Code.

SECTION 4.09. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purpose for which the Tax Exempt Program Notes are issued on its books and records in accordance with the regulations under section 148 of the Code.

SECTION 4.10. DISPOSITION OF PROJECT. The City covenants that the property financed with the Tax Exempt Program Notes will not be sold or otherwise disposed in a transaction resulting in the receipt by the City or the Board of cash or other compensation, unless the City obtains an opinion of Bond Counsel that such sale or other disposition will not adversely affect the tax exempt status of the Tax Exempt Program Notes. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion of Bond Counsel that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 4.11. SUPPLEMENTAL ORDINANCES. Other than as permitted herein with respect to the issuance of additional obligations of the City secured by the Net Revenues of the Systems, the City will not adopt any supplemental ordinances, pursuant to the Bond Ordinance or otherwise, which would materially adversely affect the ability of the City to make payments on the Program Notes when due.

SECTION 4.12. OPINION OF BOND COUNSEL. The City shall cause the legal opinion of Bond Counsel as to the validity of the Program Notes, and as to the exclusion of interest on the Tax Exempt Program Notes from the gross income of the Program Noteholders for purposes of federal income taxation, to be furnished to any Holder of a Program Note, without cost; provided, however, that the legal opinion addressing the exclusion of interest on Tax Exempt Program Notes need only be furnished to a Holder of Tax Exempt Program Notes.

SECTION 4.13. COMPLIANCE WITH BOND ORDINANCE AND OTHER DOCUMENTS. The City will comply with the terms and provisions of the Bond Ordinance, and any other ordinance or contract to which the City is a party, the non-compliance with which would materially adversely affect the ability of the City to make payments on the Program Notes when due.

SECTION 4.14. RESERVATION OF RIGHT TO ISSUE ADDITIONAL SYSTEMS REVENUE PRIORITY OBLIGATIONS AND INFERIOR LIEN OBLIGATIONS. The City

hereby expressly reserves the right to hereafter issue additional Systems Revenue Priority Obligations in accordance with the provisions of the Bond Ordinance, payable from and secured by a lien on and pledge of the Net Revenues of the Systems senior and superior in right and claim to the lien on and pledge of the Net Revenues securing the payment of the Program Notes. Additionally, the City expressly reserves the right to hereafter issue Inferior Lien Obligations when and as the City Council shall determine and authorize without any limitation as to principal amount or otherwise, which Inferior Lien Obligations may be, with respect to the lien on and pledge of the Net Revenues securing the Program Notes, senior and superior in priority of payment and security thereto, or equally and ratably payable from and secured by a lien on and pledge of the Net Revenues of the Systems of equal rank and dignity with the lien thereon and pledge therefor securing the payment of the Program Notes.

ARTICLE V EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

SECTION 5.01. EVENTS OF DEFAULT. The occurrence and continuation of any of the following shall constitute an "Event of Default": (i) if default shall be made in the due and punctual payment of any installment of principal of any Program Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (ii) if the City shall fail to make due and punctual payment of any installment of interest on any Program Note when and as such interest installment shall become due and payable; (iii) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in this Ordinance or in the Program Notes contained, and such default shall continue for a period of 30 days after written notice thereof to the City by the Holders of not less than 10% in principal amounts of the Program Notes then outstanding; (iv) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of the City or the filing by the City of a voluntary petition in bankruptcy, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for its reorganization instituted under the provisions of the federal Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; (v) if an order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Systems, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the City shall not be vacated or discharged or stayed within 90 days after the entry thereof; then and in every such event, any Holder of any Program Note at the time outstanding may, by notice to the City; or such other event constituting an Event of Default as may be specified in a Note Purchase Agreement.

SECTION 5.02. SUITS AT LAW OR IN EQUITY AND MANDAMUS; LIMITATION ON AVAILABLE REMEDY OF ACCELERATION. In case one or more Events of Default shall occur, then and in every such case the Holder of any Program Note at the time outstanding shall be entitled to proceed to protect and enforce such party's rights by such appropriate judicial proceeding as such party shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or

agreement contained in this Ordinance, or in aid of the exercise of any power granted in this Ordinance, or to enforce any other legal or equitable right vested in the Holders of Program Notes by this Ordinance or the Program Notes or by law. In addition, the remedy of acceleration upon the occurrence and continuation of an Event of Default may be provided for in a Note Purchase Agreement; provided, however, that such remedy shall only be available to the Holders of Program Notes secured by the Program Note Security Fund. The provisions of this Ordinance shall be a contract with each and every Holder of Program Notes and the duties of the City shall be enforceable by any Holder by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction.

SECTION 5.03. REMEDIES NOT EXCLUSIVE. No remedy herein conferred upon or reserved to the Holders of Program Notes is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Holder of any one or more of the Program Notes.

ARTICLE VI MISCELLANEOUS

SECTION 6.01. AMENDMENTS OR MODIFICATIONS. (a) This Ordinance and the rights and obligations of the City and of the Holders of Program Notes may be modified or amended at any time by a supplemental ordinance, without notice to or the consent of any Program Noteholders, but only to the extent permitted by law, and, subject to the rights of the Holders of the Program Notes, only for any one or more of the following purposes: to add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the City; or to cure any ambiguity, or to cure or correct any defective provision contained in the Ordinance, upon receipt by the City of an approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of this Ordinance; or to provide additional security for the Program Notes, provide credit facilities, or change the form of the Program Notes or make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not materially adversely affect the interests of the Holders of the Program Notes; to make any changes or amendments requested by a Rating Agency as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the Holders; or to make any changes or amendments with respect to Program Notes in a particular form if there are no Program Notes then outstanding in such form; provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Ordinance or in the Program Notes so as to:

- (i) Make any change in the maturity of any of the Outstanding Program Notes;
- (ii) Reduce the rate of interest borne by or the method of calculating interest on any of the Outstanding Program Notes;

- (iii) Reduce the amount of the principal payable on any of the Outstanding Program Notes;
- (iv) Modify the terms of payment of principal of or interest on the Outstanding Program Notes, or impose any conditions with respect to such payment; or
- (v) Affect the rights of the Holders of less than all of the Outstanding Program Notes, or reduce or restrict the pledge made herein (See Section 2.10) and in a Note Purchase Agreement, and as evidenced in each Program Note, for payment of the Program Notes.

