ORDINANCE NO. 97869

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS AUTHORIZING THE ISSUANCE OF $ 92,990,000.00 "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS, NEW SERIES 2003A"; PROVIDING THE TERMS, CONDITIONS, AND SPECIFICATIONS FOR SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT 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 A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND A BOND PURCHASE AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE UPON PASSAGE BY EIGHT AFFIRMATIVE VOTES

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

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

WHEREAS, the City Council of the City has heretofore issued, sold, and delivered, and there are currently outstanding, a series of commercial paper notes (herein referred to as the "Commercial Paper" or "Commercial Paper Obligations") which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems subordinate to the liens securing the payment of Parity Bonds and Junior Lien Obligations; and

WHEREAS, the City 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 Chapter 1207, as amended, Texas Government Code (the *Act*), the City Council is authorized to issue revenue refunding bonds and 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 the Act, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, the Act permits that the proceeds from the sale of the revenue 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 Trust Company of Florida, N.A., Jacksonville, Florida currently serves as a paying agent for the Refunded Obligations and will serve as the Paying Agent/Registrar (hereinafter defined) and Escrow Agent (hereinafter defined) for the revenue refunding 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 revenue refunding bonds herein authorized and such refunding will result in a net present value saving of approximately $_____ to the City and a gross savings of $_____, including the cash contribution of $_____; and

WHEREAS, the City Public Service Board of San Antonio, Texas (the *Board*) has pursuant to a resolution adopted on June 26, 2003 recommended that the New Series 2003A Bonds (hereinafter defined) should be issued by the City; and

WHEREAS, in full recognition and consideration of all covenants and conditions prescribed in the proceedings and instruments pertaining to the outstanding and unpaid New Series Bonds, pursuant to authority conferred by the laws of the State of Texas and at the request of the Board, the City Council of the City deems it necessary to issue and sell the New Series 2003A Bonds in the total principal amount of $_____, for the purpose of providing funds (i) for the discharge and final payment of the Refunded Obligations and (ii) for paying certain costs of issuance related thereto, which revenue refunding bonds shall be payable from the same source and secured in the same manner as the previously issued New Series Bonds; and

WHEREAS, this City Council has further found and determined that all the terms and conditions for the issuance of revenue refunding bonds on a parity with the outstanding New Series 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 revenue refunding 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) the 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) 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 revenue refunding bonds authorized to be issued by this Ordinance; (4) the revenue refunding 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) 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 the revenue refunding 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 New Series 2003A Bonds in the total principal amount of $_____, (ii) the execution and delivery of the Paying Agent/Registrar Agreement, Escrow and Trust Agreement, Bond Purchase Agreement, and the Letter of Representations relating to such revenue refunding bonds, (iii) the providing notices of redemption, if any, for the Refunded Obligations, (iv) the approval of the Official Statement relating to such revenue refunding bonds, (v) certain powers and duties to be exercised and performed by the Board, acting through its General Manager and CEO, including the execution of the Approval Certificate setting forth the final pricing terms, and (vi) the approval of the Surety Bond from Financial Security Assurance Inc., and the bond insurance policy from MBIA, if any; and

WHEREAS, the City Council hereby finds and determines that the issuance of the New Series 2003A Bonds (as hereinafter defined) and the adoption of this Ordinance as an emergency measure is in the best interests of the citizens of the City; now, therefore,

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

Section 1. Authorization. In order to provide funds for the purpose of (i) discharging and making final payment of the Refunded Obligations and (ii) paying the costs of issuance relating thereto, the City Council of the City of San Antonio, Texas, acting pursuant to the laws of the State of Texas, particularly Chapter 1371, as amended, Texas Government Code and the Act, has determined that there shall be issued and there is hereby ordered to be issued a series of revenue refunding bonds to be designated "City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2003A", in the principal sum of

_____ Thousand and No/100 Dollars ($_____) (the *New Series 2003A Bonds*).

As authorized by Chapter 1371, as amended, Texas Government Code, the General Manager and CEO of the Board is hereby authorized, appointed and designated as the officer of the City authorized to act on behalf of the City in selling and delivering the Bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the aggregate principal amount of each maturity of the Bonds and the rate of interest to be borne on the principal amount of each such maturity. The General Manager and CEO of the Board, acting for and on behalf of the City, is authorized to execute the Approval Certificate. The Bonds shall be issued in the principal amount not to exceed $_____ and sold with the net effective per annum interest rate shall not exceed a rate greater than ___% per annum. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the City to the Purchaser in accordance with the provisions of the Texas Government Code (hereinafter defined). It is further provided, however, that notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery, the Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371, as amended, Texas Government Code.

Section 2. Date-Denomination-Stated Maturities-Redemption Option. The New Series 2003A Bonds shall be issued as fully registered obligations, without coupons, totaling $_____ in aggregate principal amount and be dated July 1, 2003.

(a) New Series 2003A Bonds. The New Series 2003A 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 New Series 2003A Bonds herein authorized to be issued shall bear interest on the unpaid principal amounts from July 1, 2003 (the *Bond 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 New Series 2003A Bond in the manner provided and on the dates stated in the FORM OF NEW SERIES 2003A BOND set forth in this Ordinance.

