

2023-16 CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS §
COUNTY OF KERR §
CITY OF KERRVILLE §

I, the undersigned City Secretary of the City of Kerrville, Texas (the "City"), hereby certify as follows:

1. The City Council of said City convened in REGULAR MEETING ON THE 11th DAY OF APRIL, 2023 at the City Hall, and the roll was called of the duly constituted officers and members of said City Council, to wit:

Judy Eychner, Mayor
Kim Clarkson, Mayor Pro Tem
Roman Garcia, Councilmember

Joe Herring, Jr., Councilmember
Brenda Hughes, Councilmember

and all of said officers and members of said City Council were present, except the following absentees: None.

Whereupon the following was transacted at said Meeting: a written

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF KERRVILLE, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2023; APPROVING AND AUTHORIZING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PURCHASE CONTRACT AND A PAYING AGENT/REGISTRAR AGREEMENT; AND APPROVING AND AUTHORIZING OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

was duly introduced for the consideration of said City Council. It was then duly moved and seconded that said Ordinance be passed and, after due discussion, said motion carrying with it the adoption of said Ordinance, prevailed and carried by the following vote:

AYES: 5 NOES: 0 ABSTENTIONS: 0

2. A true, full and correct copy of the aforesaid Ordinance adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Ordinance has been duly recorded in said City Council's minutes of said Meeting; the above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said Meeting pertaining to the passage of said Ordinance; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Ordinance would be introduced and considered for passage at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting was open to the public and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED 11th DAY OF APRIL, 2023.



Sherry V. Johnson

City Secretary
City of Kerrville, Texas

ORDINANCE NO. 2023-16

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF KERRVILLE, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2023; APPROVING AND AUTHORIZING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PURCHASE CONTRACT AND A PAYING AGENT/REGISTRAR AGREEMENT; AND APPROVING AND AUTHORIZING OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

Date of Approval: April 11, 2023

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Exhibit A - FORM OF PAYING AGENT/REGISTRAR AGREEMENT

Exhibit B - WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH
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Exhibit C - FORM OF PURCHASE CONTRACT

Exhibit D - DESCRIPTION OF ANNUAL FINANCIAL INFORMATION AND WRITTEN
PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH THE
RULE

Exhibit E – INSURANCE COMMITMENT

ORDINANCE NO. 2023-16

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF KERRVILLE, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2023; APPROVING AND AUTHORIZING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PURCHASE CONTRACT AND A PAYING AGENT/REGISTRAR AGREEMENT; AND APPROVING AND AUTHORIZING OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

STATE OF TEXAS	§
COUNTY OF KERR	§
CITY OF KERRVILLE	§

WHEREAS, the *City of Kerrville, Texas* (the “*City*” or “*Issuer*”) in Kerr County, Texas, is a political subdivision of the State of Texas operating as a home-rule municipality pursuant to the Texas Local Government Code and its City Charter, which was initially approved by the qualified voters of the City on February 24, 1942, and which has been amended from time to time, with the most recent amendments being approved by the qualified voters of the City on January 14, 2020; and

WHEREAS, the City Council of the City hereby finds and declares a public purpose and deems it advisable and in the best interests of the City to issue a series of bonds (defined in Section 2 hereof as the “*Series 2023 Bonds*”), to pay (i) costs relating to acquiring, constructing, enlarging, and equipping improvements the City’s combined waterworks and sewer system (the “*System*”), (ii) capitalized interest, and (iii) costs of issuance of the Series 2023 Bonds; and

WHEREAS, the Series 2023 Bonds hereinafter authorized and designated are to be issued and delivered pursuant to Chapter 1502, Texas Government Code, as amended, and other applicable laws; and

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

THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, TEXAS, THAT:

SECTION 1. AMOUNT AND PURPOSE OF THE SERIES 2023 BONDS. The bond or bonds of the City are hereby authorized to be issued and delivered in the aggregate principal amount of **\$12,090,000 TO PAY (1) COSTS RELATING TO ACQUIRING, CONSTRUCTING, ENLARGING, AND EQUIPPING IMPROVEMENTS TO THE SYSTEM, (2) CAPITALIZED INTEREST AND (3) THE COSTS OF ISSUANCE RELATING TO THE SERIES 2023 BONDS.**

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES OF THE SERIES 2023 BONDS. Each bond issued pursuant to this Ordinance shall be designated: “**CITY OF KERRVILLE, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2023**”, and initially there shall be issued, sold, and delivered hereunder one fully registered bond, without interest coupons, dated April 1, 2023, in the respective denominations and principal amounts hereinafter stated, numbered T-1 (the “Initial Bond”), with the bonds issued in replacement thereof being in denominations of \$5,000 or any integral multiple thereof and numbered consecutively from R-1 upward, and payable to the respective initial registered owner thereof (with the Initial Bond being payable to the initial purchaser designated in Section 29 hereof), or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the “Registered Owner”), and said bonds shall mature and be payable serially on August 15 in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

YEAR OF MATURITY	PRINCIPAL AMOUNT	YEAR OF MATURITY	PRINCIPAL AMOUNT
2027	\$70,000	2037	\$365,000
2028	285,000	2038	385,000
2029	300,000	2039	405,000
2030	315,000	2040	425,000
2031	325,000	2041	445,000
2032	340,000	***	***
2033	355,000	2048	3,700,000
2034	355,000	***	***
2035	335,000	2053	3,335,000
2036	350,000	***	***

The term “Series 2023 Bonds” used in this Ordinance shall mean and include collectively the bonds initially issued and delivered pursuant to this Ordinance and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Series 2023 Bond” shall mean any of the Series 2023 Bonds.

SECTION 3. INTEREST. The Series 2023 Bonds scheduled to mature during the years, respectively, set forth below shall bear interest from the dates specified in the FORM OF SERIES 2023 BOND set forth in this Ordinance to their respective dates of maturity or redemption prior to maturity at the following rates per annum:

MATURITY DATE (AUGUST 15)	INTEREST RATE	MATURITY DATE (AUGUST 15)	INTEREST RATE
2027	5.000%	2037	5.000%
2028	5.000	2038	5.000
2029	5.000	2039	5.000
2030	5.000	2040	5.000
2031	5.000	2041	5.000
2032	5.000	***	***
2033	5.000	2048	4.000
2034	5.000	***	***
2035	5.000	2053	4.000
2036	5.000	***	***

Interest shall be payable in the manner provided and on the dates stated in the FORM OF SERIES 2023 BOND set forth in this Ordinance.

SECTION 4. CHARACTERISTICS OF THE SERIES 2023 BONDS. (a) Registration, Transfer, and Exchange; Authentication. The City shall keep or cause to be kept at the designated corporate trust office of U.S. Bank Trust Company, National Association, Houston, Texas (the “**Paying Agent/Registrar**”), books or records for the registration of the transfer and exchange of the Series 2023 Bonds (the “**Registration Books**”), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as *Exhibit A* is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor and City Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Series 2023 Bond to which payments with respect to the Series 2023 Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Series 2023 Bonds shall be made within three business days after request and presentation thereof. The City shall have the right to

inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Series 2023 Bond or Series 2023 Bonds shall be paid as provided in the FORM OF SERIES 2023 BOND set forth in this Ordinance. Registration of assignments, transfers and exchanges of Series 2023 Bonds shall be made in the manner provided and with the effect stated in the FORM OF SERIES 2023 BOND set forth in this Ordinance. Each substitute Series 2023 Bond shall bear a letter and/or number to distinguish it from each other Series 2023 Bond.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Series 2023 Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Series 2023 Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Series 2023 Bonds and Series 2023 Bonds surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Series 2023 Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Series 2023 Bonds in the manner prescribed herein. Pursuant to Chapter 1201, Texas Government Code, and particularly Subchapter D and Section 1201.067 thereof, the duty of transfer and exchange of the Series 2023 Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Series 2023 Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Series 2023 Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Series 2023 Bonds and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Series 2023 Bonds, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Series 2023 Bonds.

(c) In General. The Series 2023 Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Series 2023 Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the City at least 50 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be exchanged for other Series 2023 Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Series 2023 Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Series 2023 Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF SERIES 2023 BOND set forth in this Ordinance. The Initial Bond is not required to be, and shall not be,

authenticated by the Paying Agent/Registrar, but on each substitute Series 2023 Bond issued in exchange for the Initial Bond issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF SERIES 2023 BOND. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Bond delivered on the closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF SERIES 2023 BOND below, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) Substitute Paying Agent/Registrar. The City covenants with the registered owners of the Series 2023 Bonds that at all times while the Series 2023 Bonds are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other agency with trust powers to act as and perform the services of Paying Agent/Registrar for the Series 2023 Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Series 2023 Bonds, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Series 2023 Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry Only System for Series 2023 Bonds. The Series 2023 Bonds issued in exchange for the Initial Bond initially issued to the purchaser specified in Section 29 herein shall be initially issued in the form of a separate single fully registered Series 2023 Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Series 2023 Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (i) hereof, all of the outstanding Series 2023 Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Series 2023 Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any

securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created (“DTC Participant”) to hold securities to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Series 2023 Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2023 Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Series 2023 Bonds, as shown on the Registration Books, of any notice with respect to the Series 2023 Bonds, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Series 2023 Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Series 2023 Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Series 2023 Bond is registered in the Registration Books as the absolute owner of such Series 2023 Bond for the purpose of payment of principal and interest with respect to such Series 2023 Bond, for the purpose of registering transfers with respect to such Series 2023 Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Series 2023 Bonds only to or upon the Ordinance of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Series 2023 Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Series 2023 Bond certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words “Cede & Co.” in this Ordinance shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfers Outside Book-Entry Only Systems . In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC or that it is in the best interest of the beneficial owners of the Series 2023 Bonds that they be able to obtain certificated Series 2023 Bonds, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Series 2023 Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Series 2023 Bonds and transfer one or more separate Series 2023 Bonds to DTC Participants having Series 2023 Bonds credited to their DTC accounts. In such event, the Series 2023 Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Series 2023 Bonds shall designate, in accordance with the provisions of this Ordinance.

(g) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Series 2023 Bond is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Series 2023 Bond and all notices with respect to such Series 2023 Bond shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

(h) DTC Letter of Representation. The officers of the City are herein authorized for and on behalf of the City and as officers of the City to enter into one or more Letters of Representation with DTC establishing the book-entry only system with respect to the Series 2023 Bonds.

(i) Delivery of Initial Bond. On the closing date, one Initial Bond representing the entire principal amount of the Series 2023 Bonds, payable in stated installments to the initial registered owner named in Section 29 hereof, executed by manual or facsimile signature of the Mayor and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar may cancel the Initial Bond and deliver to the initial registered owner or its designee one registered definitive Series 2023 Bond for each year of maturity of the Series 2023 Bonds, in the aggregate principal amount of all of the Series 2023 Bonds for such maturity.

SECTION 5. FORM OF SERIES 2023 BOND. The form of the Series 2023 Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Initial Bond initially issued and delivered pursuant to this Ordinance to the initial purchaser named in Section 29 hereof), shall be, respectively, substantially as follows, with such appropriate variations, omissions, insertions, or completions as are permitted or required by this Ordinance.

