

RESOLUTION NO. R2016 - _____

A RESOLUTION OF THE CITY OF DENTON, A TEXAS HOME RULE MUNICIPAL CORPORATION (“CITY”), APPROVING AND AUTHORIZING THE SALES OF CERTAIN ASSETS BY THE TEXAS MUNICIPAL POWER AGENCY (“AGENCY”) AND THE REFUNDING OF CERTAIN AGENCY FINANCIAL OBLIGATIONS IN CONNECTION WITH THE AGENCY’S SALES OF ASSETS; AUTHORIZING THE MAYOR TO ACT ON THE CITY’S BEHALF IN EXECUTING CERTAIN AMENDMENTS TO AGREEMENTS BY AND BETWEEN, AND AMONG THE AGENCY AND THE CITIES OF BRYAN, DENTON, GARLAND, AND GREENVILLE (“PARTICIPATING PUBLIC ENTITIES” [EACH A “PARTICIPATING PUBLIC ENTITY”]) NECESSARY TO EFFECTUATE THE AGENCY’S SALES OF ASSETS AND THE ASSOCIATED REFUNDING OF ITS FINANCIAL OBLIGATIONS; AND TO TAKE SUCH OTHER AND FURTHER ACTIONS AS ARE NECESSARY IN ORDER TO EFFECTUATE AND FINALIZE THE CITY’S APPROVAL OF SUCH SALES AND THE REFUNDING OF THE AGENCY’S RELATED INDEBTEDNESS; AUTHORIZING AND APPROVING OTHER MATTERS RELATED THERETO; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Chapter 163 of the Texas Utilities Code, Subchapter C-1 (“Act”), the City is a Participating Public Entity in the Agency and, pursuant to Section 163.080(c) of the Act, and agreements between the Agency and the City, the City’s approval is required for sales of assets by the Agency, and

WHEREAS, the Board of Directors of the Agency has determined that the sales of certain generation and transmission assets is in the best interest of the Agency and its Participating Public Entities and has adopted a resolution recommending that the Participating Public Entities relinquish all rights to and approve the sales of those assets as generally described in Attachments A and B, and

WHEREAS, in connection with such sale of assets, the Board of Directors of the Agency may determine that it is necessary to refund certain outstanding bonds and commercial paper of the Agency to effectuate such sales, and to adopt new commercial paper programs, and seeks the City’s approval of the issuance of refunding bonds and of the new commercial paper programs, according to the terms as described on Attachment C (“Refundings”), subject to and effective upon the closing of the sales, and

WHEREAS, the amendment of certain existing agreements between and among the Agency and the Participating Public Entities, namely the parties’ Global Settlement Agreement and the Joint Operating Agreement, as shown in Attachments D and E are necessary for the approval of the sales of assets and the Refundings, and

WHEREAS, the “Effective Date” shall be, assuming the approval and execution of a resolution by each Participating Public Entity containing the following terms, the date of approval of such resolution by the last Participating Public Entity to approve the resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DENTON, TEXAS:

1. The recitals in the preamble are true and correct.
2. The City of Denton hereby approves and authorizes the Agency to sell certain Agency generation assets as generally described in Attachment A, and upon such sale, relinquishes any and all interest in such assets.

3. The City of Denton hereby approves and authorizes the Agency to sell certain Agency transmission assets as generally described in Attachment B, and upon such sale, relinquishes any and all interest in such assets.

4. To effectuate the closing of the sale of the assets generally described in Attachments A and B, the City of Denton hereby approves and authorizes the Agency's issuance of refunding bonds and/or commercial paper as necessary to effect the sale of generation assets, and adoption of a new commercial paper program, on the terms and in substantially the form described in Attachment C.

5. To effectuate the closing of the sale of the assets generally described in Attachments A and B, the City of Denton hereby approves and authorizes the Agency's issuance of refunding bonds and/or commercial paper as necessary to effect the sale of certain transmission assets, and adoption of new commercial paper programs, on the terms and in substantially the form described in Attachment C.

6. The City of Denton hereby approves and authorizes the Mayor to execute amendments to the Global Settlement Agreement and the Joint Operating Agreement in substantially the form and substance shown in Attachments D and E.

This Resolution shall be and become effective upon the Effective Date.

PASSED AND APPROVED this the ____ day of _____, 2016.

