
TRANSCRIPT OF PROCEEDINGS

RELATING TO

\$2,000,000

City of Kennedale, Texas

Tax Note, Series 2019

DATE OF DELIVERY

September 18, 2019

MCCALL
PARKHURST & HORTON

700 N. St. Mary's Street, Suite 1525, San Antonio, TX 78205 | 210.225.2800

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\$2,000,000
CITY OF KENNEDALE, TEXAS
TAX NOTE, SERIES 2019

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\$2,000,000
CITY OF KENNEDALE, TEXS
TAX NOTE, SERIES 2019

TRANSCRIPT DISTRIBUTION LIST

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CERTIFICATE FOR ORDINANCE

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

I, the undersigned City Secretary of the **CITY OF KENNEDALE, TEXAS** (the "**City**"), hereby certify as follows:

1. The City Council of the City (the "**City Council**") convened in Regular Meeting on August 20, 2019, at the City Hall (the "**Meeting**"), and the roll was called of the duly constituted officers and members of the City Council, to wit:

Brian Johnson, Mayor	Chris Pugh, Councilmember - Place 2
Sandra Lee, Councilmember - Place 3	Linda Rhodes, Councilmember - Place 4
Josh Altom, Councilmember - Place 1	Chad Wandel, Councilmember - Place 5

and all of the officers and members of the City Council were present, except the following absentees: None , thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

ORDINANCE AUTHORIZING THE ISSUANCE OF \$2,000,000 IN PRINCIPAL AMOUNT OF CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

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

AYES: 5 NOES: 0 ABSTENTIONS: 0

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

SIGNED AND SEALED the 20th day of August, 2019.

(SEAL)



Leslie E. Selbony

City Secretary
City of Kennedale, Texas

ORDINANCE NO. 670

ORDINANCE AUTHORIZING THE ISSUANCE OF \$2,000,000 IN PRINCIPAL AMOUNT OF *CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019*; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

DATE OF APPROVAL: AUGUST 20, 2019

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ORDINANCE NO. 670

ORDINANCE AUTHORIZING THE ISSUANCE OF \$2,000,000 IN PRINCIPAL AMOUNT OF CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

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 municipality under the Constitution and laws of the State of Texas and its City Charter, which was initially approved by the qualified voters of the City on January 17, 1998, and was most recently amended by the qualified voters of the City on May 4, 2019; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to (i) acquire land for parks and a future public safety facility, (ii) construct street improvements in various locations in the City, together with curbs, gutters, sidewalks, utility relocation and/or drainage improvements incidental thereto, (iii) acquire rights of way for existing and future streets and (iv) pay professional services related to the design, construction, project management and financing of such projects (collectively, the "*Projects*"); and

WHEREAS, pursuant to Chapter 1431, Texas Government Code, as amended (the "*Act*"), the City Council of the City is authorized and empowered to issue anticipation notes to pay contractual obligations incurred or to be incurred (i) for the construction of any public work, and (ii) for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the City's authorized needs and purposes; and

WHEREAS, in accordance with the provisions of the Act, the City Council hereby finds and determines that an anticipation note should be issued and sold at this time to finance the Projects; and

WHEREAS, the City Council of the City deems it appropriate to adopt this Ordinance and issue the Note herein authorized as permitted by the Act; and

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

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

SECTION 1. AMOUNT AND PURPOSE OF THE NOTE. The Note of the City is hereby authorized to be issued and delivered in the aggregate principal amount of **\$2,000,000** **THE PURPOSE OF (I) ACQUIRING LAND FOR PARKS AND A FUTURE PUBLIC SAFETY FACILITY, (II) CONSTRUCTING STREET IMPROVEMENTS IN VARIOUS LOCATIONS IN THE CITY, TOGETHER WITH CURBS, GUTTERS, SIDEWALKS, UTILITY**

RELOCATION AND/OR DRAINAGE IMPROVEMENTS INCIDENTAL THERETO, (III) ACQUIRING RIGHTS OF WAY FOR EXISTING AND FUTURE STREETS, AND (IV) PAYING PROFESSIONAL SERVICES RELATED TO THE DESIGN, CONSTRUCTION, PROJECT MANAGEMENT AND FINANCING OF SUCH PROJECTS.

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITY OF NOTE. (a) Each note issued pursuant to this Ordinance shall be designated **CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019**, and initially there shall be issued, sold, and delivered hereunder one fully registered note, without interest coupons, dated September 1, 2019, in the denomination and principal amount of \$2,000,000, numbered R-1, with any note 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 note (in each case, the "**Registered Owner**").

(b) Principal of the Note 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:

<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
02/01/2020	60,000	1.90
02/01/2021	135,000	1.90
02/01/2022	275,000	1.90
02/01/2023	370,000	1.90
02/01/2024	380,000	1.90
02/01/2025	385,000	1.90
02/01/2026	395,000	1.90

The term "**Note**" as used in this Ordinance shall mean and include collectively the note initially issued and delivered pursuant to this Ordinance, as well as all other substitute notes and replacement notes issued pursuant hereto.

SECTION 3. INTEREST. The Note shall bear interest from the dates specified in the **FORM OF NOTE** set forth in this Ordinance to date of maturity at the respective rate per annum for each principal installment set forth above. Said interest shall be payable in the manner provided and on the dates stated in the **FORM OF NOTE** set forth in this Ordinance. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

SECTION 4. CHARACTERISTICS OF THE NOTE.

(a) *Registration and Transfer; Authentication.* The City shall keep or cause to be kept at the designated corporate trust or commercial banking office of **FIRST NATIONAL BANK TEXAS** (currently located in Killeen, Texas) (the "**Paying Agent/Registrar**") books or records for the registration of the transfer of the Note (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. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of the Note to which payments with respect to the Note 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 Note. Registration of assignment and transfer of the Note shall be made in the manner provided and with the effect stated in the FORM OF NOTE set forth in this Ordinance. Each substitute Note shall bear a letter and/or number to distinguish it from each other Note.

Except as provided in Section 5(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Note, date and manually sign said Note, and no such Note shall be deemed to be issued or outstanding unless such Note is so executed. The Paying Agent/Registrar promptly shall cancel the paid Note or a Note 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 Note in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of transfer of the Note as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Note, the transferred Note shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Note 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 Note 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 Note, 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 Note, and of all transfers of the Note, and all replacements of the Note, 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 fifteenth business day next preceding the date of mailing of such notice.

(c) *In General.* The Note (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Note 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 Note 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 Note, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF NOTE set forth in this Ordinance. The Note 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 Note issued in transfer or replacement for any Note

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 NOTE.

(d) Substitute Paying Agent/Registrar. The City covenants with the registered Owner of the Note that at all times while the Note 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 Note under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, 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 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 Note, 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 Note, 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 Note representing the entire principal amount of the Note, payable in stated installments to the initial purchaser identified in Section 12 hereof, executed by manual or facsimile signature of the Mayor and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. The Paying Agent/Registrar shall insert the date of delivery and deliver the Note to the initial purchaser.

[The remainder of this page intentionally left blank]

SECTION 5. FORM OF NOTE. The form of the Note, 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 Note 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.

(a) Form of Note.