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FORM OF SERIES 2023 BOND

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PRINCIPAL AMOUNT

**UNITED STATES OF AMERICA \$ _____
STATE OF TEXAS
CITY OF KERRVILLE, TEXAS
AND SEWER SYSTEM REVENUE IMPROVEMENT BOND,
SERIES 2023**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF SERIES</u>	<u>CUSIP NO.</u>
		April 1, 2023	

REGISTERED OWNER:

PRINCIPAL AMOUNT: **DOLLARS**

ON THE MATURITY DATE SPECIFIED ABOVE, the City of Kerrville, Texas, in Kerr County, Texas (the "City"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "registered owner") the principal amount set forth above, and to pay interest thereon from the date of delivery of this Bond to the initial purchaser (as such date is shown on the "Registration Books" maintained by the "Paying Agent/Registrar", which terms are hereinafter defined) until the earlier of the Maturity Date specified above or the date of redemption prior to maturity, at the Interest Rate per annum specified above, with interest being payable on February 15, 2024, and on each February 15 and August 15 thereafter; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity, or upon the date fixed for its redemption prior to maturity, at the designated corporate - trust office (the "Designated Trust Office") of *U.S. Bank Trust Company, National Association, Houston, Texas*, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the ordinance authorizing the issuance of the Bonds (the "Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such

interest payment date, to the registered owner hereof, at its address as it appeared on the 15th day of the month next preceding such date (the “Record Date”) on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regular semi-annual interest payment date in which case interest shall be paid in the normal course). The City covenants with the registered owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the “Interest and Sinking Fund” created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE FOR THE PAYMENT of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND IS ONE OF A SERIES OF BONDS dated as of April 1, 2023, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$12,090,000 TO PAY (1) COSTS RELATING TO ACQUIRING, CONSTRUCTING, ENLARGING, AND EQUIPPING IMPROVEMENTS TO THE SYSTEM, (2) CAPITALIZED INTEREST AND (3) THE COSTS OF ISSUANCE RELATING TO THE SERIES 2023 BONDS.**

ON AUGUST 15, 2033, OR ON ANY DATE THEREAFTER, the Bonds of this Series maturing on and after August 15, 2032 may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount of Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption. The City shall determine the maturity or maturities, and the principal amount of Bonds within each maturity, to be redeemed. If less than all Bonds of a maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot; provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bond of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds shall be selected in accordance with the arrangements between the City and the securities depository.

ADDITIONALLY, THE BONDS maturing on August 15 in the years 2048 and 2053 (the “Term Bonds”) are subject to mandatory redemption prior to maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on August 15 in the respective years and principal amounts shown below:

<u>Term Bonds Maturing August 15, 2048</u>		<u>Term Bonds Maturing August 15, 2053</u>	
<u>Mandatory Redemption Date</u>	<u>Redemption Amount</u>	<u>Mandatory Redemption Date</u>	<u>Redemption Amount</u>
August 15, 2042	\$470,000	August 15, 2049	\$615,000
August 15, 2043	485,000	August 15, 2050	640,000
August 15, 2044	505,000	August 15, 2051	665,000
August 15, 2045	525,000	August 15, 2052	695,000
August 15, 2046	550,000	August 15, 2053*	720,000
August 15, 2047	570,000		
August 15, 2048*	595,000		

* Maturity

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of any such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not theretofore credited against a mandatory redemption requirement.

AT LEAST 30 DAYS PRIOR to the date fixed for redemption of Bonds prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment.

THIS BOND MAY BE ASSIGNED and shall be transferred only in the Registration Books of the City kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying

Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond to the assignee in whose name this Bond is to be transferred and registered. The form of Assignment printed on this Bond shall be executed by the registered owner, or its duly authorized attorney or representative, to evidence the assignment hereof. The City shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the City and the Paying Agent/ Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the City and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

IN THE EVENT ANY PAYING AGENT/REGISTRAR for the Bonds is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the City, secured by and payable from, together with all other outstanding "Parity Obligations" (as defined and described in the Ordinance) and any "Additional Parity Obligations" (as defined and described in the Ordinance) hereafter issued by the City, an irrevocable first and prior lien on and pledge of "Pledged Revenues" (as defined in the Ordinance) of the City's Waterworks and Sewer System.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation.

THE CITY HAS RESERVED THE RIGHT, subject to the restrictions stated in the Ordinance, to issue "Additional Parity Obligations" which also may be secured by and payable from an irrevocable first lien on and pledge of the aforesaid Pledged Revenues on a parity and of equal dignity in all respects with this Bond.

THE CITY ALSO HAS RESERVED THE RIGHT to amend the Ordinance with the approval of the registered owners of at least a majority in principal amount of all outstanding "Parity Obligations" (which term is defined in the Ordinance and includes the Bonds and all Additional Parity Obligations issued on a parity therewith), subject to the restrictions stated in the Ordinance, or without the consent of the registered owners of the Parity Obligations if each rating agency then maintaining a rating on the Parity Obligations at the request of the City confirms in writing that such amendment would not cause such rating agency to withdraw or reduce its then current rating on the Parity Obligations.

BY BECOMING THE REGISTERED OWNER OF THIS BOND, the registered owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the City, and agrees that the terms and provisions of this Bond and the Ordinance constitute a contract between each registered owner hereof and the City.

IN WITNESS WHEREOF, the City has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the City and countersigned with the manual or facsimile signature of the City Secretary of the City, and has caused the official seal of the City to be duly impressed, or placed in facsimile, on this Bond.

(signature) _____ (signature) _____
City Secretary Mayor
City of Kerrville, Texas City of Kerrville, Texas

(CITY'S SEAL)

***FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS:**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL) _____ Comptroller of Public Accounts
of the State of Texas

*NOTE: The Comptroller's Registration shall appear only on, or be attached only to, the Bonds originally issued under this Ordinance.

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Ordinance described in the text of this Bond; and that this Bond has been issued in exchange for a Bond which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

U.S. Bank Trust Company, National Association
Houston, Texas
Paying Agent/Registrar

By _____
Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or Taxpayer Identification Number of Transferee _____ (Please print or typewrite name and address, including zip code of Transferee)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

INITIAL BOND INSERTIONS

The Initial Bond shall be in the form set forth above except that:

- (A) Immediately under the name of the Bond, the headings “INTEREST RATE” and “MATURITY DATE” shall be completed with the words “As shown below” and “CUSIP NO. ____” shall be deleted.
- (B) The first paragraph shall be deleted and the following shall be inserted:

“ON THE RESPECTIVE MATURITY DATES specified below, the **CITY OF KERRVILLE, TEXAS** in Kerr County, Texas the “City”), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the “Registered Owner”), the respective Principal Installments specified below, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve 30-day months) from May 11, 2023 at the respective Interest Rates per annum specified below, payable on February 15, 2024, and on each February 15 and August 15 thereafter to the respective Maturity Dates specified below, or the date of redemption prior to maturity. The respective Maturity Dates, Principal Installments and Interest Rates for this Bond are set forth in the following schedule:

Maturity Date (August 15)	Principal Installment	Interest Rate

[Insert information from Sections 2 and 3 above]

- (C) The Initial Bond shall be numbered “T-1.”

SECTION 6. DEFINITIONS. In addition to the capitalized terms which are defined in the recitals or in Section 1 through Section 4 of this Ordinance, the following words and terms used in this Ordinance shall have the following meanings unless the context or use indicates another meaning or intent.

“**Additional Parity Obligations**” shall mean the additional bonds, notes and other obligations which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 22 of this Ordinance and which are equally and ratably secured wholly or in part by a lien on and pledge of the Pledged Revenues on a parity with the lien on and pledge of the Pledged Revenues which secures the then Outstanding Parity Obligations.

“Annual Debt Service Requirements” shall mean, as of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such debt, or be payable in respect of any required purchase of such debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) **Committed Take Out.** If the City has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Funded Debt is subject to required purchase, all under arrangements whereby the City's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) **Balloon Parity Debt.** If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as “Balloon Parity Debt”), the amount of principal of such Balloon Parity Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Parity Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Parity Debt on the date of calculation;

(3) **Consent Sinking Fund.** In the case of Balloon Parity Debt, if the Designated Financial Officer shall deliver to the City a certificate providing for the retirement of (and the instrument creating such Balloon Parity Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Parity Debt shall permit the accumulation of a sinking fund for), such Balloon Parity Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Parity Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Parity Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such debt; and

(5) Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the City, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations);

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted as Parity Obligations for the purpose of the definition of "*Annual Debt Service Requirements*" unless the City has made such guarantee payable from the Pledged Revenues on a parity basis to the lien created on the Pledged Revenues hereby to secure the Parity Obligations, or if the City does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the guarantee is secured by the Pledged Revenues, as aforesaid, and the City is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the City will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the City no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Debt and secured its obligation under the

Credit Agreement from the Pledged Revenues on a parity basis to the lien created on the Pledged Revenues hereby to secure the Parity Obligations, payments due under the Credit Agreement (other than payments for fees and expenses), for either the City or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“Bond Counsel” shall mean an attorney or firm of attorneys nationally recognized as bond counsel and selected by the City.

“Business Day” shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of New York, New York or in the city where the designated payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Code” shall mean the Internal Revenue Code of 1986, and any amendments thereto.

“Credit Agreement” shall mean collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements which (i) *the City is then authorized to enter into under the applicable laws of the State of Texas*, and (ii) are authorized, recognized and approved by the City Council of the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations.

“Credit Facility” shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the parity obligations in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon.

“Credit Provider” shall mean any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or Credit Facility.

“Debt” shall mean:

(1) all indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the “Debt” of the City, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the City in prior Fiscal Years.

“Designated Financial Officer” shall mean the chief financial officer of City, which is, at the time of adoption of this Ordinance, the Finance Director of City, or such other financial or accounting official of the City so designated by the City Manager of the City.”

“Fiscal Year” shall mean the twelve-month period commencing on October 1 and ending on the next September 30, or such other period commencing on the date designated by the City and ending one year later”

“Funded Debt” shall mean all Parity Obligations created or assumed by the City, either through the use of the proceeds or by an obligation of the City to pay, guarantee or otherwise provide for the payment thereof, which mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the City to a date, more than one year after the original creation or assumption of such Debt by the City”

“Government Obligations” shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury Obligations such as its State and Local Government Series, which may be in book-entry form”

“Gross Revenues” shall mean all revenues, income, and receipts of every nature derived or received by the City from the operation and ownership of the System, including the interest

income from the investment or deposit of money in any Fund created by this Ordinance, or maintained by the City in connection with the System including, without limitation, impact fees charged by the System under authority of Chapter 395, Texas Local Government Code, for the construction of capital improvements or facility expansions pursuant to a capital improvement plan prepared in accordance with the provisions of Chapter 395, Texas Local Government Code.

“Holder”, “Bondholder” and “Registered Owner” or words of similar import each shall mean the registered owner of any Parity Obligation as shown on the Registration Books maintained by the Paying Agent/Registrar.

“Maturity” shall mean, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“Net Revenues” shall mean all Gross Revenues less Operation and Maintenance Expenses.

“Non-Recourse Debt” means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the City attributable to the System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the City and being used in the operations of the City. “

“Operation and Maintenance Expenses” shall mean (i) all costs and expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to provide efficient service; provided, an expense for a repair or extension is considered an “Operation and Maintenance Expense” only if, in the judgment of the governing body of the City, the repair or extension is necessary to (a) keep the System in operation and provide adequate service to the City and its residents, or (b) respond to a physical accident or condition that would otherwise impair the Parity Bonds; and (ii) payments made by the City from the Gross Revenues of the System under a contract between the City and an “issuer” (as defined in Section 1201.002, Texas Government Code, as amended) under which the City obtains from the issuer, or the issuer provides, part or all of the facilities or services of the System and if such contract so provides that such payments are an operating expense of the System.

“Outstanding” shall mean, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under this Ordinance and any ordinance authorizing Additional Parity Obligations, except:

- (1) Parity Obligations theretofore canceled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 25 of this Ordinance or any comparable section of any ordinance authorizing Additional Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing Additional Parity Obligations; and

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

“Parity Obligations” shall mean, the Series 2023 Bonds, and any Additional Parity Obligations.

“Paying Agent/Registrar” shall mean the respective bank, trust company, financial institution or other entity named in the ordinance authorizing the issuance of each issue of Parity Obligations to provide paying agency and registrar services in connection with such issue of Parity Obligations”

“Pledged Revenues” shall mean the Net Revenues, plus any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Parity Obligations.

“Rating Agency” shall mean one or more nationally recognized credit rating agencies then maintaining a rating on the Parity Obligations at the request of the City.

