



**SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION MEETING
TO BE HELD ON DECEMBER 14, 2020
BY TELEPHONE CONFERENCE
1 (888) 409-5380**

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20 DEC -9 AM 11:59

This meeting will follow the 15-minute break after the Regular Board Meeting of the CPS Energy Board of Trustees held at 1:00 p.m.

This agenda serves notice that the Board of Directors of the SA Energy Acquisition Public Facility Corporation will hold a meeting, open to the public, at which time the Board of Directors will consider the following matters, detailed below.

*To protect the health of the public and limit the potential spread of COVID-19, the CPS Energy Board of Trustees will hold this meeting via telephone conference. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis. These modified standards shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor. **There will be no in-person public access to the meeting.***

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	CALL TO ORDER	Execute	Mr. John Steen
2	PUBLIC COMMENT (Pre-Registration scheduled from 11:00 AM – 12:00 PM @ (210) 353-4662) A. Chair's Announcements B. Comments	Discuss	Mr. John Steen
CONSENT AGENDA			
3	APPROVAL OF CONSENT ITEMS: A. Minutes of the Meeting held on 08/31/2020	Vote	Mr. John Steen
REGULAR AGENDA			
4	AMENDMENT TO BYLAWS	Vote	Ms. Carolyn Shellman
5	FINANCIAL AUTHORIZATION AND APPROVALS POLICY FOR BANKING AND INVESTING	Vote	Mr. Gary Gold
6	CLOSE-OUT: Review Action Items from this meeting	Discuss	Ms. Shannon Albert
7	ADJOURNMENT	Execute	Mr. John Steen



RECEIVED
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SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

NOTICE OF MEETING

20 DEC -9 AM 11:59

BY TELEPHONE CONFERENCE

To protect the health of the public and limit the potential spread of COVID-19, the Board of Directors of the SA Energy Acquisition Public Facility Corporation will hold this meeting via telephone conference. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis. These modified standards shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor.

Notice is hereby given that the Board of Directors of the SA Energy Acquisition Public Facility Corporation will hold a public meeting **on Monday, December 14, 2020 at 5:15 p.m. or 15 minutes following the Regular Board Meeting of the CPS Energy Board of Trustees, whichever is later, by telephone conference.** The Board of Directors will consider specifically those matters referred to in the attached agenda, which is incorporated herein.

There will be no in-person public access to the meeting.

The meeting will be accessible via audio stream at: <https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings-livestreaming.html> or by calling toll-free 1 (888) 409-5380.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on the day of the Board of Directors meeting by phone at 210-353-4662. Registration is open for 1 hour, from 11:00 a.m. CT to 12:00 p.m. CT. Those registering to speak should be prepared to provide the following information:

- First & last name / group or organization
- City & state of residence
- Phone and/or email address
- Agenda item # about which they are speaking
- Group for which the individual is speaking
- Any required translation services

Speakers will be called to speak in the order that they register.

The agenda packet is attached. It and other informational material may be found at: <https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the telephonic meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.

Carolyn E. Shellman
Secretary of the Board
December 9, 2020



**Minutes of Meeting of
Board of Directors
August 31, 2020**

A special meeting of the Board of Directors of SA Energy Acquisition Public Facility Corporation ("PFC" or "Corporation"), held by telephone conference, was called to order on Monday, August 31, 2020 at 5:15 p.m. by Board President Mr. John Steen.

The following Directors of the Corporation, constituting a quorum, were present and participated throughout the meeting:

- Mr. John Steen
- Dr. Willis Mackey
- Mr. Ed Kelley
- Ms. Janie Gonzalez
- Ms. Paula Gold-Williams

Also, in attendance during the telephone conference were Carolyn Shellman - Secretary, Gary Gold - Assistant Secretary, and Shannon Albert - Treasurer. Other CPS Energy leadership and staff members were also in attendance on the call.

WELCOME / CALL TO ORDER

Mr. Steen welcomed everyone and called to order the meeting. It was noted that there were no registered speakers. Chair Steen mentioned there were several communication channels available for public comment.

AGENDA

Approval: Board Meeting Minutes from June 29, 2020 –Upon motion made by Mr. Kelley and seconded by Dr. Mackey, the minutes of the June 29, 2020 meeting were unanimously approved by all members present.

Appointment of Officers and Recommendation for Appointment of Director - Ms. Shellman introduced the item. The proposal requested appointment of Mr. Gary Gold to be a Director of the PFC and to elect two Officers, Ms. Shannon Albert, as Assistant Secretary and Ms. Julie Johnson, as Treasurer, in accordance with the PFC's bylaws.