NO. R-__

PRINCIPAL AMOUNT
\$ _____

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019**

Interest Rate	Delivery Date	Maturity Date
As shown below	September __, 2019	As shown below

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

CITY OF KENNEDALE, TEXAS (the "*City*"), being a political subdivision and a home-rule municipality of the State of 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 Note as specified above, at the respective rates 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 Note shall mature and be paid in installments on the dates and in the amounts set forth in the table below:

PAYMENT DATE	PRINCIPAL AMOUNT (\$)	INTEREST RATE (%)
02/01/2020	60,000	1.90
02/01/2021	135,000	1.90
02/01/2022	275,000	1.90
02/01/2023	370,000	1.90
02/01/2024	380,000	1.90
02/01/2025	385,000	1.90
02/01/2026	395,000	1.90

THE PRINCIPAL OF AND INTEREST ON THIS NOTE 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 Note on February 1, 2020, and on each February 1 and August 1 thereafter to the date of maturity thereof. The last principal installment of this Note, together with accrued interest thereon to the maturity date thereof, shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity at the designated office of **FIRST NATIONAL BANK TEXAS**, which is the "**Paying Agent/Registrar**" for this Note. The payment of all other principal installments of and interest on this Note 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 Note (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 fifteenth (15th) 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.

ANY ACCRUED INTEREST due at maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Note for payment at the principal corporate trust office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and interest payment date for this Note 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 Note, when due.

IF THE DATE FOR THE PAYMENT of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust 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 NOTE, DATED AS OF SEPTEMBER 1, 2019, IS AUTHORIZED and issued in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$2,000,000 FOR THE PURPOSE OF (I) ACQUIRING LAND FOR PARKS AND A FUTURE PUBLIC SAFETY FACILITY, (II) CONSTRUCTING STREET IMPROVEMENTS IN VARIOUS LOCATIONS IN THE CITY, TOGETHER WITH CURBS, GUTTERS, SIDEWALKS, UTILITY RELOCATION AND/OR DRAINAGE IMPROVEMENTS INCIDENTAL THERETO, (III) ACQUIRING RIGHTS OF WAY FOR EXISTING AND FUTURE STREETS, AND (IV) PAYING PROFESSIONAL SERVICES RELATED TO THE DESIGN, CONSTRUCTION, PROJECT MANAGEMENT AND FINANCING OF SUCH PROJECTS.**

THIS NOTE IS NOT SUBJECT TO OPTIONAL REDEMPTION PRIOR TO STATED MATURITY.

UPON THE PAYMENT OF THE OUTSTANDING principal balance of this Note, 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 Note.

THIS NOTE IS ISSUED AS A FULLY REGISTERED NOTE, without interest coupons, in the denomination of the principal amount thereof. As provided in the Ordinance, this Note 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 Note 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 Note 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 Note 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 Note. The form of Assignment printed or endorsed on this Note 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 Note by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring or exchanging any Note 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 NOTE 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 Note.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Note 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 Note have been performed, existed, and been done in accordance with law; that this Note is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Note, 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 within the limits provided by law.

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

BY BECOMING THE REGISTERED OWNER OF THIS NOTE, 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 Note and the Ordinance constitute a contract between each Registered Owner hereof and the City.

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

(facsimile signature)
City Secretary
City of Kennedale, Texas

(facsimile signature)
Mayor
City of Kennedale, Texas

(CITY SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Note 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 Note has been issued under the provisions of the Ordinance described in the text of this Note; and that this Note has been issued in replacement of, or transferred for, a Note 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]

(c) 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 Note and all rights thereunder, and hereby irrevocably constitutes and appoints
_____, attorney, to register the transfer of
the within Note 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 Note in every particular, without alteration or enlargement or any change whatsoever.

(d) Form of Registration Certificate of the Comptroller of Public Accounts:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Note has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Note 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 6. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST. (a) Interest and Sinking Fund; Tax Levy. A special Interest and Sinking Fund (the "*Interest and Sinking Fund*") is hereby created solely for the benefit of the Note, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City for so long as the Note or interest thereon are outstanding and unpaid. The 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 principal of the Note. Until expended for the purposes set forth in Section 1 hereof, the proceeds derived from the sale of the Note shall be held as further

security for the timely payment of the principal and interest on the Note. All ad valorem taxes levied and collected for and on account of the Note and all accrued interest and premium on the Note received by the City from the initial purchaser of the Note, if any, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while the Note or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient, together with other moneys deposited to the credit of the Interest and Sinking Fund, to raise and produce the money required to pay the interest on the Note as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal installment of the Note as such principal installment matures (but never less than 2% of the original principal amount of the Note 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 Note or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limits provided by law.

(b) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Note and the pledge of the ad valorem taxes granted by the City under Section 6(a) of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Note is outstanding and unpaid such that the pledge of the ad valorem taxes granted by the City under Section 6(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 Note 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 7. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Kennedale, Texas Tax Note (Series 2019) Construction Fund* (herein called the "**Construction Fund**"). Proceeds from the sale and delivery of the Note (other than proceeds representing accrued interest on the Note and any premium on the Note 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, which shall be deposited in the Interest and Sinking Fund) shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Note is issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of the Note and the issuance of the Note. All funds remaining on deposit in the Construction Fund upon completion of the projects being financed with the proceeds from the Note, if any, shall be transferred to the Interest and Sinking Fund.

SECTION 8. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to 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; 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, and investments purchased for and held in the Construction Fund shall have a final maturity of not later than the date the City reasonably expects the funds from such investments will be required to pay costs of the projects for which the Note was issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; however, any such income and profits from investments in the Construction Fund may be withdrawn by the City and deposited in the Interest and Sinking Fund to pay all or a portion of the interest next coming due on the Note.

SECTION 9. DEFEASANCE OF NOTE. (a) The Note and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "*Defeased Note*") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Note, 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, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until the Defeased Note shall have become due and payable. Thereafter, the City will have no further responsibility with respect to amounts available to the Paying Agent/Registrar for the payment of such Defeased Note, including any insufficiency therein caused by the failure of the escrow agent under such Future Escrow Agreement to receive payment when due on the Defeasance Securities. At such time that the Note shall be deemed to be a Defeased Note hereunder, as aforesaid, such Note and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(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 Note 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 Note 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 Note, 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 City, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Note.

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

(a) Replacement Note. In the event the Note is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Note of the same principal installment amounts, maturity dates and interest rates as the damaged, mutilated, lost, stolen, or destroyed Note, in replacement for such Note in the manner hereinafter provided.

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

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

(d) Charge for Issuing Replacement Note. Prior to the issuance of any replacement Note, the Paying Agent/Registrar shall charge the Registered Owner of such Note with all legal, printing, and other expenses in connection therewith. Every replacement Note issued pursuant to the provisions of this Section by virtue of the fact that any Note is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Note shall

be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance.

(e) Authority for Issuing Replacement Note. In accordance with Chapter 1206, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement Note without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such Note is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Note in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for a Note issued in exchange for another Note.

SECTION 11. CUSTODY, APPROVAL, AND REGISTRATION OF NOTE; BOND COUNSEL'S OPINION, INSURANCE, AND CUSIP NUMBERS. The Mayor of the City, on behalf of the City, is hereby authorized to have control of the Note initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Note pending its delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Note said 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 Note, 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 and the assigned CUSIP numbers, if any, may, at the option of the City, be printed on the Note 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 Note. In addition, if municipal bond insurance is obtained, the Note may bear an appropriate legend as provided by the insurer.

SECTION 12. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE NOTE. (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 Note 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 Note 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 Note, 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 Note 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 Note (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 Note 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 Note 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 Note, 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 Note, other than investment property acquired with --

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

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

(8) to refrain from using the proceeds of the Note or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Note in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Note) 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 Note 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 (9), 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 Note. 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 Note, 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 Note 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 Note, 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 Note under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager and the Director or Finance 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 Note.