**CITY OF DENTON,
A TEXAS HOME RULE MUNICIPAL
CORPORATION**

Chris Watts, Mayor

ATTEST:

Jennifer Walters, City Secretary

APPROVED AS TO LEGAL FORM

Anita Burgess, City Attorney

ATTACHMENTS

ATTACHMENT A – AGENCY GENERATION ASSETS APPROVED TO BE SOLD

ATTACHMENT B – AGENCY TRANSMISSION ASSETS APPROVED TO BE SOLD

ATTACHMENT C – TERMS OF REFUNDING BONDS AND NEW COMMERCIAL PAPER PROGRAMS

Subpart A – Terms of refunding of generation debt

Subpart B – Terms of refunding of transmission debt

ATTACHMENT D – AMENDMENT TO GLOBAL SETTLEMENT AGREEMENT

ATTACHMENT E – AMENDMENT TO JOINT OPERATING AGREEMENT

ATTACHMENT A - AGENCY GENERATION ASSETS APPROVED TO BE SOLD

The Purchased Assets consist of real property, buildings, structures and fixtures, the personal property generally described as follows:

Real Property: That certain tract of land referred to as the plant site, to be more particularly described at closing by metes and bounds, together the following buildings, structures and fixtures, and associated easements, rights of way, privileges, other rights appurtenant:

- a. Gibbons Creek Steam Electric Station (including all buildings, structures, equipment, tools, piping, tanks, systems, wells, power cables, and related equipment and systems that comprise the Station)
- b. Gibbons Creek Reservoir and associated water rights.
- c. Ash handling complex.
- d. Ash Ponds.
- e. Scrubber Sludge Pond.
- f. Gypsum pile.
- g. Coal pile.
- h. Fly Ash Loading Area.
- i. Production Area.
- j. Maintenance Area.
- k. Facility Administrative and Technical Office Building.
- l. Warehouses, Laydown Storage Area.
- m. Switch Yard.
- n. Rail Spur to BNSF Line.
- o. Spur right of way and easements from Gibbons Creek Station suitable for construction of rail spur to UP Line.
- p. Hog Creek Substation.
- q. All generation-related on-road and off-road vehicles, equipment, and boats.
- r. Ash Disposal Landfills on properties being acquired in this Transaction.
- s. Main Transformer outside the Gibbons Creek Substation.
- t. Navasota River Pump Station.

Excluding:

1. Other than the Hog Creek Substation, all transmission facilities and lines within the defined real property, including all easements, rights of way, and licenses associated with such facilities and lines.
2. In the Hog Creek Substation, the 138kV motor operated switch off the 138 kV Bryan-East Line (138 kV Motor Operated Load Break Switch 1200 A 138 kV GCHC -8019 at Hog Creek).
3. The Gibbons Creek Substation.
4. Existing Atmos gas pipeline and third party electric facility easements.
5. All other reservations and exclusions or limitations necessary to operate the above excluded items.

ATTACHMENT B – AGENCY TRANSMISSION ASSETS APPROVED TO BE SOLD

A. Substations to be conveyed:

1. The Gibbons Creek Substation except for the 138kV facilities within the substation.
2. The Jack Creek Substation except for the 138kV facilities owned by the City of Bryan.

B. Transmission lines to be conveyed, together with those easements and crossing agreements identified herein:

1. Gibbons Creek to Singleton 345kV double-circuit transmission line.
2. Gibbons Creek to Jack Creek 345kV double-circuit transmission line.
3. Jack Creek to Twin Oak 345kV double-circuit transmission line.

C. Transmission Construction Projects

Certain planned capital investments (and related contract rights) in the Gibbons Creek Substation, including (i) the Reactive Support Unit consisting of two 345 kV, 100 MVA reactor banks, (ii) the replacement of the existing 300 MVA auto-transformer with a 600 MVA auto-transformer, including the Gibbons Creek Substation Expansion which will be transferred separately post-closing following the transfer of the Gibbons Creek Substation Expansion from Cross Texas to the City of Garland, and subsequently to TMPA, and (iii) the increase in capacity of the Singleton 345 kV transmission line at the time it is relocated out of the Gibbons Creek Substation.

**ATTACHMENT C – TERMS OF REFUNDING BONDS
AND NEW COMMERCIAL PAPER PROGRAMS**

Subpart A – Terms of refunding of generation debt and commercial paper:

Maximum principal amount: \$225 Million Dollars

Maximum interest rate - bonds: 7%

Maximum interest rate – commercial paper: Maximum interest rate permitted by state law

Maturity date of bonds and commercial paper: On or before September 1, 2018

Subpart B – Terms of refunding of transmission debt and commercial paper:

Maximum principal amount: \$275 Million Dollars

Maximum interest rate - bonds: 7%

Maximum interest rate – commercial paper: Maximum interest rate permitted by state law

Maturity date of bonds and commercial paper: On or before September 1, 2040

ATTACHMENT D – AMENDMENT NO. 1 TO GLOBAL SETTLEMENT AGREEMENT

**AMENDMENT NO. 1 TO THE
GLOBAL COMPROMISE SETTLEMENT AGREEMENT**

BETWEEN

TEXAS MUNICIPAL POWER AGENCY

AND

CITY OF BRYAN, TEXAS

CITY OF DENTON, TEXAS

CITY OF GARLAND, TEXAS

CITY OF GREENVILLE, TEXAS

This Amendment No. 1 to the Global Compromise Settlement Agreement effective December 17, 2009, (the "Amendment") is made and entered into by and between the Texas Municipal Power Agency (the "Agency"), a municipal corporation and political subdivision of the State of Texas established pursuant to the provisions of Chapter 163 of the Texas Utilities Code, and the City of Bryan, the City of Denton, the City of Garland, and the City of Greenville, Texas, each of which cities is a municipal corporation of the State of Texas and a home rule city (herein collectively "Cities" or individually "City") (collectively, the "Parties"), to be effective as of the Effective Date set forth in the recitals below. Capitalized terms used in this Amendment not otherwise defined herein shall have the definition set forth in the Global Compromise Settlement Agreement.

