

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED
ORDINANCE ADOPTED BY THE CITY COUNCIL**

ORDINANCE NO. _____

AUTHORIZING THE ESTABLISHMENT OF AN EXTENDIBLE MUNICIPAL COMMERCIAL PAPER PROGRAM IN A PRINCIPAL AMOUNT NOT TO EXCEED \$150,000,000 FOR THE CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS; PROVIDING THE TERMS, CONDITIONS, AND SPECIFICATIONS FOR OBLIGATIONS FROM TIME TO TIME ISSUED UNDER SUCH PROGRAM; MAKING PROVISIONS FOR THE PAYMENT AND SECURITY THEREOF (WHETHER ON PARITY OR SUBORDINATE TO OTHER OUTSTANDING OBLIGATIONS); AUTHORIZING OBLIGATIONS UNDER SUCH PROGRAM TO BE ISSUED IN THE FORM OF TAXABLE OR TAX-EXEMPT NOTES, BEARING INTEREST AT FIXED OR VARIABLE RATES, AND PRESCRIBING OTHER TERMS, FEATURES, AND CHARACTERISTICS OF SUCH OBLIGATIONS; STIPULATING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL OBLIGATIONS ON PARITY THEREWITH; AUTHORIZING THE EXECUTION OF ONE OR MORE ISSUING AND PAYING AGENCY AGREEMENTS AND ANY ANCILLIARY AGREEMENTS; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF THE CITY PUBLIC SERVICE BOARD STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF OBLIGATIONS UNDER THIS PROGRAM; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING AN EFFECTIVE DATE

* * *

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

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

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

WHEREAS, the City Council of the City has heretofore issued, sold, and delivered, and there are currently outstanding, obligations under a revolving finance program known Flexible Rate Revolving Note Program (herein referred to as either the *Flex Note Program* or the *Inferior Lien Obligations*) which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems subordinate to the liens securing the payment of Parity Bonds, Junior Lien Obligations, and Commercial Paper Obligations; and

WHEREAS, the City at this time desires to establish, pursuant to the provisions of Chapters 1371 and 1502, as amended, Texas Government Code (collectively, the *Act*) and its home rule charter, an extendible municipal commercial paper program in addition to the current Commercial Paper Obligations, to be known as the “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Program” (the *Extendible Municipal Program*), under which notes may be issued from time to time as “Additional Commercial Paper Obligations”, secured by a lien on and pledge of Net Revenues of the Systems, which lien and pledge is on parity with the lien thereon and pledge thereof securing obligations issued from time to time under the existing Commercial Paper Programs, for the purpose of providing the City with additional, emergency access to capital as necessary to improve, operate, and maintain the Systems; and

WHEREAS, under the Extendible Municipal Program, the City shall be permitted to issue, from time to time, notes (the *Extendible Municipal Notes*), the proceeds from which may be used for the purposes, shall have the characteristics, and shall be secured in the manner hereinafter described; and

WHEREAS, although the City has the option to extend the maturity of an Extendible Municipal Note, the City intends, but is not obligated, to pay each Extendible Municipal Note on its Original Maturity Date from the proceeds of newly issued Extendible Municipal Notes of the same series, from the proceeds of Refunding Bonds, or from other funds legally available to the City for such purpose; and

WHEREAS, the City intends to ultimately fund or refund Extendible Municipal Notes from time to time through the issuance of its revenue refunding bonds pursuant to the provisions of Chapter 1207, as amended, Texas Government Code, on a parity with or subordinate to the New Series Bonds and, therefore (and in accordance with Section 1371.057(c) of the Act), the City shall treat the Extendible Municipal Notes as having the intended term and payment schedule of such revenue refunding bonds; and

WHEREAS, the City Public Service Board of San Antonio, Texas, doing business as CPS Energy (*CPS Energy* or the *Board*) has, by resolution adopted on March 25, 2024, recommended that the Extendible Municipal Program be established by the City and Extendible Municipal Notes subsequently issued thereunder in accordance with the provisions of this Ordinance; and

WHEREAS, in full recognition and consideration of all covenants and conditions prescribed in the proceedings and instruments pertaining to the outstanding and unpaid New Series Bonds, Junior Lien Obligations, Commercial Paper, and Inferior Lien Obligations, pursuant to the authority conferred by the laws of the State of Texas, including (particularly) the Act, and the City’s home rule charter, and at the request of the Board by resolution thereof, the City Council is now authorized and empowered, and deems it necessary and in the best interests of the residents of the City, to proceed with the passage and adoption of this Ordinance authorizing (i) the establishment of the Extendible Municipal Program, pursuant to which Extendible Municipal Notes, bearing interest in the manner and having characteristics as described herein, may be issued, sold, and delivered, from time to time, in an aggregate principal amount at any time outstanding not to exceed \$150,000,000, and (ii) certain powers and duties to be exercised and performed by the Board, acting through its President and Chief Executive Officer, Chief Financial Officer, or Treasurer of the Board; and

WHEREAS, the City is an incorporated city operating under a home rule charter adopted pursuant to Article XI, Section 5 of the Texas Constitution, has a population in excess of 50,000 according to the latest federal decennial census published by the U.S. Bureau of the Census, and has outstanding long-term indebtedness that is rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for a long-term obligation; and

WHEREAS, the proceeds of Extendible Municipal Notes shall be used only for the purposes of paying Project Costs of Eligible Projects (as each such term is herein defined);

WHEREAS, the City Council hereby finds and determines that the establishment of the Extendible Municipal Program and the authorization to issue Extendible Municipal Notes thereunder pursuant to, in accordance with, and subject to the limitation of the provisions of this Ordinance is in the best interests of the residents of the City; now, therefore,

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

ARTICLE I. DEFINITIONS

Section 1.01 Definitions. Unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this ordinance or any ordinance amendatory or supplemental hereto, shall be construed, are used, and are intended to have the following meanings, to-wit:

“Act” means Chapters 1371 and 1502, as amended, Texas Government Code.

“Additional Commercial Paper Obligations” means (i) any bonds, notes, warrants, certificates of obligation, or other similar debt hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge of the Net Revenues that have or will be granted as security for the currently outstanding Parity Bonds and any Additional Parity Bonds hereafter issued by the City, and the Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued by the City, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

“Additional Inferior Lien Obligations” means (i) any bonds, notes, warrants, certificates of obligation, or other similar debt hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge of the Net Revenues that have or will be granted as security for the currently outstanding Parity Bonds and any Additional Parity Bonds hereafter issued by the City, the Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued by the City, and the Commercial Paper Notes, but on parity with the lien on and pledge of the Net Revenues that have been or will be granted as security for the Inferior Lien Obligations and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by such an inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

“Additional Junior Lien Obligations” means (i) any bonds, notes, warrants, certificates of obligation, or other similar debt hereafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues that is junior and inferior to the lien on and pledge of the Net Revenues that have or will be granted as security for the currently outstanding Parity Bonds and any Additional Parity Bonds hereafter issued by the City, but prior and superior to the

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

“Additional Parity Bonds” means bonds or other obligations authorized to be issued under the provisions of the New Series Bond Ordinance, including refunding bonds, which are secured by a lien on and pledge of the Net Revenues of the Systems on a parity with the Previously Issued Parity Bonds.

“Authorized Investments” means any investment permitted under Chapter 2256, as amended, Texas Government Code and which is in conformity with the Board’s Investment Policy, as each of the foregoing may be amended from time to time.

“Authorized Representative” means the President and Chief Executive Officer of the Board, the Chair or Vice Chair of the Board, the Secretary or Assistant Secretary of the Board, Chief Financial Officer of the Systems, any Treasurer or Assistant Treasurer of the Board, any party succeeding to substantially all or part of the responsibilities and duties of either of the foregoing regardless of title, or such other officer or employee of the City authorized by the City Council to act as an authorized representative, or such other financial or accounting official of the Board so designated by the City Council.

“Available Revenues” means Commercial Paper Net Revenues deposited into the Extendible Municipal Note Payment Fund pursuant to Section 2.09.

“Board of Trustees,” “Board,” and “City Public Service Board,” means the City Public Service Board of San Antonio, Texas, existing and functioning pursuant to the Bond Ordinance.

“Bond Counsel” means McCall, Parkhurst & Horton L.L.P., or any other firm of nationally recognized Bond Counsel selected by the Board.

“Bond Ordinance” means collectively the New Series Bond Ordinance and any ordinance authorizing Systems Revenue Priority Obligations.

“Business Day” means any day (a) when the principal banking building of the Issuing and Paying Agent is open for business in the City and (b) when banks are not authorized to be closed in New York, New York.

“Chapter 1371” means Chapter 1371, as amended, Texas Government Code.

“Chapter 1502” means Chapter 1502, as amended, Texas Government Code.

“City” means the City of San Antonio, Texas.

“City Council” means the governing body of the City.

“Commercial Paper” or “Commercial Paper Obligations” means the currently authorized obligations of the City from time to time outstanding and unpaid that are payable wholly or in part from a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledge thereof securing payment of the currently outstanding Parity Bonds and the Junior Lien Obligations and any Additional Parity Bonds and Additional Junior Lien Obligations hereafter issued by the City, identified as follows:

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

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

“Commercial Paper Net Revenues” means those Net Revenues that are available at the FOURTH level of priority as specified in Section 4.04, subject, inferior, and subordinate to the superior liens and pledges on Net Revenues securing the payment of Systems Revenue Priority Obligations and being limited to those Net Revenues that remain after satisfying all secured payment obligations related to Systems Revenue Priority Obligations.

“Eligible Project” means the acquisition or construction of improvements, additions, or extensions for the Systems, including capital assets and facilities incident and related to the operation, maintenance, and administration thereof and also including, but not limited to, fuel and power acquisition and development and facilities for the transportation thereof, or to refinance or refund any principal and/or interest payment relating to any debt secured by the Net Revenues of the Systems or with respect to the payment of any obligation of the Systems pursuant to any credit agreement as permitted by the provisions of Section 1371.051, as amended, of the Act.

“Extendible Municipal Program” means the “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Program” established pursuant to the provisions of this Ordinance.

“Extendible Municipal Note” means, collectively, the Tax-Exempt Extendible Municipal Notes and the Taxable Extendible Municipal Notes; such Extendible Municipal Notes shall have a final maturity of not more than 270 days and may be issued and reissued.

“Extended Maturity Date” means, for each Extendible Municipal Note, a Business Day (which shall be specified in the confirmation sent to the Holder of the Extendible Municipal Note) that is the Extended Maturity Days from its issue date.