(d) Allocation of, and Limitation on, Expenditures for the Projects. 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 "**Projects**") 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 Projects are 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 Note, or (2) the date the Note 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 Note. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Projects. The City covenants that the property constituting the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Note. For purpose of the foregoing, the City may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Note. 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) Reimbursement. This Ordinance is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

(h) Designation as Qualified Tax-Exempt Obligation. The City hereby designates the Note 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 Note is issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Note, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) that the City reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Note 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 Note will not be considered a "private activity bond" within the meaning of section 141 of the Code.

SECTION 13. SALE OF NOTE; USE OF PROCEEDS. The Note 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 a *Purchase Letter*, in substantially the form attached hereto as *Exhibit C*, which the Mayor is hereby authorized to accept, approve all changes, and execute on behalf of the City. 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 Note as set forth in this Ordinance are in the City's best interests. The Note initially shall be registered in the name of **FIRST NATIONAL BANK TEXAS**.

SECTION 14. 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 Note 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 Note; however, so long as the Purchaser or its assignee is the sole Registered Owner of the Note, unless waived by the Purchaser, the City shall provide the following to the Purchaser:

- (a) Audited financial statements, to be provided within six months after the close of each City fiscal year ending on and after September 30, 2019, and
- (b) Such other financial information regarding the City as the Purchaser shall reasonably request.

SECTION 15. FURTHER PROCEDURES. The Mayor, Mayor Pro-Tem, City Manager, Director of Finance, and City Secretary of the City and all other officers, employees, and agents of the City and each of them, are each hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and the Note. In addition, prior to the initial delivery of the Note, the Mayor, City Manager, Director of Finance, the City Secretary, and the City's Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, (ii) obtain a rating from any of the national bond rating agencies, if any rating is obtained, or satisfy any requirements of the provider of a municipal bond insurance policy, if any, or (iii) obtain the approval of the Note by the Attorney General of the State of Texas. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, 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 16. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owner of the Note, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Note remains outstanding except as permitted in this Section. The City may, without the consent of or notice to the Registered Owner (other than the Purchaser as long as the Purchaser is a Registered Owner, in which case the City must receive the Purchaser's prior written consent to), amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the Registered Owner. The City may, with the written consent of the Registered Owner of the Note, amend, change, modify, or rescind any provisions of this Ordinance not otherwise permitted to be amended in accordance with the preceding sentence. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owner, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owner at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Registered Owner of the Note requiring the consent of the Registered Owner, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION 17. DEFAULTS AND REMEDIES. 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 Note, (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 and the continuation thereof for 30 days after the City has received written notice of such defaults, the Registered Owner of the Note 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 18. 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 Owner of the Note, 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 Owner of the Note.

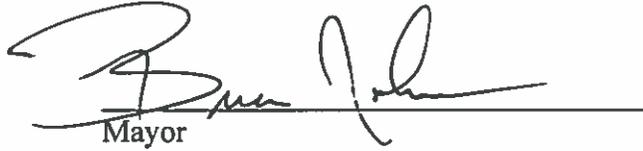
SECTION 19. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION 20. SEVERABILITY. The provisions of this Ordinance are severable and if any provision or the applicability thereof to any person or circumstance is ever held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Ordinance and the application of such provisions to other persons or circumstances shall not be affected thereby.

SECTION 21. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately upon adoption by the City Council.

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PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS AT A REGULAR MEETING ON THE 20TH DAY OF AUGUST, 2019, AT WHICH MEETING A QUORUM WAS PRESENT.



Mayor

ATTEST:



City Secretary

(Seal)



** ** * * *

Signature Page to Ordinance Authorizing the Issuance of
City of Kennedale, Texas Tax Note, Series 2019

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

The Paying Agent/Registrar Agreement is omitted at this point as it appears in executed form elsewhere in this Transcript 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 Certificates, the City's chief financial officer (the "*Responsible Person*"), which is currently the Director of Finance will:

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

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Note 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 Note is 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 Note is 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 Note is 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 Note is 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 Note is outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Note and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Note. If any portion of the Note 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 Note. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

EXHIBIT C

FORM OF PURCHASE LETTER

*The Purchase Letter is omitted at this point as it appears
in executed form elsewhere in this Transcript of Proceedings.*



September 18, 2019

City of Kennedale, Texas
405 Municipal Drive
Kennedale, Texas 76060

McCall, Parkhurst & Horton L.L.P.
700 N. St. Mary's St., Suite 1525
San Antonio, Texas 78205

SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209

Re: \$2,000,000 City of Kennedale, Texas Tax Note, Series 2019 (the "Note")

The undersigned (the "Bank"), as purchaser of \$2,000,000 in principal amount of the captioned obligation (the "Note"), hereby acknowledges and confirms that it has been furnished such financial, statistical and other information with respect to the City of Kennedale, Texas (the "Issuer") and the Note, including a certified copy of the ordinance of the City Council of the Issuer which authorized the issuance of the Note (the "Ordinance"), as the Bank deems necessary to enable it to make an informed decision with respect to the purchase of the Note. All terms not otherwise defined herein shall have the meaning assigned to such term in the Ordinance.

The Bank understands that the Note is a general obligation of the Issuer, issued on the full faith and credit thereof; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in the Issuer, and will be pledged for such payment, within limits provided by law, all as provided in the Ordinance. All terms not otherwise defined herein shall have the meaning assigned to such term in the Ordinance.

In connection with its purchase of the Note, the Bank agrees as follows:

- A. Delivery of the Note to the Bank (the "Closing") shall be made at the Bank on September 18, 2019, it being understood that this delivery date may be extended by mutual consent of the Bank and the Issuer.
- B. Principal installments of the Note shall (i) mature on February 1 in each of the years and in the respective principal amounts, and (ii) bear interest from Closing to their respective date of maturity at the respective interest rates, all as set forth below:

<u>Maturity Year</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
2020	60,000	1.90
2021	135,000	1.90
2022	275,000	1.90
2023	370,000	1.90
2024	380,000	1.90
2025	385,000	1.90
2026	395,000	1.90

- C. Interest on the Note shall be payable on each February 1 and August 1, commencing on February 1, 2020, until stated maturity. The Note is not subject to redemption prior to stated maturity.
- D. The Note will be fully registered as to principal and interest, and First National Bank Texas, Killeen, Texas, shall serve as the initial paying agent and registrar for the Note.
- E. In regard to its purchase of the Note, the Bank acknowledges that no prospectus or other offering document has been prepared; however, the Issuer has furnished the Bank with a term sheet and all information requested by the Bank to permit the Bank to make an informed decision concerning its purchase of the Note, and the Bank has made such inspections and investigations as it has deemed necessary to determine the credit quality of the Note and to assess all risk factors associated with the purchase and ownership of the Note. The Bank hereby acknowledges and represents that it is familiar with the financial condition of the Issuer and the ability of the Issuer to timely pay the principal of and interest on the Note. The Bank has been furnished with such financial information relating to the Issuer as it has requested for the purposes of making its assessment of the purchase of the Note. The Bank has had a reasonable opportunity to request and review such other information as it needs from the Issuer in order to enable it to make its purchase decision. The Bank is not relying on McCall, Parkhurst & Horton L.L.P., the Issuer's Bond Counsel, or SAMCO Capital Markets, Inc., the Issuer's Financial Advisor, as to the completeness or accuracy of any financial information provided to the Bank by the Issuer in connection with its determination to purchase the Note.
- F. The Note is being purchased by the Bank for the account of the Bank as evidence of a loan (and not on behalf of another), and the Bank has no present intention of reselling such Note or dividing its interest therein, either currently or after the passage of a fixed or determinable period of time or upon the occurrence or nonoccurrence of any predetermined event or circumstance; provided, however, that the Bank reserves the right to sell, pledge, transfer, convey, hypothecate, participate interests in or dispose of the Note at some future date.
- G. The Bank acknowledges that the Note will not be listed on any securities exchange. Further, no trading market now exists for the Note, and none may exist in the future. Accordingly, the Bank understands that it may need to bear the risks of the purchase for an indefinite time, since any sale prior to the maturity for the Note may not be possible or may be at a price below that which the Bank is paying for the Note.
- H. It is understood and agreed that the Bank is buying the Note in a private placement by the Issuer to the Bank. The Issuer has not undertaken to make any on-going disclosures for the benefit of the registered owner of the Note in accordance with Rule 15c2-12 of the Securities and Exchange Commission.