Stated Maturities	Principal Amounts ($)	Interest Rates(%)	CUSIP No.

Stated Maturities	Principal Amounts ($)	Interest Rates(%)	CUSIP No.

*Insured Bonds
**Bonds subject to the optional redemption provisions set forth in Section 2(b)(i) hereof

(b) Redemption.

(i) Optional Redemption of Certain New Series 2003A Bonds. The City reserves the right to redeem the New Series 2003A Bonds stated to mature on February 1, ____ shown in Section 2(a) hereof to be subject to optional redemption, in whole or in part, on February 1, _____ or on any date thereafter as the City shall determine and by lot or other customary method at the redemption price of par plus accrued interest to the date of redemption.

The City reserves the right to redeem the New Series 2003A Bonds stated to mature on February 1, 2015 and after, in whole or in part, on February 1, 2014, or on any interest payment date thereafter, in such order of stated maturity as the City shall determine and by lot or other customary method within a stated maturity at the redemption price of par plus accrued interest to the date of redemption.

(ii) Notice of Redemption. At least thirty (30) days prior to the date any such New Series 2003A Bonds are to be optionally or mandatorily 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 New Series 2003A 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 (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 New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds or any portion thereof. If a portion of any New Series 2003A Bond shall be redeemed, a substitute New Series 2003A Bond or New Series 2003A 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. (a) Payment of New Series 2003A Bonds - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the New Series 2003A 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 New Series 2003A Bonds shall bear interest at the per annum rates shown above in Section 2, and interest thereon shall be payable on February 1 and August 1 of each year commencing February 1, 2004.

The selection and appointment of The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, to serve as Paying Agent/Registrar for the New Series 2003A 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 New Series 2003A 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 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 New Series 2003A 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 New Series 2003A Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the New Series 2003A 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 New Series 2003A Bonds, due and payable by reason of stated maturity, redemption, or otherwise, shall be payable only to the

registered owner of the New Series 2003A 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 New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds shall be payable only upon presentation and surrender of the New Series 2003A Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the New Series 2003A 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 New Series 2003A Bonds-Predecessor Bonds. The Registration Books relating to the registration, payment, and transfer or exchange of the New Series 2003A 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 New Series 2003A Bonds issued under and pursuant to the provisions of this Ordinance. Any New Series 2003A Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for New Series 2003A Bonds of other authorized denominations upon the Registration Books by the Bondholder, in person or by his duly authorized agent, upon surrender of such New Series 2003A 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 New Series 2003A Bond at the corporate trust office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more New Series 2003A 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 New Series 2003A Bond or New Series 2003A Bonds surrendered for transfer.

At the option of the Bondholder, New Series 2003A Bonds may be exchanged for other New Series 2003A Bonds of authorized denominations and having the same stated maturity, bearing the same rate of interest and of like aggregate principal amount as the New Series 2003A Bonds surrendered for exchange, upon surrender of the New Series 2003A Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any New Series 2003A Bonds are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver replacement New Series 2003A Bonds executed on behalf of, and furnished by, the City to the Bondholder requesting the exchange.

All New Series 2003A Bonds issued upon any transfer or exchange of New Series 2003A 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 New Series 2003A Bonds surrendered in such transfer or exchange.

All transfers or exchanges of New Series 2003A 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.

New Series 2003A 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 New Series 2003A Bond or New Series 2003A Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any mutilated, lost, destroyed, or stolen New Series 2003A Bond in lieu of which a replacement New Series 2003A 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 New Series 2003A Bond.

Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Bondholder any New Series 2003A Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption of such New Series 2003A Bond; provided, however, such limitation of transfer shall not be applicable to an exchange by the Bondholder of the unredeemed balance of a New Series 2003A Bond called for redemption in part.

Section 4. Execution - Authentication - Initial Bonds. The New Series 2003A 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 or Acting City Clerk as appropriate. The signature of said officers on the New Series 2003A Bonds may be manual or facsimile. New Series 2003A 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 New Series 2003A Bonds to the initial purchasers and with respect to New Series 2003A Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No New Series 2003A 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 New Series 2003A 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 New Series 2003A Bond shall be conclusive evidence, and the only evidence, that such New Series 2003A Bond has been duly registered or authenticated and delivered.