“Extended Maturity Days” means 270 days or any other lesser number of days specified in the confirmation sent to the Holder of the Extendible Municipal Note.

“Extended Rate” means, for each Extendible Municipal Note, the rate of interest per annum established hereunder for each weekly period from and after the Original Maturity Date.

“Fiscal Year” means the twelve-month operational period of the Systems commencing on February 1 of each year and ending on the following January 31.

“Government Securities” means (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its

equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Obligations.

“Holder” or “Extendible Municipal Noteholder” means the Registered Owner of any Extendible Municipal Note and/or any person, firm, association, or corporation who is in possession of any Extendible Municipal Note issued to the order of “bearer” or in blank.

“Inferior Lien Obligations” means any bonds, notes, warrants, certificates of obligation, or other similar debt currently outstanding or hereafter issued by the City, and amounts from time to time due and owing or similar agreement relating thereto that is entered into under and pursuant to Chapter 1371, that are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the pledges thereof securing payment of the currently outstanding Parity Bonds, the Junior Lien Obligations, the Commercial Paper Obligations, and any Additional Parity Bonds and Additional Junior Lien Obligations hereafter issued by the City, including:

(a) the “City of San Antonio, Texas Electric and Gas Systems Tax-Exempt Flexible Rate Revolving Notes, Series A” and the “City of San Antonio, Texas Electric and Gas Systems Taxable Flexible Rate Revolving Notes, Series A”, authorized in an aggregate principal amount at any one time outstanding not to exceed \$100,000,000,

(b) the “City of San Antonio, Texas Electric and Gas Systems Tax-Exempt 2021 Inferior Lien Flexible Rate Revolving Notes, Series B” and the “City of San Antonio, Texas Electric and Gas Systems Taxable 2021 Inferior Lien Flexible Rate Revolving Notes, Series B”, authorized in an aggregate principal amount at any one time outstanding not to exceed \$500,000,000,

(c) any obligations that are issued subject to the limitations in Section 1502.052, as amended, Texas Government Code, and

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

“Inferior Net Revenues” means those Net Revenues that are available at the FIFTH level of priority as specified in Section 4.04, subject, inferior, and subordinate to the superior liens and pledges on Net Revenues securing the payment of Systems Revenue Priority Obligations and being limited to those Net Revenues that remain after satisfying all secured payment obligations related to Systems Revenue Priority Obligations.

“Junior Lien Obligations” means the currently authorized obligations of the City from time to time outstanding and unpaid that are payable wholly or in part from a lien on and pledge of the Net Revenues that is junior and inferior to the pledge thereof securing payment of the currently outstanding Parity Bonds and any Additional Parity Bonds hereafter issued by the City, identified as follows:

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

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

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

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

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

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

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

(h) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2018”, originally authorized in the aggregate principal amount of \$134,870,000;

(i) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2019”, originally authorized in the aggregate principal amount of \$252,640,000;

(j) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2020”, originally authorized in the aggregate principal amount of \$127,770,000;

(k) “City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Refunding Bonds, Series 2021A”, originally authorized in the aggregate principal amount of \$330,700,000;

(l) “City of San Antonio, Texas Electric and Gas Systems Fixed and Variable Rate Junior Lien Revenue Refunding Bonds, Series 2022”, originally authorized in the aggregate principal amount of \$359,465,000;

(m) “City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2023”, originally authorized in the aggregate principal amount of \$100,340,000; and

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

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

“Maximum Interest Rate” means the lesser of (a) fifteen percent (15%) per annum, (b) the maximum nonusurious rate of interest permitted to be charged by applicable federal or Texas law (whichever shall permit the higher lawful rate) from time to time in effect, and (c) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the City in the exercise of its borrowing powers (currently prescribed by Chapter 1204, as amended, Texas Government Code, or any successor provision).

“Maximum Maturity Date” means May 2, 2064.

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

“New Series Bond Ordinance” means collectively the ordinances authorizing the Previously Issued Parity Bonds.

“Original Maturity Date” means, for each Extendible Municipal Note, a Business Day not less than 1 day and not greater than 120 days from the issue date and as specified as such in the confirmation sent to the Holder of the Extendible Municipal Note.

“Original Rate” means, for each Extendible Municipal Note, the rate of interest per annum borne by such Extendible Municipal Note to the Original Maturity Date as specified in the applicable issuance request.

“Outstanding” means as of the date of determination, all Parity Bonds theretofore issued and delivered except:

- (a) those System Revenue Obligations theretofore canceled by the respective paying agents for such System Revenue Obligations or delivered to such paying agents for cancellation;
- (b) those System Revenue Obligations for which payment has been duly provided by the City by the irrevocable deposit with the respective paying agents for such System Revenue Obligations of money in the amount necessary to fully pay principal of, premium, if any, and

interest thereon to maturity or redemption, if any, as the case may be, provided that, if such System Revenue Obligations are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing the issuance of such System Revenue Obligations or irrevocably provided to be given to the satisfaction of such paying agents, or waived;

(c) those System Revenue Obligations that have been mutilated, destroyed, lost, or stolen and for which replacement bonds have been registered and delivered in lieu thereof; and

(d) those System Revenue Obligations for which the payment of principal, premium, if any, and interest has been duly provided for by the City by the deposit in trust of money or Government Securities, or both.

“Parity Bonds” or “New Series Bonds” means the Previously Issued Parity Bonds and any Additional Parity Bonds hereafter issued by the City.

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

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

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

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

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

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

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

(g) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2016”, dated July 1, 2016 and originally issued in the principal amount of \$544,260,000;

(h) “City of San Antonio, Texas Electric and Gas Systems Revenue and Refunding Bonds, New Series 2017”, dated April 1, 2017 and originally issued in the principal amount of \$308,005,000;

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(i) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2017”, dated August 1, 2017 and originally issued in the principal amount of \$194,980,000;

(j) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2018A”, dated December 1, 2018 and originally issued in the principal amount of \$130,220,000;

(k) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2019”, dated September 1, 2019 and originally issued in the principal amount of \$114,685,000;

(l) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2020”, dated January 1, 2020 and originally issued in the principal amount of \$134,580,000;

(m) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, Taxable New Series 2020”, dated November 1, 2020 and originally issued in the principal amount of \$418,255,000,

(n) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2022”, dated April 1, 2022 and originally issued in the principal amount of \$109,620,000;

(o) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, Taxable New Series 2022”, dated April 1, 2022 and originally issued in the principal amount of \$413,720,000;

(p) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2023A”, dated June 1, 2023 and originally issued in the principal amount of \$459,450,000;

(q) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2023B”, dated June 1, 2023 and originally issued in the principal amount of \$100,340,000;

(r) “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2024C”, dated November 1, 2024 and originally issued in the principal amount of \$162,715,000; and

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

“Prior Lien Bonds” shall have the meaning ascribed thereto in the ordinances of the City establishing the Commercial Paper Programs.

“Project Costs” means all costs and expenses incurred in relation to Eligible Projects and permitted by law to be paid with the proceeds of the Extendible Municipal Notes, including without limitation design, planning, engineering and legal costs, acquisition costs of land, interests in land, rights-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related

to the operation, maintenance, and administration of an Eligible Project, and financing costs, including interest during construction, underwriter's discount and/or fees, legal, financial, and other professional services.

“Rating Agency” means any nationally-recognized municipal bond rating agency then providing a rating on the Extendible Municipal Notes at the request of the City.

“Refunding Bonds” means bonds issued from time to time to refund any Extendible Municipal Notes issued.

“Registered Owner” means the person or entity in whose name any Extendible Municipal Note is registered in the Registration Books (as defined in Section 2.02(c)).

“SIFMA” means the Securities Industry and Financial Markets Association.

“SIFMA Index” means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the City (in consultation with the Dealers) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“SOFR Index” means (i) as of any date of determination, the per annum interest rate equal to the forward-looking one-month Secured Overnight Financing Rate (“SOFR”) term rate (sometimes referred to as one-month Term SOFR) published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately preceding Business Day or (ii) if such rate is not then reported by the SOFR Administrator, the rate then reported by any successor to or substitute for such administrator designated by the City in writing that provides rate quotations comparable to those provided by the SOFR Administrator, or (iii) if such rate is not published or otherwise becomes unavailable, such other publicly available rate as the City (in consultation with the Dealers) shall determine to effect, to the extent practicable, an aggregate all-in interest rate comparable to the SOFR-based rate in effect prior to its replacement; provided that if the City determines that there is an industry-accepted successor rate to one-month Term SOFR, then the City shall select such rate. Such replacement index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index, so that when added to the E variable the resulting sum would be approximately equivalent to the Extended Rate determined based on the SOFR Index prior to one-month Term SOFR becoming unavailable.

“Systems” means the entire electric light and power plants and systems and gas distribution system and all property of every kind appurtenant to and used or acquired in connection with said electric light and power plant and systems and gas distribution system owned by the City, together with all property of every kind now and hereafter owned or acquired by the City as a part of or for use in the operation of the City’s electric light and power plants and systems and gas distribution system; provided, however, the term Systems shall not mean or include facilities of any kind which are declared not to be a part of the Systems and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of

Special Facilities Bonds, which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Parity Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

“Systems Revenue Obligations” means collectively any obligations of the City heretofore or hereafter issued in connection with an Eligible Project which are secured by and payable, in whole or in part, from a lien on and/or pledge of the Net Revenues, including without limitation, the Systems Revenue Priority Obligations and the Extendible Municipal Notes.

“Systems Revenue Priority Obligations” means collectively the New Series Bonds, any Additional Parity Bonds, any Prior Lien Bonds, the Junior Lien Obligations, and any Additional Junior Lien Obligations.

“Tax-Exempt Extendible Municipal Notes” means the notes authorized to be issued and at any time outstanding under the Extendible Municipal Program pursuant to this Ordinance the interest on which is excludable from gross income for federal income tax purposes.

“Taxable Extendible Municipal Notes” means the notes authorized to be issued and at any time outstanding under the Extendible Municipal Program pursuant to this Ordinance that are not obligations described in section 103(a) of the Code (as herein defined in Section 4.08) or are obligations which constitute “specified private activity bonds” within the meaning of section 141(b) of the Code.

Section 1.02 Instruction of Terms Utilized in this Ordinance. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

ARTICLE II. AUTHORIZATION OF EXTENDIBLE MUNICIPAL NOTES

Section 2.01 General Authorization.

Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, including particularly the Act, and the City’s home rule charter, and in accordance with this Ordinance, Extendible Municipal Notes, having the characteristics as herein specified, shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund other Extendible Municipal Notes issued pursuant to the provisions hereof and other Systems Revenue Obligations which qualify as “obligations” under Chapter 1371. For purposes of this Section 2.01, any portion of outstanding Extendible Municipal Notes to be paid from money on deposit in the Extendible Municipal Note Payment Fund and/or from the available proceeds of other debt obligations of the City, including additional Extendible Municipal Notes and other Systems Revenue Obligations, issued for the purpose of refinancing, renewing, or refunding such outstanding Extendible Municipal Notes, on the day of calculation shall not be considered Outstanding.

Section 2.02 Terms Applicable to Extendible Municipal Notes.

(a) *Dated Date; Maturity Date; Authorized Denominations.* Extendible Municipal Notes herein authorized shall (i) be dated as of their date of issuance or prior thereto, but within 30

days of the date of issuance (the *Extendible Municipal Note Date*) and (ii) mature on a date specified by an Authorized Representative on the date that the Project Note is issued, which maturity date shall not be later than (A) the date that is the first anniversary of the date on which the City receives payment from the Extendible Municipal Note Purchaser for the subject Extendible Municipal Note and (B) the Maximum Maturity Date. Extendible Municipal Notes shall be issued in denominations of \$100,000 or any integral of \$1,000 in excess thereof and shall be numbered in ascending consecutive numerical order in the order of their issuance.

(b) *Determination of Federal Tax Treatment; Style; Calculation and Payment of Interest.* Extendible Municipal Notes shall be issued as either (i) Tax-Exempt Extendible Municipal Notes, to be designated “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Notes, Series A (Tax Exempt)” or (ii) Taxable Extendible Municipal Notes, to be designated “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Notes, Series A (Taxable)”. Extendible Municipal Notes shall bear interest at such rate or rates (either fixed, variable, or floating) per annum computed on the basis of actual days elapsed based upon either (i) a 360-day year of twelve 30-day months or (ii) a 365-day or 366-day year; provided, however, that in no event shall the interest rate on any Extendible Municipal Note exceed the Maximum Interest Rate in effect on the date of issuance thereof. Extendible Municipal Notes issued without a fixed numerical rate of interest for the term thereof specified at their time of issuance shall bear interest in accordance with any clearly stated formula or method of calculation. Extendible Municipal Notes may be further designated by series, subseries, and numbered sequentially, as necessary or desired.

Interest on Extendible Municipal Notes shall be payable at maturity (in conjunction with payment of principal) and at such intervals prior to maturity.

(c) *Extended Rate.* The Extended Rate shall be the rate of interest per annum determined by the following formula; provided that such Extended Rate shall not exceed the Maximum Interest Rate:

The Extended Rate for Tax Exempt Extendible Municipal Notes shall be the rate of interest per annum determined by the following formula; provided that such Extended Rate shall not exceed the Maximum Interest Rate:

The greater of (SIFMA Index + E) or F

The Extended Rate for Taxable Extendible Municipal Note shall be the rate of interest per annum determined by the following formula; provided that such Extended Rate shall not exceed the Maximum Interest Rate:

The greater of (SOFR Index + E) or F

The Extended Rate applicable to an Extendible Municipal Note will be determined weekly by the City or Dealer based on the Prevailing Ratings and other information available as of 11:00 a.m., New York, New York time, on the Original Maturity Date of the Extendible Municipal Note and each Thursday thereafter and will apply from that date through the following Wednesday or, if earlier, the applicable Extended Maturity Date. As used in the formula, the E and F variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of the Rating Agencies then rating the Extendible Municipal Notes, as follows:

If the individual Prevailing Ratings indicate different E or F variables as a result of split ratings assigned to the City, the E or F variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If another credit rating agency becomes a Rating Agency, the City shall, following consultation with each Dealer, determine how the agency's rating categories shall be treated for the purpose of indicating an E or F variable.

In the instance the City exercises its option to extend the Original Maturity Date to the Extended Maturity Date, the Original Maturity Date is before the 15th day of the month, interest shall be payable on the first Business Day of the next month and on the first Business Day of each month thereafter and on the Extended Maturity Date for such Extendible Municipal Note. If the Original Maturity Date is on or after the 15th day of the month, interest shall be payable on the first Business Day of the second succeeding month and on the first Business Day of each month thereafter and on the Extended Maturity Date for such Extendible Municipal Note. Such interest shall be calculated at the Extended Rate from and including the Original Maturity Date, but excluding the Extended Maturity Date or date of prior redemption.

The City shall notify the Issuing and Paying Agent and each Dealer by 3:00 p.m. New York City, New York time on the Business Day prior to the Original Maturity Date (and in no event later than 11:00 a.m. on the Original Maturity Date) if it is exercising its option to extend the Original Maturity Date of an Extendible Municipal Note to its Extended Maturity Date. Such notice shall be in substantially the form as attached hereto. The Issuing and Paying Agent shall correspondingly notify (i) DTC by 11:30 a.m., New York City, New York time on the Original Maturity Date and (ii) each Rating Agency then maintaining a rating on the Extendible Municipal Note and EMMA by the close of business in New York, New York on the Original Maturity Date, that the maturity is being extended. Even if the requisite notices are not given, if payment of the principal of and interest on an Extendible Municipal Note does not occur on the Original Maturity Date, the maturity of the Extendible Municipal Note shall be extended automatically to the Extended Maturity Date. With the consent of the Issuing and Paying Agent and with notice to each Dealer, the City may modify the notification provisions contained herein if deemed appropriate to conform to DTC's rules and procedures.

(d) *Redemption.* Extendible Municipal Notes issued hereunder shall be subject to redemption prior to stated maturity, if at all, as determined by the City.

(e) *Extendible Municipal Notes in Registered Form; Issuing and Paying Agent; Payment.* The Extendible Municipal Notes shall be issued in registered form, without coupons, in the name of the Registered Owner thereof or to bearer. Extendible Municipal Notes shall initially be registered in the name of the Extendible Municipal Note Purchaser. Both principal of and interest on each Extendible Municipal Note shall be payable in lawful money of the United States of America, without exchange or collection charges to the Holder. The principal of any Extendible Municipal Note is payable upon presentation and surrender thereof at the corporate office of the Issuing and Paying Agent; interest on Extendible Municipal Notes shall be paid as described in Subsection (a) above. If the date for the payment of the principal of or interest on any Extendible Municipal Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Issuing and Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Extendible Municipal Note was due.

_____ shall serve as the Issuing and Paying Agent for the Extendible Municipal Notes. The City, acting through the Board, covenants and agrees to keep and maintain at the

corporate office of the Issuing and Paying Agent books and records (the *Registration Books*) for the registration, payment, transfer, and exchange of the Extendible Municipal Notes, all as provided herein and under such reasonable rules and regulations as the Issuing and Paying Agent may prescribe. The City, acting through the Board, covenants to maintain and provide a Issuing and Paying Agent at all times while the Extendible Municipal Notes are outstanding, which shall be a banking institution authorized under applicable laws to exercise trust powers. Should a change in the Issuing and Paying Agent for the Extendible Municipal Notes occur, the Board shall promptly cause a written notice thereof to be sent to each Registered Owner of Extendible Municipal Notes then Outstanding by United States Mail, first class, postage prepaid. Such notice shall give the address of the successor Issuing and Paying Agent. A successor Issuing and Paying Agent may be appointed without the consent of the Holders. In addition, the City hereby delegates to the Board the ability to select and appoint from time to time any additional fiscal, paying, or other agents or trustees as it may deem necessary or appropriate in connection with the Extendible Municipal Notes.

The City and the Issuing and Paying Agent may treat the bearer (in the case of Extendible Municipal Notes so registered) or the Registered Owner as the absolute owner of any Extendible Municipal Note for the purpose of receiving payment thereof and for all purposes, and, to the extent permitted by law, the City and the Issuing and Paying Agent shall not be affected by any notice or knowledge to the contrary.

The Extendible Municipal Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

(f) *Dealer Agreement.* The City confirms the appointment of _____ as a Dealer, and agrees that, at or prior to the time of issuance of the initial Extendible Municipal Notes, the City will enter into a Dealer Agreement with such Dealer. The City covenants that at all times while any Extendible Municipal Notes shall be outstanding, it will maintain in effect one or more Dealer Agreements, pursuant to which each Dealer will agree to fulfill the duties and obligations of the Dealer as set forth in this Ordinance and its Dealer Agreement.

The Board is further authorized and directed from time to time to review the performance of each Dealer and of the Extendible Municipal Note program authorized hereby and to periodically solicit and review the qualifications of each Dealer and of any additional investment banking firms interested in serving as Dealer and enter into or renew Dealer Agreements. Based upon such review, the number of Dealers selected, which Dealers are selected and the amount of Extendible Municipal Notes which each Dealer is allocated to attempt to sell may be changed and additional or different Dealers may be selected and new Dealer Agreements entered into based upon a determination that such changes are expected to result in the lowest overall cost of the extendible municipal commercial paper program authorized hereby after taking into account not only the fees to be paid to the Dealers but the expectations as to the performance of each Dealer in providing broad distribution of the Extendible Municipal Notes and creating competitive pricing without adversely affecting investor liquidity. Each Authorized Representative is hereby authorized and directed to approve, execute, and deliver to the Dealers any instrument evidencing such changes, additions, renewals or amendments to the Dealer Agreements as may be necessary and proper to carry out the purpose and intent of the City in authorizing this Ordinance. Each Authorized Representative is hereby authorized to enter into any supplemental agreements with the Dealer or with any successor Dealer.

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(g) *Credit Agreement.* The City reserves the right to enter into a credit agreement (as that term is defined by Chapter 1371, Texas Government Code, as amended or other applicable State law) to provide liquidity for a part or all of the Extendible Municipal Notes to be Outstanding under this Ordinance; provided that any credit agreement shall be entered into and reviewed by the appropriate State agencies or offices as required by State law.

(h) *No Default.* In no event shall an extension of the Original Maturity Date constitute a default or a breach of any covenant under this Ordinance.

Section 2.03 Form of Extendible Municipal Notes.

The Extendible Municipal Notes, the Certificate of Authentication, and the Certificate of Assignment to appear on each of the Extendible Municipal Notes shall be substantially in the forms set forth in this Section 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) and such legends and endorsements thereon as may, consistently herewith, be approved by an Authorized Representative. Any portion of the text of any Extendible Municipal Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Extendible Municipal Notes.