“Reimbursement Obligation” shall mean any obligation contained in a Credit Agreement entered into by the City in connection with any Reserve Fund Credit Facility pursuant to which the City obligates itself to reimburse a financial institution, insurance company or other entity for amounts paid or advanced by such entity pursuant to a Reserve Fund Credit Facility. Reimbursement Obligations may be payable from and secured by a lien on Pledged Revenues which is on parity with, or subordinate to, the lien on Pledged Revenues which secures the Parity Obligations pursuant to this Ordinance.

“Reserve Fund Credit Facility” shall mean a Credit Facility which (i) the City is authorized to obtain pursuant to Section 1502.064, Texas Government Code, as amended, or other applicable law, (ii) may not be terminated by the Credit Provider providing such Credit Facility prior to the final maturity date of the series of Parity Obligations in connection with which such Credit Facility was issued, and (iii) may be drawn upon demand by the City to provide funds to pay principal and/or interest on the Parity Obligations in the event moneys on deposit in the Interest and Sinking Fund are insufficient to make such payment.

“Reserve Fund Requirement” shall mean, as of the date of issuance of any series of Parity Obligations, an amount equal to the average Annual Debt Service Requirements on the Parity Obligations Outstanding as of such date.

“Subordinate Obligations” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then outstanding or subsequently issued.

“Stated Maturity” shall mean, when used with respect to any Debt or any installment of interest thereon, any date specified in the instrument evidencing or authorizing such Debt or such

installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

“Term of Issue” shall mean with respect to any Balloon Parity Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Parity Debt and ending on the final maturity date of such Balloon Parity Debt or (ii) twenty-five years.

SECTION 7. PLEDGE; RATE COVENANT; SECURITY INTEREST. (a) The Parity Obligations, and the interest thereon, are and shall be payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund hereinafter created.

(b) the City covenants and agrees with the holders of the Parity Obligations as follows:

(i) It will at all times fix, revise, maintain, charge and collect for services rendered by the System rates and charges which will produce Gross Revenues at least sufficient (A) to pay all current Operation and Maintenance Expenses, (B) to produce Net Revenues at least equal to 125% of the Annual Debt Service Requirements of all then Outstanding Parity Obligations for the current Fiscal Year, (C) to make all deposits now or hereafter required to be made into the Funds created, established, or maintained by this Ordinance, and (D) to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Fiscal Year.

(ii) If the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

(c) Chapter 1208, Texas Government Code, applies to the issuance of the Series 2023 Bonds and the pledge of Pledged Revenues granted by the City under Section 7 of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Series 2023 Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the City under this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Series 2023 Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 8. FUNDS. The following special funds created pursuant to the ordinances authorizing the Outstanding Parity Obligations are hereby confirmed, and such funds shall be maintained and accounted for as hereinafter provided, so long as any Parity Obligations remain outstanding:

(a) Waterworks and Sewer System Bonds Revenue Fund, hereinafter called the “Revenue Fund”.

(b) Waterworks and Sewer System Bonds Interest and Sinking Fund, hereinafter called the “Interest and Sinking Fund”.

(c) Waterworks and Sewer System Bonds Reserve Fund, hereinafter called the "Reserve Fund".

SECTION 9. REVENUE FUND. All Gross Revenues collected by the City shall be deposited upon receipt to the credit of the Revenue Fund. The Funds on deposit in the Revenue Fund shall first be used by the City to pay all Operation and Maintenance Expenses. The remaining funds on deposit therein shall be transferred from the Revenue Fund into the Interest and Sinking Fund and the Reserve Fund hereinafter described, and to satisfy any Reimbursement Obligation, in the manner and amounts hereinafter provided, and each of such Funds and the payment of such Reimbursement Obligation shall have priority as to such deposits in the order in which they are treated in the following sections.

SECTION 10. INTEREST AND SINKING FUND. Immediately after the delivery of any series of Parity Obligations, all moneys representing accrued interest, if any, received by the City upon the sale and delivery of such Parity Obligations to the initial purchaser thereof, together with all capitalized interest being financed with proceeds of such Parity Obligations, if any (but in no event in excess of the amount permitted by Section 1201.042(a)(1), Texas Government Code, as amended, or other applicable law), shall be deposited to the credit of the Interest and Sinking Fund. In addition, there shall be transferred Pledged Revenues from the Revenue Fund and deposited into the Interest and Sinking Fund the following:

(a) on or before the 25th day of each month, commencing with the month immediately following the issuance of any series of Parity Obligations, there shall be deposited into the Interest and Sinking Fund in approximately equal installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the interest scheduled to come due on all Outstanding Parity Obligations on the next interest payment date.

(b) on or before the 25th day of each month, commencing with the twelfth (12th) month preceding the first principal payment date for a series of Parity Obligations, or commencing with the month immediately following the issuance of any series of Parity Obligations if delivery of such series of Parity Obligations is made less than twelve months preceding the first principal payment date for such series of Parity Obligations, there shall be deposited into the Interest and Sinking Fund in approximately equal installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the principal scheduled to come due (either at stated maturity or due to mandatory sinking fund redemption) on all Outstanding Parity Obligations on the next principal payment date.

(c) on or before any optional redemption date set by the City for any Parity Obligations, there shall be deposited into the Interest and Sinking Fund an amount as will be sufficient to pay the principal of, premium, if any, and interest on the Parity Obligations scheduled to be redeemed on such optional redemption date.

The Interest and Sinking Fund shall be used solely to pay the principal of and interest on the Parity Obligations when due, and the City Manager and the Designated Financial Officer of the City are hereby authorized to cause funds to be transferred from the Interest and Sinking

Fund to the Paying Agent/Registrar at the times and in the amounts to pay Annual Debt Service Requirements.

SECTION 11. RESERVE FUND. (a) Use of Funds. The Reserve Fund shall be used to pay the principal of or interest on the Parity Obligations at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, or to pay the principal of or interest on the last maturing Parity Obligations. If the amount on deposit in the Reserve Fund consists of cash and investments and a Reserve Fund Credit Facility, all cash and investments shall be liquidated and withdrawn prior to drawing on the Reserve Fund Credit Facility. If more than one Reserve Fund Credit Facility is maintained in the Reserve Fund, any withdrawals on such Reserve Fund Credit Facilities shall be pro rata. The Paying Agent/Registrar shall maintain records showing the total amount drawn on, and available to be drawn under, a Reserve Fund Credit Facility to satisfy all or a portion of the Reserve Fund Requirement.

(b) Reserve Fund Requirement. The City is not required to fund the Reserve Fund so long as the Net Revenues for each of two consecutive Fiscal Years are equal to at least 1.35 times the average annual principal and interest requirements for all Outstanding Parity Obligations. At the time of Closing of the Bonds, the Net Revenues for the past two Fiscal Years were sufficient to satisfy this requirement, and thus the City is not required to make a deposit to the Reserve Fund based on the issuance of the Bonds. In the event that the Net Revenues for each of two consecutive Fiscal Years are less than 1.35 times the average annual principal and interest requirements for all then Outstanding Parity Obligations, the City will be required to (1) obtain a Reserve Fund Credit Facility in the amount of the Reserve Fund Requirement, or (2) commence making monthly deposits in the Reserve Fund and to continue such monthly deposits until the earlier of (i) such time as the Reserve Fund contains the Reserve Fund Requirement, or (ii) the Net Revenues in each of two consecutive years have been equal to not less than 1.35 times the average annual principal and interest requirements for the Bonds and all Parity Obligations Outstanding as of such date.

(c) Additional Deposits Upon Issuance of Additional Parity Obligations. As and when Additional Parity Obligations are delivered, the amount on deposit in the Reserve Fund shall be increased, if necessary, to the Reserve Fund Requirement after giving effect to the issuance of such Additional Parity Obligations. Any additional amount required shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash or a Reserve Fund Credit Facility immediately after the delivery of the then proposed Additional Parity Obligations, or (with the prior written consent of each then-existing Credit Provider of a Reserve Fund Credit Facility) by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash or a Reserve Fund Credit Facility as permitted above) in not more than sixty (60) approximately equal monthly installments, made on or before the 25th day of each month, commencing with the month immediately following the delivery of the then proposed Additional Parity Obligations.

(d) Additional Deposits to Cure Deficiencies. When and so long as the money and investments in the Reserve Fund total not less than the Reserve Fund Requirement (including the amount available to be drawn under a Reserve Fund Credit Facility), no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Reserve Fund Requirement (other than with respect to the issuance of Additional Parity Obligations), the City covenants and agrees to cure the deficiency in the Reserve Fund Requirement within twelve (12) months from the date the deficiency occurred by:

(i) making monthly deposits from Pledged Revenues on the 25th day of each month in approximately equal amounts required to (A) first, if a draw has been made on a Reserve Fund Credit Facility, pay Reimbursement Obligations to restore the amount available to be drawn under such Reserve Fund Credit Facility to its original amount (and pay all other amounts required by such Reserve Fund Credit Facility) by the end of such 12-month period (or earlier as required in an agreement between the City and the Credit Provider providing the Reserve Fund Credit Facility), and (B) second, restore the balance in the Reserve Fund to the Reserve Fund Requirement by the end of such 12-month period,

(ii) providing a Reserve Fund Credit Facility, if all Reimbursement Obligations on any then-existing Reserve Fund Credit Facility have been paid in full, or

(iii) providing a combination of (i) and (ii) above.

(e) Computation of Reserve Fund. For the purpose of determining the amount on deposit to the credit of the Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost, and any Reserve Fund Credit Facility shall be computed at the maximum amount available to be drawn thereunder. The amount on deposit to the credit of the Reserve Fund shall be computed by the City at least annually, and shall be computed immediately upon any withdrawal from the Reserve Fund.

SECTION 12. EXCESS NET REVENUES. Subject to making the deposits into the Interest and Sinking Fund and the Reserve Fund, when and as required by this Ordinance in connection with the Parity Obligations, and after satisfying any Reimbursement Obligation in connection with a draw on any Reserve Fund Credit Facility, the City may utilize the excess Pledged Revenues for any lawful purpose.

SECTION 13. DEFICIENCIES IN FUNDS. If by the 25th day of any month the City shall fail to deposit into the Interest and Sinking Fund or the Reserve Fund the full amounts required by this Ordinance, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Pledged Revenues for the following month or months, if necessary and whichever is the earliest, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds on the 25th day of each month.

SECTION 14. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Kerrville, Texas Waterworks and Sewer System Revenue Improvement Bonds (Series 2023) Construction Fund* (herein called the “**Construction Fund**”). All proceeds of the Series 2023 Bonds, other than accrued interest on the Series 2023 Bonds, shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Series 2023 Bonds are issued.

SECTION 15. INVESTMENTS. (a) In General. Funds on deposit in the Revenue Fund, the Interest and Sinking Fund, the Reserve Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized in the Public Funds Investment Act (Chapter 2256, Texas Government Code) and in accordance with the City's Investment Policy; provided, however, that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be

available at the proper time or times when expected to be needed. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such Fund is required or permitted to be used, except for interest and income derived from deposits or investments in (i) the Reserve Fund which shall be transferred to the Interest and Sinking Fund if the amount then in the Reserve Fund equals or exceeds the Reserve Fund Requirement, and (ii) the Construction Fund which may be transferred to the Interest and Sinking Fund to pay principal and interest on the Parity Obligations. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Obligations.

(b) Transfer of Certain Investment Earnings to Rebate Fund. Notwithstanding the provisions of the preceding paragraph, interest and income derived from any investment of money on deposit in the Construction Fund, the Interest and Sinking Fund and the Reserve Fund shall first be transferred to the Rebate Fund established by Section 28(b) of this Ordinance at the times and in the amounts required to pay (or provide for the payment of) "Excess Earnings" as defined in Section 148(f) of the Internal Revenue Code of 1986, as amended.

SECTION 16. SECURITY FOR FUNDS. All Funds created by this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law, and such Funds shall be used only for the purposes and in the manner permitted or required by this Ordinance.