- I. The Bank represents that it is a "Privately Held Bidder" within the meaning of Section 2252.908, Texas Government Code. The Bank further represents that it has filed a disclosure of interested parties form to the Issuer in accordance with Section 2252.908, Texas Government Code, prior to entering into this letter agreement with the Issuer.
- J. The Bank represents and warrants, for purposes of Chapter 2270 of the Texas Government Code, that at the time of execution and delivery of this letter agreement, neither the Bank, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Bank (a "Related Entity"), boycotts Israel. The Bank agrees that, except to the extent otherwise required by applicable federal law, including, without limitation, 50 U.S.C. Section 4607, neither the Bank nor any Related Entity will boycott Israel during the term of this letter agreement. The terms "boycotts Israel" and "boycott Israel" as used in this Section mean refusing to deal with, mean refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The undersigned understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the undersigned and exists to make a profit.
- K. The Bank represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>;
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>; or
<https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Bank and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Bank understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

- L. It is understood and agreed that the Issuer shall pay the legal fees for counsel retained by the Bank in connection with the Bank's purchase of the Note in an amount not to exceed \$2,000.
- M. The Issuer covenants that it will deliver to the Bank its audited financial statements within six months after each fiscal year end, commencing with the fiscal year ending on September 30, 2019.

The Bank's obligation to purchase the Note is conditioned on the Bank's receipt of following items:

- (i) an opinion of McCall, Parkhurst & Horton L.L.P, as Note Counsel, in the form acceptable to the Bank, as to the validity and enforceability of the Note and the excludability of interest on the Note from federal income taxation;

- (ii) an unqualified opinion of the Attorney General of the State, relating to the legality and validity of the Note and approving the Note as required by law;
- (iii) evidence reflecting the registration of the Note by the Comptroller of Public Accounts of the State of Texas as required by law;
- (iv) a certificate, dated the date of closing, of an appropriate official of the Issuer, concerning certain representations of the Issuer relating to the exclusion of interest on the Note from federal income taxation in the form prepared by Note Counsel; and
- (v) a certificate or certificates, dated the date of closing, of appropriate officials of the Issuer, to the effect that (a) the Issuer is not a party to any litigation or other proceeding pending or, to such official's knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer, and (b) there has not been any materially adverse change in the financial condition of the Issuer since September 30, 2019, the latest date as of which audited financial information is available.

(Execution Page Follows)

Very truly yours,

FIRST NATIONAL BANK TEXAS

By: Sara Reid
Name: Sara Reid
Title: Public Finance Officer

AGREED TO AND ACCEPTED
this 20th day of August, 2019.

CITY OF KENNEDALE, TEXAS

By: _____
Name: _____
Title: _____

Very truly yours,

FIRST NATIONAL BANK TEXAS

By: _____
Name: _____
Title: _____

AGREED TO AND ACCEPTED
this 20th day of August, 2019.

CITY OF KENNEDALE, TEXAS

By: 
Name: Brian Sahrso
Title: Mayor

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT, dated as of September 1, 2019 (this "***Agreement***"), is by and between the **CITY OF KENNEDALE, TEXAS** (the "***Issuer***") and **FIRST NATIONAL BANK TEXAS**, Killeen, Texas (the "***Bank***"), a national bank 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 TAX NOTE, SERIES 2019** (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 purchaser thereof on or about September 18, 2019; 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 initially located at the following address:

First National Bank Texas
Attention: Public Finance
507 N. Gray Street
Killeen, Texas 76541

The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Financial Advisor" means SAMCO Capital Markets, Inc.

"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 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, 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 agency 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.

SECTION 5.09. CERTIFICATE OF INTERESTED PARTIES FORM 1295. The Bank represents that it is a "Privately Held Bidder" within the meaning of Section 2252.908, Texas Government Code; the Bank further represents that it has filed a disclosure of interested parties form to the Issuer in accordance with Section 2252.908, Texas Government Code, prior to entering into this Agreement with the Issuer.

SECTION 5.09. NO BOYCOTT OF ISRAEL. The Bank hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action

made for ordinary business purposes. The Bank understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit

SECTION 5.10. NOT A LISTED COMPANY. The Bank represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>;
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>; or
<https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Bank and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Bank understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

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 set forth below:

Issuer: City of Kennedale, Texas
405 Municipal Drive
Kennedale, Texas 76060

Bank: First National Bank Texas
Attention: Public Finance
507 N. Gray Street
Killeen, Texas 76541

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: Sara Reid
Title: Public Finance Officer

Attest:


Title: Vice President

CITY OF KENNEDALE, TEXAS

By: _____
Mayor

Address: 405 Municipal Drive
Kennedale, Texas 76060

Attest:

City Secretary

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

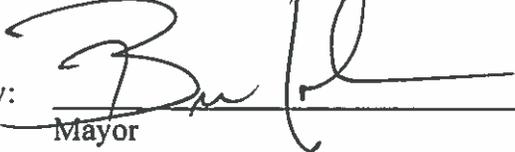
FIRST NATIONAL BANK TEXAS

By: _____
Title: _____

Attest:

Title: _____

CITY OF KENNEDALE, TEXAS

By:  _____
Mayor

Address: 405 Municipal Drive
Kennedale, Texas 76060

Attest:



City Secretary

SCHEDULE A

PAYING AGENT/REGISTRAR FEE SCHEDULE

\$500 one-time fee, no annual fee

NO. R-1

SPECIMEN

PRINCIPAL AMOUNT
\$2,000,000

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019

Interest Rate	Delivery Date	Maturity Date
As shown below	September 10, 2019	As shown below

REGISTERED OWNER: FIRST NATIONAL BANK TEXAS

PRINCIPAL AMOUNT: TWO MILLION DOLLARS

CITY OF KENNEDALE, TEXAS (the "*City*"), being a political subdivision and a home-rule municipality of the State of 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 Note as specified above, at the respective rates 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 Note shall mature and be paid in installments on the dates and in the amounts set forth in the table below:

<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
02/01/2020	60,000	1.90
02/01/2021	135,000	1.90
02/01/2022	275,000	1.90
02/01/2023	370,000	1.90
02/01/2024	380,000	1.90
02/01/2025	385,000	1.90
02/01/2026	395,000	1.90

THE PRINCIPAL OF AND INTEREST ON THIS NOTE 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 Note on February 1, 2020, and on each February 1 and August 1 thereafter to the date of maturity thereof. The last principal installment of this Note, together with accrued interest thereon to the maturity date thereof, shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity at the designated office of FIRST NATIONAL BANK TEXAS, which is the "*Paying Agent/Registrar*" for this

SPECIMEN

Note. The payment of all other principal installments of and interest on this Note 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 Note (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 fifteenth (15th) 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.