Form of Tax-Exempt Extendible Municipal Note Style

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTE,
[SUB-]SERIES B[-__] (TAX-EXEMPT)

Form of Taxable Extendible Municipal Note Style

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF SAN ANTONIO, TEXAS
ELECTRIC AND GAS SYSTEMS
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTE,
[SUB-]SERIES B[-__] (TAXABLE)

Form of Heading and First Paragraph for Fixed Rate Extendible Municipal Note.

Extendible Municipal Note No. _____	Extendible Municipal Note Date: _____
Principal Amount: \$ _____	Maturity Date: _____
Interest to Maturity: \$ _____	Number of Days: _____
Interest Rate: ____%	

The City of San Antonio (the *City*), a municipal corporation of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of _____ on the Maturity Date specified above, the principal sum specified above, and to pay interest, if any, on said principal amount at said Maturity Date [, and at _____] from the above specified Extendible Municipal Note Date or from the most recent date to which interest has been

paid or duly provided for to said Maturity Date at the per annum Interest Rate shown above (computed on the basis of [the number of days elapsed and a 360-day year of twelve 30-day months/actual days elapsed and a 365- day or 366-day year]); both principal and interest on this Extendible Municipal Note being payable in lawful money of the United States of America at the designated office of the Issuing and Paying Agent executing the “Certificate of Authentication” endorsed hereon and appearing below, or its successor. No interest will accrue on the Principal Amount hereof after said Maturity Date.

Form of Heading and First Paragraph for Variable Rate Extendible Municipal Note.

<u>Note Number</u>	<u>Note Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>
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The City of San Antonio (the *City*), a municipal corporation of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of _____ on the Maturity Date specified above, the principal sum specified above, and to pay interest, if any, on said principal amount at said Maturity Date [, and _____] from the above specified Extendible Municipal Note Date [or from the most recent date to which interest has been paid or duly provided for to said Maturity Date] at the rate per annum (computed on the basis of actual days elapsed and a [360 day year of twelve 30-day months/365-day or 366-day year, as applicable]) equal to [insert formula or method of calculation for determining variable or floating interest rate]. Both principal and interest on this Extendible Municipal Note being payable in lawful money of the United States of America at the designated office of the Issuing and Paying Agent executing the “Certificate of Authentication” endorsed hereon and appearing below, or its successor. No interest will accrue on the principal amount hereof after said Maturity Date.

Form of Remainder of all Extendible Municipal Notes.

This Extendible Municipal Note is one of a series of notes authorized under the “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Program” (the *Extendible Municipal Program*), pursuant to which the City may issue additional notes, bearing interest at fixed, variable, or floating rates (and which interest may or may not, dependent upon form, be excludable from gross income for federal tax purposes), in an aggregate principal amount at any one time outstanding not to exceed ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000) (such notes, the *Extendible Municipal Notes*). The Extendible Municipal Program, as well as the issuance of Extendible Municipal Notes thereunder, has been duly authorized in accordance with the provisions of an ordinance (the *Ordinance*) passed by the City Council of the City for the purpose of financing Project Costs of Eligible Projects for the City’s Electric and Gas Systems (the *Systems*) and to refinance, renew, or refund certain obligations described in the Ordinance; all in accordance and in strict conformity with the provisions of the Constitution and laws of the State of Texas, including but not limited to, Chapters 1371 and 1502, as amended, Texas Government Code (collectively, the *Act*), and the City’s home rule charter.

This Extendible Municipal Note is payable from and equally and ratably secured by a lien on and pledge of (a) the proceeds of the sale of other Extendible Municipal Notes issued for the purpose of refinancing, renewing, or redeeming this Extendible Municipal Note, (b) the proceeds of the sale of a series or issue of bonds or other obligations to be issued by the City subsequent to the Extendible Municipal Note Date hereof for the purpose of refinancing, renewing, or redeeming this Extendible Municipal Note, and (c) the Net Revenues of the Systems, such pledge of Net Revenues, however, being inferior and subordinate to the pledge thereof securing the payment of Systems Revenue Priority Obligations but prior to the pledge thereof securing the payment of the systems Inferior Lien Obligations (such lien being at the FOURTH level of priority as specified in Section 4.04 of the Ordinance).

This Extendible Municipal Note, together with other Extendible Municipal Notes and other outstanding Commercial Paper Obligations, is payable solely from the sources hereinabove identified securing the payment thereof. The Extendible Municipal Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or the Systems and the Holder hereof shall never have the right to demand payment of this obligation from any sources or properties of the City, except as identified above.

In the Ordinance, the City reserves the right and permits the issuance of Systems Revenue Priority Obligations while this Extendible Municipal Note is outstanding, as well as the issuance of additional Extendible Municipal Notes, obligations under the Flex Note Program, and Additional Commercial Paper Obligations, without any limitation as to principal amount, but subject to any terms, conditions, and limitations as may be applicable thereto.

Reference is hereby made to the Ordinance, copies of which may be obtained upon request to the City, and to all of the terms and provisions the Holder hereof by acceptance of this Extendible Municipal Note hereby assents, including, but not limited to, provisions relating to definitions of terms, the description of and the nature of the security for this Extendible Municipal Note, the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders of this Extendible Municipal Note, and the right to issue obligations payable from and secured by Net Revenues.

[INSERT ADDITIONAL PROVISIONS, IF ANY, DEEMED NECESSARY BY THE AUTHORIZED REPRESENTATIVE, AS DETERMINED WITHIN THE LIMITATIONS SPECIFIED IN SECTION 2.13 OF THE ORDINANCE.]

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 Extendible Municipal 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 Extendible Municipal Note, together with all other Extendible Municipal Notes, is not in excess of the principal amount of Extendible Municipal Notes permitted to be issued under the Ordinance.

This Extendible Municipal Note has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

This Extendible Municipal Note may be registered to bearer or to any designated payee. Title to any Extendible Municipal Note registered to bearer shall pass by delivery. If not registered to bearer, this Extendible Municipal Note may be transferred only on the books of the City maintained at the designated office of the Issuing and Paying Agent. Upon surrender hereof at the designated office of the Issuing and Paying Agent, this Extendible Municipal Note may be exchanged for a like aggregate principal amount of fully registered (which registration may be to bearer) Extendible Municipal Notes of authorized denominations of like interest rate and maturity, but only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance and upon surrender and cancellation of this Extendible Municipal Note.

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

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IN WITNESS WHEREOF, the City Council of the City of San Antonio, Texas, has authorized and caused this Extendible Municipal Note to be executed on its behalf by the manual or facsimile signatures of its Mayor and City Clerk, as well as an Authorized Representative, and its official seal impressed or a facsimile thereof to be printed hereon.

CITY OF SAN ANTONIO, TEXAS

Mayor

Authorized Representative

ATTEST

City Clerk

(SEAL)

Form of Issuing and Paying Agent’s Certificate of Authentication.

CERTIFICATE OF AUTHENTICATION

This Extendible Municipal Note is one of the Extendible Municipal Notes delivered pursuant to the within-mentioned Ordinance.

U.S. BANK NATIONAL ASSOCIATION,
Houston, Texas, as Issuing and Paying Agent

Authorized Signatory

Form of Issuing and Paying Agent’s Certificate of Assignment.

CERTIFICATE OF ASSIGNMENT

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

(Social Security or other identifying number): _____

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

DATED: _____

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

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

[END OF FORMS]

Section 2.04 Execution - Authentication.

The Extendible Municipal Notes shall be executed on behalf of the City by the Mayor and an Authorized Representative under its seal reproduced or impressed thereon and attested by the City Clerk or Assistant City Clerk. The signature of said officers on the Extendible Municipal Notes may be manual or facsimile. Extendible Municipal Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City 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 either of them shall cease to hold such offices at the time of the initial sale and delivery of Extendible Municipal Notes authorized to be issued hereunder and with respect to Extendible Municipal Notes delivered in subsequent sales, exchanges, and transfers, all as authorized and provided in the Public Security Procedures Act, Chapter 1201, as amended, Texas Government Code.

No Extendible Municipal 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 Extendible Municipal Note a certificate of authentication substantially in the form provided in Section 2.03 hereof, executed by the Issuing and Paying Agent by manual or electronic signature, and such certificate upon any Extendible Municipal Note shall be conclusive evidence, and the only evidence, that such Extendible Municipal Note has been duly certified or registered and delivered.

Section 2.05 Extendible Municipal Notes Mutilated, Lost, Destroyed, or Stolen.

If any Extendible Municipal Note shall become mutilated, the City, at the expense of the Holder of said Extendible Municipal Note, shall execute and deliver a new Extendible Municipal Note of like tenor and number in exchange and substitution for the Extendible Municipal Note so mutilated, but only upon surrender to the City of the Extendible Municipal Note so mutilated. If any Extendible Municipal Note shall be lost, destroyed, or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the City, at the expense of the owner, shall execute and deliver a new Extendible Municipal Note of like tenor in lieu of and in substitution for the Extendible Municipal Note so lost, destroyed, or stolen. Neither the City nor the Issuing and Paying Agent shall be required to treat both the original Extendible Municipal Note and any duplicate Extendible Municipal Note as being Outstanding for the purpose of determining the principal amount of

Extendible Municipal Notes which may be issued hereunder, but both the original and the duplicate Extendible Municipal Note shall be treated as one and the same.

Section 2.06 Negotiability, Registration, and Exchangeability.

The Extendible Municipal Notes issued hereunder shall be and shall have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas, and each successive Holder, in accepting any of the Extendible Municipal Notes, shall be conclusively deemed to have agreed that such obligations shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

The Issuing and Paying Agent shall obtain, record, and maintain in the Registration Books the name and address of each Registered Owner of the Extendible Municipal Notes, except for Extendible Municipal Notes registered to bearer, issued under and pursuant to the provisions of this Ordinance. Any Extendible Municipal Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Extendible Municipal Notes of like tenor and character and of other authorized denominations upon the Registration Books by the Holder in person or by his duly authorized agent, upon surrender of such Extendible Municipal Note to the Issuing and Paying Agent for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Issuing and Paying Agent.

Upon surrender for transfer of any Extendible Municipal Note at the designated office of the Issuing and Paying Agent, the Issuing and Paying Agent shall register and deliver, in the name of the designated transferee or transferees, one or more new Extendible Municipal Notes executed on behalf of, and furnished by, the City of like tenor and character and of authorized denominations and having the same maturity, bearing interest at the same rate (or calculated in the same manner, as applicable), and of a like aggregate principal amount as the Extendible Municipal Note or Extendible Municipal Notes surrendered for transfer.

