ORDINANCE NO. _____

ORDINANCE

CITY OF EL PASO, TEXAS
GENERAL OBLIGATION COMMERCIAL PAPER NOTES
SERIES B

Adopted May_____, 2004

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. DEFINITIONS 2
Section 1.02. RULES OF CONSTRUCTION 4
Section 1.03. INTERPRETATIONS 4

ARTICLE II

AUTHORIZATION OF NOTES

Section 2.01. GENERAL AUTHORIZATION 4
Section 2.02. TERMS APPLICABLE TO NOTES 5
Section 2.03. FORMS OF NOTES 5
Section 2.04. EXECUTION C AUTHENTICATION 6
Section 2.05. ISSUING AND PAYING AGENT 6
Section 2.06. NOTE PAYMENT ACCOUNT 6
Section 2.07. THE DEPOSITORY TRUST COMPANY 7
Section 2.08. NOTES MUTILATED, LOST, OR DESTROYED OR STOLEN 8
Section 2.09. NEGOTIABILITY, REGISTRATION AND EXCHANGEABILITY 8
Section 2.10. CANCELLATION. 9
Section 2.11. FISCAL AND OTHER AGENTS 9

ARTICLE III

ISSUANCE AND SALE OF NOTES;
CREDIT AGREEMENT; AND DEALER

Section 3.01. ISSUANCE AND SALE OF NOTES 9
Section 3.02. NOTE CONSTRUCTION ACCOUNT; USE OF NOTE PROCEEDS 10
Section 3.03. CREDIT PROVIDERS AND CREDIT AGREEMENTS 10
Section 3.04. COMMERCIAL PAPER DEALERS; COMMERCIAL PAPER DEALER 10
Section 3.05. AUTHORIZED REPRESENTATIVE 11
Section 3.06. OTHER AGREEMENTS 11

ARTICLE IV

SECURITY AND PAYMENT OF NOTES

Section 4.01. SECURITY AND PLEDGE 11
Section 4.02. TAX LEVY 11
Section 4.03. INVESTMENT OF FUNDS 12

ARTICLE V

COVENANTS OF THE CITY

Section 5.01. LIMITATION ON ISSUANCE 12
Section 5.02. MAINTENANCE OF AN AVAILABLE CREDIT AGREEMENT REQUIREMENT 12

ARTICLE VI

AMENDMENTS

Section 6.01. AMENDMENT OF ORDINANCE 12
Section 6.02. NOTICES TO RATING AGENCIES 13
Section 6.03. OTHER CONSENTS 14

ARTICLE VII

TAX COVENANTS

Section 7.01. GENERAL 14
Section 7.02. NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING 14
Section 7.03. NO FEDERAL GUARANTEE 14
Section 7.04. NO HEDGE BONDS 14
Section 7.05. NO ARBITRAGE 14
Section 7.06. ARBITRAGE REBATE 15
Section 7.07. INFORMATION REPORTING 15
Section 7.08. CONTINUING OBLIGATION 15

ARTICLE VIII

MISCELLANEOUS

Section 8.01. ORDINANCE TO CONSTITUTE A CONTRACT; EQUAL SECURITY; ENFORCEMENT 15
Section 8.02. SEVERABILITY OF INVALID PROVISIONS 15
Section 8.03. PAYMENT AND PERFORMANCE ON BUSINESS DAYS 15
Section 8.04. LIMITATION OF BENEFITS WITH RESPECT TO THIS ORDINANCE 16
Section 8.05. APPROVAL OF ATTORNEY GENERAL 16
Section 8.06. APPROVAL OF OFFERING MEMORANDUM 16
Section 8.07. NO RECOURSE AGAINST CITY OFFICIALS 16
Section 8.08. FURTHER PROCEDURES 16

Exhibit A - 1 - Form of Note and the Certificate of Authentication A-1
Exhibit A - 2 - Form of Master Note A-2
Exhibit B – Form of Issuing and Paying Agency Agreement B-1
Exhibit C – Form of DTC Letter of Representations C-1
Exhibit D – Form of Revolving Credit Agreement D-1
Exhibit E – Form of Commercial Paper Dealer Agreement E-1

Exhibit F – Form of Initial Offering Memorandum. F-1
Exhibit G – Form of Closing Agreement. G-1

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF EL PASO, TEXAS, GENERAL OBLIGATION COMMERCIAL PAPER NOTES, SERIES B, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $50,000,000 FOR THE PURPOSE OF PROVIDING MONEY FOR CERTAIN AUTHORIZED PURPOSES; APPROVING AND AUTHORIZING CERTAIN AUTHORIZED OFFICERS AND EMPLOYEES TO ACT ON BEHALF OF THE CITY IN THE SELLING AND DELIVERY OF SUCH NOTES, WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, DELIVERY AND SECURITY OF THE NOTES, INCLUDING THE APPROVAL OF AN ISSUING AND PAYING AGENCY AGREEMENT, A CREDIT AGREEMENT, AN OFFERING MEMORANDUM AND A COMMERCIAL PAPER DEALER AGREEMENT

WHEREAS, the Election (hereinafter defined) and the City of El Paso, Texas (the ACity@) City Charter authorize the City to issue obligations for certain voted and authorized purposes, and to provide for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits provided by law, on all taxable property within the City; and

WHEREAS, pursuant to Chapter 1371, Texas Government Code, as amended (the "Act"), the City (being a qualifying "issuer" within the meaning of the Act) is authorized to issue all or any portion of the aforesaid obligations as commercial paper notes, to execute and deliver one or more credit agreements with respect to such commercial paper notes and execute and deliver loan notes under one or more credit agreements to evidence the City's reimbursement obligations under such credit agreements, all as provided in the Act; and

WHEREAS, the City desires to authorize the issuance of the Notes (hereinafter defined) for certain voted and authorized purposes pursuant to the Election, the City Charter, the Act and other applicable law, including, Chapters 1201, 1207 and 1331, Texas Government Code, as amended, and that such voted and authorized purposes constitute an "eligible project" within the meaning of the Act, and constitute public purposes under the Constitution and laws of the State of Texas; and

WHEREAS, the City hereby finds that the Revolving Credit Agreement (hereinafter defined) constitutes a "credit agreement" within the meaning of the Act; and

WHEREAS, arrangements relating to this financing have been settled and the City hereby finds and determines that the issuance of the Notes and the execution and delivery of the Revolving Credit Agreement and the Loan Notes (hereinafter defined), subject to the terms, conditions and limitations hereinafter prescribed, should be approved and authorized at this time; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code, as amended.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EL PASO, TEXAS THAT:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. DEFINITIONS. Throughout this Ordinance (except in the FORM OF NOTES CExhibits A-l and A-2), in addition to the terms defined in the recitals hereof, the following terms and expressions used herein shall have the meaning specified in this Section.