SECTION 17. INSURANCE. The City shall cause the System to be insured as would usually be insured by entities operating similar facilities, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by entities operating similar facilities, including, to the extent reasonably obtainable, fire and extended coverage insurance, but excluding insurance against damage by floods. Public liability and property damage insurance also shall be carried. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall, at the option of the City, be (i) deposited in a special and separate fund, at an official depository of the City, to be designated the Insurance Account or (ii) deposited in the Interest and Sinking Fund and used to redeem the Outstanding Parity Obligations, but only if such insurance proceeds, together with all funds then on deposit in the Interest and Sinking Fund and in the Reserve Fund, are sufficient to immediately redeem all Outstanding Parity Obligations. The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

SECTION 18. OPERATION AND MAINTENANCE; NO FREE SERVICE; NO COMPETITION. (a) Operation and Maintenance of the System. While any of the Parity Obligations are Outstanding the City covenants and agrees to keep and cause to be kept the System in good condition, repair, and working order, and to operate and maintain and cause to be operated and maintained the System in an efficient manner.

(b) No Free Service. The City will continuously and efficiently operate the System, and will maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 12 hereof.

(c) No Competition. The City will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

SECTION 19. ACCOUNTS AND RECORDS. The City shall keep or cause to be kept proper books of records and accounts in which complete and correct entries shall be made of all transactions relating to Gross Revenues, Pledged Revenues, Net Revenues and the Funds created pursuant to this Ordinance, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Holder.

SECTION 20. AUDITS. After the close of each Fiscal Year while any of the Parity Obligations are Outstanding, an audit will be made of the books and accounts relating to the Pledged Revenues, and the Funds created pursuant to this Ordinance, by an independent certified public accountant. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the City, a copy of such audit for the preceding year shall be mailed to the Paying Agent/Registrar and to any Holders who shall so request in writing. The annual audit reports shall be open to the inspection of the Holders and their agents and representatives at all reasonable times.

SECTION 21. SPECIAL COVENANTS. The City further covenants and agrees that:

(a) Encumbrance and Sale. (i) Other than with respect to the Parity Obligations and except as provided in this Ordinance, the Pledged Revenues have not been pledged in any manner to the payment of any Debt of the City, or otherwise, and while any of the Parity Obligations are Outstanding, the City will not incur additional Debt secured by the Pledged Revenues in any manner, except as permitted by this Ordinance in connection with Additional Parity Obligations, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Ordinance and any Ordinance authorizing the issuance of Parity Obligations.

(ii) So long as the Parity Obligations are Outstanding, and except as hereinafter specifically permitted in subparagraph (iii) below, the City shall not mortgage, encumber, sell, lease, or otherwise dispose of the System or any significant or substantial part thereof.

(iii) Notwithstanding the provisions in subparagraph (ii) hereof prohibiting the sale of any substantial part of the System, the City shall be authorized from time to time to sell any personal property contained in the System if such personal property is no longer needed or is no longer useful, and the sale thereof will not adversely affect the System or the operation and maintenance thereof. The proceeds from the sale of any personal property shall be used to replace or provide substitutes for the property sold, if, and to the extent, deemed necessary by the City, and all such proceeds which are not so used shall be deposited into the Interest and Sinking Fund.

(b) Title. The City represents that it lawfully owns or will lawfully own, and has or will have fee simple title and/or easement rights to the land upon which the System is or will be located, that the System will be constructed and completed in accordance with the plans to be approved and adopted by the City, that it warrants that it has or will obtain and will defend the title or easement rights to the aforesaid land for the benefit of the owners of the Parity Obligations against the claims and demands of all persons whomsoever, and that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations, in the manner prescribed herein, and has lawfully exercised such rights.

(c) Liens. The City will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or on the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon the System, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(d) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and each ordinance authorizing the issuance of Additional Parity Obligations, and in each and every Parity Obligation and pay from the Pledged Revenues the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in this Ordinance and each ordinance authorizing the issuance of Additional Parity Obligations; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and the owner of the Parity Obligations may require the City, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Ordinance, including, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials, agents, and employees.

(e) Legal Authority. The City is duly authorized under the laws of the State of Texas to create and issue the Parity Obligations; that all action on its part for the creation and issuance of the Parity Obligations has been duly and effectively taken, and that the Parity Obligations in the hands of the owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(f) Permits. The City will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 22. ADDITIONAL PARITY OBLIGATIONS. (a) Conditions for the Issuance of Additional Parity Obligations. Subject to the provisions hereinafter appearing as conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, additional parity revenue obligations (“**Additional Parity Obligations**”) for any lawful purpose, including but not limited to acquiring and constructing extensions and improvements to, and acquiring equipment for, the System. Such Additional Parity Obligations, if and when authorized, issued, and delivered in accordance with the provisions hereof, shall be secured by and made payable equally and ratably on a parity with the then Outstanding Parity Obligations, from a first lien on and pledge of the Pledged Revenues. Such Additional Parity Obligations may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(1) No Default/Compliance with Covenants. The Designated Financial Officer shall have executed a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable in whole or in part from, and secured by a lien on and pledge of, the Pledged Revenues that would materially affect the security or payment of the Parity Obligations, and (b) either (i) payments into all Funds or Accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such Funds or Accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such Parity Obligations then being issued will cure any such deficiency.

(2) Historical Net Revenue Test. The Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the City, the Net Revenues for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted are equal to at least 1.25 times the average Annual Debt Service Requirements for the proposed Additional Parity Obligations and all Parity Obligations then Outstanding. In making a determination of Net Revenues for the purpose described in this Section 22(a)(2), the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities provided by the System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues test described in the preceding sentence, make a pro forma determination of the Net Revenues of the System for the period of time covered by the Designated Financial Officer's certification based on such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate.

(b) Refundings. Subject to the provisions of subsection (a) of this Section, Additional Parity Obligations may be issued from time to time (pursuant to any law then available) for the purpose of refunding Outstanding Parity Obligations and any subordinate lien obligations upon such terms and conditions as the governing body of the City may deem to be in the best interest

of the City and, if less than all Outstanding Parity Obligations are refunded or if any subordinate lien obligations are refunded, the proposed refunding Parity Obligations shall be considered as Additional Parity Obligations under the provisions of this Section, but the certificates required in subsection (a) of this Section shall give effect to the issuance of the proposed refunding Parity Obligations (and shall not give effect to any Parity Obligations being refunded following their cancellation or provision being made for their payment).

(c) Non-Recourse Debt and Subordinate Obligations. Non-Recourse Debt and Subordinate Obligations may be incurred without limitation by the City, upon passage of an ordinance by the City Council of the City for the purpose of approving the issuance of Non-Recourse Debt or Subordinate Obligations, as the case may be, and approval of such Non-Recourse Debt or Subordinate Obligations by the Attorney General of Texas, to the extent required by law.

SECTION 23. ORDINANCE A CONTRACT; AMENDMENTS. (a) Ordinance a Contract. This Ordinance shall constitute a contract with the registered owners of the Parity Obligations, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Parity Obligation remains Outstanding except as permitted in this Section.

(b) Amendments Without Notice to or Consent of Registered Owners. The City may, with notice to the provider of each Reserve Fund Credit Facility, if any, but without the consent of or notice to any registered owners, amend, change, or modify this Ordinance (i) as may be required by the provisions hereof, (ii) as may be required for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change (other than any change described in clauses (i) through (iv) of the first sentence in subsection (c) below) with respect to which the City receives written confirmation from each rating agency then maintaining a rating on the Parity Obligations at the request of the City that such amendment would not cause such rating agency to withdraw or reduce its then current rating on the Parity Obligations.

(c) Amendments With Notice to and Consent of Registered Owners. In addition, the City may, with the written consent of the provider of each Reserve Fund Credit Facility, if any, and the registered owners of at least a majority in aggregate principal amount of the Parity Obligations then Outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Parity Obligations, reduce the principal amount thereof or the rate of interest thereof, (ii) give any preference to any Parity Obligation over any other Parity Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Parity Obligations required for consent to any such amendment, change, modification, or rescission.

(d) Notice of Amendment. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the provider of each Reserve Fund Credit Facility and/or the registered owners of the Parity Obligations, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to (i) the provider of each Reserve Fund Credit Facility, if any, and (ii) the registered owners (if the registered owners of all Parity Obligations or least a majority in aggregate principal amount of

the Parity Obligations are required to consent) at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the provider of each Reserve Fund Credit Facility and the registered owners of all or a majority (as the case may be) in aggregate principal amount of the Parity Obligations then Outstanding affected by any such amendment, addition, or rescission requiring the consent of the registered owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

(e) Effect of Amendment on Registered Owners. No Registered Owner may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of this Section, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION 24. REMEDIES IN THE EVENT OF DEFAULT. In addition to all of the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by this Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the following remedies shall be available (the occurrence of any such events is hereinafter referred to as an "*Event of Default*"):

(a) The holder or holders of any Parity Obligations shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenants, conditions, or obligations prescribed in this Ordinance.

(b) No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedies herein provided shall be cumulative of all other existing remedies and the specifications of such remedies shall not be deemed to be exclusive.

SECTION 25. DEFEASANCE OF SERIES 2023 BONDS. (a) Defeased Series 2023 Bonds. Any Series 2023 Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding a "*Defeased Bond*") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Series 2023 Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the escrow agent named in the proceedings authorizing the defeasance of the Defeased Bonds (the "*Escrow Agent*") in accordance with an escrow agreement or other instrument (the "*Future Escrow Agreement*") for such payment (1) lawful money of the United States of America sufficient to make such payment and/or (2) Defeasance

Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Series 2023 Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2023 Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Investment in Defeasance Securities. Any moneys so deposited with the Escrow Agent may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Escrow Agent that is not required for the payment of the Series 2023 Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Escrow Agent which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

(c) Definition of Defeasance Securities. The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (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 on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Paying Agent/Registrar Services. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) Selection of Series 2023 Bonds for Defeasance. In the event that the City elects to defease less than all of the principal amount of Series 2023 Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2023 Bonds by such random method as it deems fair and appropriate.

SECTION 26. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED SERIES 2023 BONDS. (a) Replacement Bonds. In the event any Outstanding Series 2023 Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2023 Bond, in replacement for such Series 2023 Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2023 Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Series 2023 Bond, the registered owner applying for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Series 2023 Bond, the registered owner shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Series 2023 Bond, as the case may be. In every case of damage or mutilation of a Series 2023 Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Series 2023 Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2023 Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Series 2023 Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2023 Bond) instead of issuing a replacement Series 2023 Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Series 2023 Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2023 Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Series 2023 Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Series 2023 Bonds duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bonds. This Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2023 Bonds in the form and manner and with the effect, as provided in this Ordinance for Series 2023 Bonds issued in conversion and exchange for other Series 2023 Bonds.

SECTION 27. CUSTODY, APPROVAL, AND REGISTRATION OF SERIES 2023 BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS. The Mayor of the City is hereby authorized to have control of the Series 2023 Bonds issued hereunder and all necessary records and proceedings pertaining to the Series 2023 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 2023 Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Series 2023 Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Series 2023 Bonds. The approving legal opinion of the City's Bond Counsel, and the assigned CUSIP numbers may, at the option of the City, be printed on the Series 2023 Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Series 2023 Bonds.

SECTION 28. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE SERIES 2023 BONDS. (a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds 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 Issuer covenants as follows:

- (1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds 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 of the Bonds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, 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 Bonds, 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 Bonds 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 Bonds (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 Bonds 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 Bonds 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 Bonds, 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 Bonds, other than investment property acquired with –

(A) proceeds of the Bonds invested for a reasonable temporary period of three 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 Bonds;

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

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds 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 Bonds) 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 Bonds 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 (9), a “Rebate Fund” is hereby established by the Issuer 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 Issuer understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer 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 Bonds, the Issuer 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 Bonds 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 Bonds, the Issuer 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 Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Finance Director to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the “Project”) on its books and records in accordance with the requirements of the Internal Revenue Code. The Issuer 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 Issuer 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 Bonds, or (2) the date the Bonds are retired. The Issuer 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 Bonds. For purposes hereof, the issuer 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 Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. 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 Issuer 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.

(f) Written Procedures. Unless superseded by another action of the Issuer, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitration and rebate, the City Council hereby adopts and establishes the instructions attached hereto as Exhibit B as the Issuer's written procedures.