WITNESSETH:

WHEREAS, the Parties have previously entered into the Global Compromise Settlement Agreement; and

WHEREAS, TMPA has issued a request for proposals related to the sales of certain assets of the Agency, as authorized by the TMPA Board by Resolution No. 2016-1-5; and

WHEREAS, TMPA received responses to such request that it wishes to accept, such responses being in the form of a proposed purchase of generation assets of the Agency and a proposed purchase of certain transmission assets of the Agency, pursuant to TMPA Board Resolution 2016-1-5; and

WHEREAS, the Parties desire to amend the Global Compromise Settlement Agreement to permit (i) these two sales of assets and (ii) to permit the issuance of certain refunding bonds and/or commercial paper and adoption of new commercial paper programs, by the Agency on terms agreed to by the Parties pursuant to the Joint Operating Agreement (as amended) between the Parties; and

WHEREAS, TMPA and the Cities have agreed to this Amendment of the Global Compromise Settlement Agreement to accomplish these purposes; and

WHEREAS, the “Effective Date” of this Amendment shall be, assuming the approval and execution of identical resolutions by each of the Parties, the date that this Amendment is approved and executed by the last Party to approve the Amendment;

NOW, THEREFORE, in consideration of the recitals set forth above, the mutual covenants, benefits, agreements and obligations of the Parties, as set forth herein, the Agency and each City, each intending to be legally bound, agree as follows:

Section 1. Section 2(B) of the Global Compromise Settlement Agreement is amended by adding the following subsections (11) and (12):

“(11) To effectuate the closing of the sale of Generation Assets as contemplated by TMPA Board by Resolution No. 2016-1-5, and to adopt a new commercial paper program, the Parties agree that, notwithstanding subsection (5), TMPA’s existing generation-related debt and/or commercial paper may be refunded on terms set forth in Amendment No. 1 to the Joint Operating Agreement between the Parties.

“(12) In the event of the closing of the sale of Generation Assets as contemplated by TMPA Board by Resolution No. 2016-1-5, and to effectuate the sale of Transmission Assets as contemplated by TMPA Board by Resolution No. 2016-1-5 and to adopt new commercial paper programs, the Parties agree that, notwithstanding subsection (5), TMPA’s existing transmission-related debt and/or commercial paper may be refunded on terms set forth in Amendment No. 1 to the Joint Operating Agreement between the Parties.

Section 2. OTHER AGREEMENTS.

(a) All other terms and conditions of the Global Compromise Settlement Agreement shall remain in full force and effect except as modified herein.

(b) This Amendment shall terminate on the same date the Global Compromise Settlement Agreement terminates.

(c) Each Party warrants that all necessary actions have been taken to make this a binding amendment, including Board or Council action, as applicable.

(d) This Amendment may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 3. OTHER EVENTS. In the event that the proposed asset agreement for the sale of Generation Assets as authorized by the TMPA Board by Resolution No. 2016-1-5 is terminated or for any reason does not occur, this Amendment shall terminate and be of no force or effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment Number One to the Global Compromise Settlement Agreement, to be effective on the Effective Date set forth in the Recitals.

TEXAS MUNICIPAL POWER AGENCY

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Approved as to form: _____
Counsel for Texas Municipal Power Agency

CITY OF BRYAN, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Approved as to form: _____
Counsel for the City of Bryan, Texas

CITY OF DENTON, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Approved as to form: _____
Counsel for the City of Denton, Texas

CITY OF GARLAND, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

CITY OF GREENVILLE, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

GEUS, acting on behalf of the City of Greenville pursuant to its Charter

By: _____

Name: _____

Title: Chair of the Board of Trustees of the Electric Utility Board

Date: _____

Attest: _____

ATTACHMENT E – AMENDMENT NO. 1 TO JOINT OPERATING AGREEMENT

**AMENDMENT NO. 1 TO THE
JOINT OPERATING AGREEMENT
BETWEEN
TEXAS MUNICIPAL POWER AGENCY
AND
CITY OF BRYAN, TEXAS
CITY OF DENTON, TEXAS
CITY OF GARLAND, TEXAS
CITY OF GREENVILLE, TEXAS**

This Amendment No. 1 (the “Amendment”) to the Joint Operating Agreement effective September 1, 2016 (the “JOA”), is made and entered into between the Texas Municipal Power Agency (“TMPA”), a municipal corporation and political subdivision of the State of Texas established pursuant to the provisions of Chapter 163 of the Texas Utilities Code, and the City of Bryan, the City of Denton, the City of Garland, and the City of Greenville, Texas (herein collectively “Cities” or individually “City”), each of which cities is a municipal corporation of the State of Texas, a home rule city, and a Participating Public Entity in TMPA (collectively, the “Parties”). Capitalized terms used in this Amendment not otherwise defined herein shall have the definition set forth in the JOA.