The New Series 2003A Bonds shall be issued initially either (i) as a fully registered New Series 2003A Bond in the total aggregate principal amount of $_____ with principal installments to become due and payable as provided in Section 2(a) and numbered T-1, or (ii) as one (1) fully registered New Series 2003A Bond for each year of stated maturity in the applicable principal amount, interest rate, and denomination and to be numbered consecutively from T-1 and upward (the *Initial Bonds*) and, in either case, the Initial Bonds shall be registered in the name of the initial purchasers or their designee. The Initial Bonds shall be the New Series 2003A Bonds submitted to the Office of the Attorney General of the State of Texas for approval and certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas. At any time after the delivery of the Initial Bonds to the initial purchasers, the Paying Agent/Registrar, upon written instructions from the purchasers, or their designee, shall cancel the Initial Bonds and exchange therefor definitive New Series 2003A 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. Form of New Series 2003A Bond. The form of all New Series 2003A Bonds, including the form of the Paying Agent/Registrar's Certificate of Authentication, the Form of Assignment, and the form of the Comptroller's Registration Certificate to accompany the New Series 2003A Bonds on the initial delivery thereof, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance:

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(a) FORM OF NEW SERIES 2003A BOND:

REGISTERED NO._____

REGISTERED AMOUNT $_____

United States of America
State of Texas
County of Bexar

CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS
REVENUE REFUNDING BOND,
NEW SERIES 2003A

Bond Date:	Stated Maturity Date:	Interest Rate (%):	CUSIP No.
July 1, 2003	February 1, _____		

REGISTERED OWNER:_____

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE STATED MATURITY DATE SPECIFIED ABOVE, THE CITY OF SAN ANTONIO, IN BEXAR COUNTY, 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 Bond Date specified above, or from the most recent interest payment date to which interest has been paid or duly provided, at the rate of interest per annum specified above, with said interest being payable initially on February 1, 2004, and semiannually thereafter on each February 1 and August 1.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at stated maturity or upon the date fixed for its redemption prior to stated maturity, at the corporate trust office of The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, 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 _____ Thousand and No/100 Dollars ($_____) (the *Bonds*), issued for the purpose of (i) providing funds for the discharge and final payment of the Refunded Obligations and (ii) paying the costs of issuance relating thereto, in accordance with the laws of the State of Texas, particularly Chapter 1207, 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 the New Series 2003A Bonds stated to mature on February 1, _____ shown in Section 2(a) hereof to be subject to optional redemption, in whole or in part, on February 1, _____ or on any date thereafter as the City shall determine and by lot or other customary method at the redemption price of par plus accrued interest to the date of redemption. The City reserves the right to redeem the New Series 2003A Bonds stated to mature on February 1, 2013 and after, in whole or in part, on February 1, 2014, or on any interest payment date thereafter, in such order of stated maturity as the City shall determine and by lot or other customary method within a stated maturity at the redemption price of par plus accrued interest to the 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.

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 Parity 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 Parity 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 Parity 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.

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 TRUST COMPANY OF FLORIDA, N.A.
as Paying Agent/Registrar

By: _____
Authorized Representative

*NOTE TO PRINTER: Print on Definitive Bonds.

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(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.

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.

(d) 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:

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

(ii) the first paragraph shall read as follows:

ON THE STATED MATURITY DATES SPECIFIED BELOW, THE CITY OF SAN ANTONIO, IN BEXAR COUNTY, 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 Amounts specified below and to pay interest thereon, from the Bond Date specified above, 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.)

said interest shall be payable initially on February 1, 2004, and semiannually thereafter on each February 1 and August 1.

(e) INSURANCE LEGEND

If bond insurance is obtained by the City for any New Series 2003A Bond, the appropriate definitive New Series 2003A Bonds and the Initial Bonds shall bear an appropriate legend as provided by the insurer.

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

(a) *Additional 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 Parity Bonds and any Additional Parity Bonds hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues that have or will be granted as security for the Commercial Paper Obligations and any Inferior Lien Obligations hereafter issued by the City and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such a junior and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

(b) *Additional Parity 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 Parity Bonds and the New Series 2003A 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 Parity Bonds and this Ordinance.

(d) *City* or *Issuer*--the City of San Antonio, Texas.

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

(f) *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 Parity Bonds and the Junior Lien Obligations and any Additional Parity Bonds and Additional Junior Lien Obligations hereafter issued by the City, identified as follows:

(i) "City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series A", originally authorized in the aggregate principal amount of $450,000,000, including the Credit Agreement (as defined in the ordinance authorizing the issuance of the Commercial Paper Obligations); and

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

(g) *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 Parity Bonds.

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

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

(j) *Inferior Lien Obligations* - (i) any bonds, notes, warrants, certificates of obligation, or other similar debt hereafter issued by the City that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledges thereof securing payment of the currently outstanding Parity Bonds, the Junior Lien Obligations, the Commercial Paper Obligations, and any Additional Parity Bonds and Additional Junior Lien Obligations hereafter issued by the City, (ii) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and (iii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

(k) *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 Parity Bonds and any Additional Parity Bonds hereafter issued by the City, identified as follows:

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

(l) *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.

(m) *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 Parity 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 Parity Bonds.

(n) *New Series 2003A Bonds*--the bonds authorized by this Ordinance.

(o) *Outstanding*--as of the date of determination, all Parity Bonds theretofore issued and delivered except:

(i) those Parity Bonds theretofore canceled by the respective paying agents for such Parity Bonds or delivered to such paying agents for cancellation;

(ii) those Parity Bonds for which payment has been duly provided by the City by the irrevocable deposit with the respective paying agents for such Parity 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 Parity Bonds are to be redeemed, notice of redemption thereof shall have been duly given

pursuant to the ordinance authorizing the issuance of such Parity Bonds or irrevocably provided to be given to the satisfaction of such paying agents, or waived;

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

(iv) those Parity 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.