ANY ACCRUED INTEREST due at maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Note for payment at the principal corporate trust office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and interest payment date for this Note 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 Note, when due.

IF THE DATE FOR THE PAYMENT of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust 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 NOTE, DATED AS OF SEPTEMBER 1, 2019, IS AUTHORIZED and issued in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$2,000,000 FOR THE PURPOSE OF (I) ACQUIRING LAND FOR PARKS AND A FUTURE PUBLIC SAFETY FACILITY, (II) CONSTRUCTING STREET IMPROVEMENTS IN VARIOUS LOCATIONS IN THE CITY, TOGETHER WITH CURBS, GUTTERS, SIDEWALKS, UTILITY RELOCATION AND/OR DRAINAGE IMPROVEMENTS INCIDENTAL THERETO, (III) ACQUIRING RIGHTS OF WAY FOR EXISTING AND FUTURE STREETS, AND (IV) PAYING PROFESSIONAL SERVICES RELATED TO THE DESIGN, CONSTRUCTION, PROJECT MANAGEMENT AND FINANCING OF SUCH PROJECTS.**

THIS NOTE IS NOT SUBJECT TO OPTIONAL REDEMPTION PRIOR TO STATED MATURITY.

UPON THE PAYMENT OF THE OUTSTANDING principal balance of this Note, 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 Note.

THIS NOTE IS ISSUED AS A FULLY REGISTERED NOTE, without interest coupons, in the denomination of the principal amount thereof. As provided in the Ordinance, this Note may, at the request of the Registered Owner or the assignee hereof, be assigned or transferred for a like

SPECIMEN

aggregate principal amount of a fully registered Note 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 Note 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 Note 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 Note. The form of Assignment printed or endorsed on this Note 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 Note by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring or exchanging any Note 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.

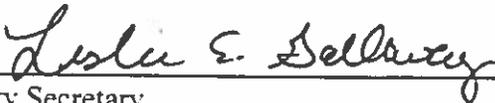
IN THE EVENT ANY PAYING AGENT/REGISTRAR FOR THE NOTE IS CHANGED by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owner of the Note.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Note 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 Note have been performed, existed, and been done in accordance with law; that this Note is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Note, 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 within the limits provided by law.

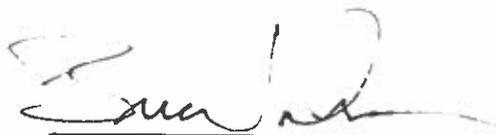
THE CITY ALSO HAS RESERVED THE RIGHT to amend the Note Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owner of the Note.

BY BECOMING THE REGISTERED OWNER OF THIS NOTE, 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 Note and the Ordinance constitute a contract between each Registered Owner hereof and the City.

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



City Secretary
City of Kennedale, Texas



Mayor
City of Kennedale, Texas



PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Note 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 Note has been issued under the provisions of the Ordinance described in the text of this Note; and that this Note has been issued in replacement of, or transferred for, a Note 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

SPECIMEN

By: _____
Authorized Representative

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

Dated: _____

Signature Guaranteed: _____

SPECIMEN

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 Note in every particular, without alteration or enlargement or any change whatsoever.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this _____.

~~SPECIMEN~~

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

FEDERAL TAX CERTIFICATE

1. In General.

1.1. The undersigned is an authorized representative of the City of Kennedale, Texas (the "Issuer").

1.2. This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Issuer's Tax Note, Series 2019 (the "Note"). The Note is being issued pursuant to an Ordinance duly adopted by the Issuer (the "Ordinance"). The Ordinance is incorporated herein by reference.

1.3. To the best of the undersigned's knowledge, information and belief, the expectations contained in this Federal Tax Certificate are reasonable.

1.4. The undersigned is an officer of the Issuer delegated with the responsibility, among others, of issuing and delivering the Note.

1.5. The undersigned is not aware of any facts or circumstances that would cause her to question the accuracy of the representations made by First National Bank Texas (the "Purchaser") in the Issue Price Certificate attached hereto as Exhibit "D" and by SAMCO Capital Markets, Inc. (the "Financial Advisor") with respect to the Schedules attached hereto as Exhibit "E"

2. The Purpose of the Note and Useful Lives of Projects.

2.1. The Note is being issued pursuant to the Ordinance (a) to provide for the payment of costs of issuing the Note, and (b)(i) acquire land for parks and a future public safety facility, (ii) construct street improvements in various locations in the City, together with curbs, gutters, sidewalks, utility relocation and/or drainage improvements incidental thereto, (iii) acquire rights of way for existing and future streets, and (iv) pay professional services related to the design, construction, project management and financing of such projects (the "Projects").

2.2. The Issuer expects that the aggregate useful lives of the Projects exceed 20 years from the later of the date the Projects are placed in service or the date on which the Note is issued.

2.3. All earnings, such as interest and dividends, received from the investment of the proceeds of the Note during the period of acquisition and construction of the Projects and not used to pay interest on the Note, will be used to pay the costs of the Projects, unless required to be rebated and paid to the United States in accordance with section 148(f) of the Internal Revenue Code of 1986 (the "Code"). The proceeds of the Note, together with any investment earnings thereon, are expected not to exceed the amount necessary for the governmental purpose of the Note. The Issuer expects that no disposition proceeds will arise in connection with the Projects or the Note.

3. Expenditure of Note Proceeds and Use of Projects.

3.1. The Issuer will incur, within six months after the date of issue of the Note, a binding obligation to commence the Projects, either by entering into contracts for the construction of the Projects or by entering into contracts for architectural or engineering services for such Projects, or contracts for the development, purchase of construction materials, or purchase of equipment, for the Projects, with the amount to be paid under such contracts to be in excess of five percent of the proceeds which are estimated to be used for the cost of the Projects.

3.2. After entering into binding obligations, work on such Projects will proceed promptly with due diligence to completion.

3.3. All original proceeds derived from the sale of the Note to be applied to the Projects and all investment earnings thereon (other than any amounts required to be rebated to the United States pursuant to section 148(f) of the Code) will be expended for the Projects no later than a date which is three years after the date of issue of the Note.

3.4. The Issuer will account for the expenditure of bond proceeds (including investment earnings thereon) for the purposes described in Section 2 herein on its books and records by allocating such proceeds to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the purposes for which the Note are issued have been accomplished. The foregoing notwithstanding, the Issuer does not expect to expend such sale proceeds more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Note, or (ii) the date the Note is retired.

3.5. Only Project costs paid or incurred by the Issuer on or after 60 days prior to the date the Issuer approved the funding of the Projects (the "60-day period") through its declaration of official intent ("Qualified Costs") will be paid or reimbursed with bond proceeds. For this purpose Qualified Costs also include preliminary expenditures, incurred prior to the 60-day period before the approval of the Issuer through its declaration of official intent, up to an amount not in excess of 20 percent of the aggregate amount of the Note. No Qualified Cost represents the cost of property or land acquired from a related party.

3.6. The Issuer will allocate the Project costs to "capital expenditures". For this purpose, "capital expenditure" means any cost that is properly chargeable to the capital account (or would be so chargeable with a proper election) under general federal income tax principles. For example, costs incurred to acquire, construct or improve land, building and equipment generally are capital expenditures.

3.7. The Issuer will not invest the proceeds prior to such expenditure in any guaranteed investment contract or other nonpurpose investment with a substantially guaranteed yield for a period equal to or greater than four years.

