

ORDINANCE NO. _____

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF NOT TO EXCEED \$580,100,000 “CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS”; PROVIDING THE TERMS, CONDITIONS, AND SPECIFICATIONS FOR SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF ONE OR MORE OFFICIAL STATEMENTS PERTAINING THERETO; MAKING PROVISIONS FOR THE PAYMENT AND SECURITY THEREOF ON A PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; STIPULATING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS ON A PARITY THEREWITH; AUTHORIZING THE EXECUTION OF ONE OR MORE PAYING AGENT/REGISTRAR AGREEMENTS, ESCROW AGREEMENTS, AND BOND PURCHASE AGREEMENTS; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, there are currently outstanding, and the City is authorized to heretofore issue 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*); and

WHEREAS, the City Council has heretofore issued, sold, and delivered, and there are currently outstanding and the City is authorized to heretofore issue revenue bonds (the *Junior Lien Obligations*), which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems which lien and pledge is junior and subordinate to the lien thereon and pledge thereof securing payment of the New Series Bonds, and furthermore, which Junior Lien Obligations are categorized as “Prior Lien Bonds” in the ordinance authorizing the issuance of the currently outstanding Commercial Paper Obligations (defined below); and

WHEREAS, the City Council has heretofore established its Commercial Paper Program, pursuant to which the City is currently authorized to issue and have outstanding three series of commercial paper notes (the *Commercial Paper* or the *Commercial Paper Obligations*), which Commercial Paper Obligations are equally and ratably secured by a lien on and pledge of the Net

Revenues of the Systems that is subordinate to the liens thereon and pledges thereof securing the payment of New Series Bonds and the Junior Lien Obligations; and

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

WHEREAS, this Ordinance (hereinafter defined) will approve the issuance of one or more series of revenue and/or refunding bonds of the City designated as “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds” (the *Bonds*), as further designated by purpose, series, tax treatment, lien priority, and method of determination of interest rate (whether fixed or variable); and

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

WHEREAS, pursuant to the provisions of Chapters 1207 and 1371, as amended, Texas Government Code (*Chapter 1207* and *Chapter 1371*, respectively, and, together, the *Act*), the City Council is authorized to issue the Bonds, and for Bonds issued as New Series Bonds, provide for the satisfaction of the portion of the Reserve Amount attributable to the issuance of such Bonds with the Surety Bond, and for Bonds refunding the Refunded Obligations (the *Refunding Bonds*) deposit the proceeds of sale under an escrow agreement to provide for the payment of the Refunded Obligations, and such deposit, when made in accordance with Chapter 1207, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 permits that the proceeds from the sale of the Refunding Bonds may be deposited directly with any designated escrow agent for the Refunded Obligations that is not the depository bank of the City; and

WHEREAS, The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, currently serves as the paying agent for the Refunding Bonds, and The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, will serve as the Paying Agent/Registrar (hereinafter defined) and, when and as applicable, an Escrow Agent (hereinafter defined), when applicable, for the Bonds; and

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

of \$_____, including the cash transfer from the Retirement Account by the City Public Service Board of San Antonio, Texas (the *Board*) of \$_____; and

WHEREAS, the Board has pursuant to a resolution adopted on January 30, 2017 recommended that the Bonds should be issued as either Additional Junior Lien Obligations or Additional New Series Bonds, as determined a Designated Financial Officer; 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, Commercial Paper Obligations, and Inferior Lien Obligations, the City Council of the City deems it necessary to issue and sell the Bonds in the total principal amount of \$_____ for the purpose of purposes, as applicable, of (i) refunding the Refunded Obligations, (ii) acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the Systems, and (iii) paying costs of issuance of the Bonds, which Bonds shall be payable from the source and secured in the manner herein provided; and

WHEREAS, this City Council has further found and determined that all the terms and conditions for the issuance of the Bonds and the payment thereof from a lien on and pledge of the Net Revenues of the Systems (such level of priority determined by a Designated Financial Officer) Bonds can be met and satisfied in that (1) the Board by resolution has consented to the plan of finance evidenced by the issuance of the Bonds herein proposed to be issued and sold and the payment thereof from the Net Revenues of the Systems and has further agreed to comply with all the terms and provisions of this Ordinance with relation to the operation of such Systems and the disposition of the Systems' revenues; (2) a Treasurer of the Board will execute a certificate that the City is not in default as to any covenant, obligation, or undertaking contained in any ordinance or other document relating to the issuance of any obligations now outstanding which are payable from and secured by a lien on and pledge of the Net Revenues of the Systems, and each of the funds and accounts created and established for the sole purpose of paying the principal of and interest on such obligations contains the amount now required to be on deposit therein; [(3) if the Bonds are issued as New Series Bonds, the Board can secure from an independent certified public accountant a certificate evidencing his determination that the Net Revenues of the Systems (including earnings from investments of Systems' funds) were, during the last completed Fiscal Year (as hereinafter defined) or for any consecutive twelve-month period during the last fifteen consecutive months prior to the adoption of this Ordinance, equal to at least one and one-half times the maximum annual principal and interest requirements on the currently outstanding New Series Bonds and the New Series Bonds authorized to be issued by this Ordinance;] (4) each series of Bonds authorized to be issued by this Ordinance will be stated to mature on February 1 in each of the years they are scheduled to mature; and (5) if the Bonds are issued as New Series Bonds, pursuant to the purchase of the Surety Bond (hereafter defined), provision is made in this Ordinance that the amount to be accumulated and maintained in the Retirement Account as the Reserve Amount will be an amount equal to not less than the average annual requirements for the payment of principal of and interest on all New Series Bonds which will be outstanding after giving effect to the issuance of any New Series Bonds authorized by this Ordinance; and

WHEREAS, this City Council is now authorized and empowered to proceed with the passage and adoption of this Ordinance authorizing (i) the issuance of the Bonds in the total principal amount of not to exceed \$580,100,000, (ii) the execution and delivery of each Paying Agent/Registrar Agreement, any Escrow Agreement, any Bond Purchase Agreement, and the Letter of Representations relating to the Bonds, (iii) the providing of notice of redemption, if any, for the Refunded Obligations, (iv) the approval of each Official Statement relating to the Bonds, (v) certain powers and duties to be exercised and performed by the Board, acting through a Designated Financial Officer, including the execution of each Approval Certificate setting forth the final pricing terms and a bond insurance policy, if any, and (vi) the recognition of the existing Surety Bond from Assured Guaranty Municipal Corp.; and

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

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

SECTION 1. Authorization. In order to provide funds for the purposes as applicable, of (i) refunding the Refunding Candidates, (ii) acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the Systems, and (iii) paying costs of issuance of the Bonds, the City Council of the City of San Antonio, Texas, acting pursuant to the laws of the State of Texas, particularly the Act, has determined that there shall be issued and there is hereby ordered to be issued one or more series of revenue and/or refunding bonds (any such series, the *Bonds*), such initial series now issued, to be designated "City of San Antonio, Texas Electric and Gas Systems Revenue Bonds", in the principal sum of _____ (\$_____).

As authorized by the Act, each Designated Financial Officer is hereby authorized, appointed, and designated as the officers of the City authorized to act on behalf of the City in selling and delivering a series of Bonds issued pursuant to this Ordinance and carrying out the procedures specified in this Ordinance, including approval of the following terms and provisions for each series of Bonds:

1. The type of issuance of each series Bonds, which may be issued as revenue, revenue refunding, or revenue and refunding bonds and if determined the issuance will consist of refunding or revenue and refunding bonds, the identification and selection of the Refunded Candidates to be included as the Refunded Obligations refunded with proceeds of such applicable series of Bonds.
2. The treatment of such series of Bonds under applicable federal tax law, including a determination (based on the advice of the City's Co-Financial Advisors and Co-Bond Counsel, respectively) of whether the interest earnings on such series of Bonds is or is not exempt from the calculation of gross income of the holders thereof under section 103 of the Internal Revenue Code of 1986, as amended (the *Code*), for the purposes of income taxation.

3. The style of each series of Bonds, which style indicates with respect to each series of Bonds the use of proceeds thereof, and the calendar year of issuance, and to include (if necessary or desired) a letter or other sequential identification indicating that multiple series of Bonds of the same or similar type have been or will be issued hereunder during a particular calendar year.
4. The priority of the lien on and pledge of the revenues of the Systems pledged as security therefor, by issuance as additional New Series Bonds or Junior Lien Obligations, of each series of Bonds.
5. The aggregate principal amount of each series of Bonds, as well as the principal amount of each stated maturity within a series of Bonds.
6. The rate of interest to be borne on the principal amount of each stated maturity within a series of Bonds, whether such interest rate shall be fixed or variable, and if interest is to be paid periodically, the interest payment dates for such series of Bonds.
7. The Bond Date for each series of Bonds.
8. The optional, extraordinary optional, and mandatory redemption provisions applicable, if at all, to each series of Bonds.
9. The selection of method of sale for each series of Bonds (whether competitive or negotiated) and, if a negotiated sale, then selection of a senior managing underwriter and the co-managers to serve as the syndicate of underwriters selling the applicable series of Bonds.
10. Pricing for each series of Bonds, including generation and use of original issue reoffering premium and/or discount, determination of underwriters' compensation (if any), and applicable costs of issuance.
11. Selection of a bond insurer, if any, for a series of Bonds.

Each series of Bonds authorized by this Ordinance shall be issued within the following parameters:

1. All series of Bonds issued hereunder shall not exceed an aggregate principal amount of \$580,100,000.
2. The maximum maturity of any series of Bonds will not exceed February 1, 2057.
3. The true interest rate (federal arbitrage yield) on any series of Bonds shall not exceed a rate greater than 5.00% per annum.
4. For refunding Bonds, the "escrow efficiency" of any series of refunding Bonds shall be at least 50% calculated in a manner approved by the Designated Financial Officer.

5. For Refunding Bonds, the net present value savings, on a per series basis and based on the debt service of the Refunded Obligations refunded by such series of Bonds, shall be at least 5.00%, excluding the Board's cash contribution.
6. The final series of Bonds issued hereunder must be sold not later than February 23, 2018 (though the closing of a particular series of Bonds sold in accordance with this provision may occur after February 23, 2018, so long as such closing period is determined by a Designated Financial Officer to be of reasonable duration).

Each Designated Financial Officer is acting for and on behalf of the City, authorized to execute an Approval Certificate attached hereto as Schedule II evidencing the sale of a series of Bonds hereunder. The execution of an Approval Certificate shall evidence the sale date of the Bonds by the City to the Purchasers thereof in accordance with the provisions of the Act. It is further provided, however, that notwithstanding the foregoing provisions, no series of Bonds shall be delivered, unless prior to delivery, such series of Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371. Upon execution of an Approval Certificate, Bond Counsel is authorized to complete a copy of this Ordinance as evidence of the issuance of a series of Bonds pursuant to the delegated authority granted hereunder and to reflect such final terms for such series of Bonds, which includes (i) completion of the preamble to this Ordinance, included deletion of those recitals that are not applicable to the particular series of Bonds then being issued, (ii) selection of the appropriate terms attached as Exhibits hereto (with such additional modifications to any of such forms to reflect the final transaction structure and terms of sale evidenced in an applicable Approval Certificate) and incorporated herein as though originally included and made a part of, and having the same effect as being originally included and made a part of, this Ordinance, (iii) completion of Schedule I with those Refunding Candidates selected as Refunded Obligations to be refunded with the proceeds a particular series of Bonds issued as refunding bonds or refunding bonds, and (iv) such other necessary technical modifications to this Order (including the renumbering of sections hereof) to accommodate all other terms and provisions of this Section 1. In addition to the foregoing, each Authorized Official is authorized to execute, as the act and deed of the City and on behalf of the Board, any and all contracts, agreements, letters, and certificates, relative to any series of Bonds that may be required by this Ordinance, as supplemented in the manner described above, or determined to be necessary or advisable in connection with an issuance of Bonds hereunder.