WITNESSETH:

WHEREAS, the Parties have previously entered into the JOA effective September 1, 2016; and

WHEREAS, TMPA has issued a request for proposals related to the sales of certain assets of TMPA, as authorized by TMPA Board by Resolution No. 2016-1-5; and

WHEREAS, TMPA received responses to such request that it wishes to accept, such responses being in the form of a proposed purchase of generation assets of TMPA and a proposed purchase of certain transmission assets of TMPA, pursuant to TMPA Board Resolution 2016-1-5; and

WHEREAS, the Parties desire to amend the JOA to permit (i) these two sales of assets by TMPA, (ii) to permit the issuance of certain refunding bonds and/or commercial paper by TMPA on terms agreed to by the Parties pursuant to JOA, as amended by this Amendment, and (iii) to provide for the security of Mine Reclamation Bonds; and

WHEREAS, the Parties have agreed to this Amendment of the JOA to accomplish these purposes; and

WHEREAS, this Amendment shall be deemed delivered and effective, assuming the approval and execution of an identical resolutions by each of the Parties, on the date that this Amendment is executed by the last Party to do so, being the “Effective Date” of this Amendment;

NOW, THEREFORE, in consideration of the recitals set forth above, the mutual covenants, benefits, agreements and obligations of the Parties, as set forth herein, the Parties, each intending to be legally bound, agree as follows:

Section 1. In the event the Generation Asset Sale is terminated, or for any reason does not close, this Amendment shall terminate and be of no force or effect.

Section 2. Article I of the JOA is hereby amended by adding the following definitions to be inserted alphabetically into their respective locations within the definitions contained in Section 1.2 of the JOA:

“Final Working Capital Proceeds” shall mean that portion of the proceeds of the sale of Generation Assets received for the sale of Working Capital as defined in the transaction documents associated with the Generation Asset Sale.

“Generation Asset Sale” shall mean and refer to sale of Generation Assets resulting from a request for proposal process authorized by TMPA Board by Resolution No. 2016-1-5.

“Generation Asset Sale Closing” shall mean the closing of the transaction selling the Generation Assets and transfer of certain Generation Assets pursuant to the Generation Asset Sale.

“Mine Reclamation Bonds” shall mean any Debt issued for the purpose of mine remediation or any obligations related thereto, including any “credit agreements” as defined in Section 1371.001(1), Texas Government Code.

“Refunding Debt” shall mean both the Refunding Generation Debt and the Refunding Transmission Debt.

“Refunding Generation Debt” shall mean Debt issued for the purpose of the refunding of TMPA’s outstanding bonds and commercial paper as required to effectuate the Generation Asset Sale.

“Refunding Transmission Debt” shall mean (i) Debt issued for the purpose of refunding of TMPA’s outstanding bonds and commercial paper as required to effectuate the Transmission Asset Sale, (ii) Debt issued for the purpose of long-term refinancing of a portion of TMPA’s outstanding commercial paper notes under its commercial paper program established prior to September 1, 2016 and related to Transmission System assets not subject to the Transmission Asset Sale, and (iii) a new commercial paper program (A) to refund of TMPA’s outstanding bonds and commercial

paper as required to effectuate the Transmission Asset Sale and (B) to support of the ongoing operations of the Transmission System.

“Total Proceeds” shall mean all proceeds received from the sale of Generation Assets including the Final Working Capital proceeds.

“Transmission Asset Sale” shall mean and refer to the sale of certain Transmission Assets resulting from a request for proposal process authorized by TMPA Board by Resolution No. 2016-1-5.

Section 3. The definitions of “Bond Resolution,” “Transmission Debt” and “Transmission Revenues” contained in Section 1.2(g), (t) and (v), respectively, of the JOA are deleted in their entirety and are hereby amended to read in their entirety:

“(g) “Bond Resolution” shall mean the following resolutions of TMPA adopted prior to the Effective Date of this Agreement authorizing an issue of Bonds or subordinated indebtedness: (i) the “Texas Municipal Power Agency Subordinate Lien Revenue Refunding Bonds, Series 2008,” (ii) “Texas Municipal Power Agency Junior Subordinate Lien Revenue Refunding Bonds, Series 2013,” (iii) the “Texas Municipal Power Agency Commercial Paper Notes, Series 2005,” (iv) the “Texas Municipal Power Agency Subordinate Lien Revenue/Transmission Revenue Converting Security Refunding Bonds, Series 2010,” (v) any commercial paper notes issued after the Effective Date of this Agreement to refund all or a portion of the commercial paper notes referenced in clause (iii), (vi) any resolution adopted after the Effective Date of this Agreement pursuant to which Refunding Generation Debt or Refunding Transmission Debt may be issued, and (vii) any resolution adopted after the Effective Date of this Agreement pursuant to which Transmission Debt or New Debt, each as defined herein, may be issued.”