"**Act**" means Chapter 1371, Texas Government Code, as amended.

"**Authorized Denomination**" means, with respect to the Notes, $100,000 principal amount, or integral multiples thereof.

"**Authorized Purposes**" means the purposes for which and amounts in which Notes may be issued, as described in Section 2.01(b), as the same may be modified or amended from time to time pursuant to Section 6.01(a)(vi).

"**Authorized Representative**" means that person designated as the Authorized Representative in writing and delivered to the Issuing and Paying Agent and the Dealer pursuant to Section 3.05. The initial Authorized Representative shall be the Chief Financial Officer or such person(s) designated in writing by the Chief Financial Officer to serve in such capacity pursuant to Section 3.05.

"**Business Day**" means any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the states of New York or Texas are authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

"**City Council**" means the City Council of the City.

"**Commitment**" means the maximum amount available to be drawn as Loans under the Revolving Credit Agreement for the payment of principal on the Notes, as such amount may be reduced and reinstated from time to time as provided in the Revolving Credit Agreement.

"**Credit Provider**" means any provider of credit pursuant to the Revolving Credit Agreement. The initial Credit Providers for the Notes shall be DEPFA BANK plc, a bank organized under the laws of the Republic of Ireland, acting by and through its New York Agency, which is duly authorized to enter into the Revolving Credit Agreement.

"**Dealer**" means the City's commercial paper dealer or co-commercial paper dealers appointed pursuant to Section 3.04.

"**Dealer Agreement**" means the agreement between the City and the Dealer, as the same shall from time to time be in effect, pursuant to the provisions of Section 3.04.

"**DTC**" means The Depository Trust Company, New York, New York or any successor securities depository.

"**DTC Letter of Representations**" means an agreement by and among the City, the Issuing and Paying Agent and DTC, substantially in the form attached hereto as ***Exhibit C***, regarding DTC's services as securities depository for the Notes and DTC's book-entry only system of transfer for the Notes.

"**DTC Participant**" means brokers and dealers, banks, trust companies, clearing operations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlements of securities transactions among DTC Participants.

"**Election**" means that election held within the City on February 7, 2004, that authorized the issuance by the City, in one or more installments, of obligations for certain authorized purposes, and provided for the payment of principal of and interest on such obligations through the levy of an annual ad valorem tax, within the limits provided by law, on all taxable property within the City.

"**Fiscal Year**" means the fiscal year of the City, currently beginning on September 1 of any year and ending on August 31 of the next succeeding year, but which may be changed by City Council.

"**Interest Rate**" means the interest rate borne by any Note.

"**Issuing and Paying Agent**" means, initially, JPMorgan Chase Bank, when acting in such capacity, or any successor issuing and paying agent appointed pursuant to this Ordinance.

"**Issuing and Paying Agency Agreement**" means that agreement between the City and the Issuing and Paying Agent, as the same may from time to time be in effect.

"**Loan**" means a loan made to the City pursuant to the Revolving Credit Agreement.

"**Loan Notes**" means any promissory notes executed and delivered by the City to the order of the Credit Provider to evidence loans made by the Credit Provider to the City under the Revolving Credit Agreement.

"**Master Notes**" means those forms of Notes issued in book-entry form only and registered in the name of Cede & Co., as nominee of the DTC or another securities depository pursuant to Section 2.07 which are intended to evidence the City's aggregate obligations under the Notes.

"**Maximum Rate**" means the lesser of (i) maximum "net effective interest rate" allowable under Chapter 1204, Texas Government Code, as amended, currently 15% or (ii) such lesser maximum rate as shall from time to time be authorized by City Council, which initially shall be 10%.

"**Maximum Maturity Date**" means August 15, 2034, provided, however, that no Note or Loan Notes may mature beyond the maximum maturity date approved at the Election pursuant to which the issuance of such Note has been authorized.

"**Notes**" means the City's General Obligation Commercial Paper Notes, Series B, authorized by this Ordinance, and, whenever such Notes are authorized to be issued in book-entry only form pursuant to Section 2.07, such term shall refer to the City's obligations under the Notes, which obligations shall be evidenced by one or more Master Notes as herein provided.

"**Ordinance**" means this ordinance authorizing the issuance and sale of the Notes, as it may from time to time be amended or supplemented pursuant to its terms.

"**Outstanding**" means, as of the date of determination, all Notes theretofore delivered under this Ordinance, except:

(1) Notes theretofore cancelled and delivered to the City or delivered to the Issuing and Paying Agent for cancellation;

(2) Notes upon transfer of or in exchange for and in lieu of which other Notes have been delivered pursuant to this Ordinance; and

(3) Notes under which obligations of the City have been released, discharged or extinguished in accordance with the terms thereof.

Provided, however, that while the Notes are issued in book-entry only form as authorized by Section 2.07, "**Outstanding**" shall mean, as of the date of determination, all Notes therefor authorized to be issued under such book-entry only system and not theretofore released, discharged or extinguished in accordance with the terms of such book-entry system or the terms of this Ordinance.

"**Person**" means any individual, corporation, partnership, joint venture, unincorporated association, association, trust, joint stock company, unincorporated organization, government or government agency or other legal entity capable of carrying on a trade or business.

"**Principal Amount**" means, with respect to any Note, the stated principal amount of such Note, and with respect to any Loan or Loan Note, the outstanding principal balance thereof.

"**Register**" means the books of registration for the Notes maintained by the Issuing and Paying Agent.

"**Registered Owner**" means the Person or entity in whose name any Note is registered in the Register.

Section 1.02. RULES OF CONSTRUCTION. (a) For all purposes of this Ordinance, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the articles, sections and other subdivisions of this Ordinance.

(b) Except where the context otherwise requires, terms defined in this Ordinance to impart the singular number shall be considered to include the plural number and vice versa.