SECTION 2. Bond Date-Denomination-Stated Maturities-Redemption Option. The Bonds shall be issued as fully registered obligations, without coupons, totaling \$ _____ in aggregate principal amount and be dated _____, 20____.

The Bonds shall be in denominations of Five Thousand Dollars (\$5,000) or any integral multiple (within a stated maturity) thereof, shall be lettered "R" and numbered consecutively from One (1) upward. The Bonds herein authorized to be issued shall bear interest on the unpaid principal amounts from the Closing Date or from the most recent interest payment date to which interest has been duly paid or provided and principal shall become due and payable on February 1 in each of the years and in amounts in accordance with the following schedule. Said interest

shall be payable to the registered owner of any such Bond in the manner provided and on the dates stated in the FORM OF DEFINITIVE BOND set forth in this Ordinance.

Stated Maturities

Principal Amounts (\$)

Interest Rates (%)

Redemption Provisions:

(a) Optional Redemption. The City reserves the right to redeem, at its option, the Bonds stated to mature on and after _____, 20__ in whole or in part and by lot, on _____, 20__ or any date thereafter at the price of par plus accrued (but unpaid) interest to such date of redemption.

(1) Notice of Redemption. At least thirty (30) days prior to the date any such Bonds are to be redeemed, a notice of redemption, authorized by appropriate resolution passed by the governing body of the City, shall be given in the manner set forth below. A written notice of such redemption shall be given to the registered owner of each Bonds 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 (hereinafter defined) kept by the Paying Agent/Registrar. 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 Bonds 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 Bonds, 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 (as hereinafter defined) 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 Bonds or any portion thereof. If a portion of any Bonds shall be redeemed, a substitute Bonds or Bonds having the same stated maturity date, bearing interest at the same interest rate, in any denomination or denominations in any integral multiple of \$5,000, 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.

SECTION 3. Payment of Bonds - Paying Agent/Registrar.

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

The Bonds shall bear interest at the per annum rates shown above in Section 2, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable on February 1 and August 1 of each year commencing _____, 20__.

The selection and appointment of The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, to serve as Paying Agent/Registrar for each series of Bonds is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the office of the Paying Agent/Registrar books and records (the *Registration Books*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement (in substantially the form attached hereto as Exhibit A, which Paying Agent/Registrar Agreement is hereby authorized to be executed and delivered) and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change (which shall be at the sole discretion of the City) in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Bonds, due and payable by reason of stated maturity, redemption, or otherwise, shall be payable only to the registered owner of the Bonds (the *Bondholder* or *Bondholders*) appearing on the Registration Books (i) on the Record Date (as hereinafter defined) for purposes of paying interest thereon and (ii) on the date of surrender of the Bonds for purposes of paying principal at stated maturity or the redemption thereof. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Bondholder as the owner of a Bond for purposes of receiving payment and all other purposes

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

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

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

B. Registration - Transfer - Exchange of Bonds-Predecessor Bonds. The Registration Books relating to the registration, payment, and transfer or exchange of the Bonds shall at all times be kept and maintained by the City at the corporate trust office of the Paying Agent/Registrar, and the Paying Agent/Registrar shall obtain, record, and maintain in the Registration Books the name and address of each registered owner of the Bonds issued under and pursuant to the provisions of this Ordinance. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Registration Books by the Bondholder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Bondholder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

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

At the option of the Bondholder, Bonds may be exchanged for other Bonds of authorized denominations and having the same stated maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver

replacement Bonds executed on behalf of, and furnished by, the City to the Bondholder requesting the exchange.

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

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

Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "*Predecessor Bonds*", evidencing all or a portion, as the case may be, of the same debt evidenced by the replacement Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any mutilated, lost, destroyed, or stolen Bond in lieu of which a replacement Bond has been registered and delivered pursuant to Section 27 hereof which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Bondholder any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption of such Bond; provided, however, such limitation of transfer shall not be applicable to an exchange by the Bondholder of the unredeemed balance of a Bond called for redemption in part.

SECTION 4. Execution - Authentication - Initial Bond. The Bonds shall be executed on behalf of the City by the Mayor under its seal reproduced or impressed thereon and attested by the City Clerk. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Bond Date shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchasers and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

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

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

SECTION 5. Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Initial Bonds, the Certificate of Registration, the form of Assignment, and, as it relates to the Bonds bearing interest at a variable rate, as further described in the Variable Rate Supplement attached hereto as the Exhibit G, the Notice of Demand Privilege and Mandatory Tender to be reproduced on Bonds in a Term Mode (each as described therein) shall be substantially in the form set forth in the exhibits hereto, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Bonds are insured, identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association, and such legends and endorsements thereon as may, consistent herewith, be established by the City or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond. The Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or typed or produced in any other manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof.

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

A. *Additional Junior Lien Obligations* – (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 New Series Bonds and any Additional New Series 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.

B. *Additional New Series Bonds* – bonds or other obligations authorized to be issued under the provisions of Section 17, including refunding bonds, which are secured by a lien on and pledge of the Net Revenues of the Systems on a parity with Previously Issued New Series Bonds and the New Series Bonds.

C. *Board of Trustees, Board, or City Public Service Board* – the City Public Service Board of San Antonio, Texas, existing and functioning pursuant to the ordinances authorizing the issuance of the Previously Issued New Series Bonds and this Ordinance.

D. *Bond Date* – shall mean _____, 20__.

E. *Bonds* – shall mean the obligations authorized by this Ordinance, styled “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds”, as further distinguished by purpose, series, tax treatment, lien priority, and determination as to interest rate calculation.

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

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

H. *Commercial Paper* – 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 New Series Bonds and the Junior Lien Obligations and any Additional New Series Bonds and Additional Junior Lien Obligations hereafter issued by the City, identified as follows:

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

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

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

J. *Designated Financial Officer* – the Chairman or Vice Chairman of the Board, the Secretary or Assistant Secretary of the Board, and any Treasurer of the Board, or such other financial or accounting official of the Board so designated by the City Council.

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

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

M. *Inferior Lien Obligations* – (i) any bonds, notes, warrants, certificates of obligation, or other similar debt currently outstanding or hereafter issued by the City that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledges thereof securing payment of the currently outstanding New Series Bonds, the Junior Lien Obligations, the Commercial Paper Obligations, and any Additional New Series Bonds and Additional Junior Lien Obligations hereafter issued by the City, including the “City of San Antonio, Texas Electric and Gas Systems Tax Exempt Flexible Rate Revolving Notes, Series A” and the “City of San Antonio, Texas Electric and Gas Systems Taxable Flexible Rate Revolving Notes, Series A”, authorized in an aggregate principal amount at any one time outstanding not to exceed \$100,000,000, (ii) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and (iii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

N. *Junior Lien Obligations* – 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 New Series Bonds and any Additional New Series Bonds hereafter issued by the City, identified as follows:

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

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

(3) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A”, originally authorized in the aggregate principal amount of \$48,170,000;

(4) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012B”, originally authorized in the aggregate principal amount of \$47,815,000;

(5) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012C”, originally authorized in the aggregate principal amount of \$47,660,000;

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

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

(8) “City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Refunding Bonds, Series 2014”, originally authorized in the aggregate principal amount of \$262,530,000;

(9) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015A”, originally authorized in the aggregate principal amount of \$125,000,000;

(10) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B”, originally authorized in the aggregate principal amount of \$125,000,000;

(11) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Bonds, Series 2015C”, originally authorized in the aggregate principal amount of \$100,000,000;

(12) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Bonds, Series 2015D”, originally authorized in the aggregate principal amount of \$100,000,000; and

(13) Upon issuance, the Bonds, if issued as Junior Lien Obligations; 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.

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

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

Q. *New Series Bonds* – the Previously Issued New Series Bonds, the Bonds, when issued as 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, and any Additional New Series Bonds.

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

(1) those New Series Bonds theretofore canceled by the respective paying agents for such New Series Bonds or delivered to such paying agents for cancellation;

(2) those New Series Bonds for which payment has been duly provided by the City by the irrevocable deposit with the respective paying agents for such New Series Bonds 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 New Series Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing the issuance of such New Series Bonds or irrevocably provided to be given to the satisfaction of such paying agents, or waived;

(3) those New Series Bonds that have been mutilated, destroyed, lost, or stolen and for which replacement bonds have been registered and delivered in lieu thereof; and

(4) those New Series Bonds 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.

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

T. *Previously Issued New Series Bonds* – the Outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the Systems, identified as follows:

(1) “City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2006B”, dated January 15, 2007 and originally issued in the total aggregate principal amount of \$128,845,000;

(2) “City of San Antonio, Texas Electric and Gas Systems Revenue and Refunding Bonds, New Series 2007”, dated June 15, 2007 and originally issued in the principal amount of \$449,410,000;

(3) “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;

(4) “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;

(5) “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;

(6) “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, Taxable New Series 2009C (Direct Subsidy-Build America Bonds)”, dated May 1, 2009 and originally issued in the principal amount of \$375,000,000;

(7) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2009D” dated June 1, 2009 and originally issued in the principal amount of \$207,940,000;

(8) “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, Taxable New Series 2010A (Direct Subsidy-Build America Bonds)”, dated February 1, 2010 and originally issued in the principal amount of \$380,000,000;

(9) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2011”, dated November 1, 2011 and originally issued in the principal amount of \$50,915,000;

(10) “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, Taxable New Series 2012”, dated March 1, 2012 and originally issued in the principal amount of \$521,000,000;

(11) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2012”, dated June 1, 2012 and originally issued in the principal amount of \$655,370,000;

(12) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2015”, dated August 1, 2015 and originally issued in the principal amount of \$320,530,000;

(13) “City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, New Series 2015”, dated November 1, 2015 and originally issued in the principal amount of \$235,000,000;

(14) Upon issuance, the Bonds, when issued as New Series Bonds; and

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

U. *Refunding Candidates* – those obligations set forth in Schedule II hereof.

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

W. *Surety Bond* – the surety bond issued by Assured Guaranty Municipal Corp. guaranteeing certain payments into the Retirement Account as provided in Section 11 hereof with respect to the New Series Bonds as provided in the Surety Bond and subject to the limitations set forth in the Surety Bond and the Surety Bond shall constitute a permissible Surety Policy.