Upon motion made by Ms. Gold-Williams and seconded by Ms. Gonzalez, the appointment and elections were unanimously approved.

In response to an inquiry by Mr. Steen, Ms. Shellman identified the Directors and Officers. Ms. Gold-Williams reminded the Board that this action is recommended to the City Council for approval. Ms. Gold-Williams noted that the PFC address will also need to be updated.

Ms. Gonzalez asked how often the Officers were voted on. Ms. Shellman clarified that the PFC is a separate corporation and that the Officers are elected every time the term changes. She further clarified that the Board took action on Officers during this meeting as a result of new staff being added.

CLOSE-OUT – Mr. Steen then asked Mr. Gold if there were any other items for the Close-Out section. There were no action items noted.

ADJOURNMENT

There being no further business to come before the Board, and upon motion by Ms. Gold-Williams, seconded by Mr. Kelley, the meeting was unanimously adjourned by Mr. Steen at 5:27 p.m.

Carolyn Shellman, Secretary



SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

ACTION OF THE BOARD OF DIRECTORS BY RESOLUTION

December 14, 2020

A majority of the members of the Board of Directors (the “**Board**”) of SA Energy Acquisition Public Facility Corporation, a Texas nonprofit corporation (the “**Corporation**”), do hereby consent to and adopt the following resolutions:

WHEREAS, the Board previously adopted the Corporation’s original Bylaws which were then amended and restated by the Board on June 29, 2019, subject to approval from the City Council of the City of San Antonio, Texas, (the “**Amended and Restated Bylaws**”); and

WHEREAS, the Board has determined it desirable and in the Corporation’s best interests to now make certain additional revisions to the Amended and Restated Bylaws in order to, among other things, change the Corporation’s principal office address.

THEREFORE, BE IT:

RESOLVED, that pursuant to Article 5 of the Amended and Restated Bylaws and subject to approval from the City Council of the City of San Antonio, Texas, the Board hereby approves and adopts Amendment No. 1 to the Amended and Restated Bylaws in the form attached hereto as Exhibit A, and that the Amended and Restated Bylaws are hereby amended as set forth therein; and be it further

RESOLVED, that the Corporation’s officers, or any of them, be, and hereby are, authorized, empowered and directed to cause to be prepared and to execute, deliver and file, or cause to be executed, delivered and filed, any and all documents which such officer, in such officer’s sole discretion, deems necessary, appropriate or advisable in order to effectuate the purposes and objects of this resolution; and be it further

RESOLVED, that the Secretary be, and such officer hereby is, instructed to cause a copy of said Amendment No. 1 to the Amended and Restated Bylaws to be inserted in the minute book of the Corporation; and be it further

RESOLVED, that the appropriate officer or officers of the Company be, and each of them hereby is, authorized, empowered and directed to, at the earliest practicable date, submit or cause to be submitted to the vote of the Company’s

stockholder, the issue of whether the Company should be voluntarily dissolved in accordance with the foregoing resolutions; and

RESOLVED, that any specific resolutions necessary or advisable for the purpose of accomplishing the foregoing resolution are hereby deemed adopted and may be certified as having been adopted by the Corporation on this date, provided that a copy thereof is inserted in the Corporation's minute books following this resolution; and be it further

RESOLVED, that all acts heretofore taken by the Corporation's Board that would have been authorized by this resolution if taken after its adoption, are hereby approved, ratified and confirmed in all respects as the Corporation's acts and deeds.

EXHIBIT A

**AMENDMENT NO. 1
TO THE AMENDED AND RESTATED BYLAWS OF
SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION**

Adopted _____, 2021

The amendments set forth below are made to the Amended and Restated Bylaws (the “*Bylaws*”) of SA Energy Acquisition Public Facility Corporation, a Texas nonprofit corporation (the “*Corporation*”), pursuant to the adoption and approval of such amendment by the Board of Directors of the Corporation and the approval from the City Council of the City of San Antonio, Texas, in accordance with the terms of the Bylaws and the provisions of the Texas Business Organizations Code. Capitalized terms not defined herein shall have the same meaning assigned to them in the Bylaws.

- 1. Article 2, Section 2.3 of the Corporation’s Bylaws is amended to read in its entirety as follows:

“2.3. Meetings of Directors.