(p) *Parity Bonds* or *New Series Bonds*--the Previously Issued Parity Bonds, the New Series 2003A Bonds, and any Additional Parity Bonds.

(q) *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.

Previously Issued Parity Bonds-- means (i) the outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the Systems, identified as follows:

"City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 1992", dated August 1, 1992 and originally issued in the total aggregate principal amount of $700,805,000;

"City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 1994-A", dated February 1, 1994 and originally issued in the total aggregate principal amount of $684,700,000;

"City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 1994-C", dated February 23, 1994 and originally issued in the total aggregate principal amount of $56,000,000;

"City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, New Series 1995", dated October 15, 1995 and originally issued in the total aggregate principal amount of $125,000,000;

"City of San Antonio, Texas Electric and Gas Systems Revenue and Refunding Bonds, New Series 1997", dated May 1, 1997 and originally issued in the total aggregate principal amount of $661,170,000

"City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 1998A", dated November 1, 1998 and originally issued in the total aggregate principal amount of $785,515,000;

"City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, Taxable New Series 1998B", dated November 1, 1998 and originally issued in the total aggregate principal amount of $99,615,000;

"City of San Antonio, Texas Electric and Gas Systems Revenue Bonds, New Series 2000A", dated November 15, 2000 and originally issued in the total aggregate principal amount of $170,770,000;

"City of San Antonio, Texas, Electric and Gas Systems Revenue Bonds, Taxable New Series 2000B", dated November 15, 2000 and originally issued in the total aggregate principal amount of $50,425,000;

"City of San Antonio, Texas, Electric and Gas Systems Revenue Refunding Bonds, New Series 2001", dated October 1, 2001 and originally issued in the total aggregate principal amount of $115,280,000;

"City of San Antonio, Texas, Electric and Gas Systems Revenue and Refunding Bonds, New Series 2002", dated August 1, 2002 and originally issued in the total aggregate principal amount of $576,705,000; and

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

(r) *Registered New Series Bonds*--any Parity Bonds issued as fully-registered bonds, without coupons.

(s) *Surety Bond*--the surety bond issued by Financial Security Assurance Inc. guaranteeing certain payments into the Retirement Account as provided in Section 11 hereof with respect to the Parity 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.

(t) *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.

(u) *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 Parity Bonds issued before May 29, 1997, and the defeasance of the ordinances authorizing the issuance of such Previously Issued Parity Bonds, the term Systems shall not mean 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 Parity 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) The City hereby covenants and agrees with the holders of the Parity 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 17(e) of this Ordinance) the Parity Bonds, and it is hereby ordained that all Parity Bonds and the interest thereon shall constitute a first lien upon the Net Revenues of the Systems.

(b) Chapter 1208, Texas Government Code, applies to the issuance of the New Series 2003A 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 anytime while the Parity Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Parity Bonds the perfection of the security interest in this pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

Section 8. Rates and Charges. The City hereby agrees and reaffirms its covenants to the holders of the Parity 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 Parity 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 Parity Bonds;

(c) the interest on and principal of the Prior Lien Bonds, 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.

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

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

- FIRST: to the payment of reasonable and proper Maintenance and Operating Expenses of the Systems upon approval by the Board of Trustees;
- SECOND: to the payment of Parity Bonds, including the establishment and maintenance of the reserve therefor;
- THIRD: to the payment of the Prior Lien Bonds including the Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued, including the establishment and maintenance of the funds and accounts therefor;
- FOURTH: to the payment and security of the Notes and the Credit Agreement (as defined in the ordinance authorizing the Commercial Paper);
- FIFTH: to the payment and security of Inferior Lien Obligations hereinafter issued which are inferior in lien to the Parity 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. Parity Bond Retirement Account. For purposes of paying the principal of and interest on the Parity 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 Parity 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 Parity 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 Parity Bonds.

From the Net Revenues of the Systems pledged to the payment and security of the Parity 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 Parity 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 Parity Bonds (calculated on a Fiscal Year basis as of the date the last series of Parity Bonds were authorized); 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 Parity Bonds constituting accrued interest and premium, 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 Parity 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 2003A 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 2003A Bonds to the initial purchasers thereof and on or before the 15th day of each following month through January 15, 2004, 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 2003A Bonds on February 1, 2004, and on or before February 15, 2004 and on or before the 15th day of each following month, until the New Series 2003A 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 2003A 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 2003A Bonds on February 1, 2004, such deposits may be reduced by the amount of the aforesaid money available to pay said interest on said New Series 2003A Bonds.