Furthermore, Extendible Municipal Notes may be exchanged for other Extendible Municipal Notes of like tenor and character and of authorized denominations and having the same maturity, bearing the same rate of interest (or calculated in the same manner, as applicable), and of like aggregate principal amount as the Extendible Municipal Notes surrendered for exchange, upon surrender of the Extendible Municipal Notes to be exchanged at the designated office of the Issuing and Paying Agent. Whenever any Extendible Municipal Notes are so surrendered for exchange, the Issuing and Paying Agent shall register and deliver new Extendible Municipal Notes of like tenor and character as the Extendible Municipal Notes exchanged, executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

The City and the Issuing and Paying Agent may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer. The Issuing and Paying Agent or the City may also require payment from the Holder of any Extendible Municipal Note surrendered for exchange or transfer 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 Extendible Municipal Note shall be delivered.

New Extendible Municipal Notes delivered upon any transfer or exchange shall be valid special obligations of the City, evidencing the same debt as the Extendible Municipal 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 Extendible Municipal Notes surrendered.

The City reserves the right to change the above registration and transferability provisions of the Extendible Municipal Notes at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the United States in effect at the time of issuance thereof.

Section 2.07 Extendible Municipal Note Payment Fund.

There is hereby created and established with the Issuing and Paying Agent a separate and special fund to be designated as the “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Note Program Payment Fund” (the *Extendible Municipal Note Payment Fund*). Within the Extendible Municipal Note Payment Fund there shall be created two accounts, known as the “Tax-Exempt Extendible Municipal Note Payment Account” and the “Taxable Extendible Municipal Note Payment Account”, respectively.

(a) *Tax-Exempt Extendible Municipal Note Payment Account.* Money on deposit in the Tax-Exempt Extendible Municipal Note Payment Account shall be used to pay principal of and interest on Tax-Exempt Extendible Municipal Notes at the respective interest payment, maturity, or redemption dates of each issue of such Tax-Exempt Extendible Municipal Notes as provided herein. Amounts remaining in the Tax-Exempt Extendible Municipal Note Payment Fund not then necessary for the purposes for which such funds were originally held in such account may be transferred to the Tax-Exempt Extendible Municipal Note Construction Account (created pursuant to Section 2.08 hereof) or the General Account upon request of an Authorized Representative.

Pending the expenditure of money in the Tax-Exempt Extendible Municipal Note Payment Account for authorized purposes, money deposited therein may be invested at the direction of an Authorized Representative in Authorized Investments. Any income received from investments in the Tax-Exempt Extendible Municipal Note Payment Account shall be retained in such account.

(b) *Taxable Extendible Municipal Note Payment Account.* Money on deposit in the Taxable Extendible Municipal Note Payment Account shall be used to pay principal of and interest on Taxable Extendible Municipal Notes at the respective interest payment, maturity, or redemption dates of each issue of such Taxable Extendible Municipal Notes as provided herein. Amounts remaining in the Taxable Extendible Municipal Note Payment Fund not then necessary for the purposes for which such funds were originally held in such account may be transferred to the Taxable Extendible Municipal Note Construction Account (created pursuant to Section 2.08 hereof) or the General Account upon request of an Authorized Representative.

Pending the expenditure of money in the Taxable Extendible Municipal Note Payment Account for authorized purposes, money deposited therein may be invested at the direction of an Authorized Representative in Authorized Investments. Any income received from investments in the Taxable Extendible Municipal Note Payment Account shall be retained in such account.

Section 2.08 Note Construction Fund.

There is hereby created and established a separate account hereby designated as the “City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Note Construction Fund” (the *Extendible Municipal Note Construction Fund*). Within the Extendible Municipal Note Construction Fund there shall be created two accounts, known as the “Tax-Exempt Extendible Municipal Note Construction Account” and the “Taxable Extendible Municipal Note Construction Account”, respectively.

(a) *Tax-Exempt Extendible Municipal Note Construction Account.* Proceeds derived from the sale of Tax-Exempt Extendible Municipal Notes shall be deposited to the credit of the

Tax-Exempt Extendible Municipal Note Construction Account. Money deposited in the Tax-Exempt Extendible Municipal Note Construction Account shall remain therein until from time to time expended for the purposes specified in Section 3.02 hereof, and shall not be used for any other purposes whatsoever, except for temporary investment thereof as provided in Section 3.02 hereof.

In the event proceeds of Tax-Exempt Extendible Municipal Notes are deposited in the Tax-Exempt Extendible Municipal Note Construction Account in order to renew, refinance or refund Systems Revenue Obligations as permitted by Section 2.01 hereof and such Systems Revenue Obligations will not be redeemed simultaneously with the issuance of such Tax-Exempt Extendible Municipal Notes, the City will utilize the proceeds of such Tax-Exempt Extendible Municipal Notes (and other available funds of the City, if any) in an amount sufficient, without investment or reinvestment, to provide for the payment on the redemption date of any such Systems Revenue Obligations, to provide firm banking and financial arrangements for such payment in the manner provided by Chapter 1207, as amended, Texas Government Code. Any such Systems Revenue Obligations which are to be redeemed prior to scheduled maturity shall be selected for redemption and redeemed in the manner specified in the ordinance or resolution authorizing their issuance.

Any money remaining in the Tax-Exempt Extendible Municipal Note Construction Account and not necessary for the payment of Project Costs or the purpose described in the preceding paragraph shall be paid into the Tax-Exempt Extendible Municipal Note Payment Account.

(b) Taxable Extendible Municipal Note Construction Account. Proceeds derived from the sale of Taxable Extendible Municipal Notes shall be deposited to the credit of the Taxable Extendible Municipal Note Construction Account. Money deposited in the Taxable Extendible Municipal Note Construction Account shall remain therein until from time to time expended for the purposes specified in Section 3.02 hereof, and shall not be used for any other purposes whatsoever, except for temporary investment thereof as provided in Section 3.02 hereof.

In the event proceeds of Taxable Extendible Municipal Notes are deposited in the Taxable Extendible Municipal Note Construction Account in order to renew, refinance or refund Systems Revenue Obligations as permitted by Section 2.01 hereof and such Systems Revenue Obligations will not be redeemed simultaneously with the issuance of such Taxable Extendible Municipal Notes, the City will utilize the proceeds of such Taxable Extendible Municipal Notes (and other available funds of the City, if any) in an amount sufficient, without investment or reinvestment, to provide for the payment on the redemption date of any such Systems Revenue Obligations, to provide firm banking and financial arrangements for such payment in the manner provided by Chapter 1207, as amended, Texas Government Code. Any such Systems Revenue Obligations which are to be redeemed prior to scheduled maturity shall be selected for redemption and redeemed in the manner specified in the ordinance or resolution authorizing their issuance.

Any money remaining in the Taxable Extendible Municipal Note Construction Account and not necessary for the payment of Project Costs or the purpose described in the preceding paragraph shall be paid into the Taxable Extendible Municipal Note Payment Account.

Section 2.09 Security Pledge; Payments.

(a) The Extendible Municipal Notes are special obligations of the City payable from and secured solely by the sources specified in this Ordinance. From Commercial Paper Net Revenues, the City agrees to make payments into the Extendible Municipal Note Payment Fund, for further deposit into the appropriate account therein, at such times and in such amounts as are

necessary to provide for the full payment of the principal of and the interest on the Extendible Municipal Notes and any additional amounts due owing and when due, whether by reason of maturity, redemption, or otherwise. Unless paid from Available Revenues, such payments are to be made from the proceeds of other Extendible Municipal Notes or System Revenue Obligations issued for the purposes of refinancing, redeeming, or refunding then-outstanding Extendible Municipal Notes.

The Extendible Municipal Notes are issued as Additional Commercial Paper Obligations. To provide security for the payment of the principal of and interest on the Extendible Municipal Notes and amounts due and owing, as the same shall become due and payable, there is hereby pledged and a lien placed on (i) the proceeds from the sale of the System Revenue Obligations and other Extendible Municipal Notes issued for the purpose of refinancing, redeeming, or refunding then-outstanding Extendible Municipal Notes and (ii) the Net Revenues of the Systems, the foregoing (however) subject to the provisions of this Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth herein (including specifically (but not limited to) the priority of liens on Net Revenues applicable to Commercial Paper Obligations specified in Section 4.04 hereof). It is hereby resolved and declared the principal of and interest on the Extendible Municipal Notes and amounts due and owing shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i) and (ii), subject and subordinate only to the exceptions noted above. Neither the Extendible Municipal Notes nor any amounts due and owing is secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting the Systems.

The subordinate lien on and pledge of Net Revenues that secures the Extendible Municipal Notes and amounts due and owing shall be on parity with the lien thereon and pledge thereof that secures, in whole or in part, the repayment of any other Commercial Paper Obligations now or hereafter outstanding or Additional Commercial Paper Obligations hereafter issued. Any City ordinance pursuant to which Commercial Paper Obligations have been or may be issued is hereby amended (subject to receipt of requisite consent of any holder of outstanding Commercial Paper Obligations) so that the subordinate lien on and pledge of Net Revenues (or any portion thereof) therein granted shall be the same as the subordinate lien on and pledge of Net Revenues herein granted to secure Commercial Paper Obligations. A subordinate lien on and pledge of Net Revenues on parity and of equal scope and dignity as the lien thereon and pledge thereof herein granted to secure Commercial Paper Obligations shall represent a condition precedent to the issuance of any Additional Commercial Paper Obligations.

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

Section 2.10 Application of Prior Covenants – Available Revenues.

The covenants and agreements (to the extent the same are not inconsistent herewith) contained in the Bond Ordinance are hereby incorporated herein and shall be deemed to be for the benefit and protection of the Extendible Municipal Notes and the Holders thereof in like manner as applicable to the Systems Revenue Priority Obligations; provided, however, that in the event of any conflict between the terms, covenants, and agreements contained herein and the terms, covenants, and agreements contained in the Bond Ordinance, the provisions of the Bond Ordinance shall control over the provisions hereof.

In accordance with the provisions of the New Series Bond Ordinance, the Extendible Municipal Notes represent obligations which are subordinate to the Systems Revenue Priority Obligations and prior to the Inferior Lien Obligations. As provided in Section 4.04 of this Ordinance, the term *Available Revenues* as used in this Ordinance means the Net Revenues remaining in the “City of San Antonio Electric and Gas Systems General Account”, after paying the principal of and interest on the Systems Revenue Priority Obligations, any amounts owed under credit agreements entered into pursuant to the Act which relate to any such Systems Revenue Priority Obligations, and the reserves established to secure the payment of such Systems Revenue Priority Obligations. The Available Revenues shall be deposited into the Extendible Municipal Note Payment Fund, for further deposit into the appropriate account therein, from time to time in amounts necessary to pay the principal of and/or interest on the Extendible Municipal Notes to the extent not paid from the proceeds of other Extendible Municipal Notes or System Revenue Obligations issued for such purpose.