3.8. Other than members of the general public, the Issuer expects that throughout the lesser of the term of the Note, or the useful lives of the Projects, the only user of the Projects will be the Issuer or the Issuer's employees and agents. The Issuer will be the manager of the Projects. In no event will the proceeds of the Note or facilities financed therewith be used for private business use in an amount greater than \$15 million.

3.9. Except as stated below, the Issuer expects not to sell or otherwise dispose of property constituting the Projects prior to the earlier of the end of such property's useful life or the final maturity of the Note. The Ordinance provides that the Issuer will not sell or otherwise dispose of the Projects unless the Issuer receives an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Note.

3.10. For purposes of Subsection 3.9 hereof, the Issuer has not included the portion of the Projects comprised of personal property that is disposed in the ordinary course at a price that is expected to be less than 25 percent of the original purchase price. The Issuer, upon any disposition of such property, will transfer the receipts from the disposition of such property to the general operating fund and expend such receipts within six months for other governmental programs.

4. Yield.

4.1. The issue price of the Note included in the Form 8038-G is based on the Issue Price Certificate attached hereto. As shown in the Schedules of Financial Advisor attached hereto as Exhibit "E," the Issuer will

determine the issue price of the Note based on the first price paid by the Purchaser, in accordance with section 1.148-1(f)(2)(i) of the Treasury Regulations.

4.2. The Issuer has not entered into any qualified guarantee or qualified hedge with respect to the Note. The yield on the Note will not be affected by subsequent unexpected events, except to the extent provided in section 1.148-4(h)(3) of the Treasury Regulations when and if the Issuer enters into a qualified hedge or into any transaction transferring, waiving or modifying any right that is part of the terms of any bond. The Issuer will consult with nationally recognized bond counsel prior to entering into any of the foregoing transactions.

5. Interest and Sinking Fund.

5.1. A separate and special Interest and Sinking Fund has been created and established, other than as described herein, solely to pay the principal of and interest on the Note (the "Bona Fide Debt Service Portion"). The Bona Fide Debt Service Portion constitutes a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Such portion will be completely depleted at least once each year except for an amount not in excess of the greater of (a) one-twelfth of the debt service on the Note for the previous year, or (b) the previous year's earnings on such portion of the Interest and Sinking Fund. Amounts deposited in the Interest and Sinking Fund constituting the Bona Fide Debt Service Portion will be spent within a thirteen-month period beginning on the date of deposit, and any amount received from the investment of money held in the Interest and Sinking Fund will be spent within a one-year period beginning on the date of receipt.

5.2. Any money deposited in the Interest and Sinking Fund and any amounts received from the investment thereof that accumulate and remain on hand therein after thirteen months from the date of deposit of any such money or one year after the receipt of any such amounts from the investment thereof shall constitute a separate portion of the Interest and Sinking Fund. The yield on any investments allocable to the portion of the Interest and Sinking Fund exceeding the sum of (a) the Bona Fide Debt Service Portion and (b) an amount equal to the lesser of five percent of the sale and investment proceeds of the Note or \$100,000 will be restricted to a yield that does not exceed the yield on the Note.

6. Invested Sinking Fund Proceeds, Replacement Proceeds.

6.1. The Issuer has, in addition to the moneys received from the sale of the Note, certain other moneys that are invested in various funds which are pledged for various purposes. These other funds are not available to accomplish the purposes described in Section 2 of this Certificate.

6.2. Other than the Interest and Sinking Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Note, or (b) which are reserved or pledged as collateral for payment of debt service on the Note and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Note, within the meaning of section 148 of the Code.

7. Other Obligations.

7.1. There are no other obligations of the Issuer that (a) are sold at substantially the same time as the Note, i.e., within 15 days of the date of sale of the Note, (b) are sold pursuant to a common plan of financing with the Note, and (c) will be payable from the same source of funds as the Note.

7.2. The Issuer (including any of its related entities) has not issued nor does it expect to issue any other tax-exempt obligations during the current calendar year, including certain lease purchase agreements, in an amount which when aggregated with the Note would exceed \$10,000,000, within the meaning of section 265(b) of the Code.

8. Federal Tax Audit Responsibilities.

The Issuer acknowledges that in the event of an examination by the Internal Revenue Service (the "Service") to determine compliance of the Note with the provisions of the Code as they relate to tax-exempt obligations, the Issuer will respond, and will direct its agents and assigns to respond, in a commercially reasonable manner to any inquiries from the Service in connection with such an examination. The Issuer understands and agrees that the examination may be subject to public disclosure under applicable Texas law. The Issuer acknowledges that this Certificate, including any attachments, does not constitute an opinion of Bond Counsel as to the proper federal tax or accounting treatment of any specific transaction.

9. Record Retention and Private Business Use.

The Issuer has covenanted in the Ordinance that it will comply with the requirements of the Code relating to the exclusion of the interest on the Note under section 103 of the Code. The Service has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under section 103 of the Code. **ACCORDINGLY, THE ISSUER SHALL TAKE STEPS TO ENSURE THAT ALL MATERIALS, RECORDS AND INFORMATION NECESSARY TO CONFIRM THE EXCLUSION OF THE INTEREST ON THE NOTE UNDER SECTION 103 OF THE CODE ARE RETAINED FOR THE PERIOD BEGINNING ON THE ISSUE DATE OF THE NOTE AND ENDING THREE YEARS AFTER THE DATE THE NOTE IS RETIRED.** The Issuer acknowledges receipt of the letters attached hereto as Exhibit "B" which discusses limitations related to private business use and Exhibit "C" which, in part, discusses specific guidance by the Service with respect to the retention of records relating to tax-exempt bond transactions.

10. Rebate to United States.

The Issuer has covenanted in the Ordinance that it will comply with the requirements of the Code, including section 148(f) of the Code, relating to the required rebate to the United States. Specifically, the Issuer will take steps to ensure that all earnings on gross proceeds of the Note in excess of the yield on the Note required to be rebated to the United States will be timely paid to the United States. The Issuer acknowledges receipt of the memorandum attached hereto as Exhibit "A" which discusses regulations promulgated pursuant to section 148(f) of the Code.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

DATED as of September 18, 2019.

CITY OF KENNEDALE, TEXAS

By:  _____

Name: Lakeita Sutton

Title: Director of Finance

Issuer's signature page to the Federal Tax Certificate relating to
City of Kennedale, Texas Tax Note, Series 2019

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in the Schedules attached hereto as Exhibit "E" are, as of September 18, 2019, accurate and complete. We understand that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in this Federal Tax Certificate and by McCall, Parkhurst & Horton L.L.P. (i) in connection with rendering its opinion to the Issuer that interest on the Note is excludable from gross income thereof for income tax purposes, and (ii) for purposes of completing the IRS Form 8038-G. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws or the application of any laws to these facts.

SAMCO CAPITAL MARKETS, INC.

By: Andrew Friedman

Name: Andrew W. Friedman

Title: Managing Director

Exhibit "A"

November 1, 2016

ARBITRAGE REBATE REGULATIONS[©]

The arbitrage rebate requirements set forth in section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provide that in order for interest on any issue of bonds¹ to be excluded from gross income (i.e., tax-exempt) the issuer must rebate to the United States the sum of, (1) the excess of the amount earned on all "nonpurpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

On June 18, 1993, the U.S. Treasury Department promulgated regulations relating to the computation of arbitrage rebate and the rebate exceptions. These regulations, which replace the previously-published regulations promulgated on May 15, 1989, and on May 18, 1992, are effective for bonds issued after June 30, 1993, have been amended. This memorandum was prepared by McCall, Parkhurst & Horton L.L.P. and provides a general discussion of these arbitrage rebate regulations, as amended. This memorandum does not otherwise discuss the general arbitrage regulations, other than as they may incidentally relate to rebate. This memorandum also does not attempt to provide an exhaustive discussion of the arbitrage rebate regulations and should not be considered advice with respect to the arbitrage rebate requirements as applied to any individual or governmental unit or any specific transaction. Any tax advice contained in this memorandum is of a general nature and is not intended to be used, and should not be used, by any person to avoid penalties under the Code.