(b) Deposits for payment of principal--on or before the 15th day of the month to occur following the date of delivery of the New Series 2003A Bonds to the initial purchasers thereof and on or before the 15th day of each following month through January 15, _____, an equal amount of money with such deposits totaling not less than the amount of the installment of principal coming due on the New Series 2003A Bonds on February 1, _____, and on or before the 15th day of February, _____, and during each of the twelve-month periods preceding the dates the New Series 2003A 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 Parity 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 Parity Bonds and the New Series 2003A 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 Parity Bonds. The Reserve Amount equals not less than the average annual principal and interest requirements of the Previously Issued Parity Bonds and the New Series 2003A 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 Parity 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 Parity 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 Parity 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 and premium, if any, received from the initial purchasers of Parity 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 Parity Bonds. All ordinances adopted after the date hereof authorizing the issuance of Additional Parity Bonds shall contain a provision to this effect. Section 53 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 Parity 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 Parity 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 Parity Bonds that a special fund or account shall be created and established to be known as the "City of San Antonio Electric and Gas Systems Repair and Replacement Account" (the *Repair and Replacement Account*) at such Depository as may be designated by the Board of Trustees. Money on deposit in the Repair and Replacement Account shall be used for the following purposes: providing extensions, additions, and improvements to the Systems; meeting contingencies of any nature in connection with the operations, maintenance, improvement, replacement, or restoration of properties of the Systems; and paying bonds or other obligations for which other funds are not available, or for any or all of such purposes, as, from time to time, may be determined by the Board of Trustees.

From the Net Revenues remaining in the General Account after 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 Parity 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 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 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 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. 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 Parity 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 Parity 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 Parity 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 Parity Bonds then Outstanding. In the event Parity 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 Parity Bonds (including accrued interest and premium, if any) 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 Parity 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 Parity Bonds and the New Series 2003A Bonds, and such additional revenue obligations, the Previously Issued Parity Bonds, and the New Series 2003A 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 Parity 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 New Series 2003A Bonds unless and until the following conditions can be satisfied and met:

(a) The Board of Trustees by resolution (i) shall have consented to the issuance of such Additional Parity 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 Parity Bonds with relation to the operation of the Systems and the disposition of revenues of the Systems.

(b) 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.

(c) 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 Parity Bonds and the Additional Parity Bonds then proposed to be issued. 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 Parity 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.

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

(e) The ordinance authorizing the issuance of the Additional Parity Bonds (i) 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 Parity Bonds which will be Outstanding after giving effect to the issuance of the Additional Parity Bonds then being issued and (ii) 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 Parity Bonds.

Provided, however, that Parity Bonds may be issued from time to time (pursuant to any law then available) for purposes of refunding outstanding Parity 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 Parity Bonds are refunded, the proposed refunding bonds shall be considered as "Additional Parity 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). Parity 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 Parity Bonds may (without impairment of the obligation of contract of the Parity Bonds) be refunded as Parity Bonds by meeting all the terms and conditions for the issuance of Additional Parity Bonds; and such junior lien obligations may achieve the status of and become, for all purposes, Parity 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 Parity Bonds and for the obligations then proposed to achieve the status of Parity Bonds; (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 Parity 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 Parity Bonds which will be Outstanding after giving effect to the obligations then proposed to achieve the status of Parity Bonds.

Section 18. No Obligation of Lien Superior to that of the Parity 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 Parity 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 Parity Bonds.

Section 19. Management of the Systems. In accordance with the provisions of the ordinances authorizing the Previously Issued Parity Bonds and this Ordinance, the City hereby agrees, covenants, and reaffirms that during such time as any Parity 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 Parity Bonds, or the Board of Trustees.

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

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

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

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

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

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

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

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

(i) The holders of Parity Bonds aggregating in principal amount sixty-six and two-thirds percent (66-2/3%) of the aggregate principal amount of then Outstanding Parity 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, that without the consent of the holders of the Parity Bonds the provisions of the Certificate as to Tax Exemption executed in connection with the initial delivery of the New Series 2003A 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 New Series 2003A 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:

(a) make any change in the stated maturity of Outstanding Parity Bonds;

(b) reduce the rate of interest borne by any of the Outstanding Parity Bonds;

(c) reduce the amount of the principal of, or redemption premium, if any, payable on any Outstanding Parity Bonds;

(d) modify the terms of payment of principal or of interest or redemption premium on Outstanding Parity Bonds or any of them or impose any condition with respect to such payment;

(e) affect the rights of the holders of less than all of the Parity Bonds then Outstanding; or

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

(ii) 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 Parity Bonds then Outstanding.

(iii) 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 Parity 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.

(iv) Upon the adoption of any amendatory ordinance pursuant to the provisions of this Section, the ordinances authorizing the Parity 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 Parity Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(v) Any consent given by the holder of an Outstanding Parity 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 Parity Bonds as in this Section defined, have, prior to the attempted revocation, consented to and approved the amendment.

(vi) Except as provided in (vii) below for the Registered New Series Bonds, for the purposes of establishing ownership of Parity Bonds, the fact of the holding of

Parity 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.