Section 1.03. INTERPRETATIONS. The table of contents, titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ARTICLE II

AUTHORIZATION OF NOTES

Section 2.01. GENERAL AUTHORIZATION. (a) Pursuant to authority conferred by and in accordance with the provisions of the Election, the Act, and all other applicable law, including Chapters 1201, 1207 and 1331, Texas Government Code, as amended, and the City Charter, the Notes shall be and are hereby authorized to be issued in an aggregate Principal Amount not to exceed FIFTY MILLION DOLLARS ($50,000,000), in accordance with and subject to the terms, conditions and limitations contained herein; provided, however, that the Principal Amount of Notes authorized to be issued hereunder shall be reduced by the Principal Amount of any Notes or Loan Notes paid by the City other than by means of a refunding or a refinancing through the issuance of Notes or through Loans; and the Loan Notes shall be and are authorized to be issued in an aggregate Principal Amount not to exceed FIFTY MILLION DOLLARS ($50,000,000) for the purpose of evidencing the City's obligation to repay Loans, if any, made by the Credit Provider to the City under the Credit Agreement; provided, however, that the aggregate Principal Amount of Notes and Loans at any time evidenced by Outstanding Notes and the Loan Notes shall never exceed $50,000,000. For purposes of this Section 2.01, any portion of Outstanding Notes or the Loan Notes to be paid from money on deposit with the Issuing and Paying Agent and from the available proceeds of Notes or other obligations of the City issued on the day of calculation, including Loans, shall not be considered Outstanding. Subject to any limitations contained herein, in the Election, in the

Act, and all other applicable law, including Chapter 1207, Texas Government Code, as amended, the authority to issue Notes from time to time under the provisions of this Ordinance shall exist until the Maximum Maturity Date.

(b) The Notes may be issued for the following Authorized Purposes (as the same shall be more fully described, authorized and provided in the legal proceedings of the Election) in the following maximum Principal Amounts (exclusive of Notes issued to refund or refinance such Principal Amounts), as the same may be modified or amended from time to time by the City Council pursuant to Section 6.01(a)(vii) of this Ordinance:

Proposition	Authorized Purposes	Maximum Principal Amounts	Remaining Voted Authorization
1	Parks	$ 995,000	$ 3,565,000
2	Storm Drainage Flood Control	145,000	1,235,000
3	Street Improvements	34,650,000	44,970,000
4	Fire Facilities and Equipment	4,325,000	7,270,000
5	City Health Facilities	440,000	510,000
6	Improvement to City Facilities	25,000	175,000
7	Zoo	150,000	0
8	Library	345,000	190,000
9	Police Facilities and Equipment	4,260,000	3,095,000
11	Various Departments Equipment and Vehicles	4,665,000	2,540,000
		$50,000,000	$63,550,000

On each date that Notes are initially issued (i.e. other than to refund Notes or Loans) the Authorized Representative shall designate the Authorized Purposes for which such Notes are to be issued.

Section 2.02. TERMS APPLICABLE TO NOTES. (a) The Notes are hereby designated as "City of El Paso, Texas, General Obligation Commercial Paper Notes, Series B" and shall be dated as of their date of issuance (the ANote Date@). Under and pursuant to the authority granted hereby and subject to the limitations contained herein, the Notes are authorized to be issued, sold and delivered from time to time in such Principal Amounts (in Authorized Denominations) and bearing interest at such Interest Rates per annum computed on the basis of actual days elapsed and on a 365-day or 366-day year (not to exceed the Maximum Rate) payable at maturity of each Note as determined by an Authorized Representative, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on such date as an Authorized Representative shall determine at the date of sale; provided, however, that no Note shall (i) mature after the Maximum Maturity Date, (ii) have a term in excess of 270 days, (iii) have a term beyond the third Business Day prior to the scheduled expiration date for the Revolving Credit Agreement relating to such Note or (iv) be issued at any time that a "no issuance notice" has been issued by the Credit Provider pursuant to the Revolving Credit Agreement which provides that such Note would not be entitled to the security provided by the Revolving Credit Agreement.

(b) The Notes shall be issued in registered form, without interest coupons. The principal of and interest on the Notes shall be payable in lawful money of the United States of America, without exchange or collection charges to the owners or holders thereof, upon presentation and surrender of the Notes at the principal corporate trust office of the Issuing and Paying Agent.

Section 2.03. FORMS OF NOTES. The Notes and the Certificate of Authentication to appear on same and any Master Notes shall be substantially in the form set forth in ***Exhibit A-1 and A-2,*** respectively, to this Ordinance with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Ordinance and may have such letters, numbers or other marks of identification, including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association ("CUSIP Numbers"),

such legends and endorsements thereon and such opinions of bond counsel (or co-bond counsel) as may, consistent herewith, be approved by an Authorized Representative. Any portion of the text of any Note or Master Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note or Master Note. The Notes and Master Notes shall be printed, lithographed, engraved or produced in any other similar manner, or typewritten, all as determined and approved by the Authorized Representative.

Section 2.04. EXECUTION C AUTHENTICATION. (a) The Notes shall be executed for and on behalf of the City by the Mayor, under the City's seal reproduced or impressed thereon and attested by the City Clerk. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers on the date of passage of this Ordinance shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or any of them shall cease to hold such offices at the time of the initial sale and delivery of any Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

(b) No Note shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Note a Certificate of Authentication substantially in the form provided in ***Exhibit A-1***, executed by the Issuing and Paying Agent by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified or registered and delivered.

Section 2.05. ISSUING AND PAYING AGENT. (a) The selection and appointment of JPMorgan Chase Bank to serve as the initial Issuing and Paying Agent for the Notes is hereby authorized, approved and confirmed. The initial Issuing and Paying Agency Agreement, substantially in the form attached hereto as ***Exhibit B***, is hereby approved and shall be entered into with the Issuing and Paying Agent. The Mayor is hereby authorized to execute and deliver the Issuing and Paying Agency Agreement and any other documents called for thereunder (including any authorizations with respect to the investment of any City funds held by the Issuing and Paying Agent) and the City Clerk is authorized to attest thereto and impress the City seal thereon.

(b) The City covenants to maintain and provide an Issuing and Paying Agent at all times while the Notes are Outstanding, which shall be a national or state banking association or corporation or trust company organized and doing business under the laws of the United States of America or of any state and authorized under such laws to exercise trust powers. A successor Issuing and Paying Agent may be appointed without the consent of the owners.

(c) The Issuing and Paying Agent, upon reasonable request from the City, will provide to the City a list of all Outstanding Notes setting forth the Principal Amount, the issue date, the Note number, the maturity date and the rate and amount of interest for each Outstanding Note.