McCall, Parkhurst & Horton L.L.P. remains available to provide legal advice to issuers with respect to the provisions of these tax regulations but recommends that issuers seek competent financial and accounting assistance in calculating the amount of such issuer's rebate liability under section 148(f) of the Code and in making elections to apply the rebate exceptions.

Effective Dates

The regulations promulgated on June 18, 1993, generally apply to bonds delivered after June 30, 1993, although they do permit an issuer to elect to apply the rules to bonds issued prior to that date. The temporary regulations adopted by the U.S. Treasury Department in 1989 and 1992 incorporated the same effective dates which generally apply for purposes of section 148(f) of the Code. As such, the previous versions of the rebate regulations generally applied to bonds issued between August 1986 and June 30, 1993 (or, with an election, to bonds issued prior to August 15, 1993). The statutory provisions of section 148(f) of the Code, other than the exception for construction issues, apply to all bonds issued after August 15, 1986, (for private activity bonds) and August 31, 1986, (for governmental public purpose bonds). The statutory exception to rebate applicable for construction issues generally applies if such issue is delivered after December 19, 1989.

The regulations provide numerous transitional rules for bonds sold prior to July 1, 1993. Moreover, since, under prior law, rules were previously published with respect to industrial development bonds and

¹ In this memorandum the word "bond" is defined to include any bond, note, certificate, financing lease or other obligation of an issuer.

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mortgage revenue bonds, the transitional rules contained in these regulations permit an issuer to elect to apply certain of these rules for computing rebate on pre-1986 bonds. The regulations provide for numerous elections which would permit an issuer to apply the rules (other than 18-month spending exception) to bonds which were issued prior to July 1, 1993 and remain outstanding on June 30, 1993. Due to the complexity of the regulations, it is impossible to discuss in this memorandum all circumstances for which specific elections are provided. If an issuer prefers to use these final version of rebate regulations in lieu of the computational method stated under prior law (e.g., due to prior redemption) or the regulations, please contact McCall, Parkhurst & Horton L.L.P. for advice as to the availability of such options.

Future Value Computation Method

The regulations employ an actuarial method for computing the rebate amount based on the future value of the investment receipts (i.e., earnings) and payments. The rebate method employs a two-step computation to determine the amount of the rebate payment. First, the issuer determines the bond yield. Second, the issuer determines the arbitrage rebate amount. The regulations require that the computations be made at the end of each five-year period and upon final maturity of the issue (the "computation dates"). **THE FINAL MATURITY DATE WILL ACCELERATE IN CIRCUMSTANCES IN WHICH THE BONDS ARE OPTIONALLY REDEEMED PRIOR TO MATURITY. AS SUCH, IF BONDS ARE REFUNDED OR OTHERWISE REDEEMED, THE REBATE MAY BE DUE EARLIER THAN INITIALLY PROJECTED.** In order to accommodate accurate record-keeping and to assure that sufficient amounts will be available for the payment of arbitrage rebate liability, however, we recommend that the computations be performed at least annually. Please refer to other materials provided by McCall, Parkhurst & Horton L.L.P. relating to federal tax rules regarding record retention.

Under the future value method, the amount of rebate is determined by compounding the aggregate earnings on all the investments from the date of receipt by the issuer to the computation date. Similarly, a payment for an investment is future valued from the date that the payment is made to the computation date. The receipts and payments are future valued at a discount rate equal to the yield on the bonds. The rebatable arbitrage, as of any computation date, is equal to the excess of the (1) future value of all receipts from investments (i.e., earnings), over (2) the future value of all payments.

The following example is provided in the regulations to illustrate how arbitrage rebate is computed under the future value method for a fixed-yield bond:

"On January 1, 1994, City A issues a fixed yield issue and invests all the sale proceeds of the issue (\$49 million). There are no other gross proceeds. The issue has a yield of 7.0000 percent per year compounded semiannually (computed on a 30 day month/360 day year basis). City A receives amounts from the investment and immediately expends them for the governmental purpose of the issue as follows:

<u>Date</u>	<u>Amount</u>
2/1/1994	\$ 3,000,000
4/1/1994	5,000,000
6/1/1994	14,000,000
9/1/1994	20,000,000
7/1/1995	10,000,000

City A selects a bond year ending on January 1, and thus the first required computation date is January 1, 1999. The rebate amount as of this date is computed by determining the future value of the receipts and the payments for the investment. The compounding interval is each 6-month (or shorter) period and the 30 day month/360 day year basis is



used because these conventions were used to compute yield on the issue. The future value of these amounts, plus the computation credit, as of January 1, 1999, is:

<u>Date</u>	<u>Receipts (Payments)</u>	<u>FY (7.0000 percent)</u>
1/1/1994	(\$49,000,000)	(\$69,119,339)
2/1/1994	3,000,000	4,207,602
4/1/1994	5,000,000	6,932,715
6/1/1994	14,000,000	19,190,277
9/1/1994	20,000,000	26,947,162
1/1/1995	(1,000)	(1,317)
7/1/1995	10,000,000	12,722,793
1/1/1996	(1,000)	<u>(1,229)</u>
	Rebate amount (01/01/1999)	<u>\$878,664"</u>

General Method for Computing Yield on Bonds

In general, the term "yield," with respect to a bond, means the discount rate that when used in computing the present value of all unconditionally due payments of principal and interest and all of the payments for a qualified guarantee produces an amount equal to the issue price of the bond. The term "issue price" has the same meaning as provided in sections 1273 and 1274 of the Code. That is, if bonds are publicly offered (i.e., sold by the issuer to a bond house, broker or similar person acting in the capacity of underwriter or wholesaler), the issue price of each bond is determined on the basis of the initial offering price to the public (not to the aforementioned intermediaries) at which price a substantial amount of such bond was sold to the public (not to the aforementioned intermediaries). The "issue price" is separately determined for each bond (i.e., maturity) comprising an issue.

The regulations also provide varying periods for computing yield on the bonds depending on the method by which the interest payment is determined. Thus, for example, yield on an issue of bonds sold with variable interest rates (i.e., interest rates which are reset periodically based on changes in market) is computed separately for each computation period ending at least on each five-year anniversary of the delivery date that the issue. In effect, yield on a variable yield issue is determined on each computation date by "looking back" at the interest payments for such period.

Yield on a fixed interest rate issue (i.e., an issue of bonds the interest rate on which is determined as of the date of the issue) is computed over the entire term of the issue. Issuers of fixed-yield issues generally use the yield computed as of the date of issue for all rebate computations. The yield on fixed-yield issues must be computed by assuming retirements of principal on a call date earlier than the stated maturity date of a bond if (1) the bond is sold at a substantial premium, it may be retired within five years of the date of delivery, and such date is earlier than its scheduled maturity date, or (2) the issue is a stepped-coupon bond. Similarly, recomputation may occur in circumstances in which the issuer or bondholder modify or waive certain terms of, or rights with respect to, the issue or in sophisticated hedging transactions. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

For purposes of determining the principal or redemption payments on a bond, different rules are used for fixed-rate and variable-rate bonds. The payment is computed separately on each maturity of bonds rather than on the issue as a whole. In certain circumstances, the yield on the bond is determined by assuming that principal on the bond is paid as scheduled and that the bond is retired on the final maturity date for the stated retirement price. For bonds subject to early redemption or stepped-coupon bonds, described above, or for



bonds subject to mandatory early redemption, the yield is computed assuming the bonds are paid on the early redemption date for an amount equal to their value.