X. *Surety Policy* – includes a surety bond, insurance policy, letter of credit, or other agreement or instrument whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

Y. *Systems* – the entire electric light and power plants and systems and gas distribution system and all property of every kind appurtenant to and used or acquired in connection with said electric light and power 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 New Series Bonds issued before May 29, 1997, and the defeasance of the ordinances authorizing the issuance of such Previously Issued New Series Bonds, the term Systems shall not mean or include facilities of any kind which are declared not to be a part of the Systems and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the New Series

Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 7. Pledge.

A. New Series Bonds.

(1) In the event the City issues a series of Bonds as New Series Bonds, the City hereby covenants and agrees with the holders of the New Series Bonds that the Net Revenues of the Systems shall be and are hereby pledged to the payment of principal of and interest on (including the establishment and maintenance of a reserve, as provided in Sections 11 and 17E. of this Ordinance) the New Series Bonds, and it is hereby ordained that all New Series Bonds and the interest thereon shall constitute a first lien upon the Net Revenues of the Systems.

B. Junior Lien Obligations.

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

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

C. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of Net Revenues granted by the City under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 8. Rates and Charges. The City hereby agrees and reaffirms its covenants to the holders of the Bonds 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 nondiscriminatory 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 Chapter 1502, as amended, Texas Government Code;

B. the interest on and principal of all New Series Bonds, as and when the same shall become due, and for the establishment and maintenance of the Funds and Accounts created for the payment and security of the New Series Bonds;

C. the interest on and principal of the Prior Lien Bonds (as defined in the City ordinance authorizing the Commercial Paper Obligations), including the Junior Lien Obligations (including the Credit Agreement) and any Additional Junior Lien Obligations hereafter issued, as and when the same shall become due, and for the establishment and maintenance of the Funds and Accounts created for the payment and security of the Junior Lien Obligations and any Additional Junior Lien Obligations;

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

E. any legal debt or obligation of the Systems as and when the same shall become due.

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

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

SECTION 10. Flow of Funds. The City, acting through the Board of Trustees, hereby agrees and reaffirms its covenant to the holders of the New Series Bonds that funds in the General Account shall be pledged and appropriated to the following uses and in the order of priority shown below:

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

SECOND: to the payment of New Series Bonds, including the establishment and maintenance of the reserve therefor;

THIRD: to the payment of the Prior Lien Bonds (as defined in the City ordinance authorizing the Commercial Paper Obligations), 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 Notes and the Credit Agreement (as defined in the ordinance authorizing the Commercial Paper);

FIFTH: to the payment and security of any Inferior Lien Obligations hereinafter issued which are inferior in lien to the New Series Bonds, the Junior Lien Obligations, and the Notes;

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

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

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

SECTION 11. New Series Bond Retirement Account. For purposes of paying the principal of and interest on the New Series Bonds, when and as the same shall become due, and providing a reserve to prevent a default in the payment of such principal and interest on New Series Bonds, the City, acting through the Board of Trustees, hereby reaffirms the creation and establishment of a special account known as the “City of San Antonio Electric and Gas Systems New Series Bond Retirement Account” (the *Retirement Account*), which account shall continue to be kept separate and apart from all other funds or accounts of the Systems or of the City. The City hereby reaffirms its covenant that the Retirement Account shall be established and kept at such Depository as the Board of Trustees shall designate and funds deposited therein shall be used only for the purpose of paying the principal of and interest on the New Series Bonds.

From the Net Revenues of the Systems pledged to the payment and security of the New Series Bonds, the Board of Trustees shall cause to be paid in the Retirement Account such amounts as will be fully sufficient to (i) promptly pay, when due, all principal of and interest on the New Series Bonds (the “interest and sinking fund portion” of the Retirement Account) and (ii) establish and maintain in the Retirement Account a reserve amount (the “Reserve Amount” or “reserve fund portion” of the Retirement Account) equal to not less than the average annual principal and interest requirements of all Outstanding New Series Bonds (calculated on a Fiscal Year basis as of the date the last series of New Series Bonds were authorized and after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax

credit or similar payment relating to a series of New Series Bonds irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any New Series Bonds designated as “build America bonds” and “qualified bonds” under the Code)); provided, however, that the City expressly reserves the right in this Ordinance to fund the Reserve Amount, in whole or in part, by purchasing a Surety Policy. In addition, all sums received from the initial purchasers of New Series Bonds constituting accrued interest, if any, shall be placed in the interest and sinking fund portion of the Retirement Account.

In addition to the deposits required to be made in the interest and sinking fund portion of the Retirement Account to pay the annual debt service requirements of the Previously Issued New Series Bonds, the Board is hereby directed to deposit in said Account the following amounts to pay the principal of and interest on the New Series Bonds:

A. Deposits for payment of interest--on or before the 15th day of the month to occur following the date of delivery of the New Series Bonds to the Purchasers thereof and on or before the 15th day of each following month through _____, 20__ an equal amount of money with such deposits totaling not less than the amount of the installment of interest coming due on the New Series Bonds on _____, 20__, and on or before _____, 20__ and on or before the 15th day of each following month, until the New Series Bonds are no longer Outstanding, an amount of money equal to not less than one-sixth (1/6) of the next semiannual installment of interest to become due on said New Series Bonds; provided, that to the extent there is money available in the interest and sinking fund portion of the Retirement Account to pay interest on said New Series Bonds on _____, 20__, such deposits may be reduced by the amount of the aforesaid money available to pay said interest on said New Series Bonds.

B. Deposits for payment of principal-- on or before the 15th day of _____, 20__, and on or before the 15th day of each following month and during each of the twelve-month periods preceding the dates the New Series Bonds are stated to mature, or are required to be redeemed prior to scheduled maturity, not less than one-twelfth (1/12) of the principal amount required herein to be paid at stated maturity or to be redeemed prior to scheduled maturity.

In compliance with the provisions of the ordinances authorizing the issuance of the Previously Issued New Series Bonds and this Ordinance, the Board of Trustees shall cause to be accumulated and maintained in the Retirement Account a Reserve Amount equal to not less than the average annual principal and interest requirements of the Previously Issued New Series Bonds and the New Series Bonds, such Reserve Amount to be determined on the basis of cash on deposit and the book value of securities in which money in the reserve fund portion of the Retirement Account is invested, and to be in addition to the amount on deposit in the Retirement Account for purposes of paying the annual debt service requirements of the Outstanding New Series Bonds. The Reserve Amount equals not less than the average annual principal and interest requirements of the Previously Issued New Series Bonds and the New Series Bonds. Whenever the amount in the reserve fund portion of the Retirement Account equals less than the total amount required to be on deposit therein in accordance with the provisions of this Ordinance, monthly deposits in an amount equal to the sum of the monthly deposits previously required under the provisions of the ordinances authorizing the Previously Issued New Series Bonds, shall be resumed and continued to be made on or before the 15th day of each month until the total amount required to be on deposit in the reserve fund portion of the Retirement Account

has been fully restored; provided, however, that the City expressly reserves the right in this Ordinance to fund the Reserve Amount, in whole or in part, by purchasing a Surety Policy.

In the event there are insufficient funds available in any month to permit the required monthly deposits in the Retirement Account for purposes of paying the annual debt service requirements on the New Series Bonds and accumulating and maintaining the Reserve Amount, either or both, amounts equivalent to such deficiencies shall be set apart and paid into the said Account from the first available and unallocated Net Revenues pledged to the payment of the New Series Bonds in the next following month or months, and such payments shall be in addition to the monthly amounts otherwise required to be paid into said Account during such month or months.

Accrued interest, if any, received from the initial purchasers of New Series Bonds which is deposited in the interest and sinking fund portion of the Retirement Account and income and profits received from the investment of funds in the Retirement Account may be taken into consideration and reduce the monthly deposits which would otherwise be required to be placed in the interest and sinking fund portion and reserve fund portion of the Retirement Account from the pledged Net Revenues of the Systems.

The City, at its option and consistent with the provisions of this Section, may fund the Retirement Account at the Reserve Amount by purchasing a Surety Policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Reserve Amount in the event funds on deposit in the bond fund portion of the Retirement Account are not sufficient to pay the debt service requirements on the New Series Bonds. All ordinances adopted after the date hereof authorizing the issuance of Additional New Series Bonds shall contain a provision to this effect. Section 51 of this Ordinance contains certain provisions relating to the Surety Bond. The City reserves the right to use gross revenues of the Systems to fund the payment of (1) periodic premiums on the Surety Policy as a part of the payment of Maintenance and Operating Expenses, and (2) any repayment obligation incurred by the City (including interest) to the issuer of the Surety Policy, the payment of which will result in the reinstatement of such Surety Policy, prior to making payments required to be made to the reserve fund portion of the Retirement Account pursuant to the provisions of this Section to restore the balance in such fund to the Reserve Amount for the New Series Bonds.

In the event a Surety Policy is issued to satisfy all or part of the City's obligation with respect to the Reserve Amount causes the amount then on deposit in the reserve fund portion of the Retirement Account to exceed the Reserve Amount, the City may transfer such excess amount to any fund or funds established for the payment of or security for the New Series Bonds (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents bond proceeds, then such amount must be transferred to the bond fund portion of the Retirement Account.

SECTION 12. Repair and Replacement Account. The City reaffirms its covenant with the holders of New Series Bonds that a special fund or account shall be created and established to be known as the "City of San Antonio Electric and Gas Systems Repair and Replacement

Account” (the *Repair and Replacement Account*) at such Depository as may be designated by the Board of Trustees. Money on deposit in the Repair and Replacement Account shall be used for the following purposes: providing extensions, additions, and improvements to the Systems; meeting contingencies of any nature in connection with the operations, maintenance, improvement, replacement, or restoration of properties of the Systems; and paying bonds or other obligations for which other funds are not available, or for any or all of such purposes, as, from time to time, may be determined by the Board of Trustees.

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

No deposit in excess of six percent (6%) of the annual gross revenues of the Systems shall be made to the Repair and Replacement Account (as provided in the preceding paragraph) unless and until complete and full payments, or provisions for such payments, shall have been paid over or credited to the General Fund of the City in accordance with Section 13 of this Ordinance. After complete and full payments, or provisions for such payments, shall have been paid over or credited to the General Fund of the City to the full extent required in Section 13 hereof, additional deposits may be made to the Repair and Replacement Account; and at the close of each Fiscal Year, all Net Revenues of the Systems remaining in the General Account after full and complete payment to the General Fund of the City has been made (except such amounts as may be required to meet unpaid accounts and obligations which have accrued or are payable during the year to insure continued operation of the Systems), shall be deposited in the Repair and Replacement Account.

SECTION 13. Payments or Credits to the General Fund of the City. In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued New Series Bonds and this Ordinance, and after the payments to the Retirement Account and the Repair and Replacement Account (for purposes of accumulating therein an amount equal to six percent (6%) of the annual gross revenues of the Systems) have been made in full in accordance with the provisions of Sections 10, 11, and 12 of this Ordinance, there shall be paid over or credited to the General Fund of the City (for general purposes of the City), to the extent Net Revenues of the Systems are available in the General Account and in monthly installments, an amount in cash not to exceed 14% of the gross revenues of the Systems for the month next preceding the month in which the monthly deposit is made, less the value of gas and electric services of the Systems used by the City for municipal purposes and the amount expended for additions to the street lighting system for the month for which such payment is being made. The maximum amount in cash to be transferred or credited to the General Fund of the City from the Net Revenues of the

Systems during any Fiscal Year shall not exceed 14% of the gross revenues of the Systems less the value of gas and electric services of the Systems used by the City for municipal purposes and the amounts expended during the Fiscal Year for additions to the street lighting system. The percentage of gross revenues of the Systems to be paid over or credited to the General Fund of the City each Fiscal Year shall be determined (within the 14% limitation) by the governing body of the City.