(d) Amounts held by the Issuing and Paying Agent which represent principal of and interest on the Notes remaining unclaimed after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Issuing and Paying Agent in accordance with the provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 2.06. NOTE PAYMENT ACCOUNT. (a) The Issuing and Paying Agent shall establish and maintain a separate and special account hereby designated as the "City of El Paso, Texas, General Obligation Commercial Paper Notes Payment Account, Series B" (the "Note Payment Account"). The Note Payment Account shall contain the following sub-accounts:

(i) Interest Payment Sub-account; and

(ii) Principal Payment Sub-account (which may contain within it one or more sub-accounts for Loans).

(b) The City shall pay to the Issuing and Paying Agent for deposit into the Interest Payment Sub-account of the Note Payment Account no later than the first Business Day of each month (and more frequently as needed) amounts,

taking into account funds currently on deposit in the Interest Payment Sub-account, sufficient to pay all interest on the Notes maturing in such month and all interest on the Loan Notes payable in such month which amounts shall be used for the purpose of paying interest on maturing Notes and interest on the Loan Notes.

(c) The proceeds from the sale of Notes issued for the purpose of refunding and refinancing the Principal Amount of other Notes issued under this Ordinance shall be paid to the Issuing and Paying Agent for deposit to the credit of the Principal Payment Sub-account of the Note Payment Account and shall be used solely for the purpose of paying the Principal Amount of maturing Notes or the Principal Amount of the Loan Notes.

(d) The proceeds of Loans under the Revolving Credit Agreement shall be paid to the Issuing and Paying Agent for deposit to the credit of the Principal Payment Sub-account (or a special sub-account therein for such purpose) of the Note Payment Account and used solely for the purpose of paying the Principal Amount of maturing Notes.

(e) To the extent funds described in subsection (c) and (d) above are not available or sufficient for the payment of the Principal Amount of the Notes and the Loan Notes as they mature, the City shall pay to the Issuing and Paying Agent such additional amounts as shall be necessary for such purpose for deposit into the Principal Payment Sub-account of the Note Payment Account to be used for such purpose.

Section 2.07. THE DEPOSITORY TRUST COMPANY. (a) The City has determined to issue the Notes initially in book-entry form and has determined to appoint The Depository Trust Company, New York, New York ("DTC") to serve as the initial securities depository for the Notes and to maintain a book-entry only system of recording the ownership and transfer of ownership of beneficial interests in the Notes in accordance with this Section 2.07. So long as DTC acts as the securities depository for the Notes, the City's obligations with respect to the Notes shall be evidenced by one or more Master Notes (in lieu of individual certificates representing each of the individual Notes) registered in the name of Cede & Co., as nominee of DTC, as Registered Owner of the Master Notes and held in the custody of DTC.

(b) Notwithstanding any provision of this Ordinance to the contrary, unless the City shall otherwise direct, one or more Master Notes (evidencing all of the City's obligations under the Notes) shall be issued in lieu of individual Notes, which Master Notes shall be registered in the name of Cede & Co., as nominee of DTC, as the Registered Owner of, the Master Notes, and held in the custody of DTC. Beneficial owners of Notes will not receive physical delivery of Notes except as provided hereinafter as long as DTC shall continue to serve as securities depository for the Notes as provided herein, all transfers and beneficial ownership interests in the Notes will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership interests in the Notes is to receive, hold or deliver any Notes; provided, that, if DTC fails or refuses to act as securities depository for the Notes, the City shall take the actions necessary to provide for the issuance of certificates to the Registered Owners of such Notes.

(c) With respect to Master Notes registered in the name of Cede & Co., as nominee of DTC, the City and the Issuing and Paying Agent shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Notes. Without limiting the immediately preceding sentence, the City and the Issuing and Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Notes, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any notice with respect to the Notes, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any amount with respect to the principal of, premium, if any, or interest on the Notes.

(d) In the event that (i) DTC determines not to continue to act as securities depository for the Notes (which determination shall become effective not less than ninety (90) days after written notice to such effect is given to the City and the Issuing and Paying Agent); (ii) the City or the Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes) that DTC is incapable of discharging its responsibilities described herein and in the DTC Letter of Representations; or (iii) the City or the Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC participant and the beneficial owners of the

Notes) that it is in the best interests of the beneficial owners of the Notes not to continue DTC's book-entry only system of transfer for the Notes, then the City shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended. In the event of such an appointment, the City shall notify (a) DTC of the appointment of such successor securities depository and transfer one or more separate Notes to such successor securities depository or (b) DTC Participants of the availability through DTC of Notes and transfer one or more separate Notes to DTC Participants having Notes credited to their DTC accounts. In such event, the Master Notes and Notes shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Notes shall designate, in accordance with the provisions of this Ordinance.

(e) In the event that the City fails to appoint a successor securities depository for the Notes, the City shall execute and cause to be authenticated and delivered replacement Notes, in certificated form, to the beneficial owners of the Notes.

(f) Notwithstanding any other provision of this Ordinance to the contrary, as long as any Master Notes or the Notes are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of and interest on the Notes and all notices with respect to such Notes shall be made and given, respectively, in the manner provided in the DTC Letter of Representations (***Exhibit C***); (ii) the requirements of this Ordinance of holding, delivering or transferring Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC, and (iii) delivery of the Master Notes and the Notes will be in accordance with arrangements among the City, the Issuing and Paying Agent and DTC.

(g) If at any time DTC ceases to hold the Master Notes or the Notes in book-entry only form, all references herein to DTC shall be of no further force or effect.

(h) The DTC Letter of Representations shall be substantially in the form attached hereto as ***Exhibit C***, the terms and provisions of which are hereby approved and the Mayor is hereby authorized to execute and delivery such DTC Letter of Representations on behalf of the City in multiple counterparts.

Section 2.08. NOTES MUTILATED, LOST, OR DESTROYED OR STOLEN. In the event that the City determines not to issue the Notes in book-entry form as provided in Section 2.07, with respect to any Note that shall become mutilated, the City, at the expense of the Registered Owner of said Note, shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Issuing and Paying Agent of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Issuing and Paying Agent and if such evidence shall be satisfactory to them and indemnity satisfactory to them shall be given, the City, at the expense of the Registered Owner, shall execute and cause the Issuing and Paying Agent to authenticate and deliver a new Note of like tenor (but with a number not contemporaneously outstanding) in lieu of and in substitution for the Note so lost, destroyed or stolen. In the event any such Note shall have matured, the Issuing and Paying Agent, instead of issuing a duplicate Note, may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the City nor the Issuing and Paying Agent shall be required to treat both the original Note and any duplicate Note as being Outstanding for the purpose of determining the Principal Amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The City and the Issuing and Paying Agent may charge the Registered Owner of such Note their reasonable fees and expenses for such service.