“(t) “Transmission Debt” shall have the same meaning as the term “Transmission Debt” as stated in the Series 2010 Bond Resolution and, upon the defeasance of such debt, the substantially similar definition of such term in the Bond Resolution authorizing the Refunding Transmission Debt.”

“(v) “Transmission Revenues” shall have the same meaning as “Transmission Net Revenues” as defined in the Series 2010 Bond Resolution and, upon the defeasance of such debt, the substantially similar definition of such term in the Bond Resolution authorizing the Refunding Transmission Debt”, and shall include revenues from the charge permitted by Section 4.2 in connection with the Transmission Business category.

Section 4. Section 1.3 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

“SECTION 1.3. SCOPE OF THIS AGREEMENT. This Agreement is intended to provide terms of agreement for (1) TMPA operations outside the scope of the Power Sales Contract, (2)

matters relating to decommissioning of the power plant at such time as it may be removed from service, (3) disposition of TMPA assets, (4) matters related to the Generation Assets Sale, the Transmission Asset Sale and the issuance of related Refunding Debt, and (5) matters relating to dissolution of TMPA, at such time as it may be dissolved. This Agreement is not intended to require a Participating Public Entity to hold an election in order to exercise any right or to carry out any obligation under this Agreement.”

Section 5. Section 2.6.1.1 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

“2.6.1.1. FOR THE PERIOD FROM THE EFFECTIVE DATE AND ENDING SEPTEMBER 30, 2018. Except as provided by Section 2.6.1.4, for the period effective October 1, 2016, and annually thereafter to September 30, 2018, the TMPA Board shall adopt annual budgets, by business category. For periods prior to September 30, 2018, such Annual Budgets shall be for informational purposes only. Recovery of the costs of TMPA operations for this period shall be through the (i) Annual System Costs under the Power Sales Contract of the TMPA and (ii) Transmission Revenues. From the Effective Date through September 30, 2018, funds otherwise available to be returned to the Cities under Section 7(a)(3) of the Power Sales Contract shall be applied to the following uses: (i) first, to fund the Decommissioning Reserve Account up to the cap for that account as stated in Section 5.5, and (ii) then, to fund the Indemnity Reserve Account up to the cap for that account as stated in Section 6.5. Any net proceeds remaining after the obligations described in (i)-(ii) shall be apportioned to each Participating Public Entity based on the following percentages: Bryan - 21.7%; Denton - 21.3%; Garland - 47%; Greenville - 10%.”

Section 6. Section 2.6.1.2 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

“2.6.1.2. FOR PERIODS COMMENCING FROM AND AFTER OCTOBER 1, 2018. Except as provided by Section 2.6.1.4, for the fiscal year commencing October 1, 2018, and annually thereafter, the TMPA Board shall adopt annual budgets, by business category, and adopt charges for the recovery of the costs of operations by business category, according to the specific requirements in Articles III, IV, and V, respectively.”

Section 7. Article II of the JOA is hereby amended by adding the following Section 2.6.1.4 after Section 2.6.1.3:

“2.6.1.4 FOR PERIODS FOLLOWING GENERATION ASSET SALE: Notwithstanding anything to the contrary contained in Section 2.6.1.1 or 2.6.1.2, immediately upon the Generation Asset Sale Closing, and annually thereafter, the TMPA Board shall adopt annual budgets, by business category, and adopt charges for the recovery of the costs of operations by business category, according to the specific requirements in Articles III, IV, and V, respectively.”

Section 8. Section 2.6.2.5 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

“2.6.2.5. LIMITATIONS ON DEBT. From and after September 1, 2016, the Agency shall not incur any form of Debt other than Transmission Debt, whether bonds, notes, a new commercial paper program or increase in an existing commercial paper program, or obligation for borrowed money of any kind, unless such Debt is: (1) attributed to a single business category, (2) approved by a Super Majority Vote of the TMPA Board and by concurrent resolutions of each Participating Public Entity in the business category to which the debt is attributed, and (3) secured solely by assets or revenues or operations of the business category to which it is attributed. From and after September 1, 2016, the Agency shall not incur any form of Transmission Debt, whether bonds, notes, commercial paper or obligations of any kind, unless: (1) prior notice of at least 60 days has been given to each Participating Public Entity in the Transmission Business category of the proposed issuance of such Transmission Debt, which notice shall include the principal terms on which such Debt is proposed to be issued, and (2) such proposed Transmission Debt is: (i) after September 1, 2018, payable solely from Transmission Revenues, and (ii) approved by a Super Majority Vote of the TMPA Board. The restrictions in this Section relating to Debt shall not apply to Mine Reclamation Bonds, surety bonds, banking agreements, letters of credit, or other financial commitment related to providing financial security or assurance for the TMPA's mine remediation responsibilities. For clarification, Approval of the Participating Public Entities shall not be required for (1) the issuance by TMPA of Transmission Debt or (2) the issuance by TMPA of commercial paper notes under a commercial paper program established prior to September 1, 2016, that is: (A) payable in full on or before September 1, 2018 or (B) by its terms, to be converted to Transmission Debt on or before October 1, 2018.