SECTION 14. Investments. Funds on deposit in the General Account, the Construction Account (hereinafter defined), the Retirement Account and the Repair and Replacement Account may be, at the option of the Board of Trustees, invested in any investment permitted by the provisions of the Board of Trustees' Investment Policy and the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or in any other investment authorized under applicable laws of the State of Texas from time to time, including time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements. Any obligations, or evidences of ownership of said obligations, in which funds on deposit in the aforementioned Accounts are so invested shall be kept in escrow in the respective Depositories for such Accounts, and such investments shall be promptly sold when required and the proceeds of the sale applied to the making of payments required to be made from the Account from which the investment was made whenever such payments are necessary to be made. All income and profits received from the investment of funds in the Repair and Replacement Account shall be transferred and credited to the General Account. During the period of time the Reserve Amount in the Retirement Account totals not less than the total amount required to be on deposit therein, all income and profits received from the investment of such funds shall be transferred to the interest and sinking fund portion of the Retirement Account, thereby reducing the amount required to be deposited therein, to meet the debt service requirements of the Bonds; otherwise income and profits received from investments of the funds constituting the Reserve Amount shall be retained as a portion of the Reserve Amount. Income and profits received from investments of funds on deposit in the interest and sinking fund portion of the Retirement Account shall be used only for the purposes of paying the principal of and interest on the Bonds, as and when the same shall become due.

SECTION 15. Transfer of Funds to the Paying Agent/Registrar. On or before an interest or principal payment date of any New Series Bonds, the Treasurer of the Board shall make transfer of funds on deposit in the Retirement Account to the paying agent or paying agents (including the Paying Agent/Registrar) in the amounts calculated as fully sufficient to pay and discharge promptly, as due, each installment of interest and principal pertaining to the New Series Bonds then Outstanding. In making such transfers, the Treasurer of the Board shall take into account any money on deposit with the any paying agent/registrar relating to a series of New Series Bonds irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any New Series Bonds designated as "build America bonds" and "qualified bonds" under the Code). In the event New Series Bonds may be called for redemption prior to stated maturity, the Treasurer of the Board shall cause amounts calculated as sufficient to pay and discharge the New Series Bonds (including accrued interest) so called for redemption to be transferred to the paying agent or paying agents (including the Paying Agent/Registrar) on or before the date fixed for the redemption of such bonds.

SECTION 16. Security of Funds. All money on deposit in the special Accounts for which this Ordinance makes provision (except any portions thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds.

SECTION 17. Issuance of Additional Bonds.

(a) Additional New Series Bonds. In addition to the right to issue obligations of inferior lien, as authorized by the laws of the State of Texas, the City reserves the right to issue additional revenue obligations payable from the same source and equally and ratably secured in the same manner as the Previously Issued New Series Bonds and the New Series Bonds, and such additional revenue obligations, the Previously Issued New Series Bonds, and the New Series Bonds shall in all respects be of equal dignity. The amount of additional revenue obligations for Systems improvements and extensions to be issued from time to time shall be based upon the difference between the estimated costs of planned extensions and improvements and the total amount of funds available and estimated to be available for extensions and improvements to the Systems; and it shall be the duty of the Board of Trustees to request the City Council to authorize and provide for the issuance and sale of additional revenue obligations in the amount necessary to meet the cost of such planned extensions and improvements, such request to be evidenced by resolution of the Board of Trustees; and upon receipt of such request, it shall be the duty of the City Council to review such request and to provide for the issuance and sale of such Additional New Series Bonds as the City Council may deem necessary in order that the planned extensions and improvements may be made. It is hereby covenanted and agreed that no additional refunding bonds or other obligations shall be issued or incurred on a parity with the Bonds unless and until the following conditions can be satisfied and met:

(i) The Board of Trustees by resolution (i) shall have consented to the issuance of such Additional New Series Bonds and the payment thereof from the Net Revenues of the Systems and (ii) shall have further agreed to comply with all of the terms and provisions of the ordinance authorizing such Additional New Series Bonds with relation to the operation of the Systems and the disposition of revenues of the Systems.

(ii) The Treasurer of the Board shall have executed a certificate stating (i) that the City is not in default as to any covenant, obligation, or undertaking contained in any ordinance or other document relating to the issuance of any obligations then Outstanding which are payable from and secured by a lien on and pledge of the Net Revenues of the Systems and (ii) that each of the Accounts created and established for the sole purpose of paying the principal of and interest on such obligations contains the amount then required to be on deposit therein.

(iii) The Board of Trustees shall have secured from an independent certified public accountant a certificate evidencing his determination that the Net Revenues of the Systems (including earnings from the investment of Systems' funds) were, during the last completed Fiscal Year or for any consecutive twelve (12) month period during the last fifteen (15) consecutive months prior to the month of adoption of the ordinance authorizing the issuance of the additional obligations, equal to at least one and one-half times the maximum annual principal and interest requirements on the then outstanding New Series Bonds and the Additional New Series Bonds then proposed to be issued, after giving consideration as an offset to debt service

the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of New Series Bonds irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any New Series Bonds designated as “build America bonds” and “qualified bonds” under the Code). For the purpose of determining said Net Revenues, the certified public accountant may adjust the Net Revenues to include a proper allowance for revenues arising from any increase in electric and gas rates which has become effective prior to the issuance of the proposed Additional New Series Bonds, but which during all or any part of the past Fiscal Year or other twelve (12) month period used for determining said Net Revenues was not in effect, in an amount equal to the amount by which the billings of the Systems to customers for such Fiscal Year or twelve (12) month period would have been increased if such increase in rates had been in effect during the whole of such Fiscal Year or twelve (12) month period.

(iv) The Additional New Series Bonds are to mature on February 1 or August 1, or both, in each of the years in which they are scheduled to mature.

(v) The ordinance authorizing the issuance of the Additional New Series Bonds (a) provides that the amount to be accumulated and maintained in the Retirement Account as the Reserve Amount shall be an amount equal to not less than the average annual requirements for the payment of principal of and interest on all New Series Bonds which will be Outstanding after giving effect to the issuance of the Additional New Series Bonds then being issued and (b) provides that any increase to the Reserve Amount in the Retirement Account shall be accumulated within five (5) years and one (1) month from the date of passage of the ordinance authorizing the issuance of the Additional New Series Bonds.

Provided, however, that New Series Bonds may be issued from time to time (pursuant to any law then available) for purposes of refunding outstanding New Series Bonds upon such terms and conditions as the governing body of the City and the Board of Trustees may deem to be in the best interest of the City, and, if less than all Outstanding New Series Bonds are refunded, the proposed refunding bonds shall be considered as “Additional New Series Bonds” under the provisions of this Section, but the certificate required in paragraph C of this Section shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment). New Series Bonds shall not be considered to be “outstanding” (under the provisions of this Ordinance) when provision has been made for their payment in the manner and to the extent permitted by the laws of the State of Texas applicable at the time such provision is made.

Provided, further, that any obligations hereafter issued which are junior and subordinate in all respects to the New Series Bonds may (without impairment of the obligation of contract of the New Series Bonds) be refunded as New Series Bonds by meeting all the terms and conditions for the issuance of Additional New Series Bonds; and such junior lien obligations may achieve the status of and become, for all purposes, New Series Bonds when the following conditions can be met and upon the happening of the following events: (i) the Board of Trustees shall have caused to be filed with the City Clerk of the City a certified written report of an independent certified public accountant demonstrating that the Net Revenues, during the last completed Fiscal Year or for any twelve (12) consecutive months during the last fifteen (15) months prior to the month of filing such report, were equal to at least one and one-half (1-1/2) times the maximum

annual requirements for the payment of principal of and interest on the then outstanding New Series Bonds and for the obligations then proposed to achieve the status of New Series Bonds, after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of New Series Bonds irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any New Series Bonds designated as “build America bonds” and “qualified bonds” under the Code); (ii) the Treasurer of the Board shall have filed with the City Clerk of the City a certificate stating that the City is not in default as to any covenant, obligation, or undertaking contained in any ordinance or other document relating to the issuance of any obligations then outstanding which are payable from and secured by a lien on and pledge of the Net Revenues of the Systems and that each of the Accounts created and established for the sole purpose of paying the principal of and interest on such obligations contains the amount then required to be on deposit therein; (iii) the obligations proposed to achieve the status of New Series Bonds are stated to mature on February 1 or August 1, or both, in each of the years they are scheduled to mature; and (iv) the Reserve Amount required to be accumulated or then on deposit in the Retirement Account equals not less than the average annual requirements for the payment of principal of and interest on all New Series Bonds which will be Outstanding after giving effect to the obligations then proposed to achieve the status of New Series Bonds, after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of New Series Bonds irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any New Series Bonds designated as “build America bonds” and “qualified bonds” under the Code).

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

(i) A Designated Financial Officer (or other official of the City having primary responsibility for the fiscal affairs of the City) shall have executed a certificate stating that (a) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Junior Lien Obligations to satisfy the City’s obligations under this Ordinance, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the Systems and (b) all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein.

(ii) A Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the Systems, the Net Revenues of the Systems for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted

(determined without regard to revenue received by the City under any interest rate hedge agreement entered into in connection with New Series Bonds, Additional New Series Bonds, or Additional Junior Lien Obligations) are at least equal to 100% of the average annual Debt Service Requirements for all New Series Bonds, Junior Lien Obligations, Additional New Series Bonds, and Additional Junior Lien Obligations in any future Fiscal Year while the Additional Junior Lien Obligations then proposed to be issued are to be outstanding, after giving effect to such Additional Junior Lien Obligations and after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of obligations irrevocably designated as refundable tax credit bonds under the Code (including, but not limited to, any New Series Bonds or Junior Lien Obligations designated as “build America bonds” and “qualified bonds” under the Code) (and, in making a determination of the Net Revenues, such Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Systems that became effective at least 60 days prior to the last day of the period for which Net Revenues are to be determined and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by the certification based on such change in rates and charges being in effect for the entire period covered by such Designated Financial Officer’s certificate).

(iii) Provision is made for monthly deposits to be made to a debt service fund for such obligations in amounts sufficient to pay the Additional Junior Lien Obligations when due.