Section 2.09. NEGOTIABILITY, REGISTRATION AND EXCHANGEABILITY. (a) The Notes issued hereunder are negotiable instruments under the laws of the State of Texas and investment securities under the terms of Chapter 8, Business and Commerce Code, Texas Codes Annotated, as amended, and each successive Holder, in accepting any of the Notes, shall be conclusively deemed to have agreed that such Notes have all of the qualities and incidents of negotiable instruments and investment securities under the laws of the State.

(b) The Issuing and Paying Agent shall keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration and transfer of the Notes in accordance with the terms of this Ordinance. The Issuing and Paying Agent shall also keep a copy of the Register in the State of Texas at the Issuing and Paying Agent's offices in El Paso, Texas, and such copy shall be kept current by the Issuing and Paying Agent.

(c) Notes may be exchanged by the Registered Owners for other Notes of like tenor and character and of Authorized Denominations and having the same issue date, maturity and Interest Rate and of like aggregate Principal Amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the principal corporate trust office of the Issuing and Paying Agent. Whenever any Notes are so surrendered for exchange, the Issuing and Paying Agent shall deliver new Notes of like tenor and character as the Notes exchanged, registered to the original Registered Owner, to any successor Registered Owner, executed on behalf of, and furnished by, the City, to the Registered Owner thereof requesting the exchange.

(d) The City and the Issuing and Paying Agent may charge the Registered Owner a sum sufficient to reimburse them for any expenses incurred in making any exchange. The Issuing and Paying Agent or the City may also require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Note shall be delivered.

(e) New Notes delivered upon any exchange shall evidence the same debt as the Notes surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and benefits hereof to the same extent as the Notes surrendered.

(f) The City reserves the right to change the exchange provisions at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the State of Texas or of the United States of America in effect at the time of issuance thereof. The Issuing and paying Agent shall be promptly notified of any change in the exchange provisions of the Notes.

Section 2.10. CANCELLATION. All Notes which at maturity are surrendered to the Issuing and Paying Agent for the collection of the Principal Amount thereof and payment of interest thereon at the Interest Rate or are surrendered for exchange pursuant to the provisions hereof shall, upon payment or issuance of new Notes, be cancelled by the Issuing and Paying Agent and forthwith transmitted to the City, and the City thereafter shall have the custody of all thereof.

Section 2.11. FISCAL AND OTHER AGENTS. In furtherance of the purposes of this Ordinance, the City may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes. Notice of any such appointment shall be provided promptly to the Credit Provider.

ARTICLE III

ISSUANCE AND SALE OF NOTES; CREDIT AGREEMENT; AND DEALER

Section 3.01. ISSUANCE AND SALE OF NOTES. (a) Subject to applicable terms, limitations and procedures contained herein, the Notes may be sold in such manner, at public or private sale, and at par or at such discount (within the interest rate and yield restrictions provided herein) as the Authorized Representative shall approve at the time of sale thereof.

(b) The Notes shall be delivered by the Issuing and Paying Agent in accordance with telephonic, computer or written instructions of an Authorized Representative and in the manner specified below and in the Issuing and Paying Agency Agreement. If such instructions are given by telephone, they shall be confirmed by facsimile transmission,

electronically or in writing. Said instructions shall specify such Principal Amounts, Interest Rates, dates of issue, maturities and other terms and conditions that are hereby authorized and permitted to be fixed by an Authorized Representative at the time of sale of the Notes.

Section 3.02. NOTE CONSTRUCTION ACCOUNT; USE OF NOTE PROCEEDS. Proceeds of each sale of Notes (other than Notes issued to refund or refinance other Note(s) or to refund or refinance Loans) shall be used for Authorized Purposes, including costs of issuance, and shall be deposited into certain funds or accounts hereby established and designated for such purposes (collectively, the "General Obligation Series B Note Construction Account").

Section 3.03. CREDIT PROVIDERS AND CREDIT AGREEMENTS. (a) The initial Revolving Credit Agreement, substantially in the form attached hereto as ***Exhibit D***, is hereby approved and shall be entered into with the Credit Provider. The Mayor is hereby authorized to execute and deliver the Revolving Credit Agreement and any other documents called for thereunder and the City Clerk is hereby authorized and directed to attest thereto and to place the City's seal thereon. City Council has determined that the initial Revolving Credit Agreement constitutes a "credit agreement" within the meaning of the Act.

(b) The City reserves the right to substitute one or more Revolving Credit Agreements for the initial Revolving Credit Agreement, with one or more Credit Providers, so long as:

(i) such substitution (or any assignment of all or any part of any Revolving Credit Agreement) does not cause any rating agency then rating the Notes to withdraw, lower or suspend its short term rating assigned to any Notes then Outstanding, as evidenced by written notice to the City;

(ii) the substitute Revolving Credit Agreement shall have a term of at least 271 days or until at least three Business Days after the last maturing Note;

(iii) the substitute Revolving Credit Agreement shall not cause the City to violate its covenants in Section 5.02; and

(iv) the substitute Revolving Credit Agreement shall be approved by the Attorney General of Texas to the extent required by law.

(c) So long as any Notes remain Outstanding, the City covenants to maintain a Revolving Credit Agreement in full force and effect, pursuant to the terms of Section 5.02.

(d) The Mayor is hereby authorized and directed to execute and deliver from time to time (and the City Clerk may attest) requests for or agreements relating to the extension of the term or final maturity of any Revolving Credit Agreement from time to time in effect and to take such other action as shall be necessary to obtain extensions of the term of any such Revolving Credit Agreement up until the Maximum Maturity Date or until such time as a substitute Revolving Credit Agreement is authorized hereunder.

Section 3.04. COMMERCIAL PAPER DEALERS; COMMERCIAL PAPER DEALER AGREEMENTS. So long as any Notes remain Outstanding, the City shall maintain in full force and effect an agreement pursuant to which it shall have appointed a Dealer for the Notes. The initial Dealer Agreement by and between the City and Lehman Brothers, as the initial Dealer, pertaining to the sale, from time to time, of Notes or the purchase of Notes from the City, all for the fees as set forth in said Commercial Paper Dealer Agreement, substantially in the form attached hereto as ***Exhibit E***, is hereby approved and shall be entered into with the Dealer. The Mayor is hereby authorized to execute and deliver the Dealer Agreement and any documents called for thereunder and the City Clerk is authorized to attest thereto and impress the City seal thereon. The City expressly reserves the right, without prior notification to or consent from the owners or any Outstanding Notes to enter into any supplemental agreements with the Dealer or with any successor Dealer selected by the City.