Place. Meetings of the board of directors may be held at such place or places in the State of Texas as the board of directors may from time to time determine or as the business and affairs of the Corporation may require. In the absence of any such determination, meetings of the board of directors shall be held at the CPS Energy Boardroom, located at 500 McCullough Ave., San Antonio, Texas 78215.”

- 2. Article 4, Section 4.1 of the Corporation’s Bylaws is amended to read in its entirety as follows:

“4.1. Principal Office. The principal office address and registered office address of the Corporation shall be the office of CPS Energy, 500 McCullough Ave., San Antonio, Texas 78215, or any such other address as may be designated, updated or changed from time to time in the future as the business and affairs of the Corporation may require.”

Adopted by Resolution of the Board of Directors on _____, 2020, and approved by the City Council of the City of San Antonio, Texas on _____, 2021.

Carolyn E. Shellman, Secretary

**AMENDED AND RESTATED BYLAWS
(REFLECTING JUST AMENDMENT NO. 1)**

OF

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

**ARTICLE 1
GENERAL**

1.1. Name. The name of the corporation is SA Energy Acquisition Public Facility Corporation (the "*Corporation*").

1.2. Sponsor. The sponsor of the Corporation, within the meaning of the Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (the "*Act*"), is the City of San Antonio, Texas (the "*City*").

1.3. Purpose. The Corporation is organized pursuant to the Act to assist the Corporation's sponsor in financing, refinancing, or providing public facilities, as defined in the Act, including natural gas to be devoted to public use or as otherwise set forth in the Corporation's articles of incorporation. For so long as any indebtedness of the Corporation issued to acquire any such interests is outstanding, the Corporation shall provide such assistance solely by acquiring, owning, operating, maintaining, selling, transferring, and assigning electric energy and power, oil, gas, coal, and other liquid, gaseous, or solid hydrocarbon fuels, leasehold and other interests therein, and similar property and engaging in activities that are incidental or convenient thereto.

1.4. Nonprofit Corporation. No part of the Corporation's net earnings shall inure to the benefit of, or be distributable to, any director, officer, or other private person, but the Corporation may pay reasonable compensation for services rendered or property provided. No part of the net earnings of the Corporation remaining after payment of its bonds and expenses in accomplishing its public purpose may benefit any person other than the City Public Service Board of San Antonio, Texas ("*CPS Energy*"), acting on behalf and for the benefit of the City.

No substantial part of the Corporation's activities shall be carrying on propaganda or otherwise attempting to influence legislation. The Corporation shall not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of or in opposition to any candidate for public office.

1.5. Limitation on Action. For so long as any indebtedness of the Corporation issued to acquire interests in natural gas or otherwise is outstanding, (1) the Corporation shall not incur, assume, or guarantee any obligations except indebtedness permitted by the indenture or other contracts executed in connection with such indebtedness and (2) the Corporation shall not consolidate or merge with or into any other entity or convey or transfer all or substantially all of its assets or properties unless the entity formed by or surviving such consolidation or merger or to which such assets or properties are conveyed or transferred (a) is organized pursuant to a charter, articles of incorporation, trust instrument, bylaws, or other governing instrument that contains provisions substantially the same as this sentence and (b) has expressly assumed all of the obligations of the Corporation secured by any such indenture or contract.

**ARTICLE 2
BOARD OF DIRECTORS**

2.1. Authority, Number, Term, Removal, and Vacancy.

(a) Authority. The Corporation's affairs shall be governed by a board of directors.

(b) Number; Appointment. The board of directors shall be composed of seven directors.

(c) Terms. The terms of all of the members of the Board of Directors shall expire on January 31 of odd numbered years (the "***Term End Date***"). Directors shall serve for a term of two years, *except* for directors appointed to replace a director who has resigned, died, become incapacitated, or been removed during his or her term, and directors appointed to replace a director who served on the CPS Energy Board of Trustees (each a "***Successor Director***"), who shall serve for the remainder of the predecessor's term. Directors whose terms have expired shall continue to serve until his or her successors are appointed.

(d) Removal. Any director may be removed from office by the governing body of the City for cause or at any time without cause.

(e) Vacancies. Any seat on the board of directors shall be vacant when the incumbent of such seat has resigned, died, or been removed or the board of directors has determined that the incumbent has become so disabled that he or she will be incapable of participating in the governance of the Corporation for a continuous period of six months or more.