SECTION 29. SALE OF SERIES 2023 BONDS. The Series 2023 Bonds are hereby initially sold and shall be delivered to ***FHN Financial Capital Markets***, as the representative (the “**Representative**”) of a group of underwriters (the “**Underwriters**”) for cash at a purchase price to ***\$12,612,250.81*** (which amount is equal to the par value thereof, plus a net original issue premium of ***\$592,554.25***, and less Underwriters’ discount of ***\$70,303.44***), and no accrued interest, all pursuant to the terms and provisions of a Purchase Contract in substantially the form attached hereto as Exhibit C which the Mayor, Mayor Pro-Tem, City Manager, and Finance Director are each individually authorized to execute and deliver. In satisfaction of Section 1201.022(a)(3), Texas Government Code, and upon consultation with the City's Financial

Advisor, the City Council hereby determines that the final terms of the Series 2023 Bonds as set forth in this Ordinance are in the City's best interests. The City will deliver to the Representative an Initial Bond in the aggregate principal amount of **\$12,090,000**, payable in principal installments on the dates and in the principal amounts shown in Section 2 hereof, and bearing interest at the rates for each respective maturity as shown in Section 3 hereof. The Series 2023 Bonds shall initially be registered in the name of **FHN Financial Capital Markets**.

SECTION 30. APPROVAL OF OFFICIAL STATEMENT. The City hereby authorizes the Mayor and the City Manager to approve the form and content of an Official Statement relating to the Series 2023 Bonds and any addenda, supplement, or amendment thereto, and to approve the distribution of the Official Statement in the reoffering of the Series 2023 Bonds by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The preparation, distribution and use of a Preliminary Official Statement for the Series 2023 Bonds is also hereby approved.

SECTION 31. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS. The Mayor, Mayor Pro-Tem, City Manager, City Secretary and Designated Financial Officer of the City and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the 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 Series 2023 Bonds and the Paying Agent/Registrar Agreement.

SECTION 32. COMPLIANCE WITH RULE 15c2-12.

(a) **Definitions.** As used in this Section, the following terms have the meanings ascribed to such terms below:

“**EMMA**” means the Electronic Municipal Market Access system established and maintained by the MSRB.

“**Financial Obligation**” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“**MSRB**” means the Municipal Securities Rulemaking Board.

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

“**SEC**” means the United States Securities and Exchange Commission.

(b) **Annual Reports.** The Issuer shall provide annually to the MSRB through EMMA financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by this Ordinance being the information described in Exhibit D hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit D hereto, or such other accounting principles

as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide (1) unaudited financial statements for such fiscal year within such required time, and (2) audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such statements become available.

If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the date of the new fiscal year end prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this paragraph (b).

The financial information to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the SEC.

(c) Event Notices.

The Issuer shall file notice of the following events with respect to the Notes to the MSRB through EMMA in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of the holders of the Bonds;
8. Note calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer, and (b) the Issuer intends the words used in the immediately preceding paragraphs 15 and 16 and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The Issuer shall file notice with the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments. The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with Section 11 of this Ordinance that causes Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as

expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OF OBLIGATION OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(e) Format, Identifying Information, and Incorporation by Reference. All financial information, operating data, financial statements, and notices required by this Section to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB.

Financial information and operating data to be provided pursuant to subsection (b) of this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC.

(f) **Written Procedures.** The Issuer hereby adopts, as a supplement (and not as a substitution or in replacement of) to the Issuer's existing informal policies and procedures pertaining to compliance with the Rule, the Written Procedures Relating to Continuing Compliance with the Rule, attached hereto as Exhibit D. The Issuer shall follow such written procedures to assure compliance with the undertaking described above in this Section 32. The written procedures can be amended at the sole discretion of the Issuer and any such amendment will not be deemed to be an amendment to the undertaking described in this Section 32.

SECTION 33. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION 34. EFFECTIVE DATE. Pursuant to Section 1201.028, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City Charter to the contrary.

SECTION 35. BOND INSURANCE. The City approves the insurance of the Bonds by Build America Mutual Assurance Company and the payment of such premium and covenants to comply with all of the terms of the insurance commitment, a copy of which is attached hereto as Exhibit E and is hereby adopted by this Ordinance.

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**ADOPTED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, TEXAS AT A
REGULAR MEETING HELD ON THE 11th DAY OF APRIL, 2023.**

APPROVED:



Judy Eychner
Mayor, City of Kerrville, Texas

ATTEST:



Debrae M. Henderson
City Secretary, City of Kerrville, Texas

[SIGNATURE PAGE TO BOND ORDINANCE]

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

THE PAYING AGENT/REGISTRAR AGREEMENT IS OMITTED AT THIS POINT AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT

EXHIBIT B

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Series 2023 Bonds, the City's chief financial officer (the "**Responsible Person**"), which currently is the City's Director of Finance, will:

- (i) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Series 2023 Bonds will be entered into within six (6) months of the date of delivery of the Series 2023 Bonds (the "**Issue Date**");
 - (ii) monitor that at least 85% of the proceeds of the Series 2023 Bonds to be used for the construction, renovation or acquisition of any facilities are expended within three (3) years of the Issue Date;
 - (iii) restrict the yield of the investments to the yield on the Series 2023 Bonds after three (3) years of the Issue Date;
 - (iv) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Series 2023 Bonds does not exceed an amount equal to the debt service on the Series 2023 Bonds in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Series 2023 Bonds for the immediately preceding 12-month period;
 - (v) ensure that no more than 50% of the proceeds of the Series 2023 Bonds are invested in an investment with a guaranteed yield for 4 years or more;
 - (vi) maintain any official action of the City (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Series 2023 Bonds any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
 - (vii) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
 - (viii) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (A) at least every 5 years after the Issue Date and (B) within 30 days after the date the Series 2023 Bonds are retired.
- B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Series 2023 Bonds the Responsible Person will:

- (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- (ii) monitor whether, at any time the Series 2023 Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- (iii) monitor whether, at any time the Series 2023 Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- (iv) monitor whether, at any time the Series 2023 Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- (v) determine whether, at any time the Series 2023 Bonds are outstanding, any person, other than the City, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Series 2023 Bonds are outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Series 2023 Bonds and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Series 2023 Bonds. If any portion of the Series 2023 Bonds is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Person. The Responsible Person shall receive appropriate training regarding the City's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Series 2023 Bonds. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

EXHIBIT C

FORM OF PURCHASE CONTRACT

THE PURCHASE CONTRACT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION AND WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH THE RULE

I. Description of Annual Financial Information.

The following information is referred to in Section 32(b) of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Issuer to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The annual audited financial statements of the Issuer or the unaudited financial statements of the Issuer in the event audited financial statements are not completed within twelve months after the end of any fiscal year.

2. Within twelve months after the end of any fiscal year, all quantitative financial information and operating data with respect to the Issuer of the general type included in the Official Statement under Table 1 and in Appendix A to the Official Statement under numbered Tables 1 through 7.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

II. Written Procedures Relating to Continuing Compliance with the Rule

1. Capitalized terms used in this Exhibit C shall have the meanings assigned thereto in the Ordinance.

2. The Issuer is aware that the Rule was amended (the “Rule Amendment”) as of February 27, 2019 (the “Effective Date”) and has accommodated this Rule Amendment by adding subparagraphs (15) and (16) to Section 32(c) of the Ordinance.

3. The Issuer now establishes the following written procedures for satisfying its obligations pursuant to its undertaking described in Section 32 (the “Undertaking”), which written procedures have been developed based on the Issuer's informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the Issuer's obligations under the Rule, the advice from and discussions with the Issuer's internal senior staff (including staff charged with administering the Issuer's financial affairs), its municipal or financial advisors, its

legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the “Compliance Team”):

- (a) the Finance Director, or their assignee, (the “Compliance Officer”) shall be responsible for satisfying the Issuer's obligations pursuant to the Undertaking through adherence to these written procedures;
- (b) the Compliance Officer shall establish reminder or “tickler” systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the Issuer's information of the type described in Section 32 of the Ordinance;
- (c) the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 32(c) of the Ordinance;
- (d) the Compliance Officer shall work with external consultants of the Issuer, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the Issuer and notice of the occurrence of any of the events referenced in (a) and (b) above, respectively, the foregoing being required to satisfy the terms of the Undertaking;
- (e) the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the Issuer, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Bonds;
- (f) upon identification of any Financial Obligation meeting the materiality standard identified in (e) above, the Compliance Officer shall establish a process for identifying and monitoring any Issuer agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;
- (g) the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the Issuer;

4. The Compliance Officer shall annually review these written procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any “participating underwriter” (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the Issuer's internal staff identified by the Compliance Officer to assist with the Issuer's satisfaction of the terms and provisions of the Undertaking.

EXHIBIT E

INSURANCE COMMITMENT



MUNICIPAL BOND INSURANCE COMMITMENT

ISSUER: City of Kerrville, Texas

MEMBER: City of Kerrville, Texas

Effective Date: April 11, 2023

Expiration Date: July 09, 2023

BONDS: Waterworks and Sewer System Revenue Improvement Bonds, Series 2023
in aggregate principal amount not to exceed \$11,950,000

Insurance Payment: 0.240% of the Total Debt Service on the Bonds

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”) hereby commits, subject to the terms and conditions contained herein or added hereto, to issue its Municipal Bond Insurance Policy (the “Policy”) relating to the Bonds referenced above (the “Bonds”) issued by or on behalf of the Member. To keep this Commitment in effect after the Expiration Date set forth above, a written request for renewal must be submitted to BAM prior to such Expiration Date. BAM reserves the right to grant or deny a renewal in its sole discretion.

THE MUNICIPAL BOND INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds (collectively, the “Security Documents”), shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof (the “Closing Date”).
3. As of the Closing Date, there shall have been no material omissions or material adverse changes in, as to or affecting (i) the Member or the Bonds, including, without limitation, the security for the Bonds or (ii) any disclosure document relating to the Bonds (including any financial statements and other information included or incorporated by reference therein) (the “Official Statement”), the Security Documents to be executed and delivered with respect to the

Bonds, any project to be financed with the proceeds of the Bonds (if applicable), the legal opinions to be delivered in connection with the issuance and sale of the Bonds, or any other information submitted to BAM with respect to the issuance and sale of the Bonds, including the proposed debt service schedule of the Bonds, from information previously provided to BAM in writing.

4. The applicable Security Documents shall contain the document provisions set forth in Exhibit A hereto and shall be in form and substance acceptable to BAM. No variation shall be permitted therefrom except as specifically approved by BAM in writing prior to the Closing Date.

5. The Bonds shall contain no reference to BAM, the Policy or the insurance evidenced thereby except as may be approved in writing by BAM. BOND PROOFS SHALL BE APPROVED IN WRITING BY BAM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form found on BAM's website (www.buildamerica.com) and in Exhibit B hereto entitled "DOCUMENT, PRINTING AND DISCLOSURE INFORMATION FOR PUBLIC FINANCE TRANSACTIONS".

6. The Official Statement shall contain the language provided by BAM and only such other references to BAM as BAM shall supply or approve in writing, and BAM shall be provided with final drafts of any preliminary and final Official Statement at least two business days prior to printing/electronic posting. BAM SHALL BE PROVIDED WITH AN ELECTRONIC COPY OF THE OFFICIAL STATEMENT SEVEN (7) DAYS PRIOR TO CLOSING, unless BAM shall agree in writing to a shorter period.

7. BAM shall be provided with:

(a) Copies of all Security Document drafts prepared subsequent to the date of this Commitment (blacklined to reflect all revisions from previously reviewed drafts) for review and approval. Final drafts of such documents shall be provided at least three (3) business days prior to the issuance of the Policy, unless BAM shall agree in writing to a shorter period. Copies of all drafts of the Security Documents shall be delivered to the BAM contacts specified in Exhibit 1.