(c) Additional Commercial Paper Obligations and Additional Inferior Lien Obligations. Commercial Paper Obligations and Inferior Lien Obligations payable from and secured by a lien on and pledge of the Net Revenues of the Systems that is inferior and subordinate to the liens and pledges made to secure payment of the New Series Bonds, Additional New Series Bonds, Junior Lien Obligations, and Additional Junior Lien Obligations, may be issued as “Additional Commercial Paper Obligations” and “Additional Inferior Lien Obligations”, upon satisfying each of the conditions precedent contained in the City ordinances authorizing the issuance of the currently outstanding New Series Bonds, the currently outstanding Junior Lien Obligations, this Ordinance, the ordinance authorizing the issuance of the Commercial Paper Obligations and, to the extent applicable, the ordinance authorizing the issuance of the Inferior Lien Obligations.

SECTION 18. No Obligation of Lien Superior to that of the New Series Bonds. The City will not hereafter issue any additional bonds or create or issue evidences of indebtedness for any purpose possessing a lien on Net Revenues superior to that to be possessed by the New Series Bonds. The City, however, retains the right to create and issue evidences of indebtedness whose lien on Net Revenues shall be subordinate to that possessed by the New Series Bonds.

SECTION 19. Management of the Systems. In accordance with the provisions of the ordinances authorizing the Previously Issued New Series Bonds and this Ordinance, the City hereby agrees, covenants, and reaffirms that during such time as any New Series Bonds issued hereunder are Outstanding and unpaid, the complete management and control of the Systems, pursuant to the authority contained in Section 1502.070, as amended, Texas Government Code, shall be vested in a Board of Trustees consisting of five citizens (one of whom shall be the Mayor of the City) of the United States of America permanently residing in Bexar County,

Texas, to be known as the “City Public Service Board of San Antonio, Texas”. The Mayor of the City shall be a voting member of the Board, shall represent the City Council thereon, and shall be charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations and decisions of the Board and its conduct of the management of the Systems.

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

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

have been granted leave of absence by the unanimous vote of the remaining members of the Board, be considered to have vacated his office as a member of the Board. Any member of the Board, other than the Mayor of the City, may, by unanimous vote of the remaining members of the Board, be removed from office, but only for adequate cause.

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

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

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

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

The Board of Trustees shall appoint and employ all officers, employees, and professional consultants which it may deem desirable, including without limitation, a General Manager and

Chief Executive Officer of the Systems, attorneys, engineers, architects, and other advisors. No officer or employee of the Board of Trustees may be employed who shall be related within the second degree of consanguinity or affinity to any member of the Board of Trustees.

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

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

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

SECTION 20. Method of Amendment. The City hereby reserves the right to amend ordinances authorizing the issuance of Bonds subject to the following terms and conditions:

A. The holders of Bonds aggregating in principal amount sixty-six and two-thirds percent (66-2/3%) of the aggregate principal amount of then Outstanding Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City; provided, however, in the instance the Bonds are issued on a tax-exempt basis, that without the consent of the holders of the Bonds the provisions of the Certificate as to Tax Exemption executed in connection with the initial delivery of the Bonds may be amended at any time if the City receives an opinion from a nationally recognized bond counsel stating that such amendment would not adversely affect the status for federal income tax purposes of interest on the Bonds and provided further that nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in the bonds so as to:

- (1) make any change in the stated maturity of Outstanding Bonds;
- (2) reduce the rate of interest borne by any of the Outstanding Bonds;
- (3) reduce the amount of the principal of, or redemption premium, if any, payable on any Outstanding Bonds;
- (4) modify the terms of payment of principal or of interest or redemption premium on Outstanding Bonds or any of them or impose any condition with respect to such payment;
- (5) affect the rights of the holders of less than all of the Bonds then Outstanding; or

(6) change the minimum percentage of the principal amount of bonds necessary for consent to such amendment.

B. If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the Office of the City Clerk of the City for inspection by all holders of Bonds then Outstanding.

C. Whenever at any time within one (1) year from the date of publication of such notice the City shall receive an instrument or instruments executed by the holders of at least sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of all Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which shall specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the City Clerk of the City, the City may adopt the amendatory ordinance in substantially the same form.

D. Upon the adoption of any amendatory ordinance pursuant to the provisions of this Section, the ordinances authorizing the s Bonds then Outstanding shall be deemed to be modified and amended in accordance with such amendatory ordinance, and the respective rights, duties, and obligations of the City and all holders of Outstanding Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

E. Any consent given by the holder of an Outstanding Bond pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the publication of the notice provided for in this Section and shall be conclusive and binding upon all future holders of the same bond during such period. Such consent may be revoked at any time after six (6) months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the City Clerk of the City, but such revocation shall not be effective if the holders of sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the then Outstanding Bonds as in this Section defined, have, prior to the attempted revocation, consented to and approved the amendment.

F. Except as provided in G. below for the Registered Bonds, for the purposes of establishing ownership of Bonds, the fact of the holding of Bonds by any Bondholder, the amount and numbers of such bonds, and the dates of their holding such bonds, may be proved by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, or other depository the bonds described in such certificate. The City may conclusively assume that such ownership continues until notice to the contrary is served on the City.

G. For the purposes of establishing ownership of the Registered Bonds, the City shall rely solely upon the registration of the ownership of such bonds on the Registration Books kept by the Paying Agent/Registrar, as provided in this Ordinance, notwithstanding anything to the contrary contained in the ordinances authorizing previously issued Bonds dated on or after November 1, 1983, or in this Ordinance.

SECTION 21. Maintenance and Operation--Insurance. The City hereby agrees and reaffirms that the Systems shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds are Outstanding, the City, acting by and through the Board of Trustees, agrees to maintain insurance of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business.

SECTION 22. Records--Accounts--Accounting Reports. The City, acting by and through the Board of Trustees, hereby agrees, covenants, and reaffirms that so long as any Bonds, or any interest thereon, remain Outstanding and unpaid, a proper and complete set of records and accounts pertaining to the operation of the Systems shall be kept and maintained separate and apart from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Systems as provided in Chapter 1502, as amended, Texas Government Code, and that the holder or holders of any of the Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto and to inspect the Systems and all properties comprising the same. The Board of Trustees shall, so far as practicable and to the extent consistent with the provisions of this Ordinance, keep its books and records in the manner prescribed in the Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners. It is further agreed that as soon after the close of each Fiscal Year as may reasonably be done, the City (acting by and through the Board of Trustees) will cause an annual audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountants, shall reflect the revenues and expenses of the Systems for said Fiscal Year, and the assets, liabilities, and financial condition of the Systems (in reasonable detail) at the close of such Fiscal Year.

Expenses incurred in making the audit referred to above are to be regarded as Maintenance and Operating Expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished to the Executive Director of the Municipal Advisory Council of Texas at her office in Austin, Texas and to the original purchaser of a series of Bonds and any subsequent holder thereof at his written request. At the close of the first six (6) months' period of each Fiscal Year, the Treasurer of the Board is hereby directed to furnish a copy of an operating and income statement in reasonable detail covering such period to any bondholder upon his written request therefor received not more than thirty (30) days after the close of said six (6) months' period. Any bondholder shall have the right to discuss with the accountant making the annual audit the contents thereof and to ask for such additional information as he may reasonably require, provided such bondholder shall have offered to the Board of Trustees sufficient indemnity to pay any costs, expenses, and liabilities which may or might be incurred in providing such additional information.

SECTION 23. Remedies in the Event of Default. In addition to all of the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payments to be made to the Retirement Account as required by this Ordinance, or (ii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the following remedies shall be available:

A. The holder or holders of any Bonds shall be entitled to a writ of mandamus issued by a Court of proper jurisdiction, compelling and requiring the City, its officers, the Board of Trustees, and/or all of them, to observe and perform any covenants, conditions, or obligations prescribed in this Ordinance.

B. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedies herein provided shall be cumulative of all other existing remedies, and the specifications of such remedies shall not be deemed to be exclusive.

SECTION 24. Special Covenants. The City hereby further covenants as follows:

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

B. It has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the laws of the State of Texas, including said power existing under the Act, and (i) when issued as New Series Bonds, the Bonds, the Previously Issued New Series Bonds, and Additional New Series Bonds, or (ii) when issued as Junior Lien Obligations, the Bonds, the Previously Issued Junior Lien Obligations, and Additional Junior Lien Obligations, when issued, shall be equally and ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond of said issues.

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

D. So long as any of the Bonds or any interest thereon remain Outstanding, the City will not sell or encumber the Systems or any substantial part thereof; provided that this shall not be construed to prohibit the sale of such machinery or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the Systems; and, provided further, with the exception of the Additional New Series Bonds and Additional Junior Lien Obligations expressly permitted by this Ordinance, the City will not encumber the Net Revenues

unless such encumbrance is made inferior and subordinate to the applicable series of Bonds issued in accordance with the provisions of this Ordinance.

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

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

SECTION 25. Bonds are Special Obligations. The Bonds and any Additional New Series Bonds and Additional Junior Lien Obligations are special obligations of the City payable from the pledged Net Revenues, and the holders thereof shall never have the right to demand payment out of funds raised or to be raised by taxation.

SECTION 26. Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds or any Additional New Series Bonds and Additional Junior Lien Obligations, at the times and in the manner stipulated in this Ordinance, then the lien on and the pledge of Net Revenues and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at stated maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have, in the case of a net defeasance, been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on or prior to the stated maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. In the event of a gross defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 30 hereof).

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

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

SECTION 27. Damaged, Mutilated, Lost, Stolen, or Destroyed Bonds.

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

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

C. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the

payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

D. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City, whether or not the lost, stolen, or destroyed Bond shall be found at any time or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

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

SECTION 28. Ordinance to Constitute Contract. The provisions of this Ordinance shall constitute a contract between the City and the holder or holders from time to time of the Bonds or any Additional New Series Bonds and Additional Junior Lien Obligations, and, after the issuance of any of said bonds, no change, variation, or alteration of any kind in the provisions of this Ordinance may be made, unless as herein otherwise provided, until all of said bonds issued hereunder shall have been paid as to both principal and interest.

SECTION 29. Approval by Attorney General and Registration by the Comptroller of Public Accounts. The Mayor of the City and Treasurer of the Board are hereby authorized to have control and custody of the Bonds or any Additional New Series Bonds and Additional Junior Lien Obligations and all necessary records and proceedings pertaining thereto pending the sale of the Bonds or any Additional New Series Bonds and Additional Junior Lien Obligations and the initial delivery thereof to the initial purchasers thereof, and the Mayor and other officers and employees of the City and the Board are hereby authorized and instructed to make such certifications, execute such instruments, and perform such acts as may be necessary to assure the proper investigation, examination and approval thereof by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Account of the State of Texas, and to accomplish delivery of said bonds to the purchasers thereof.

SECTION 30. Bonds' Tax Status.

The City retains the ability to determine to cause the Bonds to bear interest, from time to time, at a taxable rate or a tax-exempt rate. Dependent upon such determination, the following provisions, as applicable, will control.

A. Taxable Bonds. In the event the City determines to cause such or all of the Bonds to bear interest on a taxable basis (the *Taxable Bonds*), such Bonds are not "state or local bonds"

within the meaning of section 103(a) and (c) of the Code; therefore, the interest on the Taxable Bonds is not excludable from the gross income of the Holders thereof for federal income tax purposes.

