

# SAMCO CAPITAL MARKETS, INC.

## CLOSING MEMO

\$3,720,000

### CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

Date: September 8, 2016

To: Attached Distribution List

From: Mark M. McLiney  
Andrew T. Friedman  
SAMCO Capital Markets, Inc.  
(210) 832-9760

1. The closing time and date for the above referenced issue (the "Bonds") is Thursday, September 15, 2016, at 10:00 A.M., Central Time. A final debt service schedule is attached as Exhibit "A".
2. First National Bank Texas (the "Purchaser" and "Paying Agent/Registrar") will purchase the Bonds for \$3,720,000.00. There will be no accrued interest. The Purchaser will internally transfer the funds to the Paying Agent/Registrar not later than 10:00 A.M., Central Time, on Wednesday, September 15, 2016.
3. The Paying Agent/Registrar shall wire \$3,648,951.49 representing the amount to be deposited to the Escrow Fund (\$3,646,951.49) and the Escrow Agent Fee (\$2,000.00), ABA #103900036, Account #600024642, Account Name: Wealth Management Account, City of Kennedale, Texas General Obligation Refunding Bonds, Series 2016, Attn: Mr. Jose A. Gaytan (512) 813-2002.
4. The Paying Agent/Registrar shall wire \$500.00 representing the Redemption fee to Wells Fargo Bank, National Association (the "Paying Agent/Registrar for the Refunded Obligations Series 2008"), ABA: 121000248, Acct: 6355060501, BNF: GO Paying Agt & Refunding Escrow Acct, FFC: City of Kennedale 2008, Attn: Pang Yang (612) 466-7521.
5. The Paying Agent/Registrar shall wire \$300.00 representing the Redemption fee to US Bank, National Association (the "Paying Agent/Registrar for the Refunded Obligations Series 2005"), ABA: 091000022, Acct: 1-801-5013-5135, Trust Account #801687500, Invoice #4386376, Attention Mr. Brad Hounsel (972) 581-1622.
6. The Paying Agent/Registrar shall retain \$500.00 for a one-time processing fee.
7. The Paying Agent/Registrar shall wire \$13,150.00, to McCall, Parkhurst & Horton LLP (the "Bond Counsel"), representing the Bond Counsel fee, Texas Attorney General's filing fee and other expenses, to PlainsCapital Bank, 325 N. St. Paul Street, Suite 800, Dallas, Texas 75201, 214/525-4651, ABA Number: 1113-2299-4, Account Number: 4000001208 (For Credit to: McCall, Parkhurst & Horton L.L.P. Operating Account), Reference Number: 1365.010.
8. The Paying Agent/Registrar shall wire \$56,598.51 from the proceeds of the Bonds, to SAMCO Capital Markets, Inc. for certain of the fees and expenses associated with the legal authorization and issuance of the Bonds, to Wells Fargo Bank, N.A., San Francisco, Account Name: SAMCO Capital Markets, Inc., Account # 2000019286402, ABA Routing # 121000248, Issue Name: City of Kennedale, Texas General Obligation Refunding Bonds, Series 2016, F/C: San Antonio Public Finance #422.01, Attn: Georgia A. Bosworth (512) 344-7463.

#### Receipts

Par Amount of the Notes	<u>\$ 3,720,000.00</u>
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#### Disbursement of Funds

Escrow Fund Deposit	\$ 3,648,951.49
Wells Fargo Redemption Fee	500.00
U.S. Bank Redemption Fee	300.00
Paying Agent Registrar one-time fee	500.00
Bond Counsel Fee	13,150.00
Cost of Issuance	<u>56,598.51</u>
Total Disbursements	<u>\$ 3,720,000.00</u>

**\$3,720,000**  
**City of Kennedale, Texas**  
**General Obligation Refunding Bonds, Series 2016**  
**Distribution List**

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**ISSUER**

Mr. Bob Hart  
City Manager  
Ms. Krystal Crump  
Finance Director  
**City of Kennedale**  
405 Municipal Drive  
Kennedale, Texas 76060

Telephone: (817) 985-2105  
[bhart@cityofkennedale.com](mailto:bhart@cityofkennedale.com)  
[kerump@cityofkennedale.com](mailto:kerump@cityofkennedale.com)

**PURCHASER/PAYING AGENT/REGISTRAR**

Mr. Joe Burnett  
Mr. Ty Molyneaux  
**First National Bank of Texas**  
211 Highland Cross Drive, Suite 270  
Houston, Texas 77073

Telephone: (254) 554-4204  
[joe.burnett@fstnb.com](mailto:joe.burnett@fstnb.com)  
[Ty.molyneaux@fstnb.com](mailto:Ty.molyneaux@fstnb.com)

**VERIFICATION AGENT**

Mr. Craig DeBerg  
**Barthe & Wahrman, PA**  
3601 Minnesota Drive, Suite 510  
Bloomington, MN 55435

Telephone: (612) 963-6160  
[cdeberg@barthe CPA.com](mailto:cdeberg@barthe CPA.com)

**ESCROW AGENT**

Mr. Jose Gaytan  
Ms. Ann Marie Hansen  
Ms. Rachel Roy  
BOKF, NA  
100 Congress, Suite 250  
Austin, Texas 78701

Telephone: (512) 813-2002  
[jgaytan@bankoftexas.com](mailto:jgaytan@bankoftexas.com)  
[ahansen@bankoftexas.com](mailto:ahansen@bankoftexas.com)  
[rroy@bankoftexas.com](mailto:rroy@bankoftexas.com)

**FINANCIAL ADVISOR**

Mr. Mark M. McLiney  
Mr. Andrew T. Friedman  
**SAMCO Capital Markets, Inc.**  
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[mhamilton@samcocapital.com](mailto:mhamilton@samcocapital.com)

**BOND COUNSEL**

Mr. Tom Spurgeon  
Ms. Kathy Cooper  
Mr. Jay Juarez  
**McCall, Parkhurst & Horton L.L.P.**  
700 N St. Mary's, Suite 1525  
San Antonio, Texas 78205

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[kcooper@mphlegal.com](mailto:kcooper@mphlegal.com)  
[ojiuarez@mphlegal.com](mailto:ojiuarez@mphlegal.com)

**PAYING AGENT/REGISTRAR FOR THE  
2005 REFUNDED BONDS**

Mr. Brad Hounsel  
**US Bank National Association**  
13737 Noel Road, Suite 800  
Dallas, Texas 75240

Telephone: (972) 581-1622  
[brad.hounsel@usbank.com](mailto:brad.hounsel@usbank.com)

**PAYING AGENT/REGISTRAR FOR THE  
2008 REFUNDED BONDS**

Pang Yang  
**Wells Fargo Bank, National Association**  
625 Marquette Ave, 11th Floor  
Minneapolis, MN 55402

Telephone: (612) 466-7521  
[pang.yang3@wellsfargo.com](mailto:pang.yang3@wellsfargo.com)

SUMMARY OF BONDS REFUNDED

City of Kennedale, Texas  
 General Obligation Refunding Bonds, Series 2016  
 First National Bank Texas  
 Winning Bid

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Certificates of Obligation, Series 2005, CO05:					
CIB	02/15/2017	3.900%	40,000.00	09/20/2016	100.000
	02/15/2018	3.900%	40,000.00	09/20/2016	100.000
	02/15/2019	4.100%	45,000.00	09/20/2016	100.000
	02/15/2020	4.100%	45,000.00	09/20/2016	100.000
	02/15/2021	4.100%	45,000.00	09/20/2016	100.000
	02/15/2022	4.300%	50,000.00	09/20/2016	100.000
	02/15/2023	4.300%	50,000.00	09/20/2016	100.000
	02/15/2024	4.300%	55,000.00	09/20/2016	100.000
	02/15/2025	4.400%	55,000.00	09/20/2016	100.000
	02/15/2026	4.400%	60,000.00	09/20/2016	100.000
			485,000.00		
Certificates of Obligation, Series 2008, CO08:					
CR	02/15/2019	4.000%	170,000.00	02/15/2018	100.000
	02/15/2020	4.000%	180,000.00	02/15/2018	100.000
	02/15/2021	4.250%	185,000.00	02/15/2018	100.000
	02/15/2022	4.250%	195,000.00	02/15/2018	100.000
	02/15/2023	4.400%	205,000.00	02/15/2018	100.000
	02/15/2024	4.400%	215,000.00	02/15/2018	100.000
	02/15/2025	4.500%	220,000.00	02/15/2018	100.000
	02/15/2026	4.500%	230,000.00	02/15/2018	100.000
	02/15/2027	4.650%	230,000.00	02/15/2018	100.000
	02/15/2028	4.650%	245,000.00	02/15/2018	100.000
DPR	02/15/2019	4.000%	75,000.00	02/15/2018	100.000
	02/15/2020	4.000%	80,000.00	02/15/2018	100.000
	02/15/2021	4.250%	80,000.00	02/15/2018	100.000
	02/15/2022	4.250%	85,000.00	02/15/2018	100.000
	02/15/2023	4.400%	90,000.00	02/15/2018	100.000
	02/15/2024	4.400%	95,000.00	02/15/2018	100.000
	02/15/2025	4.500%	95,000.00	02/15/2018	100.000
	02/15/2026	4.500%	100,000.00	02/15/2018	100.000
	02/15/2027	4.650%	105,000.00	02/15/2018	100.000
	02/15/2028	4.650%	110,000.00	02/15/2018	100.000
			2,990,000.00		
			3,475,000.00		

SOURCES AND USES OF FUNDS

City of Kennedale, Texas  
General Obligation Refunding Bonds, Series 2016  
First National Bank Texas  
Winning Bid

Dated Date 09/15/2016  
Delivery Date 09/15/2016

Sources:

Bond Proceeds:	
Par Amount	3,720,000.00
	<u>3,720,000.00</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	486,981.47
SLGS Purchases	<u>3,159,970.00</u>
	3,646,951.47
Cost of Issuance:	
Other Cost of Issuance	73,048.53
	<u>3,720,000.00</u>

BOND PRICING

City of Kennedale, Texas  
 General Obligation Refunding Bonds, Series 2016  
 First National Bank Texas  
 Winning Bid

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	02/15/2017	95,000	1.790%	1.790%	100.000
	02/15/2018	90,000	1.790%	1.790%	100.000
	02/15/2019	340,000	1.790%	1.790%	100.000
	02/15/2020	350,000	1.790%	1.790%	100.000
	02/15/2021	345,000	1.790%	1.790%	100.000
	02/15/2022	360,000	1.790%	1.790%	100.000
	02/15/2023	365,000	1.790%	1.790%	100.000
	02/15/2024	375,000	1.790%	1.790%	100.000
	02/15/2025	375,000	1.790%	1.790%	100.000
	02/15/2026	385,000	1.790%	1.790%	100.000
	02/15/2027	315,000	1.790%	1.790%	100.000
	02/15/2028	325,000	1.790%	1.790%	100.000
		3,720,000			

Dated Date	09/15/2016	
Delivery Date	09/15/2016	
First Coupon	02/15/2017	
Par Amount	3,720,000.00	
Original Issue Discount		
Production	3,720,000.00	100.000000%
Underwriter's Discount		
Purchase Price	3,720,000.00	100.000000%
Accrued Interest		
Net Proceeds	3,720,000.00	

**SAMCO CAPITAL MARKETS, INC.**

**BOND DEBT SERVICE**

City of Kennedale, Texas  
 General Obligation Refunding Bonds, Series 2016  
 First National Bank Texas  
 Winning Bid

Dated Date 09/15/2016  
 Delivery Date 09/15/2016

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/15/2017	95,000	1.790%	27,745.00	122,745.00	
08/15/2017			32,443.75	32,443.75	
09/30/2017					155,188.75
02/15/2018	90,000	1.790%	32,443.75	122,443.75	
08/15/2018			31,638.25	31,638.25	
09/30/2018					154,082.00
02/15/2019	340,000	1.790%	31,638.25	371,638.25	
08/15/2019			28,595.25	28,595.25	
09/30/2019					400,233.50
02/15/2020	350,000	1.790%	28,595.25	378,595.25	
08/15/2020			25,462.75	25,462.75	
09/30/2020					404,058.00
02/15/2021	345,000	1.790%	25,462.75	370,462.75	
08/15/2021			22,375.00	22,375.00	
09/30/2021					392,837.75
02/15/2022	360,000	1.790%	22,375.00	382,375.00	
08/15/2022			19,153.00	19,153.00	
09/30/2022					401,528.00
02/15/2023	365,000	1.790%	19,153.00	384,153.00	
08/15/2023			15,886.25	15,886.25	
09/30/2023					400,039.25
02/15/2024	375,000	1.790%	15,886.25	390,886.25	
08/15/2024			12,530.00	12,530.00	
09/30/2024					403,416.25
02/15/2025	375,000	1.790%	12,530.00	387,530.00	
08/15/2025			9,173.75	9,173.75	
09/30/2025					396,703.75
02/15/2026	385,000	1.790%	9,173.75	394,173.75	
08/15/2026			5,728.00	5,728.00	
09/30/2026					399,901.75
02/15/2027	315,000	1.790%	5,728.00	320,728.00	
08/15/2027			2,908.75	2,908.75	
09/30/2027					323,636.75
02/15/2028	325,000	1.790%	2,908.75	327,908.75	
09/30/2028					327,908.75
	3,720,000		439,534.50	4,159,534.50	4,159,534.50

**SAMCO CAPITAL MARKETS, INC.**

**SAVINGS**

City of Kennedale, Texas  
 General Obligation Refunding Bonds, Series 2016  
 First National Bank Texas  
 Winning Bid

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 09/15/2016 @ 1.7900898%
09/30/2017	190,692.50	155,188.75	35,503.75	34,866.75
09/30/2018	189,132.50	154,082.00	35,050.50	33,808.72
09/30/2019	432,530.00	400,233.50	32,296.50	30,597.25
09/30/2020	435,585.00	404,058.00	31,527.00	29,357.71
09/30/2021	427,908.75	392,837.75	35,071.00	32,143.32
09/30/2022	434,330.00	401,528.00	32,802.00	29,545.98
09/30/2023	434,740.00	400,039.25	34,700.75	30,751.69
09/30/2024	439,172.50	403,416.25	35,756.25	31,169.44
09/30/2025	427,872.50	396,703.75	31,168.75	26,708.09
09/30/2026	430,830.00	399,901.75	30,928.25	26,072.74
09/30/2027	359,296.25	323,636.75	35,659.50	29,578.47
09/30/2028	363,253.75	327,908.75	35,345.00	28,838.10
	4,565,343.75	4,159,534.50	405,809.25	363,438.25

Savings Summary

PV of savings from cash flow	363,438.25
Net PV Savings	363,438.25

SUMMARY OF REFUNDING RESULTS

City of Kennedale, Texas  
General Obligation Refunding Bonds, Series 2016  
First National Bank Texas  
Winning Bid

Dated Date	09/15/2016
Delivery Date	09/15/2016
Arbitrage yield	1.790090%
Escrow yield	0.607393%
Value of Negative Arbitrage	51,055.38
Bond Par Amount	3,720,000.00
True Interest Cost	1.790090%
Net Interest Cost	1.790000%
All-In TIC	2.114883%
Average Coupon	1.790000%
Average Life	6.601
Par amount of refunded bonds	3,475,000.00
Average coupon of refunded bonds	4.449179%
Average life of refunded bonds	6.971
PV of prior debt to 09/15/2016 @ 1.790090%	4,083,438.25
Net PV Savings	363,438.25
Percentage savings of refunded bonds	10.458655%

**ESCROW AGREEMENT**

Relating to the Refunding of

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**CITY OF KENNEDALE, TEXAS**

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2005**

(Maturing on February 15 in the years 2018, 2021, 2024 and 2026)

and

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2008**

(Maturing on February 15 in the years 2019, 2020, 2022, 2024, 2026 and 2028)

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***THIS ESCROW AGREEMENT***, dated as of September 1, 2016 (herein, together with any amendments or supplements hereto, called this "***Agreement***") is entered into by and between the **CITY OF KENNEDALE, TEXAS** (herein called the "***Issuer***") and **BOKF, NA**, Austin, Texas, as escrow agent (herein, together with any successor in such capacity, called the "***Escrow Agent***"). The addresses of the Issuer and the Escrow Agent are shown on ***Exhibit A*** attached hereto and made a part hereof.

W I T N E S S E T H:

***WHEREAS***, the Issuer heretofore issued and there presently remain outstanding the obligations (collectively, the "***Refunded Obligations***") described in verification report provided by \_\_\_\_\_ relating to the Refunded Obligations (the "***Report***"), which is attached hereto as ***Exhibit B*** and made a part hereof; and

***WHEREAS***, the Refunded Obligations are scheduled to mature in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in the Report; and

***WHEREAS***, when firm banking arrangements have been made for the payment of principal and interest to the maturity or redemption dates of the Refunded Obligations, then the Refunded Obligations shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

***WHEREAS***, Chapter 1207, Texas Government Code, as amended ("***Chapter 1207***"), authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Obligations, or with another trust company or commercial bank that does not act as a depository for the Issuer, in an amount sufficient to provide for the payment and/or redemption of the Refunded Obligations, and such deposit, if made before such payment dates, shall constitute the

making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Obligations; and

**WHEREAS**, Chapter 1207 (specifically Section 1207.062, Texas Government Code) further authorizes the Issuer to enter into an escrow agreement with (i) any paying agent for the Refunded Obligations, or (ii) another trust company or commercial bank that does not act as a depository for the Board and is named in the proceedings authorizing such escrow agreement, with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent, trust company or commercial bank may agree; provided that such deposits may be invested and reinvested in direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, which mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or redemption of the Refunded Obligations; and

**WHEREAS**, *U.S. Bank National Association* currently serves as the paying agent for the Refunded Obligations; however, as permitted by Section 1207.062, Texas Government Code, the Issuer has appointed **BOKF, NA**, which is a commercial bank that does not act as a depository for the Issuer, to serve as the escrow agent in connection with refunding and defeasing the Refunded Obligations; and

**WHEREAS**, Chapter 1207 makes it the duty of the Escrow Agent to comply with the terms of this Agreement and timely make available to the paying agents for the respective Refunded Obligations the amounts required to provide for the payment of the principal of, premium, if any, and interest on such Refunded Obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

**WHEREAS**, the **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016** (the "**Refunding Bonds**") have been issued, sold and delivered for the purpose, among others, of obtaining the funds required to provide for the payment of the principal of the Refunded Obligations at their respective maturity dates or dates of redemption and the interest thereon to such dates; and

**WHEREAS**, the Issuer desires that, concurrently with the delivery of the Refunding Bonds to the purchasers thereof, certain proceeds of the Refunding Bonds, together with certain other available funds of the Issuer, if applicable, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

**WHEREAS**, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Obligations as it accrues and becomes payable and the principal of the Refunded Obligations on their maturity dates or dates of redemption; and

**WHEREAS**, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Issuer desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

**NOW, THEREFORE**, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Obligations, the Issuer and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

## **ARTICLE I**

### **DEFINITIONS AND INTERPRETATIONS**

**SECTION 1.01. DEFINITIONS.** Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"**Code**" means the Internal Revenue Code of 1986, as amended, or to the extent applicable the Internal Revenue Code of 1954, together with any other applicable provisions of any successor federal income tax laws.