(b) Copies of any consulting reports, feasibility studies, rate reports, engineer's reports or similar expert reports for review and approval, along with any revisions thereto (blacklined to reflect all revisions from previously reviewed drafts). Final drafts of such documents shall be provided at least three (3) business days prior to the issuance of the Policy, unless BAM shall agree in writing to a shorter period.

(c) The amortization schedule for, and final maturity date of, the Bonds, which schedule shall be acceptable to BAM. Please be aware that BAM will only insure fixed rate Bonds.

(d) A No-Litigation Certificate or a description of any material pending litigation relating to the Member or the Bonds and any opinions BAM shall request in connection therewith.

(e) A description of any material change in the Member's financial position from and after the date of the financial statements provided to BAM.

(f) Executed copies of all Security Documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to BAM or accompanied by a letter of such counsel permitting BAM to rely on such opinion as if such opinion were addressed to BAM), including, without limitation, the unqualified approving opinion of bond counsel, in form and substance satisfactory to BAM. The foregoing shall be in form and substance acceptable to BAM. (For your information, the form of legal opinion, primary market disclosure certificate and officer's certificate to be delivered by BAM at Closing is attached hereto as Exhibit C.)

(g) Evidence of wire transfer in federal funds of an amount equal to the Insurance Payment, unless alternative arrangements for the payment of such amount acceptable to BAM have been made prior to the Closing Date.

8. In the event the Bonds are sold in a private placement transaction, (i) BAM shall receive a closing certificate, in form and substance acceptable to BAM, covering the matters in Paragraphs 7 (d) and (e), (ii) the Issuer shall agree to provide BAM with continuing disclosure consistent with any Continuing Disclosure Agreement for any previously issued public debt of the Issuer (irrespective of whether or not that debt remains outstanding) or enter into such other agreement for continuing disclosure acceptable to BAM and (iii) the Issuer shall provide BAM with copies of all documents and agreements, including without limitation any term sheet, side agreement and/or purchase agreement, executed or delivered in connection with the Bonds, which documents and agreements shall be in form and substance acceptable to BAM.

9. Bonds must have an underlying, long-term rating of at least:

A+	Standard and Poor's
NR	Moody's Investors Service

10. Promptly, but in no event more than thirty (30) days after the Closing Date, BAM shall receive a link to or PDF file of, or two (2) CD-ROMs of, the final closing transcript of proceedings, or if a link or PDF file cannot be provided or a CD-ROM is not available, such other electronic form as BAM shall accept.

11. To maintain this commitment until the Expiration Date set forth above, BAM must receive a copy of the signature page of this Commitment fully executed by an authorized officer of the undersigned by the earlier of the date on which the Official Statement containing disclosure language regarding BAM is circulated and ten (10) days after the date of this Commitment.

12. Standard & Poor's Ratings Services will separately present a bill for its fees relating to the Bonds. There is no incremental Standard & Poor's fee for the BAM-Insured rating. Payment of such bill by the Member should be made directly to such rating agency. Payment of the rating fee is not a condition to the release of the Policy by BAM.

REPRESENTATION AND AGREEMENT BY BAM

(a) BAM is a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York.

(b) BAM covenants that it will only insure obligations of states, political subdivisions, an integral part of states or political subdivisions or entities otherwise eligible for the exclusion of income under Section 115 of the Internal Revenue Code of 1986, as amended, or any successor thereto.

(c) BAM covenants that it will not seek to convert to a stock insurance corporation.

(d) The issuance of the Policy qualifies the Member as a member of BAM until the Bonds are no longer outstanding. As a member of BAM, the Member is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law, including the right to receive dividends if and when declared by BAM's Board of Directors. No dividends have been paid to date, and BAM has no current expectation that any dividends will be paid.

(e) The Policy is non-assessable and creates no contingent mutual liability.

(f) Refundings.

If (1) the Security Documents relating to the Bonds permit a legal defeasance (such that the bonds are no longer treated as outstanding under the Security Documents), (2) refunding bonds ("Refunding Bonds") will be issued for the purpose of legally defeasing such then outstanding BAM-insured Bonds (in this context, the "Refunded Bonds") and (3) upon their issuance (A) such Refunding Bonds have a final maturity date that is not later than the final Maturity Date of the Refunded Bonds, (B) the average annual debt service on the Refunding Bonds does not exceed the average annual debt service on the Refunded Bonds, and (C) the net proceeds of such Refunding Bonds are applied solely towards the legal defeasance of the Refunded Bonds and related costs of issuance, then, if BAM is requested to, and in its sole discretion determines to, offer a municipal bond insurance policy covering the Refunding Bonds (the "Refunding Policy") BAM will credit the then available Member Surplus Contribution for the Refunded Bonds against the insurance payment then charged with respect to the Refunding Bonds (proportionate to the amount of Refunding Bonds insured by BAM). If the Security Documents are silent on the matter of a legal defeasance, BAM may, in its sole and absolute discretion, accept such certificates, opinions and reports from or on behalf of the Member in connection with the issuance of such Refunding Bonds in order to establish to its satisfaction that the Refunding Bonds will be issued

to retire the outstanding Refunded Bonds and that the Refunding Bonds comply with the criteria set forth in clause (3) of the preceding sentence for the purpose of determining whether a supplemental Member Surplus Contribution is or is not required to be made at that time.

(g) BAM covenants that it will provide notice to the Member (as soon as reasonably possible) of a change in the rating of BAM's financial strength by Standard & Poor's Rating Services.

(h) BAM verifies that, to the extent the Policy represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, and solely for purposes of Chapter 2271 of the Texas Government Code, at the time of the issuance of the Policy and for long as the Policy remains in effect, neither BAM, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, boycotts or will boycott Israel. The foregoing verification is made solely to enable the Member to comply with such Section and to the extent such Section does not contravene Federal or Texas law. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

(i) BAM certifies that, at the time of issuance of the Policy, neither BAM, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same is a company listed by the Texas Comptroller of Public Accounts under Sections 2270.0201 or 2252.153 of the Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the Member to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal or Texas law and excludes BAM and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(j) To the extent the Policy constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, BAM hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies for long as the Policy remains in effect. The foregoing verification is made solely to enable the Member to comply with Section 2274.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil

fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above.

(k) To the extent the Policy constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, “SB 19”), Texas Government Code, as amended, BAM hereby verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate for long as the Policy remains in effect against a firearm entity or firearm trade association.

The foregoing verification is made solely to enable the Member to comply with Section 2274.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Federal or Texas law.

As used in the foregoing verification, (1) “discriminate against a firearm entity or firearm trade association” (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association; (2) “firearm entity,” a term defined in Section 2274.001(6), Texas Government Code (as enacted by SB 19), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by SB 19, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by SB 19, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by SB 19, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and (3) “firearm trade association,” a term defined in Section 2274.001(7), Texas Government Code (as enacted by SB 19), means any person, corporation, unincorporated

association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

(l) BAM understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with BAM within the meaning of SEC Rule 405, 17 C.F.R § 230.405, and exists to make a profit.

**BUILD AMERICA MUTUAL
ASSURANCE COMPANY**



Authorized Officer

April 11, 2023

Date

BAM's Legal Entity Identifier (LEI) # is 254900BWZ9EFP17ESA37

AGREED AND ACCEPTED

1. The undersigned agrees and accepts the conditions set forth above and further agrees that (i) if the Bonds (and any of the Bonds to be issued on the same date and for which BAM has issued a commitment) are insured by a policy of municipal bond insurance, such insurance shall be provided by BAM in accordance with the terms of this Commitment; (ii) it has made an independent investigation and decision as to whether to insure the payment when due of the principal of and interest on the Bonds and whether the Policy is appropriate or proper for it based upon its judgment and upon advice from such legal and financial advisers as it has deemed necessary; (iii) BAM has not made, and therefore it is not relying on, any recommendation from BAM that the Bonds be insured or that a Policy be obtained, it being understood and agreed that any communications from BAM (whether written or oral) referring to, containing information about or negotiating the terms and conditions of the Policy, and any related insurance document or the documentation governing the Bonds, do not constitute a recommendation to insure the Bonds or obtain the Policy; (iv) the undersigned acknowledges that BAM has not made any representation, warranty or undertaking, and has not given any assurance or guaranty, in each case, expressed or implied, as to its future financial strength or the rating of BAM's financial strength by the rating agency; (v) the undersigned acknowledges that a credit or claims-paying rating of BAM assigned by a Rating Agency reflects only the views of, and an explanation of the significance of any such rating may be obtained only from, the assigning Rating Agency, any such rating may change or be suspended, placed under review or withdrawn by such Rating Agency if circumstances so warrant, and BAM compensates a Rating Agency to maintain a credit or claims-paying ability rating thereon, but such payment is not in exchange for any specific rating or for a rating within any particular range; (vi) the undersigned acknowledges that BAM may in its sole and absolute discretion at any time request that a Rating Agency withdraw any rating maintained in respect of BAM; and (vii) BAM has made no representation that any dividend will be declared or paid while the Bonds are outstanding, the undersigned has no reason for expecting that any dividend will be declared or paid and the potential receipt of any dividend was not a reason for acquiring the Policy.

2. BAM may determine to designate the Bonds as GreenStar Bonds. Any such designation is based upon information obtained by BAM at the time of issuance of the Bonds and will appear on the cover of and be described under the caption "BOND INSURANCE - BAM GreenStar Bonds" in the Preliminary and Final Official Statements for the Bonds. Said designation will also be included in BAM's Credit Profiles and on BAM's website; it may also be included on lists of green bonds maintained by third parties (including, but not limited to, Bloomberg LP, ICE Data Services, the Municipal Advisory Council of Texas, and the Nasdaq Sustainable Bond Network).

3. The undersigned member hereby appoints Jeffrey Fried, General Counsel of Build America Mutual Assurance Company ("Build America"), as proxy with the power to appoint his substitute, and hereby authorizes him to represent and to cast all of the votes to which the undersigned is entitled to cast as of the record date for the annual meeting of Build America members to be held on Tuesday, April 23, 2024, or at any adjournment or postponement thereof. This proxy is solicited on behalf of the management of Build America and will empower the holder to vote on the undersigned member's behalf for the election of members of the Board of Directors and such other business as may properly come before said annual meeting. This proxy can be revoked by giving Build America written notice of revocation (by email to generalcounsel@buildamerica.com, or by

U.S. mail or private carrier to General Counsel, Build America, 200 Liberty Street, New York, NY 10281) received by Build America on or before April 19, 2024. This proxy may also be revoked if the undersigned member attends the annual meeting and chooses to vote in person.

Notwithstanding anything to the contrary set forth herein, upon issuance of the Policy, the provisions set forth under paragraphs 1, 2 and 3 above and the representations and agreements of BAM shall survive the expiration or termination of this Commitment.

CITY OF KERRVILLE, TEXAS

By:



Authorized Officer



4/12/2023
Date

EXHIBIT A

DOCUMENT PROVISIONS

EXHIBIT A

GENERAL REVENUE BOND TRANSACTION DOCUMENT PROVISIONS

The following terms and provisions (the “Insurer Provisions”) shall be incorporated into the Security Documents. If the Insurer Provisions are attached to any of the Security Document as an exhibit, such Security Document shall include a provision that incorporates by reference the Insurer Provisions directly into the Security Documents. The Insurer Provisions shall control and supersede any conflicting or inconsistent provisions in the Security Documents.

- 1) Notice and Other Information to be given to BAM. The [Issuer] [Obligor] will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents.

The notice address of BAM is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 962-1710, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 962-1524 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

- 2) Defeasance. The investments in the defeasance escrow relating to Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM.

At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the Issuer shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

- a) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

- b) The [Issuer] [Obligor] will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.
- c) The [Issuer] [Obligor] shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

3) Trustee and Paying Agent.

- a) BAM shall receive prior written notice of any name change of the trustee (the "Trustee") or, if applicable, the paying agent (the "Paying Agent") for the Insured Obligations or the resignation or removal of the Trustee or, if applicable, the Paying Agent. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by BAM in writing.
 - b) No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, meeting the requirements above or acceptable to BAM, shall be qualified and appointed.
- 4) Amendments, Supplements and Consents. BAM's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The [Issuer] [Obligor] shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Obligations.