Section 3.05. AUTHORIZED REPRESENTATIVE. So long as any Notes remain Outstanding, the City shall have at all times appointed an Authorized Representative for carrying out and discharging the purposes, duties and obligations set forth in the Ordinance, the Issuing and Paying Agency Agreement, the Revolving Credit Agreement and the Dealer Agreement. The person from time to time holding the office of Chief Financial Officer is hereby designated as the initial Authorized Representative. The Authorized Representative shall have the authority to appoint (subject to the requirements of this Ordinance, the Issuing and Paying Agency Agreement, the Revolving Credit Agreement and the Dealer Agreement) one or more other persons to act on behalf of the Authorized Representative. Any such appointment(s) shall be in writing and shall be delivered to the Dealer, Issuing and Paying Agent and Credit Provider within a reasonable time after such appointment(s). The Authorized Representative is directed to follow such procedures and guidelines as may be adopted elsewhere with respect to the City's commercial paper programs. Such restrictions may include restrictions as to the amount of commercial paper notes that may be issued during any period of time or the maximum rate or amount of interest which such commercial paper notes may bear during such period of time, which limitations may be for budgetary purposes or otherwise as determined by the City.

Section 3.06. OTHER AGREEMENTS. To the extent permitted by the Act or other applicable law, but only to the extent not inconsistent with the terms of the Outstanding Notes, the City expressly reserves the right to enter into, purchase or otherwise obtain one or more other agreements, commitments or guarantees with respect to interest and interest rates on or related to the Notes (including, without limitation, agreements relating to interest rate caps, collars, indexing, swaps and otherwise) and with respect to any financial or derivative products which the City may from time to time authorize in connection with or relating to its obligations under the Notes and this Ordinance without further approval of the Attorney General of Texas.

ARTICLE IV

SECURITY AND PAYMENT OF NOTES

Section 4.01. SECURITY AND PLEDGE. To provide security for the payment of the principal of and interest on the Notes and amounts due under the Revolving Credit Agreement, including the Loan Notes, as the same shall become due and payable, there is hereby granted a lien on and pledge of the following, subject to the provisions of this Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth herein: (i) the proceeds from the sale of Notes from time to time hereafter issued to pay Principal Amounts of Outstanding Notes and the Principal Amount of the Loan Notes, (ii) proceeds from the sale of general obligation bonds issued by the City from time to time hereafter for the purposes for paying the Principal Amounts of or interest on the Notes and the Loan Notes, (iii) Loans drawn to pay the Principal Amounts of Outstanding Notes, (iv) amounts held in the Note Payment Fund and (v) the proceeds of the tax levy set forth in Section 4.02.

Section 4.02. TAX LEVY. (a) During any year while the Notes or the Loan Notes (including both principal and interest) are Outstanding or unpaid, City Council shall compute and ascertain a rate and amount of ad valorem taxes which will be sufficient to raise and produce the money required to provide for the payment of the interest thereon as such interest comes due and to provide and maintain a sinking fund adequate to pay the principal thereon as such principal matures (but never less than 2% of the City's outstanding indebtedness, including the Principal Amount of the Notes and the Outstanding Principal Amount of the Loan Notes based upon any Loans then Outstanding at the time of such tax levy); and such tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Such rate and amount of ad valorem taxes are hereby levied, and are hereby ordered to be levied, within the limits prescribed by law, against all taxable property in the City for each year while any of the Notes or the Loan Notes or interest thereon are Outstanding; such tax shall be assessed and collected in each such year; and the proceeds of such tax shall be appropriated and applied to the payment of the interest on and principal of the Notes and the Loan Notes.

(b) There is hereby allocated, from lawfully available funds of the City, amounts sufficient to pay interest on the Notes reasonably anticipated to be issued and payable prior to the collection of the first tax levy for the Notes based upon Interest Rates actually authorized and/or the highest Interest Rates which the Authorized Representative is authorized to

approve for payment during such period of time.

(c) In determining the amount of taxes to be levied and the amount of other funds to be allocated to the payment of interest on the Notes from and after the first tax levy, the City may take into account any other sources of funding that are lawfully available or are to be lawfully available for payment of such interest on the Notes and may take into account any legal limitation regarding the maximum rate or amount of interest that the Authorized Representative may be authorized to approve in the issuance and sale of Notes from time to time.

Section 4.03. INVESTMENT OF FUNDS. Pending its use, money in any funds, accounts and sub-accounts established or maintained hereunder may be invested by the City, or at the direction of the City, in such investments as are permitted by the laws of the State of Texas; provided, however, that such investment does not inhibit the punctual payment of the principal of and interest on the Notes and provided further that no funds allocable to the payment of principal of and interest on the Notes shall be invested in any investments that would cause the withdrawal, lowering or suspension of any rating then assigned to the Notes by any rating agency, as evidenced by written notice to the City.

ARTICLE V

COVENANTS OF THE CITY

Section 5.01. LIMITATION ON ISSUANCE. (a) Unless this Ordinance and the Revolving Credit Agreement are amended and modified by City Council in accordance with the provisions hereof, the City covenants and agrees that there will not be issued and Outstanding under this Ordinance at any time more than $50,000,000 in aggregate Principal Amount of Notes and Loans.

(b) The City covenants and agrees that the total Principal Amount of all Notes outstanding at any one time under this Ordinance shall not exceed the sum total of the Commitment under the Revolving Credit Agreement.

Section 5.02. MAINTENANCE OF AN AVAILABLE CREDIT AGREEMENT REQUIREMENT. The City agrees and covenants that at all times while there are Outstanding Notes, it will maintain one or more Revolving Credit Agreements providing essentially the same level of liquidity to the City as provided by the Revolving Credit Agreement (***Exhibit D***), in a Commitment amount sufficient to pay the Principal Amount of all such Notes. No Notes shall be issued if to do so would cause the aggregate Principal Amount of all Notes covered by the Revolving Credit Agreement to exceed the Commitment under the Revolving Credit Agreement. The availability for borrowing of such amounts under the Revolving Credit Agreement may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the City and absence of default by the City on any of its general obligation debt. In furtherance of the foregoing covenant, the City agrees that it will not issue any Notes or make any borrowings which will result in a violation of such covenant, will not amend the Revolving Credit Agreement in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, will arrange for new Revolving Credit Agreements prior to, or contemporaneously with, the expiration of the Revolving Credit Agreement or any subsequent Revolving Credit Agreement. Additionally, the City shall give to each rating agency then rating the Notes five (5) Business Days notice of any amendment to the Revolving Credit Agreement then applicable to the Notes and will promptly notify any such rating agency of any waivers granted by the Credit Provider.