Section 2.11 Cancellation.

All Extendible Municipal Notes surrendered at maturity to the Issuing and Paying Agent for the collection of the principal thereof and interest thereon or are surrendered for transfer or exchange pursuant to the provisions hereof shall, upon payment or issuance of new Extendible Municipal Notes, be cancelled by the Issuing and Paying Agent and forthwith transmitted to the Board, and the Board, shall thereafter have the custody and responsibility for destruction.

Section 2.12 Fiscal and Other Agents.

In furtherance of the purposes of this Ordinance, the Board 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 administration of the Extendible Municipal Program and the Extendible Municipal Notes.

Section 2.13 Delegation of Authority to Authorized Representatives.

As authorized by Chapter 1371, each Authorized Representative is hereby appointed and designated as an officer of the City, authorized to act on behalf of the City, from time to time, in selling and delivering from time to time Extendible Municipal Notes, and carrying out the duties and procedures specified in this Ordinance, including approval (subject only to the limitations specified within this Ordinance) of the following terms and provisions for each issue of Extendible Municipal Notes:

- (a) the principal amount of each Extendible Municipal Note;
- (b) the Extendible Municipal Note Date;
- (c) the rate of interest or the method of calculating the interest to be borne on the principal amount of each Extendible Municipal Note;

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- (d) the maturity date of each Extendible Municipal Note;
- (e) the date, dates, or intervals on which interest on each Extendible Municipal Note shall be paid;
- (f) whether the subject Extendible Municipal Notes shall be issued as Tax-Exempt Extendible Municipal Notes or Taxable Extendible Municipal Notes; and
- (g) such other matters as herein delegated to an Authorized Representative for final determination.

These characteristics, as finally determined by the Authorized Representative consistent with the provisions of this Ordinance shall be evidenced in each definitive Extendible Municipal Note.

Section 2.14 Covenant to Refinance

(a) The City covenants that it will undertake its best efforts to issue and deliver Refunding Bonds at the times and in the amounts necessary to refinance the Extendible Municipal Notes that are maturing on the applicable Extended Maturity Date and apply the proceeds of such Refunding Bonds to retire such maturing Extendible Municipal Notes. Notwithstanding the foregoing, the Authorized Representative shall not deliver an Issuance Request for a Series of Extendible Municipal Notes that could not be refinanced on or before the Program Expiration Date.

(b) The receipts derived from the refinancing of the Extendible Municipal Notes, whether by other Extendible Municipal Notes or Refunding Bonds, and all amounts in the funds and accounts created or maintained pursuant to this Ordinance, the Issuing and Paying Agency Agreement or any Tax Certificate (except the Rebate Fund), including earnings on such amounts, are hereby pledged as security for the payment of the Extendible Municipal Notes and constitute funds held for that purpose, subject only to the provisions of this Ordinance and the Issuing and Paying Agency Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein. The pledge herein made shall be irrevocable until all of the Extendible Municipal Notes have been paid and retired. The granting of this pledge by the City does not limit in any manner the rights of the City to issue any additional debt or incur any other obligations.

(c) The City intends to refinance the Extendible Municipal Notes with Refunding Bonds issued under applicable Texas laws (in accordance with Section 1371.057(c) of Chapter 1371), the City will treat the Extendible Municipal Notes as having the intended term and payment schedule of such Refunding Bonds, as determined by the Authorized Representative.

ARTICLE III. ISSUANCE AND SALE OF EXTENDIBLE MUNICIPAL NOTES

Section 3.01 General.

The Extendible Municipal Notes shall be completed and delivered by the Issuing and Paying Agent in accordance with telephonic, computer, or written instructions of any Authorized Representative and in the manner specified in the Issuing and Paying Agency Agreement and below. To the extent such instructions are not written, they shall be confirmed in writing within 24 hours. Said instructions shall specify such principal amounts, dates of issue, maturities, rates of interest, whether the Extendible Municipal Note is a Tax-Exempt Extendible Municipal Note or a Taxable Extendible Municipal Note, and other terms and conditions which are hereby authorized and permitted to be fixed by any Authorized Representative at the time of sale of the Extendible Municipal Notes. Such instructions shall include the

purchase price of the Extendible Municipal Notes (which shall equal the principal amount of the Extendible Municipal Notes sold, without original issue premium or discount, and without accrued interest), and a request that the Issuing and Paying Agent authenticate such Extendible Municipal Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser or purchasers thereof upon receipt of payment. Such instructions shall also specify the amounts of the proceeds of such issue of Extendible Municipal Notes which are to be deposited to the Extendible Municipal Note Payment Fund and/or to the Extendible Municipal Note Construction Fund. Such instructions shall also contain provisions representing that all action on the part of the City necessary for the valid issuance of the Extendible Municipal Notes then to be issued, has been taken, that all provisions of Texas and federal law necessary for the valid issuance of such Extendible Municipal Notes, with provision for original issue discount and interest exemption from federal income taxation with respect to the Tax-Exempt Extendible Municipal Notes, have been complied with, and that such Extendible Municipal Notes in the hands of the Holders thereof will be valid and enforceable obligations of the City according to their terms, subject to the exercise of judicial discretion in accordance with general principles of sovereign immunity and of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that, based upon the advice of Bond Counsel, the earned original issue discount on the Tax-Exempt Extendible Municipal Notes or stated interest on the Tax-Exempt Extendible Municipal Notes, as the case may be, will be excluded from the gross income of the Holders for federal income tax purposes. Such instructions shall also certify that: no Event of Default under Section 5.01 of this Ordinance has occurred and is continuing as of the date of such Certificate; other than Section 4.08 with respect to Taxable Extendible Municipal Notes, the City is in compliance with the covenants set forth in Article IV hereof as of the date of such instructions; and the sum of the interest payable on such Extendible Municipal Note and any discount established for such Extendible Municipal Note will not exceed a yield (calculated on the principal amount of the Extendible Municipal Note in the applicable manner specified herein) to the maturity date of such Extendible Municipal Note in excess of the Maximum Interest Rate in effect on the date of issuance of such Extendible Municipal Note.

Section 3.02 Proceeds of Sale of Extendible Municipal Notes.

(a) The proceeds of the sale of any Extendible Municipal Notes (net of all expenses and costs of sale and issuance) shall be applied for any or all of the following purposes, as directed by an Authorized Representative:

(1) Proceeds to be used for the payment and redemption of the outstanding Extendible Municipal Notes at or before maturity shall be deposited into the Extendible Municipal Note Payment Fund, for further deposit to the appropriate account therein, and expended therefor; provided, however, that no Tax-Exempt Extendible Municipal Note proceeds shall be used for the payment and redemption of outstanding Taxable Extendible Municipal Notes unless the deposit of Tax-Exempt Extendible Municipal Note proceeds to be used for such purpose shall be accompanied by an opinion of Bond Counsel stating that such use of Tax-Exempt Extendible Municipal Note proceeds shall not affect the excludability of the interest on such Tax-Exempt Extendible Municipal Notes from the gross income of the holders thereof, pursuant to section 103 of the Code, for federal income tax purposes.

(2) Proceeds not deposited into the Extendible Municipal Note Payment Fund as provided in subparagraph (a) above shall be deposited to the Extendible Municipal Note Construction Fund, for further deposit to the appropriate account therein, and used and applied in accordance with the provisions of Section 2.08 hereof to pay Project Costs for Eligible Projects, Maintenance and Operating Expenses, or to otherwise accomplish the purposes permitted by this Ordinance.

(b) Pending expenditure for the foregoing purposes, proceeds from the sale of Extendible Municipal Notes may be invested in Authorized Investments. Earnings and profits from the investment of money in the Extendible Municipal Note Construction Fund shall be held therein.

(c) Maturing Extendible Municipal Notes may be replaced with replacement Extendible Municipal Notes, which replacement Extendible Municipal Notes shall have the characteristics determined by an Authorized Representative and the Extendible Municipal Note Purchaser, but at all times subject to the limitations on the issuance of Extendible Municipal Notes specified in this Ordinance; provided, however, that no Tax-Exempt Extendible Municipal Note shall replace maturing Taxable Extendible Municipal Notes unless the delivery of such replacement Tax-Exempt Extendible Municipal Note shall be accompanied at their time of delivery by an opinion of Bond Counsel stating that replacement shall not affect the excludability of the interest on such Tax- Exempt Extendible Municipal Notes from the gross income of the Holders thereof, pursuant to section 103 of the Code, for federal income tax purposes.

Section 3.03 Issuing and Paying Agency Agreement.

The City Council hereby finds and determines that it is in the best interest of the City to authorize the execution of an Issuing and Paying Agency Agreement pertaining to the registration, transferability, and payment of the Extendible Municipal Notes. A copy of the Issuing and Paying Agency Agreement is attached hereto, in substantially final form, as Exhibit B and is incorporated herein by reference as fully as if recopied in its entirety in this Ordinance. Each Authorized Representative is hereby authorized and directed to execute the Issuing and Paying Agency Agreement on behalf of the City. The Board is hereby authorized to enter into any supplemental agreements with the Issuing and Paying Agency or with any successor Issuing and Paying Agent.

ARTICLE IV. COVENANTS OF THE CITY

Section 4.01 Limitation on Issuance.

Unless this Ordinance is amended and modified by the City Council and in accordance with the provisions of Section 6.01 hereof, the City covenants that there will not be issued and Outstanding at any time more than \$150,000,000 in principal amount of Extendible Municipal Notes. For purposes of this Section 4.01 any portion of Outstanding Extendible Municipal Notes to be paid on the day of calculation from money on deposit in the Extendible Municipal Note Payment Fund and/or the proceeds of other Extendible Municipal Notes or System Revenue Obligations issued for the purpose of refinancing, redeeming, or refunding then-outstanding Extendible Municipal Notes shall not be considered Outstanding.

Section 4.02 Rates and Charges.

The City hereby agrees and reaffirms its covenants to the Holders of the Systems Revenue Priority Obligations and covenants to the Holders of the Extendible Municipal Notes that it will at all times maintain rates and charges for the sale of electric energy, gas, or other services furnished, provided, and supplied by the Systems to the City and all other consumers which shall be reasonable and non-discriminatory and which will produce income and revenues sufficient to pay:

(a) All Maintenance and Operating Expenses, depreciation, replacement and betterment expenses and other costs as may be required by law (Chapter 1502).