- a) *Consent of BAM.* Any amendments or supplements to the Security Documents shall require the prior written consent of BAM with the exception of amendments or supplements:
 - i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or
 - ii. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or
 - iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

- iv. To add to the covenants and agreements of the [Issuer/Obligor] in the Security Documents other covenants and agreements thereafter to be observed by the [Issuer/Obligor] or to surrender any right or power therein reserved to or conferred upon the [Issuer/Obligor].
 - v. To issue additional parity debt in accordance with the requirements set forth in the Security Documents (unless otherwise specified herein).
- b) *Consent of BAM in Addition to Bondholder Consent.* Whenever any Security Document requires the consent of holders of Insured Obligations, BAM's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the Security Documents that adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.
- c) *Insolvency.* Any reorganization or liquidation plan with respect to the Issuer [or Obligor] must be acceptable to BAM. The Trustee and each owner of the Insured Obligations hereby appoint BAM as their agent and attorney-in-fact with respect to the Insured Obligations and agree that BAM may at any time during the continuation of any proceeding by or against the Issuer or Obligor under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Insured Obligations delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.
- d) *Control by BAM Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without BAM's written consent.
- e) *BAM as Owner.* Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.
- f) *Consent of BAM for acceleration.* BAM's prior written consent is required as a condition

precedent to and in all instances of acceleration.

- g) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.
 - h) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, “Insurer Default” means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).
- 5) Loan/Lease/Financing Agreement.
- a) The security for the Insured Obligations shall include a pledge and assignment of any agreement with any underlying obligor that is a source of payment for the Insured Obligations (a “Financing Agreement”) and a default under any Financing Agreement shall constitute an Event of Default under the Security Documents. In accordance with the foregoing, any such Financing Agreement is hereby pledged and assigned to the Trustee for the benefit of the holders of the Insured Obligations.
 - b) Any payments by the Obligor under the Financing Agreement that will be applied to the payment of debt service on the Insured Obligations shall be made directly to the Trustee at least fifteen (15) days prior to each debt service payment date for the Insured Obligations.
- 6) BAM As Third Party Beneficiary. BAM is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

7) Payment Procedure Under the Policy.

In the event that principal and/or interest due on the Insured Obligations shall be paid by BAM pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent or Trustee shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify BAM or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

- a) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such respective holders; and
- b) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, (iii) segregate all such payments in the BAM

Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured Obligations paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer, [Obligor] and the Paying Agent and Trustee agree for the benefit of BAM that:

- a) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer/Obligor, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and
 - b) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.
- 8) Additional Payments. The [Issuer] [Obligor] agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"); provided, however, that any such obligation to pay or reimburse BAM any Administrative Costs is subject to annual appropriation of the

[Issuer] [Obligor] and to the extent permitted by law. For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The [Issuer] [Obligor] agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything herein to the contrary, the [Issuer][Obligor] agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy (“BAM Policy Payment”); and (ii) to the extent permitted by law, interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the [Issuer][Obligor], payable to BAM at the Late Payment Rate per annum (collectively, “BAM Reimbursement Amounts”) compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, BAM Reimbursement Amounts shall be, and the [Issuer][Obligor] hereby covenants and agrees that the BAM Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

- 9) **Debt Service Reserve Fund.** The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Insured Obligations.
- 10) **Exercise of Rights by BAM.** The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.
- 11) BAM shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not BAM has received a claim upon the Policy.
- 12) So long as the Insured Obligations are outstanding or any amounts are due and payable to BAM, the [Issuer/Obligor] shall not sell, lease, transfer, encumber or otherwise dispose of the [System] or any material portion thereof, except upon obtaining the prior written consent of BAM.
- 13) No contract shall be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any

material respect except upon obtaining the prior written consent of BAM.

14) If an event of default occurs under any agreement pursuant to which any Obligation of the [Issuer/Obligor] has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Obligations or BAM, as BAM may determine in its sole discretion, then an event of default shall be deemed to have occurred under this [Indenture] and the related Security Documents for which BAM or the Trustee, at the direction of BAM, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Obligations.

15) Definitions.

"BAM" shall mean Build America Mutual Assurance Company, or any successor thereto.

"Insured Obligations" shall mean the [bonds].

"Issuer" shall mean the [Authority].

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Obligor" shall mean the [_____].

"Policy" shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Security Documents" shall mean the resolution, trust agreement, indenture, ordinance, loan agreement, lease agreement, bond, note, certificate and/or any additional or supplemental document executed in connection with the Insured Obligations.

EXHIBIT B

**DOCUMENT, PRINTING AND DISCLOSURE
INFORMATION FOR
PUBLIC FINANCE TRANSACTIONS**



BUILD AMERICA MUTUAL ASSURANCE COMPANY

DOCUMENT, PRINTING AND DISCLOSURE INFORMATION FOR PUBLIC FINANCE TRANSACTIONS

This information is intended for use by bond counsel, the underwriters, financial advisors, printers and preparers of municipal bond offerings that will be insured in whole or in part by Build America Mutual Assurance Company ("BAM").

Prior to any reference to BAM in your marketing efforts, including, but not limited to any preliminary or final Official Statement and any rating agency presentation, in respect of a BAM-insured issue, BAM must receive an executed copy of its Commitment Letter. Blacklined copies of each draft of each transaction document, preliminary and final official statements with Appendices, and bond form(s) should be delivered to BAM for review and comment with reasonable opportunity to submit any comments prior to printing or execution, but in any event not less than three business days prior to execution. Such documents shall be delivered to the BAM attorney working on the transaction. If you are uncertain of the proper person to whom to deliver the documents, please email the documents to: documents@buildamerica.com. Please identify the issuer, obligor and issue name in the subject line of the email.

BAM will deliver to Bond Counsel, at the pre-closing for any such municipal bond offering (such offering to the extent insured by BAM, the "Insured Obligations"), assuming the requirements of the Commitment Letter have been met,

- an opinion of counsel as to the validity of the policy,
- a disclosure, no default and tax certificate of BAM, the executed policy and
- other certificates, if any, required in the transaction.

Prior to closing, BAM will obtain the rating letter from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, relating to any Insured Obligations. Note that any questions with regards to rating agency fees should be directed to the rating agency.

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EXHIBIT 1

BAM DIRECTORY

<u>Name</u>	<u>Title</u>	<u>Telephone</u>	<u>Email</u>
<u>BAM ATTORNEYS</u>			
Brian Siper	Counsel	212-235-2562	bsiper@buildamerica.com
<u>CLOSING COORDINATORS</u>			
Yanique Graham		212-235-2569	ygraham@buildamerica.com
<u>BAM ANALYST</u>			
Jill Schmidt		(212) 235-2525	jschmidt@buildamerica.com

BUILD AMERICA MUTUAL ASSURANCE COMPANY
("BAM")
DISCLOSURE INFORMATION
(FOR INCLUSION IN THE OFFICIAL STATEMENT)

The following are BAM's requirements for printing the preliminary and final official statements:

- 1. Both the preliminary and final official statements must contain the information set forth in these Exhibits and BAM must be provided with final drafts for its approval and sign off thereon at least two business days prior to the printing thereof;**
 - 2. Any changes made to the BAM Disclosure Information for inclusion in the preliminary and final official statements must first be approved by BAM, and**
 - 3. BAM must receive an electronic copy of the final official statement seven (7) days prior to closing, unless BAM shall have agreed to some shorter period.**
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-

TO BE PRINTED ON THE COVER OF THE OFFICIAL STATEMENT:

The following language should be used when insuring:

1. THE ENTIRE ISSUE:

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

2. CAPITAL APPRECIATION BONDS:

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

The scheduled payment of principal of and interest on the Bonds maturing on _____ of the years _____ through _____ inclusive, with CUSIP #('s) _____ (collectively, the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

4. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**PRINTER'S NOTE: USE BUILD AMERICA MUTUAL ASSURANCE COMPANY
LOGO AND INK #PMS BLUE 2736; REDS 199, 201 AND 1817.**

THE LOGO MAY BE OBTAINED FROM BAM'S WEBSITE

WWW.BUILDAMERICA.COM

**THE LOGO MAY BE OBTAINED FROM BAM'S WEBSITE
TO BE PRINTED IN THE BODY OF THE OFFICIAL STATEMENT OR AS AN EXHIBIT**

USE THE FOLLOWING LANGUAGE WHEN INSURING THE ENTIRE ISSUE:

**NOTE: The language under the subheading "Bond Insurance Policy" should be modified when
insuring Capital Appreciation Bonds, Partial Maturities
(less than the entire issue), Certificates and/or Notes.**

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance

with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.7million, \$207.3 million and \$283.4 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

The Bond Insurance language for the Official Statement under the subheading "Bond Insurance Policy" should be replaced with the following language when insuring:

1. CAPITAL APPRECIATION BONDS:

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

2. PARTIAL MATURITIES (LESS THAN THE ENTIRE ISSUE):

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on _____ of the years _____ through _____, inclusive, with CUSIP #'s _____ (collectively, the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

3. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**TO BE PRINTED ON THE INSIDE COVER OF OFFICIAL STATEMENT
AS PART OF THE DISCLAIMER STATEMENT:**

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Exhibit __ - Specimen Municipal Bond Insurance Policy".

EXHIBIT 3

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Policy No: _____

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

STATEMENT OF INSURANCE
(Language for the Bond Form)
This form is not to be included in the Official Statement.

The Bonds shall bear a Statement of Insurance in the following form.

The following language should be used when insuring

1. THE ENTIRE ISSUE:

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, [as paying agent for the Bonds (the "Paying Agent")] [as trustee for the Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent] [Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent] [Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents (i) to the subrogation and all other rights of BAM as more fully set forth in the Policy and (ii) that upon the occurrence and continuance of a default or an event of default under the [Resolution/Ordinance/Indenture] or this Bond, BAM shall be deemed to be the sole owner of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds or the trustee, paying agent, registrar or similar agent for the benefit of such owners under the [Resolution/Ordinance/Indenture], at law or in equity.

2. CAPITAL APPRECIATION BONDS:

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on this Bond to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, as [paying agent for the Bonds (the "Paying Agent")] as trustee for the Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent] [Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent] [Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents (i) to the subrogation and all other rights of BAM as more fully set forth in the Policy and (ii) that upon the occurrence and continuance of a default or an event of default under the [Resolution/Ordinance/Indenture] or this Bond, BAM shall be deemed to be the sole owner of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds or the trustee, paying agent, registrar or similar agent for the benefit of such owners under the [Resolution/Ordinance/Indenture], at law or in equity.

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bonds maturing on _____ of the years _____ through _____, inclusive (the "Insured Bonds"), to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, [as paying agent for the Bonds (the "Paying Agent")] [as trustee for the Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent] [Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent] [Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents (i) to the subrogation and all other rights of BAM as more fully set forth in the Policy and (ii) that upon the occurrence and continuance of a default or an event of default under the [Resolution/Ordinance/Indenture] or this Bond, BAM shall be deemed to be the sole owner of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds or the trustee, paying agent, registrar or similar agent for the benefit of such owners under the [Resolution/Ordinance/Indenture], at law or in equity.

4. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**PROCEDURES FOR PREMIUM PAYMENT
TO BAM**

This form is not to be included in the Official Statement.