2.2. Appointment. No person shall be appointed as a director of the Corporation unless that person is also appointed as a member of the Board of Trustees of CPS Energy or is the General Manager and CEO or Chief Financial Officer of CPS Energy. Each successor to a director whose term has expired or who has died, resigned, been removed, or become incapacitated, and each new director whose seat has been created by any increase in the number of directors, shall be appointed by the governing body of the City. Any director whose term of office has expired may succeed himself or herself.

2.3. Meetings of Directors.

(a) Place. Meetings of the board of directors may be held at such place or places in the State of Texas as the board of directors may from time to time determine or as the business and affairs of the Corporation may require. In the absence of any such determination, meetings of the board of directors shall be held at the CPS Energy Boardroom, located at ~~145 Navarro, First Floor~~ 500 McCullough Ave., San Antonio, Texas ~~78205~~ 78215.

(b) Regular Meetings. Regular meetings of the board of directors shall be held annually or more frequently on such dates and at such times as the board of directors may determine. Regular meetings of the board of directors may be held without notice to directors. Subject to applicable law, any matter may be considered and acted upon at a regular meeting.

(c) Special Meetings. Special meetings of the board of directors shall be held whenever called by or at the request of the president of the Corporation or any two directors. Except in the event of an emergency, at least three days' notice of the date, time, and place of each special meeting of the board of directors shall be given to each director. At least two hours' notice of each emergency meeting of the board of directors shall be given to each director. Unless otherwise indicated in the notice thereof and subject to applicable law, any matter may be considered and acted upon at a special meeting. At any meeting at which every director shall be present, any matter may be considered and acted upon consistent with applicable law.

(d) Notices. Whenever any notice is required to be given to a director, such notice shall be deemed to be given when deposited in a post office box in a sealed postpaid wrapper addressed to the director at his or her post office address as it appears on the books of the Corporation or when successfully transmitted by facsimile to the facsimile number of the director as it appears on the books of the Corporation. Notice may also be delivered in person or by delivery service or orally by telephone. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, *except* attendance of a director at a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Neither the business to be transacted at nor the

purpose of any regular or special meeting of the board of directors need be specified in the notice to directors or waiver of notice of such meeting, unless required by the board of directors. A waiver of notice in writing, signed by the person or persons entitled to the notice, whether before or after the time that would have been stated therein, shall be deemed equivalent to the giving of notice.

(e) Open Meetings Act. All meetings and deliberations of the board of directors shall be called, convened, held, and conducted, and notice thereof shall be given to the public, in accordance with Chapter 551, Texas Government Code, as amended.

2.4. Quorum. At least five (5) members of the board of directors shall constitute a quorum to transact business at all meetings convened in accordance with these by-laws. The act of a majority of the directors present at a meeting at which a quorum is present shall constitute the act of the board of directors.

2.5. Conduct of Business.

(a) Procedures. At meetings of the board of directors, matters pertaining to the business of the Corporation shall be considered in accordance with rules of procedure as from time to time prescribed by the board of directors.

(b) Presiding Officer. At all meetings of the board of directors, the president of the Corporation shall preside. In the absence of the president, the vice president of the Corporation shall preside. In the absence of both the president and vice president, a director selected by the board of directors shall preside.

(c) Chair Votes. The presiding officer or director shall be entitled to vote on all matters before the board of directors.

(d) Minutes. The secretary of the Corporation shall act as secretary of all meetings of the board of directors. In the absence of the secretary, the presiding officer may appoint any person to act as secretary of the meeting. The secretary of the meeting or his or her designee shall keep minutes of the meetings of the board of directors.

2.6. Committees of the Board of Directors.

(a) Executive Committees. By resolution adopted by a majority of the number of directors fixed by these by-laws, the board of directors may designate one or more committees consisting of two or more directors to exercise the authority of the board in the management of the Corporation to the extent provided by the resolution.

(b) Other Committees. The president or the board of directors may appoint other committees without power to exercise the authority of the board of directors. Such committees need not be limited to directors.

(c) Committee Meetings. Each committee of the Corporation shall keep minutes of the transactions of its meetings and shall cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation. Any such meetings shall be called, convened, held, and conducted, and notice thereof shall be given to the public, in accordance with Chapter 551, Texas Government Code, as amended.

2.7. Compensation of Directors. Directors shall not receive any salary or compensation for their services as directors, but shall be reimbursed for actual expenses incurred by them in the performance of their duties as directors.