(b) The interest on and principal of all Systems Revenue Priority Obligations, as and when the same shall become due, and provide for the establishment and maintenance of the Funds and Accounts created for the payment and security of the Systems Revenue Priority Obligations.

(c) To the extent the same are reasonably anticipated to be paid with Available Revenues or the lien on and pledge of Net Revenues granted under this Ordinance as the interest on and principal of all Extendible Municipal Notes as security for the Extendible Municipal Notes is modified, and when the same shall become due.

(d) Any legal debt or obligation of the Systems as and when the same shall become due.

Section 4.03 General Account.

The City, acting through the Board, hereby reaffirms its covenant to Holders of the Systems Revenue Priority Obligations and hereby covenants with respect to the Holders of the Extendible Municipal Notes, that all revenues of every nature received through the operation of the Systems shall be deposited as received in the "City of San Antonio Electric and Gas Systems General Account" (hereinafter referred to as *General Account*), which shall be kept separate and apart from all other funds of the City. Revenues received for the General Account shall be accounted for in the manner required in the ordinances of the City authorizing the currently outstanding Systems Revenue Obligations and shall be deposited from time to time as received in such bank or banks as may be selected by the Board in accordance with applicable laws relating to the selection of City depositories.

Section 4.04 Flow of Funds.

The City, acting through the Board, hereby agrees and reaffirms its covenant to the Holders of the Systems Revenue Priority Obligations and covenants to the Holders of the Extendible Municipal Notes that funds in the General Account shall be pledged and appropriated to the following uses and in the order of precedence shown:

FIRST: To the payment of reasonable and proper Maintenance and Operating Expenses upon approval by the Board.

SECOND: To the payment of New Series Bonds, including the establishment and maintenance of the reserve therefor.

THIRD: To the payment of Prior Lien Bonds, including the Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued, including the establishment and maintenance of the funds and accounts therefor.

FOURTH: To the payment and security of the Commercial Paper, including the Extendible Municipal Notes, and the amounts due and owing under the credit agreement relating thereto entered into in accordance with the Act.

FIFTH: To the payment and security of the Inferior Lien Obligations and to any Additional Inferior Lien Obligations hereinafter issued which are inferior in lien to the other Systems Revenue Priority Obligations.

SIXTH: To the payment of an annual amount equal to six percent (6%) of the gross revenues of the Systems to be deposited in the Repair and Replacement Account, provided for in the New Series Bond Ordinance.

SEVENTH: To the payment of the annual amount due the General Fund of the City of San Antonio, as provided in the New Series Bond Ordinance; and

EIGHTH: Any remaining Net Revenues of the Systems in the General Account, to the Repair and Replacement Account, in accordance with the New Series Bond Ordinance.

Section 4.05 Obligations for Payment of Extendible Municipal Notes.

The City in good faith shall endeavor to sell a sufficient principal amount of Extendible Municipal Notes and System Revenue Obligations in order to have funds available, together with other money available therefor, to pay the then-outstanding Extendible Municipal Notes and the interest thereon, or any renewals thereof, as the same shall become due.

Section 4.06 Punctual Payment.

The City will punctually pay or cause to be paid the principal of and interest, if any, on the Extendible Municipal Notes (but only from the funds pledged herein and Available Revenues), in conformity with the Extendible Municipal Notes, and this Ordinance.

Section 4.07 Tax-Exempt Extendible Municipal Notes to Remain Tax-Exempt.

The City covenants that it will execute and deliver to the Issuing and Paying Agent a certificate concerning tax-exemption in the form prescribed by Tax-Exempt Extendible Municipal Notes Counsel in connection with the first issuance of Tax-Exempt Extendible Municipal Notes, and that in connection with each subsequent issuance of Tax-Exempt Extendible Municipal Notes, it will execute and deliver to the Issuing and Paying Agent in the form described in Section 3.01 a confirmation that the facts, estimates, circumstances, and reasonable expectations contained therein continue to be accurate as of such issue date. The City represents and covenants that it will not expend, or permit to be expended, the proceeds of any Tax-Exempt Extendible Municipal Notes in any manner inconsistent with its reasonable expectations as certified in the aforementioned certificate concerning tax-exemption to be executed from time to time with respect to the Tax-Exempt Extendible Municipal Notes; provided, however, that the City may expend Tax-Exempt Extendible Municipal Note proceeds in any manner if the City first obtains an unqualified opinion of Tax-Exempt Extendible Municipal Notes Counsel that such expenditure will not impair the exemption from federal income taxes of interest paid on the Tax-Exempt Extendible Municipal Notes.

(a) *Covenants.* The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Tax-Exempt Extendible Municipal Notes as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the *Code*), the interest on which is not includable in the “gross income” of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Tax-Exempt Extendible Municipal Notes or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any “private business use,” as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any

underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Tax-Exempt Extendible Municipal Notes, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the “private business use” described in subsection (1) hereof exceeds 5 percent of the proceeds of the Tax-Exempt Extendible Municipal Notes or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a “private business use” which is “related” and not “disproportionate,” within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Tax-Exempt Extendible Municipal Notes (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Tax-Exempt Extendible Municipal Notes being treated as “private activity bonds” within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Tax-Exempt Extendible Municipal Notes being “federally guaranteed” within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Tax-Exempt Extendible Municipal Notes, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Tax-Exempt Extendible Municipal Notes, other than investment property acquired with –

(A) proceeds of the Tax-Exempt Extendible Municipal Notes invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148 1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Tax-Exempt Extendible Municipal Notes;

(7) to otherwise restrict the use of the proceeds of the Tax-Exempt Extendible Municipal Notes or amounts treated as proceeds of the Tax-Exempt Extendible Municipal Notes, as may be necessary, so that the Tax-Exempt Extendible Municipal Notes do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Tax-Exempt Extendible Municipal Notes or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Tax-Exempt Extendible Municipal Notes in

contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Tax-Exempt Extendible Municipal Notes) an amount that is at least equal to 90 percent of the “Excess Earnings,” within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Tax-Exempt Extendible Municipal Notes have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) *Rebate Fund.* In order to facilitate compliance with the above covenant (8), a “Rebate Fund” is hereby established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) *Proceeds.* The City understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Tax-Exempt Extendible Municipal Notes, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Tax-Exempt Extendible Municipal Notes under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Tax-Exempt Extendible Municipal Notes, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Tax-Exempt Extendible Municipal Notes under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs any Authorized Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Tax-Exempt Extendible Municipal Notes.

(d) *Allocation Of, and Limitation On, Expenditures for the Project.* The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Tax-Exempt Extendible Municipal Notes, or (2) the date the Tax-Exempt Extendible Municipal Notes are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Tax-Exempt Extendible Municipal Notes. For purposes hereof, the City shall not be obligated to

comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) *Disposition of Project.* The City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Tax-Exempt Extendible Municipal Notes. For purpose of the foregoing, the City may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Tax-Exempt Extendible Municipal Notes. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 4.08 Taxable Notes.

(a) The provisions of Section 4.07 notwithstanding, the Board has reserved the ability to issue Taxable Extendible Municipal Notes in the form set forth in Section 2.03.(b). It is the intention of the Board that the interest on the Taxable Extendible Municipal Notes not be excludable from gross income for federal income tax purposes under section 103 of the Code. Accordingly, the Board covenants not to file any information return that would result in the interest on Taxable Extendible Municipal Notes being excludable from gross income under such section of the Code.

(b) The Board covenants and agrees to cause the Issuing and Paying Agent to undertake to report, to the extent required by the Code, interest payments on the Taxable Extendible Municipal Notes to the Internal Revenue Service. Such information shall be filed by the Issuing and Paying Agent on the form published by the Internal Revenue Service for this purpose and contain the information required by the Code.

(c) The Board covenants and agrees to cause the Issuing and Paying Agent to obtain or cause to be obtained from the holder of each of the Taxable Extendible Municipal Notes the information required by Code relating to the correct social security number or other taxpayer identification number for the holder of each of the Taxable Extendible Municipal Notes or to withhold the portion of the payment required to be withheld under the Code.

Section 4.09 Allocation of, and Limitation on, Expenditures for the Project.

The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purpose for which the Tax-Exempt Extendible Municipal Notes are issued on its books and records in accordance with the regulations under section 148 of the Code.

Section 4.10 Disposition of Project.

The City covenants that the property financed with the Tax-Exempt Extendible Municipal Notes will not be sold or otherwise disposed in a transaction resulting in the receipt by the City or the Board of cash or other compensation, unless the City obtains an opinion of Bond Counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Tax-Exempt Extendible Municipal Notes. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the

ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion of Bond Counsel that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 4.11 Supplemental Ordinances.

Other than as permitted herein with respect to the issuance of additional obligations of the City secured by the Net Revenues of the Systems, the City will not adopt any supplemental ordinances, pursuant to the Bond Ordinance or otherwise, which would materially adversely affect the ability of the City to make payments on the Extendible Municipal Notes when due.

Section 4.12 Opinion of Bond Counsel.

The City shall cause the legal opinion of Bond Counsel as to the validity of the Extendible Municipal Notes, and as to the exclusion of interest on the Tax-Exempt Extendible Municipal Notes from the gross income of the Extendible Municipal Noteholders for purposes of federal income taxation, to be furnished to any Holder of an Extendible Municipal Note, without cost; provided, however, that the legal opinion addressing the exclusion of interest on Tax-Exempt Extendible Municipal Notes need only be furnished to a Holder of Tax-Exempt Extendible Municipal Notes.

Section 4.13 Compliance with Bond Ordinances and Other Documents.

The City will comply with the terms and provisions of the Bond Ordinance, and any other ordinance or contract to which the City is a party, the non-compliance with which would materially adversely affect the ability of the City to make payments on the Extendible Municipal Notes when due.

Section 4.14 Reservation of Right to Issue Additional Obligations.

The City hereby expressly reserves the right to hereafter issue additional Systems Revenue Priority Obligations in accordance with the provisions of the Bond Ordinance, payable from and secured by a lien on and pledge of the Net Revenues of the Systems senior and superior in right and claim to the lien on and pledge of the Net Revenues securing the payment of the Extendible Municipal Notes. Additionally, the City expressly reserves the right to hereafter issue Additional Commercial Paper Obligations when and as the City Council shall determine, subject to satisfaction of any conditions precedent to such issuance.

Section 4.15 Covenant to Refinance.