Section 9. Section 2.6.2.6 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

“2.6.2.6. LIMITATIONS ON OTHER NEW LONG-TERM OR SIGNIFICANT OBLIGATIONS. In addition to the limitations on incurrence of Debt provided in Section 2.6.2.5, from and after September 1, 2016, the Agency shall not incur any other form of long-term obligation unless such obligation is: (1) attributed to a single business category, (2) approved by a Super Majority Vote of the TMPA Board and by concurrent ordinances of each Participating Public Entity in the business category to which the obligation is attributed, and (3) secured solely by assets and/or revenues of the business category to which it is attributed. For purposes of this paragraph 2.6.2.6, “long-term or significant obligation” shall mean any contract or other form of obligation (i) having a term in excess of twenty-four (24) months unless the contract may be cancelled by the Agency for convenience without penalty at any time after the giving of notice and the expiration of a contractual notice period not to exceed one hundred twenty (120) days, or (ii) in an amount in excess of ten million (\$10,000,000.00) dollars. The restrictions in this Section relating to long-term or significant obligations shall not apply to Mine Reclamation Bonds, surety bonds, banking agreements, letters of credit, or other financial commitment related to providing financial security or assurance for the TMPA's mine remediation responsibilities.”

Section 10. Article II of the JOA is hereby amended by adding the following Section 2.6.2.7 after Section 2.6.2.6:

“Section 2.6.2.7: APPROVALS OF REFUNDING DEBT AND CONCURRENT COMMERCIAL PAPER PROGRAMS

(1) Upon approval of the Generation Asset Sale by TMPA, notwithstanding any provision in Sections 2.6.1.1, 2.6.2.5 or 2.6.2.6 to the contrary, TMPA may refinance its outstanding indebtedness secured by revenues related to the Generation Assets being sold and defease any portion of such outstanding indebtedness with Refunding Generation Debt on terms that permit the consummation of the Generation Asset Sale, so long as the Refunding Generation Debt is approved by a Super Majority of the TMPA Board. Such Refunding Generation Debt shall mature on or before September 1, 2018, and shall not exceed the amount necessary, after application of the proceeds of the sale as provided in Section 2.13 to existing Debt, to consummate the Generation Asset Sale, but in no case shall the Refunding Generation Debt exceed a maximum aggregate principal amount of \$225,000,000. The maximum interest rate on such bonds shall not exceed seven percent (7%). The maximum interest rate on such commercial paper shall not exceed the maximum interest rate permitted by state law. Such Refunding Generation Debt shall be an obligation of TMPA, payable from payments from the Participating Public Entities under this Agreement, and each Participating Public Entity hereby agrees to be unconditionally obligated to pay TMPA, and in accordance with the covenants in Section 2.7, without offset or counterclaim and without regard to whether Power and/or Energy is delivered by TMPA to the respective Participating Public Entity or Entities, that percentage of the annual debt service requirements of such Refunding Generation Debt as shown in the following table, which payments shall be included in the Annual Budget of the TMPA for the Generation Business, and billed to each Participating Public Entity on a monthly basis:

City of Bryan, Texas: 21.7%

City of Denton, Texas: 21.3%

City of Garland, Texas: 47.0% and

City of Greenville, Texas: 10.0%.

(2) Upon approval of the Transmission Asset Sale by a Super Majority of the TMPA, notwithstanding any provision in Sections 2.6.1.1, 2.6.2.5 or 2.6.2.6 to the contrary, TMPA may issue Refunding Transmission Debt. Bonds and the commercial paper program issued in connection with such Refunding Transmission Debt shall mature on or before September 1, 2040, and shall not exceed a maximum aggregate principal amount of \$275,000,000. The maximum interest rate on such bonds shall not exceed seven percent (7%). The maximum interest rate on such commercial paper shall not exceed the maximum interest rate permitted by state law. Such

Refunding Transmission Debt shall constitute Transmission Debt of TMPA payable from Transmission Revenues. In the event that Transmission Revenues are insufficient to pay the annual debt service on the Refunding Transmission Debt, each Participating Public Entity hereby agrees to be unconditionally obligated to pay TMPA, without offset or counterclaim and without regard to whether Power and/or Energy is delivered by TMPA to the respective Participating Public Entity or Entities, and in accordance with the covenants in Section 2.7, that percentage of the remaining annual debt service requirements of such Refunding Transmission Debt as shown in the following table, which payments shall be included in the Annual Budget of TMPA for the Transmission Business, and billed to each Participating Public Entity on a monthly basis:

City of Bryan, Texas: 21.7%

City of Denton, Texas: 21.3%

City of Garland, Texas: 47.0%

City of Greenville, Texas: 10.0%.”