**ARTICLE 3
OFFICERS**

3.1. Officers Generally.

(a) Officers. The officers of the Corporation shall be a president, a vice president, a secretary, an executive director, and such other officers as the board of directors may from time to time determine to be necessary. A person may simultaneously hold more than one office, *except* that same person may not simultaneously hold the offices of president and secretary. The president of the board of directors must be a member of the CPS Energy Board of Trustees.

(b) Term. Each officer shall serve for a term of one year ending simultaneously with the term of one or more directors. At the expiration of their terms, officers may be reappointed or reelected to the same or different offices.

(c) Qualifications. Only directors shall be eligible to serve as president or vice president. A member of the governing body or officer or employee of the Corporation's sponsor or of CPS Energy who serves as a director of the Corporation may serve as an officer of the Corporation.

(d) Election. All officers shall be elected by the board of directors.

(e) Removal. Officers may be removed from office at any time by the board of directors if it believes that the best interests of the Corporation will be served by the removal.

3.2. President. The president of the board of directors must be a member of the CPS Energy Board of Trustees. The president shall be the chief executive officer of the Corporation and, subject to the authority of the board of directors, shall have general charge of the properties and affairs of the Corporation. The president shall see that all orders and resolutions of the board of directors are given effect. The president shall execute all legal documents and instruments in the name of the Corporation when authorized to do so by the board of directors and shall perform such other duties as may be prescribed from time to time by the board of directors or these by-laws.

3.3. Vice President. The vice president shall have such powers and duties as may be prescribed from time to time by the board of directors and shall perform the duties of the president during the president's absence or disability. Any action taken by the vice president in the performance of the duties of the president shall be conclusive evidence of the absence or disability of the president at the time such action is taken.

3.4. Secretary. The secretary shall give and serve all notices required by these by-laws, may attest to the signature and office of other officers signing any legal document or instrument, shall have charge of the corporate books, records, legal documents, and instruments of the Corporation, and shall discharge such other duties as shall be prescribed from time to time by the board of directors or these bylaws. In the case of the absence or disability of the secretary, the board of directors or the president may appoint an assistant secretary to perform the duties of the secretary during such absence or disability.

3.5. Executive Director. The executive director of the Corporation shall provide administrative support services to the Corporation and shall perform such other duties as shall be prescribed from time to time by the board of directors.

3.6. Compensation. Officers shall not receive any salary or compensation for their services, unless approved by the Board, but shall be reimbursed for reasonable and necessary actual expenses incurred by them in the performance of their official duties as officers.

**ARTICLE 4
MISCELLANEOUS**

4.1. Principal Office. The principal office address and registered office address of the Corporation shall be the office of CPS Energy, ~~145 Navarre~~500 McCullough Ave., San Antonio, Texas ~~78205~~78215, or any such other address as may be designated, updated or changed from time to time in the future as the business and affairs of the Corporation may require.

4.2. Fiscal Year. The fiscal year of the Corporation shall be each 12-month period ending January 31, or as otherwise established by the board of directors.

4.3. Resignations. Any director or officer may resign at any time by written notice to the president or the secretary of the Corporation. The resignation shall take effect at the time specified therein or, if no time is specified, at the time of its receipt by the president or secretary. Acceptance of the resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

4.4. Indemnification. The Corporation shall indemnify each director, officer, employee, and agent of the Corporation and each member of the governing body, officer, and employee of the Corporation's sponsor or of CPS Energy to the fullest extent provided in the articles of incorporation.

4.5. Dissolution. Upon dissolution of the Corporation, title to all funds and other property owned by the Corporation shall vest in CPS Energy on behalf of the Corporation's sponsor.

**ARTICLE 5
AMENDMENTS**

5.1. Amendments. These by-laws may be amended by the board of directors with the approval of the governing body of the Corporation's sponsor



**FINANCIAL AUTHORIZATION AND APPROVALS POLICY
FOR BANKING AND INVESTING
(POLICY EFFECTIVE January 31, 2021)**

BANKING

Accounts

The SA Energy Acquisition Public Facility Corporation Officers listed below ("Officers"), or any persons appointed to fill those positions in an interim capacity, are authorized to act in the name of SA Energy Acquisition Public Facility Corporation (the "PFC") to establish, maintain and close bank and/or trust accounts:

Assistant Vice-President
Assistant Secretary
Treasurer

Authority to open or close any bank or trust account at a designated financial institution requires the signatures of at least two Officers.