"**Escrow Fund**" means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

"**Escrowed Securities**" means the direct noncallable, not pre-payable United States Treasury obligations and obligations the due timely payment of which is unconditionally guaranteed by the United States of America described in the Report or cash or other direct obligations of the United States of America substituted therefor pursuant to Article IV of this Agreement.

**SECTION 1.02. OTHER DEFINITIONS.** The terms "Agreement," "Escrow Agent," "Issuer," "Refunded Obligations," "Refunding Bonds," and "Report," when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

**SECTION 1.03. INTERPRETATIONS.** The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Obligations in accordance with applicable law.

## ARTICLE II

### **DEPOSIT OF FUNDS AND ESCROWED SECURITIES**

**SECTION 2.01. DEPOSITS IN THE ESCROW FUND.** Concurrently with the sale and delivery of the Refunding Bonds the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in the Report, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing.

## ARTICLE III

### **CREATION AND OPERATION OF ESCROW FUND**

**SECTION 3.01. ESCROW FUND.** The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the *City of Kennedale, Texas General Obligation Refunding Bonds, Series 2016 Escrow Fund* (the "***Escrow Fund***"). The Escrow Agent hereby agrees that upon receipt thereof it will irrevocably deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in the Report. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

**SECTION 3.02. PAYMENT OF PRINCIPAL AND INTEREST.** The Escrow Agent is hereby irrevocably instructed to transfer from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Obligations at their respective maturity dates and interest thereon to such maturity dates in the amounts and at the times shown in the Report.

**SECTION 3.03. SUFFICIENCY OF ESCROW FUND.** The Issuer represents (based solely on the Report) that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to each paying agent at the times and in the amounts required to pay the interest on the Refunded Obligations as such interest comes due and the principal of the Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by each place of payment (paying agent) for the Refunded Obligations to make the payments set forth in Section 3.02 hereof, notice of any such insufficiency shall be given to the Issuer by the Escrow Agent as promptly as

practicable as hereinafter provided, but neither the Escrow Agent nor the Issuer shall in any manner be responsible for any insufficiency of funds in the Escrow Fund.

**SECTION 3.04. TRUST FUND.** The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as an Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly herein provided, by any paying agent for the Refunded Obligations.

**SECTION 3.05. SECURITY FOR CASH BALANCES.** Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

## **ARTICLE IV**

### **LIMITATION ON INVESTMENTS**

**SECTION 4.01. GENERAL REINVESTMENT RESTRICTION.** Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

**SECTION 4.02. REINVESTMENT OF CERTAIN CASH BALANCES IN ESCROW BY ESCROW AGENT.** In addition to the Escrowed Securities listed in the Report, the Escrow Agent shall reinvest cash balances shown in the Report in United States Treasury Certificates of Indebtedness, Notes or Bonds - State and Local Government Series with an interest rate equal to zero percent (0%) (the "Zero SLGs") to the extent such Obligations are available from the Department of Treasury. All such re-investments shall be made only from the portion of cash balances derived from the maturing principal of and interest on any Escrowed Securities. Unless otherwise instructed by the Issuer in accordance with Section 4.03 hereof, the Escrow Agent shall acquire any Zero SLGs on the dates the Escrowed Securities listed in the Report mature, as shown in the Report, (or on the first date any

Zero SLGs become available thereafter. The Escrow Agent shall purchase Zero SLGs that mature on the dates shown in the Report.

**SECTION 4.03. SUBSTITUTIONS AND REINVESTMENTS.** At the discretion of the Issuer, the Escrow Agent shall reinvest cash balances representing receipts from the Escrowed Securities, make substitutions of the Escrowed Securities or redeem the Escrowed Securities and reinvest the proceeds thereof or hold such proceeds as cash, together with other moneys or securities held in the Escrow Fund provided that the Issuer delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund (which shall be noncallable, not pre-payable direct obligations of the United States of America), together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with the Report, the principal of, interest on and premium, if any, on the Refunded Obligations which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such substitution or reinvestment will not cause the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the Refunded Obligations subject to federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Obligations.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

**SECTION 4.04. SUBSTITUTION FOR ESCROWED SECURITIES.** Concurrently with the initial deposit by the Issuer with the Escrow Agent, but not thereafter, the Issuer, at its option, may substitute cash or non-interest bearing direct noncallable and not pre-payable obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for non-interest bearing Escrowed Securities, if any, but only if such Substitute Obligations

- (a) are in an amount, and/or mature in an amount, which is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted,
- (b) mature on or before the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted, and

- (c) produce the amount necessary to pay the interest on and principal of the Refunded Obligations, as set forth in the Report, as verified by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the Issuer with the Escrow Agent, any such Substitute Obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such Substitute Obligations the same Escrowed Securities for which such Substitute Obligations originally were substituted.

**SECTION 4.05. ARBITRAGE.** The Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Bonds or Refunded Obligations to be an "arbitrage bond" within the meaning of the Code.

## **ARTICLE V**

### **APPLICATION OF CASH BALANCES**

**SECTION 5.01. IN GENERAL.** Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund.

## **ARTICLE VI**

### **RECORDS AND REPORTS**

**SECTION 6.01. RECORDS.** The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the owners of the Refunded Obligations.

**SECTION 6.02. REPORTS.** While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

## ARTICLE VII

### CONCERNING THE PAYING AGENTS AND ESCROW AGENT

**SECTION 7.01. REPRESENTATIONS.** The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

**SECTION 7.02. LIMITATION ON LIABILITY.** The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor any paying agent for the Refunded Obligations shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer as promptly as practicable of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding Bonds or the Refunded Obligations and is not responsible for nor bound by any of the provisions thereof (except as the paying agent for the Refunding Bonds). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with

others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

**SECTION 7.03. COMPENSATION.** (a) Concurrently with the sale and delivery of the Refunding Bonds, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$\_\_\_\_\_, the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) The Issuer covenants to timely pay for all future paying agency services of the respective paying agent for the Refunded Obligations in accordance with the paying agent fee schedule now or hereafter in effect through the final payment of the Refunded Obligations. In the event the Issuer fails to pay the paying agent fee relating to the Refunded Obligations when due, such paying agent's sole remedy, as paying agent for such Refunded Obligations, for nonpayment shall be in accordance with the terms of the paying agent agreement relating to the Refunded Obligations, and no funds held in the Escrow Fund shall be available to pay such paying agent fees.

**SECTION 7.04. SUCCESSOR ESCROW AGENTS.** If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, authorized under Texas law to act as an escrow agent, having its principal office and place of business in the State of Texas, having a combined capital and surplus of at least \$5,000,000 and subject to the supervision or examination by Federal or State authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trust hereby created by giving not less than sixty (60) days' written notice to the Issuer and publishing notice thereof, specifying the date when such resignation will take effect, in a newspaper printed in the English language and with general circulation in New York, New York, such publication to be made once at least three (3) weeks prior to the date when the resignation is to take effect. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the owners of the Refunded Obligations or by the Issuer as herein provided and such successor Escrow Agent shall be a paying agent for certain of the Refunded Obligations or shall otherwise be permitted by law to serve in such capacity and shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

Under any circumstances, the Escrow Agent shall pay over to its successor Escrow Agent proportional parts of the Escrow Agent's fee and, if applicable, its paying agent's fee hereunder.

## **ARTICLE VIII**

### **MISCELLANEOUS**

**SECTION 8.01. NOTICE.** Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Issuer or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof. Prior written notice of any amendment to this Agreement contemplated pursuant to Section 8.08 and immediate written notice of any incidence of a severance pursuant to Section 8.04 shall be sent to each of the following rating agencies, but only if such rating agency is then maintaining a rating on the Refunded Obligations or the Refunding Bonds: (i) Fitch Ratings, One State Street Plaza, New York, New York 10004, (ii) Moody's Investors Service, Attn: Public Finance Rating Desk/Refunded Obligations, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and (iii) Standard & Poor's Ratings Services, Attn: Municipal Bond Department, 55 Water Street, New York, New York 10041.

**SECTION 8.02. TERMINATION OF RESPONSIBILITIES.** Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, the owners of the Refunded Obligations or to any other person or persons in connection with this Agreement.

**SECTION 8.03. BINDING AGREEMENT.** This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Obligations, the Issuer, the Escrow Agent and their respective successors and legal representatives.

**SECTION 8.04. SEVERABILITY.** In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

**SECTION 8.05. TEXAS LAW GOVERNS.** This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

**SECTION 8.06. TIME OF THE ESSENCE.** Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

**SECTION 8.07. EFFECTIVE DATE OF AGREEMENT.** This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in the Report and the Escrowed Securities, together with the specific sums stated in subsections (a) and (b) of Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

**SECTION 8.08. AMENDMENTS.** This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Obligations.

*[The remainder of this page intentionally left blank]*

EXECUTED as of the date first written above.