(a) The City covenants that it will undertake its best efforts to issue and deliver refunding bonds at the times and in the amounts necessary to refinance the Extendible Municipal Notes that are maturing on the applicable Extended Maturity Date and apply the proceeds of such Refunding Bonds to retire such maturing Extendible Municipal Note. Notwithstanding the foregoing, the Authorized Representative shall not deliver an Issuance Request for a Series of Extendible Municipal Notes that could not be refinanced on or before the Program Expiration Date. (b) The receipts derived from the refinancing of the Extendible Municipal Notes, whether by other Extendible Municipal Notes or Refunding Bonds, and all amounts in the funds and accounts created or maintained pursuant to this Ordinance, the Issuing and Paying Agency Agreement or any Tax Certificate (except the Rebate Fund), including earnings on such amounts, are hereby pledged as security for the payment of the Extendible Municipal Notes and constitute funds held for that purpose, subject only to the provisions of this Ordinance and the Issuing and Paying Agency Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein. The pledge herein made shall be irrevocable until all of the Extendible Municipal

Notes have been paid and retired. The granting of this pledge by the City does not limit in any manner the rights of the City to issue any additional debt or incur any other obligations. (c) The City intends to refinance the Extendible Municipal Notes with Refunding Bonds issued under applicable Texas laws, on parity with the City's outstanding obligations and, therefore (in accordance with Section 1371.057(c) of Chapter 1371), the City will treat the Extendible Municipal Notes as having the intended term and payment schedule of such Refunding Bonds, as determined by the Authorized Representative.

ARTICLE V. EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

Section 5.01 Events of Default.

The occurrence and continuation of any of the following shall constitute an *Event of Default*: (i) if default shall be made in the due and punctual payment of any installment of principal of any Extendible Municipal Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (ii) if the City shall fail to make due and punctual payment of any installment of interest on any Extendible Municipal Note when and as such interest installment shall become due and payable; (iii) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in this Ordinance or in the Extendible Municipal Notes contained, and such default shall continue for a period of 30 days after written notice thereof to the City by the Holders of not less than 10% in principal amounts of the Extendible Municipal Notes then outstanding; (iv) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of the City or the filing by the City of a voluntary petition in bankruptcy, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for its reorganization instituted under the provisions of the federal Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; (v) if an order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Systems, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the City shall not be vacated or discharged or stayed within 90 days after the entry thereof; then and in every such event, any Holder of any Extendible Municipal Note at the time outstanding may, by notice to the City; or such other event constituting an Event of Default.

Section 5.02 Suits at Law or in Equity and Mandamus; Limitation on Available Remedy of Acceleration.

In case one or more Events of Default shall occur, then and in every such case the Holder of any Extendible Municipal Note at the time outstanding shall be entitled to proceed to protect and enforce such party's rights by such appropriate judicial proceeding as such party shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Ordinance, or in aid of the exercise of any power granted in this Ordinance, or to enforce any other legal or equitable right vested in the Holders of Extendible Municipal Notes by this Ordinance or the Extendible Municipal Notes or by law. In addition, the remedy of acceleration upon the occurrence and continuation of an Event of Default may be provided for. The provisions of this Ordinance shall be a contract with each and every Holder of Extendible Municipal Notes and the duties of the City shall be enforceable by any Holder by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction.

Section 5.03 Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Holders of Extendible Municipal Notes is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Holder of any one or more of the Extendible Municipal Notes.

ARTICLE VI. MISCELLANEOUS

Section 6.01 Amendments or Modifications.

(a) This Ordinance and the rights and obligations of the City and of the Holders of Extendible Municipal Notes may be modified or amended at any time by a supplemental ordinance, without notice to or the consent of any Extendible Municipal Noteholders, but only to the extent permitted by law, and, subject to the rights of the Holders of the Extendible Municipal Notes, only for any one or more of the following purposes: to add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the City; or to cure any ambiguity, or to cure or correct any defective provision contained in the Ordinance, upon receipt by the City of an approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of this Ordinance; or to provide additional security for the Extendible Municipal Notes, provide credit facilities, or change the form of the Extendible Municipal Notes or make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not materially adversely affect the interests of the Holders of the Extendible Municipal Notes; to make any changes or amendments requested by a Rating Agency as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the Holders; or to make any changes or amendments with respect to Extendible Municipal Notes in a particular form if there are no Extendible Municipal Notes then outstanding in such form; provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Ordinance or in the Extendible Municipal Notes so as to:

- (1) Make any change in the maturity of any of the Outstanding Extendible Municipal Notes;
- (2) Reduce the rate of interest borne by or the method of calculating interest on any of the Outstanding Extendible Municipal Notes;
- (3) Reduce the amount of the principal payable on any of the Outstanding Extendible Municipal Notes;
- (4) Modify the terms of payment of principal of or interest on the Outstanding Extendible Municipal Notes, or impose any conditions with respect to such payment; or
- (5) Affect the rights of the Holders of less than all of the Outstanding Extendible Municipal Notes, or reduce or restrict the pledge made herein, and as evidenced in each Extendible Municipal Note, for payment of the Extendible Municipal Notes.

Provided, that no change, modification or amendment shall be made in the Ordinance or become valid and effective without the approval of such change, modification or amendment by

the Attorney General of the State of Texas, if, in the opinion of Bond Counsel, such approval is required by applicable law and, without the consent of the Extendible Municipal Note Purchaser.

(b) An Authorized Representative may approve technical changes to this Ordinance for such purposes as such Authorized Representative deems necessary, including, but not limited to obtaining or continuing a credit rating from any Rating Agency or obtaining approval of this Ordinance by the Attorney General of the State of Texas; provided, however, that such changes, in the opinion of Bond Counsel, shall not materially effect the security for the Extendible Municipal Notes or the intent and purpose of the City Council in adopting this Ordinance.

Section 6.02 Additional Actions.

The Mayor, the City Clerk, the Assistant City Clerk, any Authorized Representative and the other officers of the City and the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to establish the Extendible Municipal Program, consummate the issuance, sale and delivery of the Extendible Municipal Notes, and otherwise to effectuate the purposes of this Ordinance, and the Issuing and Paying Agency Agreement.

Section 6.03 Ordinance to Constitute a Contract; Equal Security.

In consideration of the acceptance of the Extendible Municipal Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Extendible Municipal Notes and the 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 Holders of the Extendible Municipal Notes, without preference, priority or distinction as to security or otherwise of any of the Extendible Municipal Notes authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Ordinance.

Section 6.04 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 Extendible Municipal Notes issued hereunder.

Section 6.05 Payment and Performance on Business Days.

Whenever under the terms of this Ordinance or the Extendible Municipal Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Extendible Municipal 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 Extendible Municipal 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 6.06 Defeasance.

If, when all or any portion of the Extendible Municipal Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Ordinance, the entire principal and interest so due and payable upon said Extendible Municipal Notes shall be paid, or if at or prior to the date said Extendible Municipal Notes have become due and payable, sufficient money or Government Securities the principal of and interest on which will provide sufficient money for such payment, shall be held by the Issuing and Paying Agent and provision shall also be made for paying all other sums payable hereunder by the City with respect to said Extendible Municipal Notes, the rights, title, and interest of the Holders of the Extendible Municipal Notes in the Net Revenues and the funds and accounts pledged as additional security for the Extendible Municipal Notes hereunder shall thereupon cease, terminate and become discharged and said Extendible Municipal Notes shall no longer be deemed Outstanding for purposes of this Ordinance and all the provisions of this Ordinance, including all covenants, agreements, liens, and pledges made herein, shall be deemed duly discharged, satisfied, and released with respect to said Extendible Municipal Notes.

Section 6.07 Limitation of Benefits with Respect to the 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 Extendible Municipal Notes is intended or should be construed to confer upon or give to any person other than the City, the Holders of the Extendible Municipal Notes, the Issuing and Paying Agent and the Extendible Municipal Note Purchaser, 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.

This 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 Holders of the Extendible Municipal Notes, the Issuing and Paying Agent and the Extendible Municipal Note Purchaser as herein and therein provided.

Section 6.08 Attorney General Approval

No Extendible Municipal Note herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State of Texas shall have approved this Ordinance and the Extendible Municipal Program's establishment and other agreements and proceedings as may be required in connection therewith, all as is required by Chapter 1371.

Section 6.09 Further Procedures.

The officers and employees of the City and the Board are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the establishment of the Extendible Municipal Program and the issuance of Extendible Municipal Notes thereunder, and the Issuing and Paying Agency Agreement. In addition, prior to the establishment of the Extendible Municipal Program, each Authorized Representative and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any Rating Agency, or (iii) obtain the approval of the Extendible Municipal Program by the Texas Attorney General's office. In case any officer of the City or the Board whose signature shall appear on any certificate shall cease to be such officer

before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 6.10 Public Meeting.

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

Section 6.11 City's Consent to Provide Information and Documentation to the Texas MAC.

The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Authorized Representative, Bond Counsel to the City, and/or Co-Financial Advisors to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Extendible Municipal Notes. This consent and authorization relates only to information and documentation that is a part of the public record concerning the establishment of the Extendible Municipal Program and the issuance of Extendible Municipal Notes thereunder.

Section 6.12 Delegation Authorization Pursuant to HB 1295.

Though such parties may be identified, and the entry into a particular contract may be authorized, herein, pursuant to the Act, and any other applicable law, the City Council hereby delegates to each Authorized Representative the authority to independently select the counterparty to any agreement with the Issuing and Paying Agent, any Rating Agency, or any other contract that is determined by an Authorized Representative, the Co-Financial Advisors, or Bond Counsel to be necessary or incidental to the establishment of the Extendible Municipal Program and the issuance of Extendible Municipal Notes thereunder as long as each of such contracts has a value of less than the amount referenced in Section 2252.908 of the Texas Government Code (collectively, the *Ancillary Bond Contracts*) and, as necessary, to execute the Ancillary Bond Contracts on behalf and as the act and deed of the City. The City Council has not participated in the selection of any of the business entities which are counterparties to the Ancillary Bond Contracts.

Section 6.13 Effective Date.

The effective date of this Ordinance shall be governed by the provisions of Section 1-15 of the City Code of San Antonio, Texas. This Ordinance shall take effect immediately if passed by the affirmative vote of at least eight members of the City Council, otherwise the same shall take effect on the tenth day after the date of its passage by the City Council.

* * *

PASSED AND ADOPTED by an affirmative vote of ___ members of the City Council of the City of San Antonio, Texas, this the 2nd day of May, 2024.

CITY OF SAN ANTONIO, TEXAS

M A Y O R
Ron Nirenberg

ATTEST:

City Clerk

(CITY SEAL)

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

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

EXHIBIT A

FORM OF ISSUING AND PAYING AGENCY AGREEMENT