B. Tax-Exempt Bonds. In the event the City determines to cause such or all of the Bonds to bear interest on a tax-exempt basis, then the following provisions and covenants apply to such Bonds (each of which are referred to herein as *Tax-Exempt Bonds*):

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

“*Closing Date*” shall mean the date of physical delivery of the Initial Bond in exchange for the payment of the agreed purchase price for the Tax-Exempt Bonds.

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

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Regulations.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in section 1.148-1(c) of the Regulations, of the Tax-Exempt Bonds.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Regulations.

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

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Regulations.

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

“*Yield*” of

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

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

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

E. No Private Use or Private Payments. Except to the extent that it will not cause the Tax-Exempt Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last stated maturity of Tax-Exempt Bonds:

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

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

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

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

of the Code) of the City or in a qualified annexed area (as defined in section 141(d)(3) of the Code) of the City.

F. No Private Loan. Except to the extent that it will not cause the Tax-Exempt Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Tax-Exempt Bonds to make or finance loans to any person or entity other than a state or local government.

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

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

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

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

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Tax-Exempt Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

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

(3) As additional consideration for the purchase of the Tax-Exempt Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the bond fund or its general fund, as permitted by applicable

Texas statute, regulation or opinion of the Attorney General of the State of Texas, any Rebate Amount in the manner and on or before the dates specified in section 148(f) of the Code and the Regulation and rulings thereunder. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

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

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

L. Tax-Exempt Bonds Not Hedge Bonds.

(1) The City reasonably expected to spend at least 85% of the spendable proceeds of the Refunded Obligations within three years after each issue of such Refunded Obligations was issued.

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

M. Qualified Current Refunding. The Bonds are issued to refund the Refunded Obligations, and the Bonds will be issued, and certain proceeds thereof used, within 90 days after the Closing Date for the redemption of the Refunded Obligations. In the issuance of the Bonds, the City has employed no "device" to obtain a material financial advantage (based on arbitrage), within the meaning of section 149(d)(4) of the Code. The City has complied with the covenants, representations, and warranties contained in the documents executed in connection with the issuance of the Refunded Obligations. Accordingly, the City expects to invest the Bond proceeds to be used to refund the Refunded Obligations without regard to Yield restrictions.

N. Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Clerk, City Manager, City Attorney, City's Chief Financial Officer, any Designated Financial Officer, or any combination of the foregoing, to make such elections in the Tax-Exempt Bonds' Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code, or Regulations as they

deem necessary or appropriate in connection with the Bonds, and other transactions related to any Bonds. Such elections shall be deemed to be made on the Closing Date.

SECTION 31. Printed Legal Opinion on Bonds. The initial purchasers' obligation to accept delivery of the Bonds is subject to their being furnished a final opinion of Co-Bond Counsel, Norton Rose Fulbright US LLP and another hereinafter identified firm of attorneys, San Antonio, Texas, approving certain legal matters pertaining to the Bonds, said opinion to be dated and delivered as of the date of delivery and payment for such bonds. Printing of a true and correct copy of said opinion on the reverse side of each of such bonds with appropriate certificate pertaining thereto executed by facsimile signature of the City Clerk is hereby approved and authorized.

SECTION 32. CUSIP Numbers. CUSIP numbers may be printed on the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof, and neither the City nor attorneys approving said bonds as to legality are to be held responsible for any CUSIP number incorrectly printed on the Bonds.

SECTION 33. Sale of Bonds - Authorization of Bond Purchase Agreement - Official Statement Approval. The Bonds authorized by this Ordinance are hereby sold by the City to _____, _____, _____, as the authorized representative of a group of underwriters (the *Purchasers*, having all the rights, benefits, and obligations of a holder) in accordance with the provisions of each applicable Bond Purchase Agreement dated _____, 20__ (the *Purchase Contract*), attached hereto as Exhibit B and incorporated hereby by reference as a part of this Ordinance for all purposes. The pricing and terms of the sale of each series of Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Initial Bond shall be registered in the name of _____. Each Designated Financial Officer is hereby authorized and directed to execute each Purchase Contract for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of each Purchase Contract, the City Council hereby finds, determines, and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract are true and correct in all material respects and shall be honored by the City. Delivery of each series of Bonds to the respective Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that each Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined) and (ii) the use and distribution of each Preliminary Official Statement by the Purchasers in connection with the public offering and sale of each series Bonds. Each final Official Statement, being a modification and amendment of each Preliminary Official Statement to reflect the terms of sale, attached as Exhibit A to the Purchase Contract (together with such change approved by the Mayor or Mayor Pro Tem and City Clerk of the Governing Body, any Designated Financial Officer, or any one or more of said officials) are hereby authorized to use and distribute the final Official Statement, dated _____, 20__, in the reoffering, sale and delivery of each series of Bonds to the public. The Mayor and/or City Clerk, or any Designated Financial Officer, are further authorized and

directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchasers, and each such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the City Council and constitute each Official Statement authorized for distribution and use by the Purchasers.

SECTION 34. Escrow Agreement Approval and Execution; Proceeds of Sale. Each Escrow Deposit Letter, as applicable, dated as of _____, 2017 (collectively, the *Escrow Agreement*) by and between the City and The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the *Escrow Agent*), attached hereto as Exhibit C and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and each Escrow Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is hereby authorized to be executed by the Designated Financial Officer and on behalf of the City and as the act and deed of this City Council; and the Escrow Agreement as executed by said officials shall be deemed approved by the City Council and constitute each Escrow Agreement herein approved.

Furthermore, the Mayor, Mayor Pro Tem, City Clerk, City Manager, any Designated Financial Officer, or any one or more of said officials, and the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the purchase of the Escrowed Securities referenced in the Escrow Agreement and the delivery thereof to the Escrow Agent on the day of delivery of the Refunding Bonds to the Purchasers for deposit to the credit of the "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE BONDS ESCROW FUND" (the *Escrow Fund*), including the execution of any subscription forms, if any, for the purchase and issuance of the "United States Treasury Securities - State and Local Government Series" for deposit to the Escrow Fund; all as contemplated and provided by the provisions of the Act, this Ordinance, and each Escrow Agreement.

SECTION 35. Proceeds of Sale; Contribution from Board. Immediately following the delivery of each series of Refunding Bonds, certain proceeds of sale along with a cash contribution, if any, from the Board (less certain costs of issuance and accrued interest, if any, received from the Purchasers of each series of Refunding Bonds) shall be deposited with the Escrow Agent for application and disbursement in accordance with the provisions of each Escrow Agreement. The proceeds of sale of each series of Bonds, and Refunding Bonds not so deposited with the Escrow Agent for the refunding of the Refunded Obligations, shall be deposited as provided in the next paragraph or shall be disbursed for payment of costs of issuance or deposited in the Retirement Account for each series of Refunding Bonds, all in accordance with written instructions from a Designated Financial Officer.

Proceeds from the sale of any series of Bonds shall be applied as follows:

- (1) Accrued interest, if any, received from the Purchasers shall be deposited into the interest and sinking fund portion of the Retirement Account.
- (2) Certain of the proceeds derived from the sale of the Bonds shall be (i) deposited into the construction account (the *Construction Account*) to pay the costs of

issuance on the Bonds or to pay the construction costs, if any, of the projects to be reimbursed or financed with the proceeds of the Bonds or (ii) deposited into the Repair and Replacement Account. This Construction Account shall be established and maintained at the Depository. Interest earned on the proceeds of the Bonds deposited into the Construction Account pending payment of costs of issuance or completion of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as required by applicable law. Thereafter, such amount shall be deposited and expended in accordance with Section 11 hereof.

Additionally, on or immediately prior to the date of the initial delivery of Refunding Bonds to the Purchasers, any Designated Financial Officer shall cause to be transferred in immediately available funds to the Escrow Agent from money on deposit in the Retirement Account maintained for the payment of the Refunded Obligations and other lawfully available funds representing the Board's cash contribution to accomplish the refunding of the Refunded Obligations.

SECTION 36. Payment of Refunded Obligations. The Refunded Obligations described in Schedule I attached hereto are or will be subject to redemption prior to their stated maturities at the price of par, premium, if any, and accrued interest to the dates of redemption. The Mayor hereby gives written notice to the Escrow Agent that these Refunded Obligations have been called for redemption, and the City Council ordains that such obligations are called for redemption on the dates shown on Exhibit D hereto, and such direction to redeem the Refunded Obligations on the dates herein specified shall be irrevocable upon the delivery of any Refunding Bonds. A copy of each notice of redemption pertaining to these Refunded Obligations is attached to this Ordinance as Exhibit D and is incorporated herein by reference for all purposes.

SECTION 37. Further Actions. The officers and employees of the City and the officers and employees of the Board are hereby authorized to execute such certificates, opinions, or other documents deemed necessary to carry out the purposes of this Ordinance.

SECTION 38. Inconsistent Provisions. All ordinances, orders, or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

SECTION 39. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 40. Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 41. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 42. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar, Co-Bond Counsel, the Purchasers, and the Registered Owners of the Bonds any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, the Paying Agent/Registrar, Co-Bond Counsel, the Purchasers, and the Registered Owners of the Bonds.

SECTION 43. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 44. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 45. No Recourse Against City or Board Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bonds or for any claim based thereon or on this Ordinance against any official of the City, the Board, or any person executing any Bonds.

SECTION 46. Authorization of Paying Agent/Registrar Agreement. The City Council of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the registration, transferability, and payment of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 47. Incorporation of Preamble Recitals. The recitals contained in the preamble to this Ordinance are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council of the City.

SECTION 48. Continuing Disclosure Undertaking.

A. Definitions.

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

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

MSRB means the Municipal Securities Rulemaking Board.

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

SEC means the United States Securities and Exchange Commission.

B. Annual Reports.

The Board, on behalf of the City, shall file annually with the MSRB, within six months after the end of each Fiscal Year ending in or after 20__, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by Section 33 of this Ordinance being the information described in Exhibit E hereto. All such information must be filed with the MSRB pursuant to its Electronic Municipal Access (EMMA) System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit E hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Board shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year with the MSRB, when and if the audit report on such statements becomes available.

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

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds (unless the Bonds are issued as Taxable Bonds);

- (7) modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership, or similar event of the City or the Board, which shall occur as described below;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the Board or the sale of all or substantially all of the assets of the City or the Board, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City or the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City or the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or the Board.

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

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

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Board, on

behalf of the City, undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. Neither the City nor the Board makes any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

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

and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

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

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

SECTION 49. Book-Entry Only System. It is intended that the Bonds initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each stated maturity of the Bonds shall be issued (following cancellation of the Initial Bond described in Section 4) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the DTC Letter of Representations attached hereto as Exhibit F (the *Representation Letter*).