**CITY OF KENNEDALE, TEXAS**

By \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

**BOKF, NA**

\_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**ADDRESSES OF THE ISSUER AND THE ESCROW AGENT**

**ISSUER**

City of Kennedale, Texas  
405 Municipal Drive  
Kennedale, Texas 76060  
Attention: Finance Director

**ESCROW AGENT**

BOKF, NA  
100 Congress Avenue, Suite 250  
Austin, Texas 78701  
Attention: Corporate Trust Services

**EXHIBIT B**

**REPORT**

*[The Report is omitted at this point as it appears elsewhere in this  
Transcript of Proceedings]*

# SAMCO CAPITAL MARKETS, INC.

## CLOSING MEMO

**\$3,720,000**

### **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

Date: September 8, 2016

To: Attached Distribution List

From: Mark M. McLiney  
Andrew T. Friedman  
SAMCO Capital Markets, Inc.  
(210) 832-9760

1. The closing time and date for the above referenced issue (the "Bonds") is Thursday, September 15, 2016, at 10:00 A.M., Central Time. A final debt service schedule is attached as Exhibit "A".
2. First National Bank Texas (the "Purchaser" and "Paying Agent/Registrar") will purchase the Bonds for \$3,720,000.00. There will be no accrued interest. The Purchaser will internally transfer the funds to the Paying Agent/Registrar not later than 10:00 A.M., Central Time, on Wednesday, September 15, 2016.
3. The Paying Agent/Registrar shall wire \$3,648,951.49 representing the amount to be deposited to the Escrow Fund (\$3,646,951.49) and the Escrow Agent Fee (\$2,000.00), ABA #103900036, Account #600024642, Account Name: Wealth Management Account, City of Kennedale, Texas General Obligation Refunding Bonds, Series 2016, Attn: Mr. Jose A. Gaytan (512) 813-2002.
4. The Paying Agent/Registrar shall wire \$500.00 representing the Redemption fee to Wells Fargo Bank, National Association (the "Paying Agent/Registrar for the Refunded Obligations Series 2008"), ABA: 121000248, Acct: 6355060501, BNF: GO Paying Agt & Refunding Escrow Acct, FFC: City of Kennedale 2008, Attn: Pang Yang (612) 466-7521.
5. The Paying Agent/Registrar shall wire \$300.00 representing the Redemption fee to US Bank, National Association (the "Paying Agent/Registrar for the Refunded Obligations Series 2005"), ABA: 091000022, Acct: 1-801-5013-5135, Trust Account #801687500, Invoice #4386376, Attention Mr. Brad Hounsel (972) 581-1622.
6. The Paying Agent/Registrar shall retain \$500.00 for a one-time processing fee.
7. The Paying Agent/Registrar shall wire \$13,150.00, to McCall, Parkhurst & Horton LLP (the "Bond Counsel"), representing the Bond Counsel fee, Texas Attorney General's filing fee and other expenses, to PlainsCapital Bank, 325 N. St. Paul Street, Suite 800, Dallas, Texas 75201, 214/525-4651, ABA Number: 1113-2299-4, Account Number: 4000001208 (For Credit to: McCall, Parkhurst & Horton L.L.P. Operating Account), Reference Number: 1365.010.
8. The Paying Agent/Registrar shall wire \$56,598.51 from the proceeds of the Bonds, to SAMCO Capital Markets, Inc. for certain of the fees and expenses associated with the legal authorization and issuance of the Bonds, to Wells Fargo Bank, N.A., San Francisco, Account Name: SAMCO Capital Markets, Inc., Account # 2000019286402, ABA Routing # 121000248, Issue Name: City of Kennedale, Texas General Obligation Refunding Bonds, Series 2016, F/C: San Antonio Public Finance #422.01, Attn: Georgia A. Bosworth (512) 344-7463.

#### Receipts

Par Amount of the Notes	<u>\$ 3,720,000.00</u>
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#### Disbursement of Funds

Escrow Fund Deposit	\$ 3,648,951.49
Wells Fargo Redemption Fee	500.00
U.S. Bank Redemption Fee	300.00
Paying Agent Registrar one-time fee	500.00
Bond Counsel Fee	13,150.00
Cost of Issuance	<u>56,598.51</u>
Total Disbursements	<u>\$ 3,720,000.00</u>

BOND DEBT SERVICE

City of Kennedale, Texas  
 General Obligation Refunding Bonds, Series 2016  
 First National Bank Texas  
 Winning Bid

Dated Date 09/15/2016  
 Delivery Date 09/15/2016

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/15/2017	95,000	1.790%	27,745.00	122,745.00	
08/15/2017			32,443.75	32,443.75	
09/30/2017					155,188.75
02/15/2018	90,000	1.790%	32,443.75	122,443.75	
08/15/2018			31,638.25	31,638.25	
09/30/2018					154,082.00
02/15/2019	340,000	1.790%	31,638.25	371,638.25	
08/15/2019			28,595.25	28,595.25	
09/30/2019					400,233.50
02/15/2020	350,000	1.790%	28,595.25	378,595.25	
08/15/2020			25,462.75	25,462.75	
09/30/2020					404,058.00
02/15/2021	345,000	1.790%	25,462.75	370,462.75	
08/15/2021			22,375.00	22,375.00	
09/30/2021					392,837.75
02/15/2022	360,000	1.790%	22,375.00	382,375.00	
08/15/2022			19,153.00	19,153.00	
09/30/2022					401,528.00
02/15/2023	365,000	1.790%	19,153.00	384,153.00	
08/15/2023			15,886.25	15,886.25	
09/30/2023					400,039.25
02/15/2024	375,000	1.790%	15,886.25	390,886.25	
08/15/2024			12,530.00	12,530.00	
09/30/2024					403,416.25
02/15/2025	375,000	1.790%	12,530.00	387,530.00	
08/15/2025			9,173.75	9,173.75	
09/30/2025					396,703.75
02/15/2026	385,000	1.790%	9,173.75	394,173.75	
08/15/2026			5,728.00	5,728.00	
09/30/2026					399,901.75
02/15/2027	315,000	1.790%	5,728.00	320,728.00	
08/15/2027			2,908.75	2,908.75	
09/30/2027					323,636.75
02/15/2028	325,000	1.790%	2,908.75	327,908.75	
09/30/2028					327,908.75
	3,720,000		439,534.50	4,159,534.50	4,159,534.50

**\$3,720,000**  
**City of Kennedale, Texas**  
**General Obligation Refunding Bonds, Series 2016**  
**Distribution List**

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**ISSUER**

Mr. Bob Hart  
City Manager  
Ms. Krystal Crump  
Finance Director  
**City of Kennedale**  
405 Municipal Drive  
Kennedale, Texas 76060

Telephone: (817) 985-2105  
[bhart@cityofkennedale.com](mailto:bhart@cityofkennedale.com)  
[kcrump@cityofkennedale.com](mailto:kcrump@cityofkennedale.com)

**PURCHASER/PAYING AGENT/REGISTRAR**

Mr. Joe Burnett  
Mr. Ty Molyneaux  
**First National Bank of Texas**  
211 Highland Cross Drive, Suite 270  
Houston, Texas 77073

Telephone: (254) 554-4204  
[Joe.burnett@1stnb.com](mailto:Joe.burnett@1stnb.com)  
[Ty.molyneaux@1stnb.com](mailto:Ty.molyneaux@1stnb.com)

**VERIFICATION AGENT**

Mr. Craig DeBerg  
**Barthe & Wahrman, PA**  
3601 Minnesota Drive, Suite 510  
Bloomington, MN 55435

Telephone: (612) 963-6160  
[cdeberg@barthe CPA.com](mailto:cdeberg@barthe CPA.com)

**ESCROW AGENT**

Mr. Jose Gaytan  
Ms. Ann Marie Hansen  
Ms. Rachel Roy  
BOKF, NA  
100 Congress, Suite 250  
Austin, Texas 78701

Telephone: (512) 813-2002  
[jgaytan@bankoftexas.com](mailto:jgaytan@bankoftexas.com)  
[ahansen@bankoftexas.com](mailto:ahansen@bankoftexas.com)  
[rroy@bankoftexas.com](mailto:rroy@bankoftexas.com)

**FINANCIAL ADVISOR**

Mr. Mark M. McLiney  
Mr. Andrew T. Friedman  
**SAMCO Capital Markets, Inc.**  
1020 NE Loop 410, Suite 640  
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# SAMCO CAPITAL MARKETS, INC.

Mr. Bob Hart  
City Manager  
City of Kennedale  
405 Municipal Drive  
Kennedale, Texas 76060

## STATEMENT

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For Financial Advisor services rendered and expenses incurred in connection with the legal authorization and issuance of \$3,720,000 City of Kennedale, Texas General Obligation Refunding Bonds, Series 2016

\$ 56,598.51

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## **ORDINANCE NO. 607**

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**ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF \$3,720,000 IN AGGREGATE PRINCIPAL AMOUNT OF *CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BOND, SERIES 2016*; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF ALL INSTRUMENTS AND PROCEDURES RELATED THERETO INCLUDING AN ESCROW AGREEMENT, A PAYING AGENT/REGISTRAR AGREEMENT AND A PURCHASE CONTRACT AND INVESTMENT LETTER**

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**DATE OF APPROVAL: AUGUST 15, 2016**

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**SIGNATURES**

Exhibit A	Form of Paying Agent/Registrar Agreement
Exhibit B	Written Procedures Relating to Continuing Compliance with Federal Tax Covenants
Exhibit C	Form of Escrow Agreement
Exhibit D	Form of Notice of Redemption
Exhibit E	Form of Purchase Contract and Investment Letter

**ORDINANCE NO. 607**

**ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF \$3,720,000 IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BOND, SERIES 2016; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF ALL INSTRUMENTS AND PROCEDURES RELATED THERETO INCLUDING AN ESCROW AGREEMENT, A PAYING AGENT/REGISTRAR AGREEMENT AND A PURCHASE CONTRACT AND INVESTMENT LETTER**

**THE STATE OF TEXAS** §  
**COUNTY OF TARRANT** §  
**CITY OF KENNEDALE** §

**WHEREAS**, the **CITY OF KENNEDALE, TEXAS** (the "**City**") in Tarrant County, Texas, is a political subdivision of the State of Texas operating as a home-rule city pursuant to the Texas Local Government Code and its City Charter, which was originally approved by the qualified voters of the City on January 17, 1998, and which was most recently amended by the qualified voters of the City on May 7, 2016; and

**WHEREAS**, among numerous series of bonds and certificates of obligation of the City which are secured by the full faith and credit of the City and a pledge by the City to levy ad valorem taxes sufficient to pay principal of and interest on such bonds or certificates of obligations as they become due, there are specifically outstanding the following series of obligations:

*City of Kennedale, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2005*, dated February 1, 2005, maturing February 15 in the years 2018, 2021, 2024, and 2026, currently outstanding in the principal amount of \$485,000 (the "**Series 2005 Certificates**"); and

*City of Kennedale, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008*, dated August 15, 2008, maturing February 15 in the years 2017 through 2020, and 2022, 2024, 2026, and 2028, currently outstanding in the principal amount of \$3,450,000 (the "**Series 2008 Certificates**"); and

**WHEREAS**, the City now desires to refund the following outstanding obligations:

- (i) all of the outstanding Series 2005 Certificates; and
- (ii) a portion of the Series 2008 Certificates;

which obligations are referred to collectively herein as the "**Refunded Obligations**" and are more specifically described as maturing in the years and in the respective principal amounts (aggregating \$3,935,000 in principal amount) and bearing interest as shown in the following tables:

**SERIES 2005 CERTIFICATES TO BE REFUNDED**

<b>MATURITY (FEBRUARY 15)</b>	<b>PRINCIPAL AMOUNT MATURING IN YEAR (\$)</b>	<b>PRINCIPAL AMOUNT BEING REFUNDED (\$)</b>	<b>STATED INTEREST RATE (%)</b>	<b>CUSIP No. (489332)</b>
2018	80,000	80,000	3.900	EW2
***	***	***	***	***
2021	135,000	135,000	4.100	EX0
***	***	***	***	***
2024	155,000	155,000	4.300	EY8
***	***	***	***	***
2026	115,000	115,000	4.400	EZ5

**SERIES 2008 CERTIFICATES TO BE REFUNDED**

<b>MATURITY (FEBRUARY 15)</b>	<b>PRINCIPAL AMOUNT MATURING IN YEAR (\$)</b>	<b>PRINCIPAL AMOUNT BEING REFUNDED (\$)</b>	<b>STATED INTEREST RATE (%)</b>	<b>CUSIP No. (489332)</b>
2019	245,000	245,000	4.000	FT8
2020	260,000	260,000	4.000	FU5
***	***	***	***	***
2022	545,000	545,000	4.250	FV3
***	***	***	***	***
2024	605,000	605,000	4.400	FW1
***	***	***	***	***
2026	645,000	645,000	4.500	FX9
***	***	***	***	***
2028	690,000	690,000	4.650	FY7

**WHEREAS**, all of the Refunded Obligations mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; in particular, the Refunded Obligations and the respective ordinances which authorized the issuance of the Refunded Obligations provide that (i) the Series 2005 Certificates maturing on and after February 15, 2016 may be called at the option of the City on February 15, 2015, or any date thereafter, at par, and (ii) the Series 2008 Certificates maturing on and after February 15, 2019 may be called at the option of the City on February 15, 2018, or any date thereafter, at par; and

**WHEREAS**, Chapter 1207, Texas Government Code, as amended ("**Chapter 1207**"), authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Obligations, or with another trust company or commercial bank that does not act as a depository for the City, in an amount sufficient to provide for the payment and/or redemption of the Refunded Obligations, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Obligations; and

**WHEREAS**, Chapter 1207 (specifically Section 1207.062, Texas Government Code) further authorizes the City to enter into an escrow agreement with (i) any paying agent for the Refunded Obligations, or (ii) another trust company or commercial bank that does not act as a depository for the Board and is named in the proceedings authorizing such escrow agreement, with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the City and such paying agent, trust company or commercial bank may agree; provided that such deposits may be invested and reinvested in:

(i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States,

(ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council of the City adopts or approves this Ordinance, 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 the City Council of the Issuer adopts or approves this Order, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent,

and all of which must mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or redemption of the Refunded Obligations; and

**WHEREAS**, (i) **U.S. BANK NATIONAL ASSOCIATION**, serves as the paying agent/registrar for the Series 2005 Certificates, and (ii) **WELLS FARGO BANK, N.A.**, serves as the paying agent/registrar for the Series 2008 Certificates;

**WHEREAS**, **BOKF, NA**, which is a trust company or commercial bank that does not act as a depository for the City, is eligible to serve as the "Escrow Agent" under the "Escrow Agreement, and the City Council of the City (the "**City Council**") desires to appoint BOKF, NA to serve as the Escrow Agent for the Refunded Obligations; and

**WHEREAS**, the Escrow Agreement hereinafter authorized, under which BOKF, NA will serve as the Escrow Agent, constitutes an escrow agreement of the kind authorized and permitted by Chapter 1207; 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 bond (defined in Section 3 hereof as the "**Bond**"), the proceeds of which will be used to pay costs of issuance and refund the Refunded Obligations in order to achieve a gross debt service savings and a net present value debt service savings for the benefit of the taxpayers of the City; and

**WHEREAS**, such refunding of the Refunded Obligations will result in a gross debt service savings of \$405,809.25 and a net present value debt service savings of \$356,405.67 (i.e., 10.256% of the principal amount of the Refunded Obligations); and

**WHEREAS**, the Bond hereinafter authorized and designated is to be issued and delivered pursuant to Chapter 1207 and Chapter 1201, Texas Government Code; and

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

**THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

**SECTION 1. AMOUNT AND PURPOSE OF THE BOND.** The City's general obligation refunding bond (hereinafter sometimes called the "**Bond**") is hereby authorized to be issued in the aggregate principal amount of **\$3,720,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE CITY'S GENERAL OBLIGATION INDEBTEDNESS AND PAY COSTS OF ISSUANCE.**

**SECTION 2. DESIGNATION.** The Bond authorized to be issued by this Ordinance shall be designated the **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BOND, SERIES 2016.**

**SECTION 3. DATE, DENOMINATIONS, NUMBERS, MATURITY, AND INSTALLMENT PAYMENTS OF THE BOND.**

(a) Initially there shall be issued, sold, and delivered hereunder one fully registered Bond, without interest coupons, dated September 1, 2016, in the denomination and principal amount of **\$3,720,000**, numbered R-1, with any bond issued in replacement thereof being in the denomination and principal amount hereinafter stated and numbered consecutively from R-2 upward, payable in installments to the registered owner thereof, or to the registered assignee of said bond (in each case, the "**Registered Owner**").

(b) Principal of the Bond shall mature and be payable in installments on the dates and in the principal installment amounts and shall bear interest at the per annum rate set forth in the following schedule:

<b>Payment Date (February 15)</b>	<b>Principal Installment Amount (\$)</b>	<b>Interest Rate (%)</b>
2017	95,000	1.790
2018	90,000	1.790
2019	340,000	1.790
2020	350,000	1.790
2021	345,000	1.790
2022	360,000	1.790
2023	365,000	1.790
2024	375,000	1.790
2025	375,000	1.790
2026	385,000	1.790
2027	315,000	1.790
2028	<u>325,000</u>	1.790
Total	3,720,000	***

The term "Bond" as used in this Ordinance shall mean and include collectively the bond initially issued and delivered pursuant to this Ordinance, as well as all other substitute bonds and replacement bonds issued pursuant hereto.

**SECTION 4. INTEREST.** The Bond shall bear interest from the dates specified in the FORM OF BOND set forth in this Ordinance to date of maturity at the rate per annum set forth above. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Ordinance.

## SECTION 5. CHARACTERISTICS OF THE BOND.

(a) *Registration and Transfer; Authentication.* The City shall keep or cause to be kept at the designated corporate trust or commercial banking office (currently located in Killeen, Texas) of First National Bank Texas (the "**Paying Agent/Registrar**"), books or records for the registration of the transfer of the Bond (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 under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations and transfers as herein provided within three days of presentation in due and proper form. 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 or Mayor Pro-Tem and the 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 Bond to which payments with respect to the Bond shall be mailed, as herein provided; but it shall be the duty of the 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. 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 City shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer and delivery of a substitute Bond or Bond. Registration of assignment and transfer of a Bond shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 5(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel the paid Bond or a Bond surrendered for transfer. 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, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Bond in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of transfer of the Bond as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the transferred Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bond which initially was issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bond 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 Bond, 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 Bond, and of all transfers of the Bond, and all replacements of the Bond, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (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 (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of the Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bond (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bond to be payable only to the Registered Owner thereof, (ii) may be transferred and assigned, (iii) shall have the characteristics, (iv) shall be signed, sealed, executed and authenticated, (v) the principal of and interest on the Bond shall be payable, and (vi) shall be administered, and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Bond, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Bond initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in transfer or replacement for any 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 BOND.

(d) Substitute Paying Agent/Registrar. The City covenants with the registered Owner of the Bond that at all times while the Bond is outstanding the City will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Bond under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, but only with the prior written consent of the Registered Owner, change the Paying Agent/Registrar upon not less than 40 days written notice to the Paying Agent/Registrar, to be effective not later than 30 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, but only upon the prior written consent of the Registered Owner, 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 Bond, 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 the Registered Owner of

the Bond, 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 the Paying Agent/Registrar.

(e) On the closing date, one Initial Bond representing the entire principal amount of the Bond, payable in stated installments to the Purchaser, executed by manual or facsimile signature of the Mayor or Mayor Pro-Tem of the City and the 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 Purchaser or its designee. The Paying Agent/Registrar shall insert the date of delivery and deliver the Bond to the Purchaser.

**SECTION 6. FORM OF BOND.** The form of the Bond, 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 to the Bond initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

[The remainder of this page intentionally left blank]

(a) Form of Bond.