Section 11. Article II of the JOA is hereby amended by adding the following Section 2.13 after Section 2.12:

“Section 2.13: PROCEEDS OF SALES OF CERTAIN ASSETS: Notwithstanding Sections 2.12, 4.4 and 5.4, the proceeds from the Generation Asset Sale and Transmission Asset Sale, shall be applied as may be determined by TMPA to meet the Internal Revenue Service (“IRS”) regulations governing use of such proceeds. Total Proceeds, excluding Final Working Capital Proceeds, from the Generation Asset Sale shall be allocated in accordance with IRS regulations (“IRS Allocation Amounts”). To the extent that such IRS Allocation Amounts vary from an allocation pursuant to the percentages shown below for each Participating Public Entity, the variance shall be reconciled through the allocation of the Final Working Capital proceeds such that, after the reconciliation, each Participating Public Entity shall have received an allocation of the Total Proceeds equal to the percentages below. For the purposes of determining the variance, it shall be assumed that the IRS Allocated Amounts allocated to TMPA’s generation debt are allocated based on the percentages below:

City of Bryan, Texas: 21.7%

City of Denton, Texas: 21.3%

City of Garland, Texas: 47.0%

City of Greenville, Texas: 10.0%.

TMPA shall establish an escrow account for each Participating Public Entity and deposit to or withdraw from that account that portion of each Participating Public Entity's allocation of Final Working Capital proceeds as allocated to it pursuant to the reconciliation process described above. The funds in each Participating Public Entity's escrow account shall be applied to charges assessed by TMPA at the direction of the Participating Public Entity. In the event that the allocation of Final Working Capital proceeds is not sufficient for each Participating Public Entity to receive an allocation of the Total Proceeds equal to its percentage above, TMPA shall assess a charge to each Participating Public Entity whose percentage of Total Proceeds exceeds its percentage above. Receipts from such charge shall be allocated to each Participating Public Entity such that, after the allocation, each Participating Public Entity shall have received an allocation of Total Proceeds equal to the percentages above."

Section 12. Section 3.2.1 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

"3.2.1. BUDGETING AND OPERATIONS. From and after October 1, 2018, or immediately upon the Generation Asset Sale Closing if the Generation Asset Sale Closing occurs prior to October 1, 2018, charges for recoupment of such costs as are included in the Annual Budget for the Mining Business category, including any debt service on any Mine Remediation Bonds and any other costs related to surety bonds, banking agreements, letters of credit, or other financial commitment related to providing financial security or assurance for the TMPA's mine remediation responsibilities, shall be assessed to each Participating Public Entity according to the following percentages: Bryan - 21.7%; Denton - 21.3%; Garland - 47%, Greenville - 10%, and billed to each Participating Public Entity on a monthly basis, unless a different schedule of charges shall be adopted by the unanimous approval of all of the Participating Public Entities in the Mining Business category. In the event a Participating Public Entity exits the Mining Business as permitted under Section 2.11.1, it shall remain responsible for the same percentage share of costs incurred after its exit as set forth above, such that the same percentages shall apply to each exited and remaining Participating Public Entity for any costs of the Mining Business category until all Mining Assets are sold."

Section 13. Section 4.2 of the JOA is deleted in its entirety and is hereby amended to read in its entirety:

"SECTION 4.2. APPLICATION OF PROCEEDS FROM ANNUAL OPERATIONS OF THE TRANSMISSION BUSINESS. From and after October 1, 2018, or immediately upon the Generation Asset Sale Closing if the Generation Asset Sale Closing occurs prior to October 1, 2018, all net proceeds from the annual operations of the Transmission Business category (after payment of the annual costs of the Transmission System and debt service on Transmission Debt) shall be used: (i) first, to fund the Decommissioning Reserve Account up to the cap for that account as stated in Section 5.5, and (ii) then, to the Indemnity Reserve Account up to the cap for that account as stated in Section 6.5. Any net proceeds remaining after the obligations described in (i)-(ii) shall be apportioned to each Participating Public Entity based on the following percentages:

Bryan - 21.7%; Denton - 21.3%; Garland - 47%; Greenville - 10%. In the event that Transmission Revenues are insufficient to pay the annual costs (including debt service on Transmission Debt, or Refunding Transmission Debt, including credit enhancement costs related to an applicable commercial paper program) of the Transmission Business category, then each Participating Public Entity having an interest in Transmission Assets shall fund the shortfall in the percentages stated above. From and after October 1, 2018, in the event that a Participating Public Entity exits the Transmission Business category, the percentage of net proceeds from the annual operations of the Transmission Business category held by the exiting entity shall be apportioned among the remaining Participating Public Entities in proportion to the percentages stated above for apportionment of net proceeds effective October 1, 2018.”