(vii) For the purposes of establishing ownership of the Registered New Series 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 Parity 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 Parity 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 Parity 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 Parity 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 his office in Austin, Texas and to the original purchaser of a series of Parity 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 Parity 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 New Series 2003A Bonds and has lawfully exercised said power under the laws of the State of Texas, including said power existing under the Act, and the New Series 2003A Bonds, the Previously Issued Parity Bonds, and Additional Parity Bonds, 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 New Series 2003A Bonds, the Previously Issued Parity Bonds, the Junior Lien Obligations and the Commercial Paper, 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 Parity Bonds, the Prior Lien Bonds (including the Junior Lien Obligations), and the Notes, and any other provision of the ordinances authorizing the issuance of these obligations.

(d) So long as any of the Parity 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 Parity Bonds expressly permitted by this Ordinance, the City will not encumber the Net Revenues unless such encumbrance is made junior and subordinate to all of 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 Parity 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. New Series 2003A Bonds are Special Obligations. The New Series 2003A Bonds 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 New Series 2003A Bonds, at the times and in the manner stipulated in this Ordinance, then the lien on and the pledge of Net Revenues and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

New Series 2003A 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 New Series 2003A Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an

authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 30).

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 New Series 2003A 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 New Series 2003A Bonds and remaining unclaimed for a period of four (4) years after the Stated Maturity or applicable redemption date of the New Series 2003A 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 New Series 2003A Bonds 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 New Series 2003A Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased New Series 2003A Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (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 New Series 2003A Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased New Series 2003A Bonds.

Section 27. Damaged, Mutilated, Lost, Stolen, or Destroyed New Series 2003A Bonds.

(a) In the event any Outstanding New Series 2003A 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 New Series 2003A Bond, in replacement for such New Series 2003A Bond in the manner hereinafter provided.

(b) Application for replacement of damaged, mutilated, lost, stolen, or destroyed New Series 2003A Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a New Series 2003A 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 New Series 2003A 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 New Series 2003A Bond, as the case may be. In every case of damage or mutilation of a New Series 2003A Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the New Series 2003A Bond so damaged or mutilated.

(c) Notwithstanding the foregoing provisions of this Section, in the event any such New Series 2003A 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 New Series 2003A Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated New Series 2003A Bond) instead of issuing a replacement New Series 2003A 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 New Series 2003A 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 New Series 2003A Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City, whether or not the lost, stolen, or destroyed New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds issued in conversion and exchange for other New Series 2003A 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 New Series 2003A Bonds, 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 New Series 2003A Bonds and all necessary records and

proceedings pertaining thereto pending the sale of the New Series 2003A Bonds 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. Covenants to Maintain Tax-Exempt Status.

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

"Closing Date" shall mean the date of physical delivery of the Initial News Series 2003A Bonds in exchange for the payment of the agreed purchase price for the New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds are invested and which is not acquired to carry out the governmental purposes of the New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds has the meaning set forth in section 1.148-4 of the Regulations.

B. Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any New Series 2003A 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 New Series 2003A Bond, the City shall comply with each of the specific covenants in this Section.

C. No Private Use or Private Payments. Except to the extent that it will not cause the New Series 2003A 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 New Series 2003A 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 New Series 2003A 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 New Series 2003A 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.

D. No Private Loan. Except to the extent that it will not cause the New Series 2003A 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 New Series

2003A Bonds to make or finance loans to any person or entity other than a state or local government.

E. Not to Invest at Higher Yield. Except to the extent that it will not cause the New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds.

F. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the New Series 2003A Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

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

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

(1) 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 New Series 2003A 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 New Series 2003A Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the New Series 2003A 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.

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the stated maturity or final payment of the New Series 2003A 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 New Series 2003A Bonds not been relevant to either party.

J. New Series 2003A 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.

K. Qualified Advance Refunding. The New Series 2003A Bonds (the "Advance Refunding Bonds") are issued exclusively to redeem the Refunded Obligations more than 90 days after the issuance of the Advance Refunding Bonds. The City represents as follows:

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

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

present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Advance Refunding Bonds.

(3) The initial temporary period under section 148(c) of the Code will end: (i) with respect to the proceeds of the Refunding Bonds not later than 30 days after the date of issue of such Advance Refunding Bonds; and (ii) with respect to proceeds of the Refunded Obligations on the Closing Date if not ended prior thereto.

(4) On and after the date of issue of the Advance Refunding Bonds, no proceeds of the Refunded Obligations will be invested in Nonpurpose Investments having a Yield in excess of the Yield on such Refunded Obligations

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

L. Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Clerk, City Manager, City Attorney, Director of Finance, or the General Manager and CEO or Secretary-Treasurer of the Board, either or any combination of the foregoing, to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code, or Regulations as they deem necessary or appropriate in connection with the New Series 2003A Bonds, the Refunded Obligations and other transactions related to any Parity Bonds. Such elections shall be deemed to be made on the Closing Date.