Provided, that no change, modification or amendment shall be made in the Ordinance or become valid and effective without the approval of such change, modification or amendment by the Attorney General of the State of Texas, if, in the opinion of Bond Counsel, such approval is required by applicable law and, to the extent required by a Note Purchase Agreement, without the consent of the Program Note Purchaser.

(b) An Authorized Representative may approve technical changes to this Ordinance for such purposes as such Authorized Representative deems necessary, including, but not limited to obtaining or continuing a credit rating from any of the Rating Agencies or obtaining approval of this Ordinance by the Attorney General of the State of Texas; provided, however, that such changes, in the opinion of Bond Counsel, shall not materially effect the security for the Program Notes or the intent and purpose of the City Council in adopting this Ordinance.

SECTION 6.02. ADDITIONAL ACTIONS. The Mayor, the City Clerk, the Assistant City Clerk, any Authorized Representative and the other officers of the City and the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to establish the Program, consummate the issuance, sale and delivery of the Program Notes, and otherwise to effectuate the purposes of this Ordinance, the Note Purchase Agreement, and the Paying Agent/Registrar Agreement.

SECTION 6.03. ORDINANCE TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Program Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Program Notes and the pledge made in this Ordinance by the City and the covenants and agreements set forth in this Ordinance to be performed by the City shall be for the equal and proportionate benefit, security and protection of all Holders of the Program Notes, without preference, priority or distinction as to security or otherwise of any of the Program Notes authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Ordinance or the Note Purchase Agreement.

SECTION 6.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or

against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Program Notes issued hereunder.

SECTION 6.05. PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of this Ordinance or the Program Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Program Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Program Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

SECTION 6.06. DEFEASANCE. If, when all or any portion of the Program Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Ordinance, the entire principal and interest so due and payable upon said Program Notes shall be paid, or if at or prior to the date said Program Notes have become due and payable, sufficient money or Government Securities the principal of and interest on which will provide sufficient money for such payment, shall be held by the Paying Agent/Registrar and provision shall also be made for paying all other sums payable hereunder by the City with respect to said Program Notes, the rights, title, and interest of the Holders of the Program Notes in the Net Revenues and the funds and accounts pledged as additional security for the Program Notes hereunder shall thereupon cease, terminate and become discharged and said Program Notes shall no longer be deemed Outstanding for purposes of this Ordinance and all the provisions of this Ordinance, including all covenants, agreements, liens, and pledges made herein, shall be deemed duly discharged, satisfied, and released with respect to said Program Notes.

SECTION 6.07. LIMITATION OF BENEFITS WITH RESPECT TO THE ORDINANCE. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Ordinance or the Program Notes is intended or should be construed to confer upon or give to any person other than the City, the Holders of the Program Notes, the Paying Agent/Registrar and the Program Note Purchaser, any legal or equitable right, remedy or claim under or by reason of or in respect to this Ordinance or any covenant, condition, stipulation, promise, agreement or provision herein contained.

This Ordinance and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Holders of the Program Notes, the Paying Agent/Registrar and the Program Note Purchaser as herein and therein provided.

SECTION 6.08. APPROVAL OF ATTORNEY GENERAL. No Program Note herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State of Texas shall have approved this Ordinance and the Program's establishment and other agreements and proceedings as may be required in connection therewith, all as is required by Chapter 1371.

SECTION 6.09. 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 establishment of the Program and the issuance of Program Notes thereunder, the Paying Agent/ Registrar Agreement, and the Note Purchase Agreement. In addition, prior to the establishment of the Program, the Mayor, the City Manager, the City's Director of Finance, the General Manager and CEO of the Board, Secretary or CFO and Treasurer or the Deputy General Manager, Secretary, Assistant Secretary, or CFO and Treasurer of the Board, and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the Rating Agencies, or (iii) obtain the approval of the Program by the Texas Attorney General's office. In case any officer of the City or the Board 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.

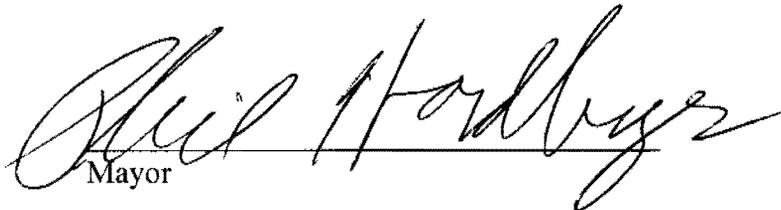
SECTION 6.10. PUBLIC MEETING. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, Texas Government Code, as amended.

SECTION 6.11. 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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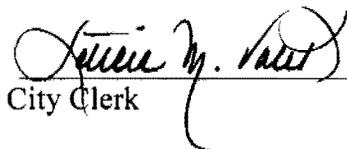
PASSED AND ADOPTED by an affirmative vote of 9 members of the City Council of the City of San Antonio, Texas, this the 19th day of February, 2009.

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.



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

EXHIBIT A
FORM OF NOTE PURCHASE AGREEMENT
SEE TAB NO. ___

EXHIBIT B

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. __