Section 14. Article IV of the JOA is hereby amended by adding the following Subsections 4.4.1(9) and 4.4.1(10) after Subsection 4.4.1(8):

“(9) EXCEPTIONS FOR SALE OF ASSETS PURSUANT TO THE GENERATION ASSET SALE AND TRANSMISSION ASSETS SALE: “Notwithstanding the provisions of this Section 4.4.1, the Parties agree that the Transmission Assets as identified in the Transmission Assets Sale may be sold upon the approvals and consents as required according to the terms of such transaction without the prior payment or defeasance of all outstanding Transmission Debt, provided that all proceeds of such a sale shall be applied to reduce the outstanding Transmission Debt or to pay costs of issuance associated with Refunding Transmission Debt. Upon closing of the sale contemplated by such transaction, TMPA shall amend Schedule C to remove all assets sold.

(10) A Participating Public Entity that has consented to the Transmission Asset Sale and thereafter fails to provide a required consent or takes any action causing its consent to be revoked, reversed, repealed, stayed, enjoined, set aside, annulled, suspended or no longer in full force and effect such that TMPA is required to pay a termination payment as a result, shall pay to TMPA within five (5) business days of the obligation becoming due and payable, an amount equal to the termination payment TMPA is required to pay. If more than one Participating Public Entity fails to provide a required consent or takes any action causing its consent to be revoked, reversed, repealed, stayed, enjoined, set aside, annulled, suspended or no longer in full force and effect, the Participating Public Entities having caused its consent to be revoked, reversed, repealed, stayed, enjoined, set aside, annulled, suspended or no longer in full force and effect shall together in shares proportionate to their percentage interest in transmission assets pay to TMPA within five (5) business days of the obligation becoming due and payable a termination payment amount equal to the termination payment TMPA is required to pay.”

Section 15. Article V of the JOA is hereby amended by adding the following Section 5.1.3 after Subsection 5.1.2:

“SECTION 5.1.3. TERMINATION UPON GENERATION ASSET SALE CLOSING. Notwithstanding anything to the contrary in Section 5.1 or 5.2, nothing in this JOA shall preclude

TMPA and each Participating Public Entity from terminating their Power Sales Contracts. Upon such termination, TMPA shall cease production of power and energy immediately, regardless of any action taken by a Participating Public Entity under Subsection 5.1 or 5.2 prior to such termination to extend the term of its Power Sales Contract.”

Section 16. Article V of the JOA is hereby amended by adding the following Section 5.3.4 after Subsection 5.3.3:

“SECTION 5.3.4. EXCEPTIONS IN THE EVENT OF THE SALE OF ASSETS PURSUANT TO THE GENERATION ASSET SALE: Notwithstanding the provisions of Section 5.3, within six months of the Generation Asset Sale Closing, the TMPA Board shall amend the Decommissioning Plan as might be deemed necessary and prudent in light of the sale and any remaining Generation Assets held by TMPA.”

Section 17. Article V of the JOA is hereby amended by adding the following Section 5.4.1 after Section 5.4:

“SECTION 5.4.1. EXCEPTIONS IN THE EVENT OF THE GENERATION ASSET SALE: In the event of the Generation Asset Sale Closing, TMPA shall amend Schedule A to remove all assets sold. Notwithstanding Section 5.4, in the event of such sale, the proceeds of such sale shall be applied in the manner provided in Section 2.13.”

Section 18. Article I of the JOA is hereby amended by adding the following Section 5.5.7 after Section 5.5.6:

“SECTION 5.5.7: EXCEPTIONS IN THE EVENT OF THE SALE OF ASSETS PURSUANT TO THE GENERATION ASSET SALE: In the event of the Generation Asset Sale Closing, the TMPA Board shall consider and determine the maximum account balance of the Decommissioning Reserve Account, and necessity for such an account, in light of the sale and attendant environmental agreements.”

Section 19. OTHER AGREEMENTS.

(a) All other terms and conditions of the Joint Operating Agreement shall remain in full force and effect except as modified herein.

(b) Except as provided in Section 1, this Amendment shall terminate on the same date the Joint Operating Agreement terminates.

(c) Each Party warrants that all necessary actions have been taken to make this a binding amendment, including TMPA Board or city council action, as applicable.

(d) This Amendment may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

IN WITNESS WHEREOF, the Parties have executed this Amendment Number One to Joint Operating Agreement, to be effective upon the Effective Date as set forth in the Recitals.

TEXAS MUNICIPAL POWER AGENCY

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Approved as to form: _____

Counsel for Texas Municipal Power Agency

CITY OF BRYAN, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Approved as to form: _____

Counsel for the City of Bryan, Texas

CITY OF DENTON, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Approved as to form: _____
Counsel for the City of Denton, Texas

CITY OF GARLAND, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

CITY OF GREENVILLE, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

GEUS, acting on behalf of the City of Greenville pursuant to its Charter

By: _____

Name: _____

Title: Chair of the Board of Trustees of the Electric Utility Board

Date: _____

Attest: _____