Section 31. Printed Legal Opinion on New Series 2003A Bonds. The initial purchasers' obligation to accept delivery of the New Series 2003A Bonds is subject to their being furnished a final opinion of Fulbright & Jaworski L.L.P. and Escamilla & Poneck, Inc., San Antonio, Texas, approving certain legal matters pertaining to the New Series 2003A 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 New Series 2003A Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the New Series 2003A 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 New Series 2003A Bonds - Authorization of Bond Purchase Agreement - Official Statement Approval. The New Series 2003A Bonds authorized by this Ordinance are hereby sold by the City to UBS Financial Services Inc., as the authorized representative of a group of underwriters (the *Purchasers*) in accordance with the provisions of a Bond Purchase Agreement dated June 26, 2003 (the *Purchase Contract*), attached hereto as Exhibit B and incorporated hereby by reference as a part of this Ordinance for all purposes. The Initial Bonds shall be registered in the name of UBS Financial Services Inc. The Mayor or Mayor Pro Tem are hereby authorized and directed to execute the Purchase Contract for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of the Purchase Contract, the City Council hereby finds, determines, and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract are true and correct in all material respects and shall be honored by the City. Delivery of the New Series 2003A Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

Furthermore, the use of the Preliminary Official Statement by the Purchasers in connection with the public offering and sale of the New Series 2003A Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement shall be and is hereby in all respects approved and the Purchasers are hereby authorized to use and distribute the final Official Statement, dated June 26, 2003, in the reoffering, sale and delivery of the New Series 2003A Bonds to the public. The Mayor and/or City Clerk are further authorized and directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchasers, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the City Council and constitute the Official Statement authorized for distribution and use by the Purchasers.

Section 34. Escrow Agreement Approval and Execution; Proceeds of Sale. The Escrow and Trust Agreement dated as of June 26, 2003 (the *Agreement*) by and between the City and The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida (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 the Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is hereby authorized to be executed by the Mayor and City Clerk and on behalf of the City and as the act and deed of this City Council; and the Agreement as executed by said officials shall be deemed approved by the City Council and constitute the Agreement herein approved.

Furthermore, the Mayor, Mayor Pro Tem, City Clerk, or City Manager, General Manager and CEO or Secretary-Treasurer of the Board, 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 Federal Securities referenced in the Agreement and the delivery thereof to the Escrow Agent on the day of delivery of the New Series 2003A Bonds to the Purchasers for deposit to the credit of the "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS ESCROW FUND, NEW SERIES 2003A" (the *Escrow Fund*), including the execution of any subscription forms for the purchase and issuance of the "United States

Treasury Securities - State and Local Government Series" for deposit to the Escrow Fund; all as contemplated and provided by the provisions of the Act, this Ordinance, and the Agreement.

Section 35. Proceeds of Sale; Contribution from Board. Immediately following the delivery of the New Series 2003A Bonds, certain proceeds of sale along with a cash contribution, if any, from the Board (less certain costs of issuance and accrued interest received from the Purchasers of the New Series 2003A Bonds) shall be deposited with the Escrow Agent for application and disbursement in accordance with the provisions of the Agreement. The proceeds of sale of the New Series 2003A 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 the New Series 2003A Bonds, all in accordance with written instructions from the Secretary-Treasurer of the Board.

Proceeds from the sale of the New Series 2003A Bonds shall be applied as follows:

(1) Accrued interest and premium, if any, received from the Purchasers shall be deposited into the Retirement Account.

(2) Interest earned on the proceeds of the New Series 2003A Bonds shall be accounted for, maintained, deposited, and expended as required by applicable law. Thereafter, such amount shall be expended in accordance with Section 11.

Additionally, on or immediately prior to the date of the initial delivery of the New Series 2003A Bonds to the Purchasers, the Secretary-Treasurer of the City Public Service Board shall cause to be transferred in immediately available funds to the Escrow Agent from money on deposit in the Retirement Account maintained for the payment of the Refunded Obligations the sum of $_____ to accomplish the refunding of the Refunded Obligations.

Section 36. Redemption of Refunded Obligations. Certain of the Refunded Obligations described in Schedule I attached hereto are or will be subject to redemption prior to their stated maturity at the price of par, premium, if any, and accrued interest to the date of redemption. The Mayor hereby gives written notice to the Escrow Agent that these Refunded Obligations have been called for redemption, and the City Council ordains that such obligations are called for redemption on the dates shown on Exhibit D hereto, and such direction to redeem the Refunded Obligations on the date herein specified shall be irrevocable upon the delivery of the Bonds. A copy of the notices 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 New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds or for any claim based thereon or on this Ordinance against any official of the City, the Board, or any person executing any New Series 2003A 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 New Series 2003A 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:

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*NRMSIR*" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

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

"*SEC*" means the United States Securities and Exchange Commission.

"*SID*" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

(b) *Annual Reports.*

The Board shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 2003, 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. 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 provide unaudited statements within such period and audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements becomes available.

If the Board changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

The 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, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(c) *Material Event Notices.*

The Board shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the New Series 2003A Bonds, if such event is material within the meaning of the federal securities laws:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

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

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

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

(vi) Adverse tax opinions or events affecting the tax-exempt status of the New Series 2003A Bonds;

(vii) Modifications to rights of holders of the New Series 2003A Bonds;

(viii) New Series 2003A Bond calls;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the New Series 2003A Bonds; and

(xi) Rating changes.