NO. R-1	<b>UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF TARRANT CITY OF KENNEDALE, TEXAS</b>	<b>PRINCIPAL AMOUNT \$3,720,000</b>
<b>GENERAL OBLIGATION REFUNDING BOND, SERIES 2016</b>		

<u><b>Interest Rate</b></u>	<u><b>Delivery Date</b></u>	<u><b>Maturity Date</b></u>
As shown below	September 15, 2016	As shown below

**REGISTERED OWNER: FIRST NATIONAL BANK TEXAS**

**PRINCIPAL AMOUNT: THREE MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS**

*The CITY OF KENNEDALE, TEXAS* (the "*City*"), being a political subdivision and home rule municipality of the State of Texas located in Tarrant County, Texas, for value received, hereby promises to pay, from the sources described herein, to the registered owner specified above, or registered assign (the "*Registered Owner*"), the principal amount from time to time unpaid and to pay interest thereon from the date of delivery of this Bond as specified above, at the rate per annum set forth in the table below, calculated on the basis of a 360-day year of twelve 30-day months. The principal of this Bond shall mature and be paid in installments on the dates and in the amounts set forth in the table below:

<u>Payment Date (February 15)</u>	<u>Principal Installment Amount (\$)</u>	<u>Interest Rate (%)</u>
2017	95,000	1.790
2018	90,000	1.790
2019	340,000	1.790
2020	350,000	1.790
2021	345,000	1.790
2022	360,000	1.790
2023	365,000	1.790
2024	375,000	1.790
2025	375,000	1.790
2026	385,000	1.790
2027	315,000	1.790
2028	<u>325,000</u>	1.790
Total	3,720,000	***

***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 City shall pay interest on the unpaid principal installments of this Bond on February 15, 2017, and on each February 15 and August 15 thereafter to the date of maturity thereof. The last principal installment of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity at the designated corporate trust or commercial banking office of **FIRST NATIONAL BANK TEXAS** (currently located in Killeen, Texas), which is the "***Paying Agent/Registrar***" for this Bond. The payment of all other principal installments of and interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each principal and interest payment date by check or draft, dated as of such principal and 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 this Bond (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 last business day of the month next preceding each such date (the "***Record Date***") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

***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 Bond, 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 designated corporate trust or commercial banking office of 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 DATED AS OF SEPTEMBER 1, 2016***, and is authorized and issued pursuant to and in compliance with the Constitution and laws of the State of Texas in the original aggregate principal amount of **\$3,720,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE CITY'S GENERAL OBLIGATION INDEBTEDNESS AND PAY COSTS OF ISSUANCE.**

***ON FEBRUARY 15, 2024***, or on any date thereafter, the principal installment payments of this Bond maturing on and after *February 15, 2025*, 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, at the redemption price of the principal amount of this Bond 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 this Bond within each maturity, to be redeemed.

**AT LEAST 30 DAYS** prior to the date fixed for any redemption of this Bond or portions thereof 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 this Bond to be redeemed at its address as it appeared on the Registration Books maintained by the Paying Agent/Registrar on the day such notice of redemption is mailed. The notice with respect to an optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. 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 Bond or portions thereof which are to be so redeemed. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bond or portions thereof 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 from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of this Bond shall be redeemed a substitute Bond having the same principal installment maturity dates, bearing interest at the same rates, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

**UPON THE PAYMENT OF THE OUTSTANDING** principal balance of this Bond, the Paying Agent/Registrar shall note in the Bond Registration Books the amount of such payment, the date said payment was made and the remaining unpaid principal balance of this Bond.

**THIS BOND IS ISSUED AS A FULLY REGISTERED BOND**, without interest coupons, in the denomination of the principal amount thereof. As provided in the Ordinance, this Bond may, at the request of the Registered Owner or the assignee hereof, be assigned or transferred for a like aggregate principal amount of a fully registered Bond in the denomination of the principal amount hereof, without interest coupons, payable to the Registered Owner or assignees as the case may be, having the same denomination, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures 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. The form of Assignment printed or endorsed on this Bond may be executed by the Registered

Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring or exchanging any Bond will be paid by the City. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment or transfer, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer 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.

***IN THE EVENT ANY PAYING AGENT/REGISTRAR FOR THE BOND 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 cause written notice thereof to be mailed to the Registered Owner of the Bond.

***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, and that this Bond does not exceed any constitutional or statutory limitation; that this Bond is an obligation of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, without limit as to rate or amount, all as provided in the Ordinance authorizing the Bonds.

***THE CITY HAS RESERVED THE RIGHT*** to amend the Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owner of the Bond.

***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 the 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 or Mayor Pro-Tem 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)  
City Secretary  
City of Kennedale, Texas

\_\_\_\_\_  
(signature)  
Mayor (Pro-Tem)  
City of Kennedale, Texas

(SEAL)

(b) 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 replacement of, or transferred for, a Bond of a Series 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:

**FIRST NATIONAL BANK TEXAS**  
Paying Agent/Registrar

By: \_\_\_\_\_  
Authorized Representative

[The remainder of this page intentionally left blank]

(d) Form of Assignment.

**ASSIGNMENT**  
(Please print or type clearly)

For value received, the undersigned hereby sells,  
assigns and transfers unto:

\_\_\_\_\_

Transferee's Social Security or Taxpayer  
Identification Number:

\_\_\_\_\_

Transferee's name and address, including zip code:

\_\_\_\_\_

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 an  
eligible guarantor institution participating in a  
securities transfer association recognized signature  
guarantee program.

\_\_\_\_\_  
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.

(e) 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 of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

**SECTION 7. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST.**

(a) Interest and Sinking Fund; Tax Levy. A special "*Interest and Sinking Fund*" is hereby created and shall be established and maintained by the City at an official depository bank of the City. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and the principal of the Bond. Immediately after the issuance and delivery of the Bond, all accrued interest on the Bond, if any, together with any premium on the Bond that is not used by the City to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, shall be deposited to the credit of the Interest and Sinking Fund. In addition, all ad valorem taxes levied and collected for and on account of the Bond shall be deposited, as collected, to the credit of said Interest and Sinking Fund. For each fiscal year while the Bond or interest thereon is outstanding and unpaid, the governing body of the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bond as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Bond as such principal matures (but never less than 2% of the original principal amount of the Bond as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while the Bond or interest thereon is outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund created by this Ordinance. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bond, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Bond and the pledge of the ad valorem taxes granted by the City under Section 7(a) of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bond is outstanding and unpaid such that the pledge of the ad valorem taxes granted by the City under Section 7(a) of 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 owner of the Bond 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. INVESTMENTS.** Funds on deposit in the Interest and Sinking 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 the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act at the direction of the City Manager or Finance Director of the City; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required. Income and

profits from such investments shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Bond proceeds which are required to be rebated to the United States of America pursuant to Section 13 hereof in order to prevent the Bond from being an arbitrage bond shall be so rebated and not considered as interest earnings for the purposes of this Section.

**SECTION 9. DEFEASANCE OF BOND.** (a) The 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 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 Paying Agent/Registrar 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 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 (which sufficiency shall be verified by a certified public accountant or a firm of certified public accountants), and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until the Defeased Bond shall have become due and payable. At such time as the Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, the Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem maintenance taxes 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 the foregoing, in the event the funds on deposit in the Future Escrow Agreement are deficient for any reason to pay debt service on the Defeased Bond when due, the City shall remain obligated to pay such deficiency from lawfully available and/or appropriated funds.

(b) Any moneys so deposited with the Paying Agent/Registrar 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 Paying Agent/Registrar that is not required for the payment of the Bond 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 the Defeased Bond 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 Paying Agent/Registrar which is not required for the payment of the Defeased Bond, 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) 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, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the 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, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bond.

(d) Until the Defeased Bond shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for the Defeased Bond 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.

#### **SECTION 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BOND.**

(a) Replacement Bond. In the event any outstanding 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 Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bond. Application for replacement of a damaged, mutilated, lost, stolen, or destroyed Bond shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a 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 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 Bond, as the case may be. In every case of damage or mutilation of a Bond, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such 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 such Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bond. Prior to the issuance of any replacement Bond, the Paying Agent/Registrar shall charge the Registered Owner of such 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 Bond is lost, stolen, or destroyed shall constitute a Bond of the City whether or not the lost, stolen, or destroyed 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 other Bond duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bond. In accordance with Section 1201, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the City or any other body or person, and the duty of the replacement of such Bond is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such replacement Bond in the form and manner and with the effect, as provided in Section 5(a) of this Ordinance for Bond issued in conversion and exchange of a Bond.

**SECTION 11. CUSTODY, APPROVAL, AND REGISTRATION OF BOND; BOND COUNSEL'S OPINION; AND CUSIP NUMBERS.** The Mayor of the City is hereby authorized to have control of the Bond initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bond the Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City) and the assigned CUSIP numbers may, at the option of the City, be printed on the Bond 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 Owner of the Bond. In addition, if bond insurance is obtained, the Bond may bear an appropriate legend as provided by the insurer.

**SECTION 12. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BOND.** (a) Covenants. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bond as an obligation described in section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bond or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bond, 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 Bond 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 Bond (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 Bond being treated as a "private activity bond" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bond 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 Bond, 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 Bond, other than investment property acquired with –

(A) proceeds of the Bond invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bond is 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 Bond;

(7) to otherwise restrict the use of the proceeds of the Bond or amounts treated as proceeds of the Bond, as may be necessary, so that the Bond does not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bond) 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 Bond has been paid in full, 100

percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

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

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

(d) Allocation of, and Limitation on, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the 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 City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bond, or (2) the date the Bond is retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bond. 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 City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bond. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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

(g) Designation as Qualified Tax-Exempt Obligation. The City hereby designates the Bond as a "qualified tax-exempt obligation" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) that during the calendar year in which the Bond is issued, the City (including any subordinate entities) has not designated nor will designate bonds, which when aggregated with the Bond, will result in more than \$10,000,000 of "qualified tax-exempt bonds" being issued; (b) that the City reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bond is issued, by the City (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the City will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bond will not be considered a "private activity bonds" within the meaning of section 141 of the Code.