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

Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

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

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

SECTION 50. Further Procedures. The officers and employees of the City and the Board are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds or any Additional New Series Bonds, the Paying Agent/ Registrar Agreement, the Escrow Agreement, the Purchase Contract, and the Official Statement. In addition, prior to the initial delivery of the Bonds, the Mayor, the City Manager, the City's Chief Financial Officer, and any Designated Financial Officer and Co-Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the 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 51. Retirement Account Reserve Amount Surety Bond Provisions. The following provisions shall be effective as long as the reserve fund portion of the Retirement Account relating to the Previously Issued New Series Bonds, the Bonds issued as New Series Bonds, and certain Additional New Series Bonds is insured by Assured Guaranty Municipal Corp. (AGM) pursuant to the Surety Policy:

A. The City shall repay any draws under the Surety Policy and pay all related reasonable expenses incurred by AGM. Interest shall accrue and be payable on such draws and expenses from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means, subject to the limitations of Chapter 1204, as amended, Texas Government Code, the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (*Prime Rate*) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Previously Issued New Series Bonds, the Bonds issued as New Series Bonds, and certain Additional New Series Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 365 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, *Policy Costs*) shall commence in the first month following each draw, and each such monthly payment shall in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Surety Policy will be increased by a like amount, subject to the terms of the Surety Policy.

All cash and investments in the reserve fund portion of the Retirement Account (the *Reserve Fund*) shall be transferred to the debt service fund for payment of debt service on the Previously Issued New Series Bonds, the Bonds issued as New Series Bonds, and certain Additional New Series Bonds before any drawing may be made on the Surety Policy or any other credit facility credited to the Reserve Fund in lieu of cash (*Credit Facility*). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Surety Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

B. If the City shall fail to pay any Policy Costs in accordance with the requirements of Paragraph A hereof, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Ordinance other than (i) acceleration of the maturity of the Previously Issued New Series Bonds, the Bonds issued as New Series Bonds, and certain Additional New Series Bonds or (ii) remedies which would adversely affect owners of the Previously Issued New Series Bonds, the Bonds issued as New Series Bonds, and certain Additional New Series Bonds.

C. The Ordinance shall not be discharged until all Policy Costs owing to AGM shall have been paid in full. The City's obligation to pay such amounts shall expressly survive

payment in full of certain of the Previously Issued New Series Bonds, the Bonds issued as New Series Bonds, and certain Additional New Series Bonds.

D. The Paying Agent/Registrar shall ascertain the necessity for a claim upon the Surety Policy and to provide notice to AGM in accordance with the terms of the Surety Policy at least five business days prior to each date upon which interest or principal is due on the Previously Issued New Series Bonds, the Bonds, and certain Additional New Series Bonds.

E. The Surety Policy shall expire on December 31, 2049.

SECTION 52. City's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Designated Financial Officer, Co-Bond Counsel to the City, and/or Co-Financial Advisors to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Bonds; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Bonds.

SECTION 53. Delegation Authorization Pursuant to HB 1295. Though such parties may be identified, and the entry into a particular contract may be authorized, herein, pursuant to the Act, and any other applicable law, the City Council hereby delegates to each Designated Financial Officer the authority to independently select the counterparty to any agreement with the Paying Agent/Registrar, rating agency, bond insurer, securities depository, Escrow Agent, open market securities bidding agent, escrow fund winning bidders, verification agent or any other contract that is determined by a Designated Financial Officer, the Co-Financial Advisors, or Co-Bond Counsel to be necessary or incidental to the issuance of the Bonds as long as each of such contracts has a value of less than the amount referenced in Section 2252.908 of the Texas Government Code (collectively, the *Ancillary Bond Contracts*) and, as necessary, to execute the Ancillary Bond Contracts on behalf and as the act and deed of the City. The City Council has not participated in the selection of any of the business entities which are counterparties to the Ancillary Bond Contracts.

SECTION 54. 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 _____ members of the City Council of the City of San Antonio, Texas, this the ____ day of _____, 2017.

CITY OF SAN ANTONIO, TEXAS

Mayor

ATTEST:

City Clerk

(CITY SEAL)

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

City Attorney,
City of San Antonio, Texas

Index of Schedules and Exhibits

- Schedule I - Table of Refunded Obligations
- Schedule II – Approval Certificate
- Exhibit A - Paying Agent/Registrar Agreement
- Exhibit B - Bond Purchase Agreement
- Exhibit C - Escrow Deposit Letter
- Exhibit D - Notices of Redemption
- Exhibit E - Description of Annual Financial Information
- Exhibit F - DTC Letter of Representations

Schedule I

Table of Refunded Obligations

1. City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2006B, dated January 1, 2007 and originally issued in the total aggregate principal amount of \$128,845,000, to be refunded in the aggregate principal amount of \$_____, stated to mature on February 1 in each of the years ____ through _____, and called for redemption on February 1, 20__.
2. 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 total aggregate principal amount of \$449,410,000, to be refunded in the aggregate principal amount of \$_____, stated to mature on February 1 in each of the years _____ and _____, and called for redemption on February 1, 20__.
3. City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series A, providing liquidity support in the amount of \$150,000,000, to be refunded in the aggregate principal amount of \$_____ on _____, 20__; City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series B, providing liquidity support in the amount of \$225,000,000, to be refunded in the aggregate principal amount of \$_____ on _____, 20__; and City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series C, providing liquidity support in the amount of \$225,000,000, to be refunded in the aggregate principal amount of \$_____ on _____, 20__.
4. City of San Antonio, Texas Electric and Gas Systems Taxable Flexible Rate Revolving Notes, Series A and City of San Antonio, Texas Electric and Gas Systems Taxable Flexible Rate Revolving Notes, Series A, providing combined liquidity support in an amount not to exceed \$100,000,000, but only outstanding in the amount of \$25,200,000 and to be refunded in the aggregate principal amount of \$_____ on _____, 20__.

Schedule II

Approval Certificate

See Tab No. __

EXHIBIT A

Paying Agent/Registrar Agreement

See Tab No. __

EXHIBIT B

Bond Purchase Agreement

See Tab No. __

EXHIBIT C

Escrow Deposit Letter

See Tab No. __

EXHIBIT D

Notices of Redemption

See Tab No. __

EXHIBIT E

Description of Annual Financial Information

The following information is referred to in Section 48 of this Ordinance.

Annual Financial Statements and Operating Data

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

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

2. Information under the Sections "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – RETAIL AND WHOLESALE ELECTRIC AND NATURAL GAS SALES – Retail Service Area - Customer Base as of January 31, 2017"; "TEN-YEAR ELECTRIC CUSTOMER STATISTICS", "FIVE-YEAR ELECTRIC AND GAS SALES BY CUSTOMER CATEGORY", and "FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE" Tables under "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – CUSTOMER AND RATES – Customer Rates"; "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – DESCRIPTION OF FACILITIES – Electric System – Generating Capability"; "Five-Year South Texas Project Capacity Factor" Table under "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – DESCRIPTION OF FACILITIES – Electric System – Power Generation Sources"; "Other Electric and Gas Systems Statistics" under "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – DESCRIPTION OF FACILITIES – Gas System – Rule Relating to Replacement of Gas Distribution Facilities"; and APPENDIX B.

Accounting Principles

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

EXHIBIT F

DTC Letter of Representation

See Tab No. __

EXHIBIT G

Variable Rate Supplement

EXHIBIT H

Tender Agent Agreement

EXHIBIT I

Remarketing Agreement

EXHIBIT J

Form of Bonds

A. FORM OF DEFINITIVE FIXED RATE BOND:

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

United States of America
State of Texas
Counties of Bexar, Comal, and Medina
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS REVENUE BOND

Bond Date: _____, 20__
Stated Maturity Date: _____
Interest Rate (%): _____
CUSIP No. _____

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

ON THE STATED MATURITY DATE SPECIFIED ABOVE, THE CITY OF SAN ANTONIO, IN BEXAR, COMAL, AND MEDINA COUNTIES, TEXAS, a municipal corporation of the State of Texas (the *City*), hereby promises to pay to the order of the Registered Owner specified above, or to the registered assignee thereof (either being hereinafter called the *Registered Owner* or *Bondholder*), the Principal Amount specified above and to pay interest thereon, from the Closing Date (anticipated to be _____, 20__), or from the most recent interest payment date to which interest has been paid or duly provided, at the rate of interest per annum specified above, with said interest being payable semiannually on each February 1 and August 1, commencing _____, 20__.

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

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

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

THIS BOND is one of a series of bonds of like tenor and effect except as to number, principal amount, interest rate, and stated maturity, aggregating _____ AND NO/100 DOLLARS (\$_____) (the *Bonds*), issued for the purpose of providing funds for [(i) refunding the Refunding Candidates, (ii) acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the Systems, and (iii) paying costs of issuance of the Bonds, in accordance with the laws of the State of Texas, particularly Chapters 1207 and 1371, as amended, Texas Government Code], and pursuant to an ordinance passed by the City Council of the City and duly recorded in the minutes of said City Council (the *Ordinance*). The Bonds are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000.

The City reserves the right to redeem, at its option, the Bonds stated to mature on and after _____, 20__ in whole or in part and by lot, on _____, 20__ or any date thereafter at the price of par plus accrued (but unpaid) interest to such date of redemption.

AT LEAST 30 days prior to the date fixed for any redemption, a notice of redemption, authorized by appropriate resolution passed by the governing body of the City shall be given in the manner set forth below. A written notice of such redemption shall be given to the Registered Owner of each Bond 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 of the Paying Agent/Registrar. By the date fixed for any such redemption, provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is 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, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, shall not bear interest after the date fixed for its 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 funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same stated maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

AS PROVIDED in the Ordinance and subject to certain limitations contained therein, this Bond is transferable only on the Registration Books of the City, upon surrender of this Bond for transfer at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Registered Owner hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same stated maturity date, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees. If called for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to issue or transfer this Bond to an assignee of the Bondholder within 45 days of the redemption date therefor; provided, however, such limitation of transfer shall not be applicable to an exchange by the Bondholder of the unredeemed balance hereof in the event of its redemption in part.

THE CITY and the Paying Agent/Registrar, and any agent of either, shall treat the Registered Owner hereof whose name appears on the Registration Books (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at its stated maturity date or its date of redemption, in whole or in part, and (iii) on any date as the owner hereof for all other purposes, and, to the extent permitted by law, neither the City nor the Paying Agent/Registrar, nor any such agent of either, shall be affected by notice to the contrary.

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

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

FOR BONDS ISSUED AS NEW SERIES BONDS:

[THIS BOND and all Bonds of the series of which it is a part constitute special obligations of the City, and, together with certain Outstanding revenue bonds heretofore issued by the City (defined in the Ordinance as *Previously Issued New Series Bonds*) are payable as to both principal and interest solely from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the Systems; for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one, reference is hereby made to the Ordinance. Capitalized terms used herein and not defined shall have the meanings assigned to them in the Ordinance.

THE CITY expressly reserves the right to issue further and additional special revenue obligations equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems on a parity with the Bonds of this issue and the Previously Issued New Series Bonds; provided, however, that any and all such additional revenue obligations may be so issued only in accordance with and subject to the covenants, conditions, limitations, and restrictions relating thereto which are set out and contained in the Ordinance, and reference is hereby made to the Ordinance for more complete and full particulars.

IN ADDITION, the Ordinance provides that the City may issue obligations secured by a lien on and the pledge of the Net Revenues of the Systems which are inferior to the lien and pledge securing the payment of the Bonds of this series; that such inferior lien obligations may be refunded into bonds on a parity with the Bonds of this series and the Previously Issued New Series Bonds, or achieve parity status therewith in accordance with and subject to the conditions, limitations, and restrictions relating thereto which are set out in the Ordinance; that the Ordinance may be amended with the consent of holders of 66-2/3% of the aggregate principal amount of bonds Outstanding which are on a parity with the Bonds of this series; and reference is hereby made to the Ordinance for more complete and full particulars with respect to these matters and the defeasance of the Bonds.]