The Board shall notify any SID and either each NRMSIR or 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 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 and the Board remain an "obligated person" with respect to the New Series 2003A Bonds within the meaning of the Rule, except that the Board in any event will give notice of any deposit made in accordance with the laws of the State of Texas that causes the New Series 2003A Bonds to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the New Series 2003A 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 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. The City and the Board do not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell New Series 2003A Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY OR THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY NEW SERIES 2003A 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 comprise 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 and the Board 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 Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell New Series 2003A Bonds in the primary offering of the New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds. The City and the Board 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 or the Board 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 New Series 2003A 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 and the Board so amend the provisions of this Section, the Board shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 49. Book-Entry Only System. It is intended that the New Series 2003A 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 New Series 2003A Bonds shall be issued (following cancellation of the Initial Bonds described in Section 4) in the form of a separate single definitive New Series 2003A Bond. Upon issuance, the ownership of each such New Series 2003A Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding New Series 2003A Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representation attached hereto as Exhibit F (the *Representation Letter*).

With respect to the New Series 2003A 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 New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds, or (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the New Series 2003A Bonds, as shown on the Registration Books, of any notice with respect to the New Series 2003A 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 New Series 2003A Bond, of any amount with respect to principal of, premium, if any, or interest on the New Series 2003A Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a New Series 2003A 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 New Series 2003A Bonds that they be able to obtain certificated

New Series 2003A 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 New Series 2003A 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 New Series 2003A 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 New Series 2003A Bonds may be registered in whatever name or names the holders of New Series 2003A Bonds transferring or exchanging the New Series 2003A Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any New Series 2003A 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 New Series 2003A Bond and all notices with respect to such New Series 2003A Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

Section 50. Effective Date. The effective date of this Ordinance shall be governed by the provisions of Section 51 hereof if this Ordinance is passed by the affirmative vote of at least eight members of the City Council, otherwise the same shall take effect on the tenth day after the date of its passage by the City Council.

Section 51. Emergency. By reason of the necessity to construct the capital improvements and to refund, retire, and defease the Refunded Obligations from the proceeds of the New Series 2003A Bonds herein authorized, an emergency is hereby declared to exist making it necessary for the preservation of the public peace, property, health and safety that this Ordinance become effective immediately upon its enactment, and it is so enacted.

Section 52. 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 New Series 2003A 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 New Series 2003A Bonds, the Mayor, the City Manager, the Director of Finance, the General Manager and CEO of the Board, the Secretary-Treasurer of the Board, 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 New Series 2003A 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 53. 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 Parity Bonds, the New Series 2003A Bonds, and certain Additional Parity Bonds is insured by Financial Security Assurance, Inc. (*Financial Security*) pursuant to the Surety Policy:

A. The City shall repay any draws under the Surety Policy and pay all related reasonable expenses incurred by Financial Security. Interest shall accrue and be payable on such draws and expenses from the date of payment by Financial Security 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 The Chase Manhattan 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 The Chase Manhattan Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Previously Issued Parity Bonds, the New Series 2003A Bonds, and certain additional Parity 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 The Chase Manhattan 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 Financial Security 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 Financial Security 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 Financial Security 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 Parity Bonds, the New Series 2003A Bonds, and certain Additional Parity 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, Financial Security 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 Parity Bonds, the New Series 2003A Bonds, and certain Additional Parity Bonds or (ii) remedies which would adversely affect owners of the Previously Issued Parity Bonds, the News Series 2003A Bonds, and certain Additional Parity Bonds.

C. The Ordinance shall not be discharged until all Policy Costs owing to Financial Security shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Previously Issued Parity Bonds, the New Series 2003A Bonds, and certain Additional Parity Bonds.

D. The Paying Agent/Registrar shall ascertain the necessity for a claim upon the Surety Policy and to provide notice to Financial Security 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 Parity Bonds, the New Series 2003A Bonds, and certain Additional Parity Bonds.

E. The Surety Policy shall expire on the earlier of the date the New Series 2003A Bonds are no longer Outstanding under the Ordinance and the final maturity date of the New Series 2003A Bonds.

Section 54. Insurance Provisions Relating to the Insured New Series 2003A Bonds. The New Series 2003A Bonds scheduled to mature on (i) February 1, _____ bearing interest at _____% (CUSIP No. _____), (ii) February 1, _____ bearing interest at _____% (CUSIP No. _____), and (iii) February 1, _____ bearing interest at a rate of _____% (CUSIP No. _____), are referred to herein as the "Insured Bonds". The following provisions shall be effective as long as any Insured Bonds are insured by MBIA. (the "Bond Insurer") pursuant the municipal bond insurance policy (the "Bond Insurance Policy") :

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PASSED AND ADOPTED by an affirmative vote of 10 members of the City Council of the City of San Antonio, Texas, this the 26th day of June, 2003.

CITY OF SAN ANTONIO

Mayor EDWARD D. GARZA

ATTEST:

Acting 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.

Andrew Martin, City Attorney, City of San Antonio, Texas

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