**SECTION 13. SALE OF BOND.** The Bond is hereby initially sold and shall be delivered to **FIRST NATIONAL BANK TEXAS** (the "**Purchaser**") for cash for the par value thereof and no accrued interest, pursuant to the *Purchase Contract and Investment Letter*, attached hereto as Exhibit C, dated the date of the final passage of this Ordinance which the Mayor or Mayor Pro-Tem of the City is hereby 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 Bond as set forth in this Ordinance are in the City's best interests. The Bond initially shall be registered in the name of **FIRST NATIONAL BANK TEXAS**.

**SECTION 14. APPROVAL OF ESCROW AGREEMENT; REFUNDING OF REFUNDED OBLIGATIONS.** Concurrently with the initial delivery of the Bond the City shall deposit an amount from the proceeds from the sale of the Bond and other available funds of the City, if required, with **BOKF, NA**, as "**Escrow Agent**," sufficient to provide for the refunding of the Refunded Obligations, all in accordance with Chapter 1207. Attached hereto as Exhibit D is an Escrow Agreement between the City and the Escrow Agent, which is hereby approved in substantially final form, and the Mayor or Mayor Pro-Tem and City Secretary of the City are hereby

authorized, for and on behalf of the City, to approve any changes in the Escrow Agreement from the form attached hereto and to execute the Escrow Agreement in final form.

**SECTION 15. NOTICE OF DEFEASANCE AND REDEMPTION OF REFUNDED OBLIGATIONS.** There is attached to this Ordinance as *Exhibit E* is a *NOTICE OF DEFEASANCE AND REDEMPTION* with respect each series of the Refunded Obligations. The Refunded Obligations are hereby called for redemption on the "Redemption Date" set forth in the respective *NOTICE OF DEFEASANCE AND REDEMPTION*. As soon as practicable after the adoption of this Ordinance, a copy of each such *NOTICE OF DEFEASANCE AND REDEMPTION* shall be (i) posted with the MSRB through the EMMA system, and (ii) sent to all registered owners of the respective Refunded Obligations by first class mail postage prepaid, addressed to such registered owners at their respective addresses shown on the registration books of the paying agent/registrar for the Refunded Obligations.

**SECTION 16. FURTHER PROCEDURES.** The Mayor, Mayor Pro-Tem, City Manager, Finance Director, and City Secretary of the City 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 other 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 Bond, and the sale of the Bond. In case any officer whose signature shall appear on the Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

**SECTION 17. ORDINANCE A CONTRACT; AMENDMENTS.** The Ordinance shall constitute a contract with the Registered Owner of the Bond, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Bond remains outstanding except as permitted in this Section.

(a) The City may from time to time, without the consent of Registered Owner, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the Registered Owner, (ii) grant additional rights or security for the benefit of the Registered Owner, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the Registered Owner, (v) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (iv) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be materially inconsistent with the provisions of this Ordinance and that shall not, in the opinion of nationally-recognized bond counsel, materially adversely affect the tax-exempt status of the Bond.

(b) Except as provided in paragraph (a) above, the Registered Owner of the Bond shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the City; provided, however, that without the consent of the Registered Owner, nothing

herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Bond so as to:

- (1) Make any change in the maturity of the Bond;
- (2) Reduce the rate of interest borne by the Bond;
- (3) Reduce the amount of the principal of payable on the Bond; or
- (4) Modify the terms of payment of principal of or interest on the Bond or impose any condition with respect to such payment.

(c) If at any time the City shall desire to amend this Ordinance under Section 16(a) or (b) above, the City shall send by U.S. mail to the Registered Owner of the Bond a copy of the proposed amendment prior to its effective date.

(d) Whenever at any time within one year from the date of mailing of such notice the City shall receive an instrument or instruments executed by the Registered Owner, which instrument or instruments shall refer to the proposed amendment and which shall specifically consent to and approve such amendment, the City may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the City and Registered Owner of the Bond shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the Registered Owner of the Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the such consent and shall be conclusive and binding upon all future Registered Owners of the Bond during such period. Such consent may be revoked at any time after six months from the date of said consent by the Registered Owner who gave such consent, or by a successor in title, by filing notice with the City, but such revocation shall not be effective if the Registered Owner has, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purposes of establishing ownership of the Bond, the City shall rely solely upon the registration of the ownership of such Bond on the Registration Books kept by the Paying Agent/Registrar.

**SECTION 18. REMEDIES IN EVENT OF DEFAULT.** In addition to all 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 payment of the principal, premium, if any, or interest on the Bond, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants,

conditions or obligations set forth in this Ordinance, the Registered Owner of the Bond shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

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 remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

**SECTION 19. NO RULE 15c2-12 UNDERTAKING; ANNUAL FINANCIAL STATEMENTS.** The City has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "*Rule*") in connection with the issuance of the Bond inasmuch as the Purchaser is not acting as an "underwriter in a primary offering of municipal securities" within the meaning of the Rule. The City is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the City or the Bond; however, as long as the Bond is outstanding, the City shall provide the following to the Registered Owner:

(a) Audited financial statements of the City, to be provided within 180 days after the close of each fiscal year ending on and after August 31, 2016; and

(b) A copy of the City's annual budget within not more than 30 days after it is adopted by the City's governing body.

**SECTION 20. INTERESTED PARTIES.** Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City and the Registered Owners of the Bond, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City and the Registered Owners of the Bond.

**SECTION 21. 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 22. CHOICE OF LAW.** This Ordinance shall be governed by and construed in accordance with the laws of the State of Texas.

**SECTION 23. EFFECTIVE DATE.** Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately after its adoption.

***ADOPTED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS AT A  
REGULAR MEETING HELD ON THE 15<sup>TH</sup> DAY OF AUGUST, 2016.***

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Mayor, City of Kennedale, Texas

ATTEST:

---

City Secretary, City of Kennedale, Texas

(SEAL)

**EXHIBIT A**

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

## 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 Bond, the City's Business Manager (the "**Responsible Person**") will:

- (i) 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 Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;
- (ii) monitor the actions of the Escrow Agent to ensure compliance with the applicable provisions of the Escrow Agreement, including with respect to reinvestment of cash balances;
- (iii) 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
- (iv) 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 date of delivery of the Bonds (the "**Issue Date**"), and (B) within 30 days after the date the Bonds are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the 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 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 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 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 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 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 Resolution 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 Bonds and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Bonds. If any portion of the 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 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**

THE PURCHASE CONTRACT AND INVESTMENT LETTER IS OMITTED AT THIS POINT  
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT OF PROCEEDINGS

**EXHIBIT D**

THE ESCROW AGREEMENT IS OMITTED AT THIS POINT  
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT OF PROCEEDINGS

## EXHIBIT E

### NOTICE OF DEFEASANCE AND REDEMPTION

To the Holders of the  
**CITY OF KENNEDALE, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2005**  
(Maturing on February 15 in the years 2018, 2021, 2024 and 2026)

NOTICE IS HEREBY GIVEN that the City of Kennedale, Texas (the "*City*"), in Tarrant County, Texas, has deposited cash and authorized investment securities, if any, into an irrevocable escrow account in order to pay, and has legally defeased, the following maturities of the City's outstanding **COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2005**, dated February 1, 2005 (the "*Refunded Obligations*"):

**CITY OF KENNEDALE, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2005**

<b>MATURITY (FEBRUARY 15)</b>	<b>PRINCIPAL AMOUNT MATURING IN YEAR (\$)</b>	<b>PRINCIPAL AMOUNT BEING REFUNDED (\$)</b>	<b>STATED INTEREST RATE (%)</b>	<b>CUSIP No. (489332)</b>
2018	80,000	80,000	3.900	EW2
***	***	***	***	***
2021	135,000	135,000	4.100	EX0
***	***	***	***	***
2024	155,000	155,000	4.300	EY8
***	***	***	***	***
2026	115,000	115,000	4.400	EZ5

NOTICE IS FURTHER GIVEN that all of the Refunded Obligations have been called for redemption on September 20, 2016 (the "*Redemption Date*") **at the Redemption Price equal to 100% of par plus accrued interest to the Redemption Date**. The Refunded Obligations shall be redeemed and shall become due and payable on the Redemption Date, and the interest thereon shall cease to accrue from and after the Redemption Date.

NOTICE IS FURTHER GIVEN THAT the Refunded Obligations will be payable at and should be submitted either in person or by certified mail to the following address:

**Delivery Instructions:**  
**U.S. Bank**  
**Global Corporate Trust Services**  
111 Fillmore Ave E  
St. Paul, MN 55107

To avoid a backup withholding tax required by Section 3406 of the Internal Revenue Code of 1986, holders must submit a properly completed IRS Form W-9.

\* THE ABOVE REFERENCED CUSIP NUMBERS ARE PROVIDED FOR THE CONVENIENCE OF THE HOLDERS. NEITHER THE PAYING AGENT NOR THE CITY ARE RESPONSIBLE FOR ANY ERROR OF ANY NATURE RELATING TO THE CUSIP NUMBERS.