FOR BONDS ISSUED AS JUNIOR LIEN OBLIGATIONS:

[THIS BOND and all Bonds of the series of which it is a part constitute special limited obligations of the City, and, together with certain Outstanding revenue bonds heretofore issued by the City (defined in the Ordinance as the *Junior Lien Obligations*) are payable as to both principal and interest solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues specified in the Ordinance (herein referred to as the *Net Revenues*) derived from the City's ownership and operation of the Systems, as described in the Ordinance, (i) subject and subordinate to the liens on and pledges of the Net Revenues that secure payment of the currently outstanding New Series Bonds and any Additional New Series Bonds referred to in the Ordinance, (ii) on a parity with the liens on and pledges of the Net Revenues that secure payment of the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations referred to in the Ordinance, and prior and superior to the lien on and pledge of Net Revenues that secure payment of the currently authorized Commercial Paper Obligations and Inferior Lien Obligations referred to in the Ordinance, in each case whether now outstanding or hereafter issued. In the Ordinance, the City reserves and retains the right to issue Additional New Series Bonds, Additional Junior Lien Obligations, Commercial Paper Obligations, and

Additional Inferior Lien Obligations without limitation as to principal amount but subject to certain terms, conditions, or restrictions set forth in the Ordinance or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon the Systems or any other property of the City, except the Net Revenues.]

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

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

IT IS HEREBY certified and recited that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done, have happened and have been performed in regular and due time, form, and manner as required by the laws of the State of Texas and the Ordinance; that this series of revenue refunding bonds does not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part by pledging the Net Revenues of the Systems of the City.

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

CITY OF SAN ANTONIO, TEXAS

By: _____
Mayor

ATTEST:

City Clerk

(SEAL)

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

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

Dated: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, NATIONAL
ASSOCIATION
as Paying Agent/Registrar

By: _____
Authorized Representative

*NOTE TO PRINTER: Print on Definitive Bonds.

C. FORM OF ASSIGNMENT.

ASSIGNMENT

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

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

DATED: _____

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

Signature guaranteed:

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

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

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

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

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

Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Do Not Print on Definitive Bonds.

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

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

(iii) the first paragraph shall read as follows:

ON THE STATED MATURITY DATES SPECIFIED BELOW, THE CITY OF SAN ANTONIO, IN BEXAR, COMAL, AND MEDINA COUNTIES, TEXAS, a municipal corporation of the State of Texas (the *City*), hereby promises to pay to the order of the Registered Owner specified above, or to the registered assignee thereof (either being hereinafter called the Registered Owner or Bondholder) on February 1 of the years and in the Principal Amounts specified below and to pay interest thereon, from the Closing Date (anticipated to be _____, 20__), or from the most recent interest payment date to which interest has been paid or duly provided, at the rates of interest per annum specified in accordance with the following schedule:

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

(Information to be inserted from schedules in Section 2 of the Ordinance)

said interest shall be payable semiannually on each February 1 and August 1, commencing on _____, 20__.

F. INSURANCE LEGEND

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

G. FORM OF VARIABLE RATE DEFINITIVE BOND

REGISTERED
AMOUNT
NO. _____

REGISTERED
\$ _____

United States of America
State of Texas
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS VARIABLE RATE REVENUE BONDS

[Taxable/Tax- Exempt] <u>Rate:</u>	[Closing Date/ Rate Adjustment] <u>Date:</u>	Term Mode Expiration <u>Date:</u>	First <u>Tender Date:</u>	Last <u>Tender Date:</u>	<u>CUSIP No.</u>
.....	_____, 20__	_____, 20__	_____, 20__	_____, 20__

STATED MATURITY: FEBRUARY 1, 20__

REGISTERED OWNER:

PRINCIPAL AMOUNT:..... DOLLARS

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

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

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

made on the specified date for such payment. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(1) **Series, Purpose, and Authority.** This Bond is one of a duly authorized issue of bonds of the City designated as its “Electric and Gas Systems Variable Rate Revenue Bonds” issued and to be issued in the aggregate principal amount of _____ AND NO/100 DOLLARS (\$_____) (herein referred to as the *Bonds*) pursuant to an ordinance adopted by the governing body of the City (referred to as the *Ordinance*) for the purpose of [(i) refunding the Refunding Candidates, (ii) acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the Systems, and (iii) paying costs of issuance of the Bonds.] The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapters 1502 and 1371, as amended, Texas Government Code, the City’s Home Rule Charter, and the Ordinance.

(2) **Interest.** *[Insert the applicable paragraphs from Variable Rate Supplement relating to the payment of interest on the Bonds.]*

(3) **Redemption.** *[Insert the applicable paragraph(s) from Variable Rate Supplement relating to the redemption of Bonds.]*

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

(4) **Limited Obligations.** The Bonds are limited obligations of the City, the principal of and interest on which are payable solely from and equally and ratably secured by a junior lien on and pledge of the Net Revenues specified in the Ordinance (herein referred to as the *Net Revenues*) derived from the operation of the City’s electric and gas systems described in the Ordinance, subject and subordinate to the liens on and pledges of the Net Revenues that secure payment of the currently outstanding New Series Bonds and any Additional New Series Bonds referred to in the Ordinance, on a parity with the liens on and pledges of the Net Revenues that secure payment of the currently outstanding Junior Lien Obligations and any Additional Junior Lien Obligations referred to in the Ordinance, and prior and superior to the lien on and pledge of Net Revenues that secure payment of the currently authorized and outstanding Commercial Paper Obligations and Inferior Lien Obligations, respectively, and any Additional Inferior Lien Obligations referred to in the Ordinance, in each case whether now outstanding or hereafter issued. In the Ordinance, the City reserves and retains the right to issue Additional New Series Bonds, Additional Junior Lien Obligations, Commercial Paper Obligations, and Additional Inferior Lien Obligations without limitation as to principal amount but subject to certain terms, conditions, or restrictions set forth in the Ordinance or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance

upon the Systems or any other property of the City, except the Net Revenues. The Holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

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

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

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

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

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

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

[Signature page follows]

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

CITY OF SAN ANTONIO, TEXAS

By: _____
Mayor

ATTEST:

City Clerk

(CITY SEAL)

H. FORM OF REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS.

**REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS**

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

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

I. FORM OF CERTIFICATE OF PAYING AGENT/REGISTRAR.

CERTIFICATE OF AUTHENTICATION

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

Date of Authentication: _____ The Bank of New York Mellon Trust
Company, National Association, Dallas, Texas,
as Paying Agent/Registrar

By: _____
Authorized Signature

J. FORM OF ASSIGNMENT.

ASSIGNMENT

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

(Social Security or other identifying number): _____

the within Bond and all rights thereunder, and hereby irrevocably constitutes and
appoints _____ attorney to transfer the within Bond on the books kept for
registration thereof, with full power of substitution in the premises.

DATED: _____

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

Signature guaranteed:

K. FORM OF NOTICE OF DEMAND PRIVILEGE, MANDATORY TENDER, AND LIQUIDITY SUPPORT.

**NOTICE OF DEMAND PRIVILEGE, MANDATORY TENDER,
AND LIQUIDITY SUPPORT**

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

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

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

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

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

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

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

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

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

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

During the initial Interest Period (and in subsequent Interest Periods if provided in the applicable Conversion Ordinance relating to Bonds in such subsequent Interest Period), the Bonds are subject to mandatory tender, without right of retention and at the direction of the City, prior to the expiration of the applicable Interest Period, in accordance with and as provided in *Section 2.2C(2)* of the Ordinance. With respect to any notice of mandatory tender delivered in

accordance with this *Section 2.5B* of the Ordinance in connection with a Purchase Date scheduled to occur prior to the latest Purchase Date permitted hereunder for Bonds in such applicable Interest Period (being the Purchase Date to occur immediately after the scheduled expiration of such Interest Period; such latest Purchase Date, the *Latest Purchase Date*), the City may rescind any such notice of mandatory tender so long as such rescission occurs at least one Business Day prior to the scheduled Purchase Date. In the event of such rescission, the Bonds shall continue to bear interest at the applicable rate then in effect (including, with respect to Bonds in the initial Interest Period, at the applicable Term Rate) through the remainder of the scheduled duration of the then applicable Interest Period (being the Business Day preceding the Latest Purchase Date). A rescission of a notice of mandatory tender relating to a scheduled tender of Bonds on the Latest Purchase Date shall occur in the manner, and the effect of such rescission shall be as, provided in *Section 2.5E* of the Ordinance.

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

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

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

In the event that such Bonds are not converted and remarketed to new purchasers on the scheduled date of mandatory tender, the City shall have no obligation to purchase the Bonds tendered on such date, the failed conversion and remarketing shall not constitute an Event of Default under the Ordinance or the Bonds, the mandatory tender will be deemed to have been rescinded for that date with respect to the Bonds subject to such failed remarketing only, and such Bonds (i) will continue to be Outstanding, (ii) will be purchased upon the availability of funds to be received from the subsequent remarketing of such Bonds, (iii) will, while bearing interest at a Stepped Rate, be subject to redemption and mandatory tender for purchase on any date upon which a conversion occurs (which shall occur at the City's discretion upon delivery of at least one day's notice to the holders thereof), and (iv) will be deemed to continue in a SIFMA Index Mode or Term Mode, as applicable, for all other purposes of the Ordinance, though bearing interest during such time at the Stepped Rate, calculated (if the Bonds, at the time of such failed remarketing, are in a SIFMA Index Mode) on the basis of a 365/366 day year and the actual number of days elapsed, or (if the Bonds, at the time of such failed remarketing, are in a Term Mode) on the basis of on the basis of a 360-day year and the actual number of days elapsed, until remarketed or redeemed in accordance with the terms of the Ordinance. In the event of a failed conversion and remarketing as described above, the City will cause the Bonds to be converted and remarketed on the earliest reasonably practicable date on which they can be sold at par, in such Interest Mode or Modes as the City directs, at a rate not exceeding the Maximum Rate.

In the event that less than all of the Bonds of a particular series are successfully remarketed when and as required under the Ordinance, the Tender Agent will provide notice to DTC of the partial mandatory tender of such Bonds (including the principal amount of such Bonds that have been successfully remarketed), and the particular Bonds of such series to be remarketed shall be selected in accordance with the arrangements between the City and the DTC. In the event that less than all of the Bonds of a particular series are successfully remarketed when and as required under the Ordinance and such Bonds are not registered in book-entry form, the particular Bonds of such series to be remarketed shall be selected by the Tender Agent by lot or other customary random method in such manner as the Tender Agent in its discretion may deem proper and, thereafter, provide written notice, as soon as is reasonably practicable, to all registered owners of such Bonds that were not successfully remarketed, including the Stepped Rate (that will be applicable to such Bonds as a result of such failed remarketing.*]

**Insert applicable paragraph in bracketed text.*

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