ARTICLE VI

AMENDMENTS

Section 6.01. AMENDMENT OF ORDINANCE. (a) Amendments Without Consent. This Ordinance may be modified or amended at any time without notice to or the consent of any owner of Outstanding Notes, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in this Ordinance, other covenants

and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in this Ordinance;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Ordinance for the purpose of more clearly expressing the intent of this Ordinance;

(iii) To supplement the security for the Outstanding Notes issued hereunder, replace or provide additional Revolving Credit Agreements, make such changes, modifications or amendments as may be necessary or desirable in order to obtain the approval of this Ordinance by the Attorney General of Texas, as required by Section 8.05 hereof or change the form of the Notes issued hereunder or make such other changes in the provisions hereof as the City may deem necessary or desirable and that shall not, in the judgment of the City, have a material adverse affect on the interests of the owners of the Outstanding Notes issued hereunder;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Notes issued hereunder, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Notes issued hereunder;

(v) To provide for the replacement of the Dealer or the Dealer Agreement or Issuing and Paying Agent or the Issuing and Paying Agency Agreement as permitted herein;

(vi) To change the Authorized Purposes with respect to any unissued Notes; or

(vii) To make any other modification and amendments that will not become effective until the earlier of (x) 270 days or (y) the Business Day next following the final maturity of the Notes Outstanding on the day such modification or amendment is adopted.

(b) Amendments With Consent. Subject to the other provisions of this Ordinance, the owners of a majority in aggregate Principal Amount of Outstanding Notes issued hereunder shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Notes issued hereunder, the amendment of the terms and conditions in this Ordinance or in the Notes so as to:

(i) Make any change in the maturity of the Outstanding Notes issued hereunder;

(ii) Modify the terms of payment of the principal of or interest on the Outstanding Notes issued hereunder, or impose any conditions with respect to such payment;

(iii) Affect the rights of the owners of less than all Notes issued hereunder then Outstanding; or

(iv) Change the minimum percentage of the Principal Amount of Notes issued hereunder necessary for consent to such amendment.

(c) Limitation of Amendments. No change, modification or amendment shall be made in this Ordinance or become valid or effective (i) without the approval of such change, modification or amendment by the Attorney General of the State of Texas, to the extent required by the Act and (ii) without the written consent of the Lender.

Section 6.02. NOTICES TO RATING AGENCIES. The Authorized Representative shall give to each credit rating agency that has issued a rating on the Notes notice of each proposed amendment to this Ordinance, and each increase or decrease in the "Commitment" under or other amendment to the Revolving Credit Agreement.

Section 6.03. OTHER CONSENTS. The City further agrees to provide any notices to and obtain any consents from the Credit Provider, Dealer, Issuing and Paying Agent or others to the extent required by the Revolving Credit Agreement, Dealer Agreement and Issuing and Paying Agency Agreement.

ARTICLE VII

TAX COVENANTS

Section 7.01. GENERAL. The City intends that the interest on the Notes shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the ARegulations@). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Notes to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the City covenants and agrees to comply with each requirement of this Article VII provided, however, that the City shall not be required to comply with any particular requirement of this Article VII if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article VII will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article VII.

Section 7.02. NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, that the proceeds of the Notes will not be used in a manner that would cause the Notes to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Notes including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Notes will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

Section 7.03. NO FEDERAL GUARANTEE. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Notes to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

Section 7.04. NO HEDGE BONDS. The City covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Notes to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

Section 7.05. NO ARBITRAGE. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, the City will reasonably expect that the proceeds of the Notes will not be used in a manner that would cause the Notes to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Notes including interest or other investment income derived from Note proceeds, regulate investments of proceeds of the Notes, and take such other and further action as may be required so that the Notes will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

Section 7.06. ARBITRAGE REBATE. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Notes (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Notes as may be required to calculate the amount earned on the investment of the gross proceeds of the Notes separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issue of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Notes which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Notes or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Notes that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 7.07. INFORMATION REPORTING. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Notes are issued, an information statement concerning the Notes, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

Section 7.08. CONTINUING OBLIGATION. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Article VII shall survive the defeasance and discharge of the Notes.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. ORDINANCE TO CONSTITUTE A CONTRACT; EQUAL SECURITY;ENFORCEMENT. In consideration of the acceptance of the Notes by the owners thereof from time to time and the acceptance of the Revolving Credit Agreement by the Credit Provider, this Ordinance shall be deemed to be and shall constitute a contract between the City and the owners from time to time of the Notes and the Credit Provider and the tax levy and pledge made in this Ordinance by the City and the covenants and agreements set forth in this Ordinance to be performed by the City shall be for the equal and proportionate benefit, security and protection of all owners of the Notes and the Credit Provider, without preference, priority or distinction as to security or otherwise of any of the Notes or any Loan Notes over any of the others by reason of time of issuance, sale or maturity thereof or otherwise of any cause whatsoever, except as expressly provided in or permitted by this Ordinance. The payment of the Notes and the Loan Notes and performance by the City of its obligations hereunder and under the Revolving Credit Agreement may be enforced by mandamus or other appropriate proceeding.

Section 8.02. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

Section 8.03. PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Except as provided to the contrary in the FORM OF NOTES, whenever under the terms of this Ordinance or the Notes, the performance date of any provision hereof or thereof, including the payment of the principal of and interest on the Notes, shall occur on a day other

than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 8.04. LIMITATION OF BENEFITS WITH RESPECT TO THIS ORDINANCE. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Ordinance or the Notes is intended or should be construed to confer upon or give to any person other than the City, the owners of the Notes, the Issuing and Paying Agent, the Dealer and the Credit Provider, any legal or equitable right, remedy or claim under or by reason of or in respect to this Ordinance or any covenant, condition, stipulation, promise, agreement or provision herein contained. The Ordinance and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the owners of the Notes, the Issuing and Paying Agent, the Dealer and the Credit Provider as herein provided.