**NOTICE OF DEFEASANCE AND REDEMPTION**

To the Holders of the  
**CITY OF KENNEDALE, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2008**  
**(Maturing on February 15 in the years 2019, 2020, 2022, 2024, 2026, and 2028)**

NOTICE IS HEREBY GIVEN that the City of Kennedale, Texas (the "*City*"), in Tarrant County, Texas, has deposited cash and authorized investment securities, if any, into an irrevocable escrow account in order to pay, and has legally defeased, the following maturities of the City's outstanding **COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2005**, dated August 15, 2008 (the "*Refunded Obligations*"):

**CITY OF KENNEDALE, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2008**

<u>MATURITY (FEBRUARY 15 )</u>	<u>PRINCIPAL AMOUNT MATURING IN YEAR (\$)</u>	<u>PRINCIPAL AMOUNT BEING REFUNDED (\$)</u>	<u>STATED INTEREST RATE (%)</u>	<u>CUSIP No. (489332)</u>
2019	245,000	245,000	4.000	FT8
2020	260,000	260,000	4.000	FU5
***	***	***	***	***
2022	545,000	545,000	4.250	FV3
***	***	***	***	***
2024	605,000	605,000	4.400	FW1
***	***	***	***	***
2026	645,000	645,000	4.500	FX9
***	***	***	***	***
2028	690,000	690,000	4.650	FY7

NOTICE IS FURTHER GIVEN that all of the Refunded Obligations have been called for redemption on February 15, 2018 (the "*Redemption Date*") **at the Redemption Price equal to 100% of par plus accrued interest to the Redemption Date**. The Refunded Obligations shall be redeemed and shall become due and payable on the Redemption Date, and the interest thereon shall cease to accrue from and after the Redemption Date.

NOTICE IS FURTHER GIVEN THAT the Refunded Obligations will be payable at and should be submitted either in person or by certified mail to the following address:

**Express Delivery**  
Wells Fargo Bank, N.A.  
Corporate Trust Operations  
N9309-121  
6<sup>th</sup> & Marquette Avenue  
Minneapolis, MN 555479

**First Class/Registered/Certified Mail**  
Wells Fargo Bank, N.A.  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**Hand Delivery**  
Wells Fargo Bank, N.A.  
Northstar East Building  
608 2<sup>nd</sup> Ave. So., 12<sup>th</sup> Floor  
Minneapolis, MN 55479

To avoid a backup withholding tax required by Section 3406 of the Internal Revenue Code of 1986, holders must submit a properly completed IRS Form W-9.

\* THE ABOVE REFERENCED CUSIP NUMBERS ARE PROVIDED FOR THE CONVENIENCE OF THE HOLDERS. NEITHER THE PAYING AGENT NOR THE CITY ARE RESPONSIBLE FOR ANY ERROR OF ANY NATURE RELATING TO THE CUSIP NUMBERS.

## PAYING AGENT/REGISTRAR AGREEMENT

***THIS PAYING AGENT/REGISTRAR AGREEMENT***, dated as of September 1, 2016 (this "***Agreement***"), by and between the **CITY OF KENNDALE, TEXAS** (the "***Issuer***") and **FIRST NATIONAL BANK TEXAS**, Killeen, Texas (the "***Bank***"), a national banking association duly organized and operating under the laws of the United States of America.

***WHEREAS***, the Issuer has duly authorized and provided for the issuance of its **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016** (the "***Securities***"), such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

***WHEREAS***, the Securities are scheduled to be delivered to the initial purchasers thereof on or about September 15, 2016; and

***WHEREAS***, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer, and exchange thereof by the registered owners thereof; and

***WHEREAS***, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

***NOW, THEREFORE***, it is mutually agreed as follows:

### **ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

**SECTION 1.01. APPOINTMENT.** The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Ordinance" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Ordinance, a copy of which books and records shall be maintained at the office of the Bank located in the State of Texas or shall be available to be accessed from such office located in the State of Texas.

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

**SECTION 1.02. COMPENSATION.** As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for municipalities, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## **ARTICLE TWO DEFINITIONS**

**SECTION 2.01. DEFINITIONS.** For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

**"Bank Office"** means the corporate trust or commercial banking office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

**"Fiscal Year"** means the fiscal year of the Issuer, ending September 30.

**"Holder"** and **"Security Holder"** each means the Person in whose name a Security is registered in the Security Register.

**"Legal Holiday"** means a day on which the Bank is required or authorized to be closed.

**"Ordinance"** means the resolutions, orders or ordinances of the governing body of the Issuer pursuant to which the Securities are issued, certified by the City Secretary or any other officer of the Issuer and delivered to the Bank, together with any pricing certificate executed pursuant thereto.

**"Person"** means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

**"Predecessor Securities"** of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Ordinance).

"**Redemption Date**" when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

"**Responsible Officer**" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"**Security Register**" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

"**Stated Maturity**" means the date specified in the Ordinance the principal of a Security is scheduled to be due and payable.

**SECTION 2.02. OTHER DEFINITIONS.** The terms "Bank," "Issuer," and "Securities" ("Security") have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "**Paying Agent/Registrar**" refers to the Bank in the performance of the duties and functions of this Agreement.

### **ARTICLE THREE PAYING AGENT**

**SECTION 3.01. DUTIES OF PAYING AGENT.** (a) Principal Payments. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity or Redemption Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

(b) Interest Payments. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer by no later than 10:00 a.m. Central Time on the applicable payment date, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

(c) Federal Tax Information Reporting. To the extent required by the Code and the Regulations it shall be the duty of the Bank to report to the owners of the Securities and the Internal Revenue Service (i) the amount of "reportable payments," if any, subject to back up withholding

during each year and the amount of tax withheld, if any, with respect to the payments on the Securities, and (ii) the amount of interest or amount treated as interest, such as original issue discount, on the Securities required to be included in the gross income of the owners thereof for federal income tax purposes.

**SECTION 3.02. PAYMENT DATES.** The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Ordinance.

## **ARTICLE FOUR REGISTRAR**

**SECTION 4.01. SECURITY REGISTER - TRANSFERS AND EXCHANGES.** The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "*Security Register*") for recording the names and addresses of the Holders of the Securities, the transfer, exchange, and replacement of the Securities, and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. If the Bank Office is located outside the State of Texas, a copy of the Security Register shall be kept in the State of Texas. All transfers, exchanges, and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the Financial Industry Regulatory Authority, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer, or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

**SECTION 4.02. SECURITIES.** The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

**SECTION 4.03. FORM OF SECURITY REGISTER.** The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer, and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**SECTION 4.04. LIST OF SECURITY HOLDERS.** The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

Unless required by law, the Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

**SECTION 4.05. RETURN OF CANCELLED SECURITIES.** The Bank will, at such reasonable intervals as it determines, surrender Securities to the Issuer in lieu of which or in exchange for which other Securities have been issued, or which have been paid, or will provide a certificate of destruction relating thereto.

**SECTION 4.06. MUTILATED, DESTROYED, LOST, OR STOLEN SECURITIES.** The Issuer hereby instructs the Bank, subject to the applicable provisions of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an over issuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed, lost, or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost, or stolen.

**SECTION 4.07. TRANSACTION INFORMATION TO ISSUER.** The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

## **ARTICLE FIVE THE BANK**

**SECTION 5.01. DUTIES OF BANK.** The Bank undertakes to perform the duties set forth herein and in the Ordinance and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum as prepared by the Issuer's financial advisor, bond counsel or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum acknowledged by the financial advisor or the Issuer as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

**SECTION 5.02. RELIANCE ON DOCUMENTS, ETC.** (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

**SECTION 5.03. RECITALS OF ISSUER.** The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**SECTION 5.04. MAY HOLD SECURITIES.** The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

**SECTION 5.05. MONEY HELD BY BANK.** The Bank shall deposit any moneys received from the Issuer into an account to be held in an agent capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance, available to the Issuer, provided by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas and to the extent practicable under the laws of the United States of America to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Funds held by the Bank hereunder need not be segregated from any other funds provided appropriate accounts are maintained in the name and for the benefit of the Issuer.

The Bank shall be under no liability for interest on any money received by it hereunder.

Any money deposited with the Bank for the payment on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Property Code or inactive under Chapter 73 of the Property Code.

**SECTION 5.06. INDEMNIFICATION.** To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

**SECTION 5.07. INTERPLEADER.** The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the County in the State of Texas where either the Bank maintains an office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction located in the State of Texas to determine the rights of any Person claiming any interest herein.

**SECTION 5.08. DEPOSITORY TRUST COMPANY SERVICES.** It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," effective from time to time, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

## **ARTICLE SIX MISCELLANEOUS PROVISIONS**

**SECTION 6.01. AMENDMENT.** This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**SECTION 6.02. ASSIGNMENT.** This Agreement may not be assigned by either party without the prior written consent of the other.

**SECTION 6.03. NOTICES.** Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**SECTION 6.04. EFFECT OF HEADINGS.** The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**SECTION 6.05. SUCCESSORS AND ASSIGNS; MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION.** All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor the Bank hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto. In case any Security shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Security so registered with the same effect as if such successor Bank had itself registered such Security.

**SECTION 6.06. SEVERABILITY.** In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 6.07. BENEFITS OF AGREEMENT.** Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

**SECTION 6.08. ENTIRE AGREEMENT.** This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern.

**SECTION 6.09. COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**SECTION 6.10. TERMINATION.** This Agreement will terminate on the date of final payment of the principal of and interest on the Securities to the Holders thereof or may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted, and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. If the 60-day notice period expires and no successor has been appointed, the Bank, at the expense of the Issuer, has the right to petition a court of competent jurisdiction to appoint a successor under the Agreement. Furthermore, the Bank and the Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**SECTION 6.11. GOVERNING LAW.** This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

*[The remainder of this page intentionally left blank]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first above written.

**FIRST NATIONAL BANK TEXAS**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: 507 N. Gray Street  
Killeen, Texas 76541  
Attention: Ty Molyneaux

Attest:

\_\_\_\_\_  
Title: \_\_\_\_\_

**CITY OF KENNEDALE, TEXAS**

By: \_\_\_\_\_  
Title: Mayor

Address: 405 Municipal Drive  
Kennedale, Texas 76060  
Attention: Finance Director

Attest:

\_\_\_\_\_  
City Secretary

**SCHEDULE A**

**PAYING AGENT/REGISTRAR FEE SCHEDULE**

One-time \$500.00 processing fee paid at Closing