BAM's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Upon determination of the final debt service schedule, email or fax such schedule to the appropriate BAM Underwriter

Jill Schmidt
Phone No.: (212) 235-2525
Email: jschmidt@buildamerica.com

Confirm with the individual in our underwriting department that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the Insured Bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank: First Republic Bank
ABA#: 321081669
Acct. Name: Build America Mutual Assurance Company
Account No.: 80001613703
Policy No.: @@POLICY_NO@@ - (Include in OBI Field)

CONFIRMATION OF PREMIUM

BAM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated to the Closing Coordinator on the closing date:

Deneica Glenn	(212) 235-2552
Yanique Graham	(212) 235-2569
Patrice James	(212) 235-2559
Claudette Littlejohn	(212) 235-2572
Robert Metcalfe	(212) 235-2551
Nolan Miller	(212) 235-2511
Neah Williams	(212) 235-2535

EXHIBIT C

BAM LEGAL OPINION AND CERTIFICATE

[CLOSING DATE]

[ADDRESSEES (ISSUER, UNDERWRITER AND TRUSTEE)]

Re: Municipal Bond Insurance Policy No. [POLICY NO.] With Respect to
\$____ [Name of Issuer] (the "Issuer")
____ Bonds, Series ____ (the "Bonds")

Ladies and Gentlemen:

I am Counsel of Build America Mutual Assurance Company, a New York mutual insurance company ("BAM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by BAM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. BAM is a mutual insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.
2. The Policy has been duly authorized, executed and delivered by BAM.
3. The Policy constitutes the valid and binding obligation of BAM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of BAM and to the application of general principles of equity.
4. The issuance of the Policy qualifies [the Issuer] as a member of BAM until [the Bonds] are no longer outstanding. As a member of BAM, [the Issuer] is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law. The Policy is non-assessable and creates no contingent mutual liability.

In addition, please be advised that I have reviewed the description of the Policy under the caption "BOND INSURANCE" in the official statement relating to the above-referenced Bonds dated [DATE] (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or as of the date of

this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, "the Official Statement".

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

This letter and the legal opinions herein are intended for the information solely of the addressees hereof and solely for the purposes of the transactions described in the Official Statement and are not to be relied upon by any other person or entity (including, without limitation, any person or entity that acquires bonds from an addressee of this letter.) I do not undertake to advise you of matters that may come to my attention subsequent to the date hereof that may affect the conclusions expressed herein.

Very truly yours,

**DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
BUILD AMERICA MUTUAL ASSURANCE COMPANY**

The undersigned hereby certifies on behalf of BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), in connection with the issuance by BAM of its Policy No. [POLICY NO.] (the "Policy") in respect of the [\$AMOUNT] [NAME OF TRANSACTION] (the "Bonds") that:

- (i) The information set forth under the caption "BOND INSURANCE-BUILD AMERICA MUTUAL ASSURANCE COMPANY" in the official statement dated [DATE], relating to the Bonds (the "Official Statement") is true and correct;
- (ii) BAM is not currently in default nor has BAM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation;
- (iii) The Policy is an unconditional and recourse obligation of BAM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds when due in the event of Nonpayment by the Issuer (as set forth in the Policy);
- (iv) The insurance payment (inclusive of the sum of the Risk Premium and the Member Surplus Contribution) (the "Insurance Payment") is solely a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to BAM as a condition to the issuance of the Policy;
- (v) BAM will, for federal income tax purposes, treat the Insurance Payment as solely in consideration for the insurance risk it assumes in the Policy and not as consideration for an investment in BAM or its assets;
- (vi) No portion of such Insurance Payment represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by BAM to maintain its rating, which, together with all other overhead expenses of BAM, are taken into account in the formulation of its rate structure, or for the provision of additional services by BAM, or represents a direct or indirect payment for any goods or services provided to the Issuer (including the right to receive a dividend), or the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor);
- (vii) BAM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Insurance Payment, BAM will not use any portion of the Bond proceeds;
- (viii) Except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by BAM;
- (ix) (a) BAM has not paid any dividends to date, (b) BAM's Board of Directors has resolved that BAM's priorities for surplus, as it accumulates, will be to preserve capital strength and claims paying resources for the benefit of its members and secondarily to

return value by reducing premiums charged for its insurance, and (c) BAM has no current expectation that any dividends will be paid;

(x) BAM does not expect that a claim or any other payment will be made on or with respect to the Policy or by BAM to the Issuer; and

(xi) Neither the Issuer nor any other Obligor is entitled to a refund of the Insurance Payment for the Policy in the event a Bond is retired before the final maturity date.

BAM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

BUILD AMERICA MUTUAL
ASSURANCE COMPANY

Authorized Officer

Dated: [CLOSING DATE]

**Primary Market Disclosure Certificate
[Bond Description] (the "Insured Bonds")**

For the benefit of _____ (the "Issuer"), and acknowledging that the Issuer will be relying on the contents hereof in addressing certain tax and disclosure items and for other matters, Build America Mutual Assurance Company ("Build America") makes the following representations and warranties as of the date hereof:

1. Neither Build America nor any affiliate of Build America has purchased, or has committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise;
2. Neither Build America nor any affiliate of Build America has entered into any agreement or understanding regarding the purchase or sale of the Insured Bonds, except for the insurance policies that Build America has provided regarding payments due under the Insured Bonds and the documentation associated with said insurance policies.

For the purposes of this certificate, "affiliate of Build America" means a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Build America.

[dated as of the closing date]

Build America Mutual Assurance Company

By

Authorized Officer

From: [Shelley McElhannon](#)
To: [Kesha Franchina](#)
Subject: FW: Pending Execution Contract Status Check
Date: Friday, July 7, 2023 9:30:09 AM
Attachments: [Tab 01 - Bond Ordinance.pdf](#)
[image001.ipa](#)
[image002.png](#)

Ordinance No. 2023-16

From: Maya Johnson <Maya.Johnson@kerrvilletx.gov>
Sent: Wednesday, July 5, 2023 8:43 AM
To: Mike Hayes <mike.hayes@kerrvilletx.gov>; Shelley McElhannon <shelley.mcelhannon@kerrvilletx.gov>
Cc: Julie Behrens <julie.behrens@kerrvilletx.gov>
Subject: FW: Pending Execution Contract Status Check

Mike, are you good with this for final execution?

Maya Johnson

Executive Office Coordinator
City Administration
701 Main Street | Kerrville, Texas 78028
830-258-1110 | www.kerrvilletx.gov

From: Julie Behrens <julie.behrens@kerrvilletx.gov>
Sent: Monday, July 3, 2023 1:29 PM
To: Maya Johnson <Maya.Johnson@kerrvilletx.gov>
Cc: Mike Hayes <mike.hayes@kerrvilletx.gov>
Subject: RE: Pending Execution Contract Status Check

It needs to be executed. I sent to Shelley but she had questions about blanks (as did I). I went and looked at some old debt issuances and they are the same. I was going to ask Mike for guidance. Jay says this ordinance is complete and is the recorded ordinance. If Mike is good, it just needs CSO execution.

Thanks for checking!

From: Maya Johnson <Maya.Johnson@kerrvilletx.gov>
Sent: Monday, July 3, 2023 9:41 AM
To: Julie Behrens <julie.behrens@kerrvilletx.gov>
Cc: Mike Hayes <mike.hayes@kerrvilletx.gov>
Subject: RE: Pending Execution Contract Status Check

Do I need to get this to CSO for recordkeeping?

Do I need to save somewhere?

Maya Johnson

Executive Office Coordinator
City Administration
701 Main Street | Kerrville, Texas 78028
830-258-1110 | www.kerrvilletx.gov

From: Julie Behrens <julie.behrens@kerrilletx.gov>
Sent: Friday, June 30, 2023 4:28 PM
To: Maya Johnson <Maya.Johnson@kerrilletx.gov>
Cc: Mike Hayes <mike.hayes@kerrilletx.gov>
Subject: RE: Pending Execution Contract Status Check

Jay says this is the final one. The blanks are intentional.

From: Maya Johnson <Maya.Johnson@kerrilletx.gov>
Sent: Friday, June 30, 2023 11:14 AM
To: Megan Folkerts <Megan.Folkerts@kerrilletx.gov>; Charvy Tork <Charvy.Tork@kerrilletx.gov>; Joshua Young <Joshua.Young@kerrilletx.gov>; Kyle Burow <Kyle.Burow@kerrilletx.gov>; Ashlea Boyle <Ashlea.Boyle@kerrilletx.gov>; Mike Hayes <mike.hayes@kerrilletx.gov>; Guillermo Garcia <Guillermo.Garcia@kerrilletx.gov>; Julie Behrens <julie.behrens@kerrilletx.gov>; David Barrera <David.Barrera@kerrilletx.gov>
Subject: Pending Execution Contract Status Check

Please check this list and let me know the status of these “pending execution” contracts. Some may be listed under a different person’s initials, but check for the ones in your department. Thanks

Title	Type	From
Mayor's Public Health Taskforce Recommendation	MOU/CSA	EAH
Ricoh Library Printer Lease	Agreement	CT
Bureau Vertias Base Parcel Base Map Extension	Amendment	JY
MUA TxDOT construct & maintain Art in Public Places with State ROW	Reso & Contract	KB/AB
Aqua Texas CCN amendment	Agreement	MCH
Maxey Energy-Fleet Fuel Purchase	Contract	GG
Revenue Bond Sale	Ord	JB
BTP (D-BAT) Commercial Lease Amendment	Contract	AB
SHI DIR Microsoft Software	Contract	CT
Brightly-Pavement Management Plan Software	Contract	DB

Maya Johnson

Executive Office Coordinator
City Administration
701 Main Street | Kerrville, Texas 78028
830-258-1110 | www.kerrvilletx.gov



From: [Shelley McElhannon](#)
To: [Kesha Franchina](#)
Subject: FW: Pending Execution Contract Status Check
Date: Friday, July 7, 2023 9:28:39 AM
Attachments: [image002.png](#)

From: Mike Hayes <mike.hayes@kerrvilletx.gov>
Sent: Friday, July 7, 2023 9:11 AM
To: Julie Behrens <julie.behrens@kerrvilletx.gov>; Maya Johnson <Maya.Johnson@kerrvilletx.gov>; Shelley McElhannon <shelley.mcelhannon@kerrvilletx.gov>
Subject: RE: Pending Execution Contract Status Check

I'm good then.

MCH

From: Julie Behrens <julie.behrens@kerrvilletx.gov>
Sent: Friday, July 7, 2023 8:59 AM
To: Mike Hayes <[mike.hayes@kerrvilletx.gov](#)>; Maya Johnson <[Maya.Johnson@kerrvilletx.gov](#)>; Shelley McElhannon <[shelley.mcelhannon@kerrvilletx.gov](#)>
Subject: RE: Pending Execution Contract Status Check

Nothing changed. I just confirmed with Jay that this was in complete form. He said it is.

From: Mike Hayes <[mike.hayes@kerrvilletx.gov](#)>
Sent: Friday, July 7, 2023 7:38 AM
To: Maya Johnson <[Maya.Johnson@kerrvilletx.gov](#)>; Shelley McElhannon <[shelley.mcelhannon@kerrvilletx.gov](#)>
Cc: Julie Behrens <[julie.behrens@kerrvilletx.gov](#)>
Subject: RE: Pending Execution Contract Status Check

I'm not sure what changed – other than adding the specific numbers?

Thx.

MCH

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Sent: Wednesday, July 5, 2023 8:43 AM
To: Mike Hayes <[mike.hayes@kerrvilletx.gov](#)>; Shelley McElhannon <[shelley.mcelhannon@kerrvilletx.gov](#)>
Cc: Julie Behrens <[julie.behrens@kerrvilletx.gov](#)>
Subject: FW: Pending Execution Contract Status Check

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Executive Office Coordinator

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Subject: RE: Pending Execution Contract Status Check

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Subject: Pending Execution Contract Status Check

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Thanks

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Mayor's Public Health Taskforce Recommendation	MOU/CSA	EAH
Ricoh Library Printer Lease	Agreement	CT
Bureau Vertias Base Parcel Base Map Extension	Amendment	JY
MUA TxDOT construct & maintain Art in Public Places with State ROW	Reso & Contract	KB/AB
Aqua Texas CCN amendment	Agreement	MCH
Maxey Energy-Fleet Fuel Purchase	Contract	GG
Revenue Bond Sale	Ord	JB
BTP (D-BAT) Commercial Lease Amendment	Contract	AB
SHI DIR Microsoft Software	Contract	CT
Brightly-Pavement Management Plan Software	Contract	DB

Maya Johnson

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