Section 8.05. APPROVAL OF ATTORNEY GENERAL. No Notes herein authorized to be issued shall be sold or delivered by City until the Attorney General of Texas shall have approved this Ordinance, the initial Revolving Credit Agreement and other agreements and proceedings as may be required in connection therewith, all as is required by the Act. No Notes may be issued for projects approved at any election held after the date this Ordinance is adopted until the Attorney General of the State of Texas shall have approved an ordinance amending this Ordinance reflecting the inclusion of those as eligible projects.

Section 8.06. APPROVAL OF OFFERING MEMORANDUM. The City hereby approves, and authorizes the use thereof by the Dealer in the offering of the Notes, the form of the initial Offering Memorandum for the Notes, a substantial draft of which is attached hereto in ***Exhibit F***. The Authorized Representative is hereby authorized to approve any amendments and modifications and supplements thereto and the form of any subsequent or updated Offering Memorandum, to be used by the Dealer in the offering of the Notes, and the use thereof by the Dealer in connection therewith.

Section 8.07. NO RECOURSE AGAINST CITY OFFICIALS. No recourse shall be had for the payment of principal of or interest on any Notes for any claim based thereon or on this Ordinance or the Revolving Credit Agreement against any official, officer, agent or employees of the City or any person executing any Notes or any Revolving Credit Agreement.

Section 8.08. FURTHER PROCEDURES. The Mayor, City Clerk and all other officers, employees and agents of the City, and each of them, shall be and they are hereby expressly 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 seal and on behalf of the City those instruments substantially in the form set forth in ***Exhibit G*** attached hereto, together with all other 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 Revolving Credit Agreement, the Dealer Agreement, the Issuing and Paying Agency Agreement, the Notes and the Loan Notes. In case any officer whose signature appears on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery. In addition, the Mayor is hereby authorized to approve, subsequent to the date of the adoption of this Ordinance, any amendments, revisions, modifications or deletions to the Revolving Credit Agreement, Dealer Agreement and Issuing and Paying Agency Agreement, including, but not limited to, extensions thereto, as may be required by any bond rating agency, as a condition to the granting or maintenance of a rating on the Notes or as may be necessary or desirable to carry out the purposes of this Ordinance or protect the interests of the City.

(Signature Page Follows)

FINALLY PASSED, ADOPTED AND EFFECTIVE this May _____, 2004.

_____
Joe Wardy, Mayor
City of El Paso, Texas

ATTEST:

_____
Richarda Duffy Momsen, City Clerk
City of El Paso, Texas

APPROVED AS TO FORM:

_____
Lisa A. Elizondo, City Attorney
City of El Paso, Texas

EXHIBIT A-1

FORM OF NOTE

Note Number

Principal Amount

UNITED STATES OF AMERICA
STATE OF TEXAS

CITY OF EL PASO, TEXAS
GENERAL OBLIGATION COMMERCIAL PAPER NOTE
SERIES B

No.:_____ Note Date:_____

Principal Amount:_____ Maturity Date:_____

Interest to Maturity:_____ Number of Days:_____

Due at Maturity:_____ Interest Rate (%):_____

Owner:_____

Registered Owner:

PRINCIPAL AMOUNT:

On the Maturity Date set forth above, for value received, the CITY OF EL PASO, TEXAS (the "City") promises to pay to the order of the party identified above, or registered assigns, upon presentation and surrender hereof at the designated trust office of the Issuing and Paying Agent executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor, the Principal Amount set forth above, together with interest thereon, at the Interest Rate per annum set forth above (computed on the actual number of days elapsed over a 365 day-year or 366 day-year, as may be applicable), from the Note Date set forth above to the Maturity Date set forth above, both principal of and interest on this obligation being payable in lawful money of the United States of America. No interest will accrue on the Principal Amount hereof after said Maturity Date.

This Commercial Paper Note is one of an issue of commercial paper notes (the "Commercial Paper Notes") which has been duly authorized and issued in accordance with the provisions of an ordinance (the "Ordinance") adopted by the City Council of the City for the Authorized Purposes set forth in the Ordinance and to refinance, renew, or refund the principal amounts of Commercial Paper Notes previously issued pursuant to the provisions of the Ordinance and certain amounts advanced under the Revolving Credit Agreement (as defined in the Ordinance); all in accordance and in strict conformity with the Election (as described and defined in the Ordinance), the laws of the State of Texas, including Chapters 1201, 1207 and 1331 Texas Government Code, as amended, and the City Charter. Capitalized terms used herein and not otherwise defined shall have the meaning given said terms in the Ordinance.

Provision has been made for the payment of the principal amount of this Commercial Paper Note, together with the principal amount of other Commercial Paper Notes of this series and certain advances pursuant to the Revolving Credit Agreement, from the proceeds of sales of additional Commercial Paper Notes and advances under the Revolving Credit Agreement. Provision has further been made for the payment of the interest on and the principal of this Commercial Paper Note, together with the other Commercial Paper Notes of this series and the City's obligations under the Revolving Credit Agreement, by the levy of annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of such Commercial Paper Notes, as such interest comes due and as such principal matures, and such obligations under the Revolving Credit Agreement, and such taxes have been levied and ordered to be levied, within

the limits prescribed by law, against all taxable property of the City and have been irrevocably pledged for such payment.

It is hereby certified and recited that all acts, conditions and things required by law and the Ordinance to exist, to have happened and to have been performed precedent to and in the issuance of this Commercial Paper Note, do exist, have happened, and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Commercial Paper Note, together with all other Commercial Paper Notes and the Loan Notes, is not in excess of the principal amount of such obligations permitted to be issued under the Ordinance, the Election, the City Charter and the Constitution and laws of the State of Texas.

This Commercial Paper Note has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas and an "investment security" under Chapter 8, Business and Commerce Code, Texas Codes Annotated, as amended.

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

IN TESTIMONY WHEREOF, this Commercial Paper Note has been executed with the manual or facsimile signature of the Mayor, attested with the manual or facsimile signature of the City Clerk, and the seal of the City has been manually impressed or printed in facsimile hereon.

CITY OF EL PASO, TEXAS

_____
Mayor

ATTEST:

_____
City Clerk

(SEAL)

CERTIFICATE OF AUTHENTICATION

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

_____
as Issuing and Paying Agent

By_____
Authorized Signatory

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 Commercial Paper Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Commercial Paper Note 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 Commercial Paper Note in every particular.

Signature guaranteed:

_____

ORD. No. _____

Date of Introduction MAY 0 4 2004

Date of ADOPTION _____

City Clerk _____