Financial Transactions

Any two Officers are authorized to sign checks drawn on PFC bank accounts. In addition, any two Officers may authorize and approve other financial transactions, including electronic funds transfers ("EFT") or investment of funds. EFT may be executed verbally with personal identification codes, by signed letter or facsimile, or by electronic banking system transmission, provided that adequate segregation of system administration functions exists.

Any two Officers may designate other authorized representatives ("Authorized Representatives"). An Authorized Representative may authorize and approve financial transactions when, and only when, joined by at least one Officer. A list of Officers and, when applicable, Authorized Representatives will be provided to approved financial institutions along with specimen signatures. The Officers and Authorized Representatives who authorize and approve a financial transaction are prohibited from executing that transaction.

Collateral

In the event cash balances exceed levels insured by the Federal Deposit Insurance Corporation, the Trustee will pledge collateral in accordance with the Texas Public Funds Collateral Act and the Trust Indenture dated June 1, 2007 securing Gas Supply Revenue Bonds, Series 2007 ("Indenture"). Two Officers will be required to approve collateral pledges or releases.

INVESTMENT

Investment Authorization

The above-listed Officers, or any persons appointed to fill those positions in an interim capacity, are authorized to act in the name of the PFC to establish, maintain and close investment relationships with trustees, investment managers, money market funds, and

depository institutions for the investment of PFC funds. The signature of any two Officers will be required to open or terminate such investment relationships. The Treasurer and the Assistant Secretary are designated as the PFC's Investment Officers, and will maintain the requisite number of investment training hours as specified in the Texas Public Funds Investment Act ("PFIA").

Investment Emphasis and Strategy

Investment of PFC funds will be in accordance with the PFIA, the Trust Indenture, and agreement(s) relating to the issuance of any of the PFC's bonds.

The investment emphasis and strategy describes its objectives based on the following order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the entity;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield

The majority of the PFC's funds will be invested in a Guaranteed Investment Contract (GIC) with J. Aron as the GIC provider. Goldman Sachs guarantees the obligations of its wholly-owned subsidiary, J. Aron (the gas supplier). The PFC Bond's credit ratings reflect the lower of the ratings of Goldman Sachs, CPS Energy, and the Royal Bank of Canada (the swap counterparty). Liquid funds (e.g., cash) in the Debt Service Fund, Revenue Fund, and General Fund are all currently in approved Government Money Market Funds.

The strategy for investment of PFC's funds is to ensure timely deposit of all debt service funds with the GIC provider.

Emphasis for investment of PFC funds should be placed on safety of principal and liquidity followed by emphasis on earning investment income at market rates.

Investment of funds not related to debt service will have a maximum maturity of one year or less to ensure adequate operating liquidity in the event early liquidation is required for cash flow purposes.

Market values of investments will be attained from sources deemed reliable by industry standard, and will be reviewed no less than quarterly. All eligible securities will be settled on a delivery versus payment method.

Other available funds beyond debt service will be timely invested in authorized investments to earn market yields, with emphasis on safety and liquidity for operational requirements.

Authorized Investments

PFC funds may be invested in "Qualified Investments" as defined in the Indenture. With the exception of GICs or Repurchase Agreements, the PFC will own no greater than 10% of the outstanding issued amount for any one CUSIP or money market mutual fund. All investments are to be made consistent with this Policy, the Indenture, the PFIA, and other legal agreements and federal income tax requirements. Any two Officers may authorize a trustee

or investment manager to invest funds in said instruments without day-to-day oversight or additional authorization by those Officers.

No investment transaction shall be made that would cause the portfolio to be out of compliance with this Policy. The impact that an investment transaction would have on the portfolio will be evaluated prior to executing a transaction. However, it is possible for the portfolio to become out of compliance with this Policy due to regulatory changes, etc. Action will be taken to move the portfolio back into compliance within a period of 90 days from the date upon which the non-compliance event occurred or was discovered. Additional time periods may be granted in the event temporary market conditions are not seen as favorable for taking corrective action.

Standard of Care

Trustees, Officers, and Authorized Representatives will be required to operate under the prudent-person rule, *i.e.*, managing financial transactions, investments and diversification of investments "shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived."

Investment Reporting

Reports of investment activity will be prepared and submitted to the PFC Officers on a quarterly basis in accordance with PFIA requirements. In addition, this Financial Authorization and Approvals Policy for Banking and Investing will be reviewed and approved by the Officers of the PFC not less than annually, during the fiscal year. If brokers are engaged in investment transactions for the PFC, the Investment Officers will review and approve a list of qualified brokers on an annual basis.