Premiums paid to guarantee the payment of debt service on bonds are taken into account in computing the yield on the bond. Payments for guarantees are taken into account by treating such premiums as the payment of interest on the bonds. This treatment, in effect, raises the yield on the bond, thereby permitting the issuer to recover such fee with excess earnings.

The guarantee must be an unconditional obligation of the guarantor enforceable by the bondholder for the payment of principal or interest on the bond or the tender price of a tender bond. The guarantee may be in the form of an insurance policy, surety bond, irrevocable letter or line of credit, or standby purchase agreement. Importantly, the guarantor must be legally entitled to full reimbursement for any payment made on the guarantee either immediately or upon commercially reasonable repayment terms. The guarantor may not be a co-obligor of the bonds or a user of more than 10 percent of the proceeds of the bonds.

Payments for the guarantee may not exceed a reasonable charge for the transfer of credit risk. This reasonable charge requirement is not satisfied unless it is reasonably expected that the guarantee will result in a net present value savings on the bond (i.e., the premium does not exceed the present value of the interest savings resulting by virtue of the guarantee). If the guarantee is entered into after June 14, 1989, then any fees charged for the nonguarantee services must be separately stated or the guarantee fee is not recoverable.

The regulations also treat certain "hedging" transactions in a manner similar to qualified guarantees. "Hedges" are contracts, e.g., interest rate swaps, futures contracts or options, which are intended to reduce the risk of interest rate fluctuations. Hedges and other financial derivatives are sophisticated and ever-evolving financial products with which a memorandum, such as this, cannot readily deal. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

Earnings on Nonpurpose Investments

The arbitrage rebate provisions apply only to the receipts from the investment of "gross proceeds" in "nonpurpose investments." For this purpose, nonpurpose investments are stock, bonds or other obligations acquired with the gross proceeds of the bonds for the period prior to the expenditure of the gross proceeds for the ultimate purpose. For example, investments deposited to construction funds, reserve funds (including surplus taxes or revenues deposited to sinking funds) or other similar funds are nonpurpose investments. Such investments include only those which are acquired with "gross proceeds." For this purpose, the term "gross proceeds" includes original proceeds received from the sale of the bonds, investment earnings from the investment of such original proceeds, amounts pledged to the payment of debt service on the bonds or amounts actually used to pay debt service on the bonds. The regulations do not provide a sufficient amount of guidance to include an exhaustive list of "gross proceeds" for this purpose; however, it can be assumed that "gross proceeds" represent all amounts received from the sale of bonds, amounts earned as a result of such sale or amounts (including taxes and revenues) which are used to pay, or secure the payment of, debt service for the bonds. The total amount of "gross proceeds" allocated to a bond generally cannot exceed the outstanding principal amount of the bonds.

The regulations provide that an investment is allocated to an issue for the period (1) that begins on the date gross proceeds are used to acquire the investment, and (2) that ends on the date such investment ceases to be allocated to the issue. In general, proceeds are allocated to a bond issue until expended for the ultimate purpose for which the bond was issued or for which such proceeds are received (e.g., construction of a bond-financed facility or payment of debt service on the bonds). Deposit of gross proceeds to the general fund of the



issuer (or other fund in which they are commingled with revenues or taxes) does not eliminate or ameliorate the Issuer's obligation to compute rebate in most cases. As such, proceeds commingled with the general revenues of the issuer are not "freed-up" from the rebate obligation. An exception to this commingling limitation for bonds, other than private activity bonds, permits "investment earnings" (but not sale proceeds or other types of gross proceeds) to be considered spent when deposited to a commingled fund if those amounts are reasonably expected to be spent within six months. Other than for these amounts, issuers may consider segregating investments in order to more easily compute the amount of such arbitrage earnings by not having to allocate investments.

Special rules are provided for purposes of advance refundings. These rules are too complex to discuss in this memorandum. Essentially, the rules relating to refundings, however, do not require that amounts deposited to the escrow fund to defease the prior obligations of the issuer be subject to arbitrage rebate to the extent that the investments deposited to the escrow fund do not have a yield in excess of the yield on the bonds. Any loss resulting from the investment of proceeds in an escrow fund below the yield on the bonds, however, may be recovered by combining those investments with investments deposited to other funds, e.g., reserve or construction funds.

The arbitrage regulations also provide an exception to the arbitrage limitations for the investment of bond proceeds in tax-exempt obligations. As such, investment of proceeds in tax exempt bonds eliminates the Issuer's rebate obligation. A caveat; this exception does not apply to gross proceeds derived allocable to a bond, which is not subject to the alternative minimum tax under section 57(a)(5) of the Code, if invested in tax-exempt bonds subject to the alternative minimum tax, i.e., "private activity bonds." Such "AMT-subject" investment is treated as a taxable investment and must comply with the arbitrage rules, including rebate. Earnings from these tax-exempt investments are subject to arbitrage restrictions, including rebate.

Similarly, the investment of gross proceeds in certain tax-exempt mutual funds are treated as a direct investment in the tax-exempt obligations deposited in such fund. While issuers may invest in such funds for purposes of avoiding arbitrage rebate, they should be aware that if "private activity bonds" are included in the fund then a portion of the earnings will be subject to arbitrage rebate. Issuers should be prudent in assuring that the funds do not contain private activity bonds.

The arbitrage regulations provide a number of instances in which earnings will be imputed to nonpurpose investments. Receipts generally will be imputed to investments that do not bear interest at an arm's-length (i.e., market) interest rate. As such, the regulations adopt a "market price" rule. In effect, this rule prohibits an issuer from investing bond proceeds in investments at a price which is higher than the market price of comparable obligations, in order to reduce the yield. Special rules are included for determining the market price for investment contracts, certificates of deposit and certain U.S. Treasury obligations. For example, to establish the fair market value of investment contracts a bidding process between three qualified bidders must be used. The fair market value of certificates of deposit which bear a fixed interest rate and are subject to an early withdrawal penalty is its purchase price if that price is not less than the yield on comparable U.S. Treasury obligations and is the highest yield available from the institution. In any event, a basic "common sense" rule-of-thumb that can be used to determine whether a fair market value has been paid is to ask whether the general funds of the issuer would be invested at the same yield or at a higher yield. An exception to this market price rule is available for United States Treasury Obligations - State or Local Government Series in which case the purchase price is always the market price.

Reimbursement and Working Capital

The regulations provide rules for purposes of determining whether gross proceeds are used for working capital and, if so, at what times those proceeds are considered spent. In general, issuers can finance short-term or long-term working capital with tax-exempt bonds. By adopting a "proceeds-spent-last" rule, the regulations also generally require that an issuer actually incur a deficit (i.e., expenditures must exceed receipts)



for the computation period (which generally corresponds to the issuer's fiscal year in the case of short-term working capital financing). Also, the regulations permit an operating reserve, but unlike prior regulations the amount of such reserve may not exceed five percent of the issuer's actual working capital expenditures for the prior fiscal year. A change was made to the regulations in 2016 allows issuers to finance the operating reserve with proceeds of a tax-exempt obligation. The regulations generally continue the prior regulations' 13-month temporary period for short-term working capital financing.

Long-term working capital financings are beyond the scope of this memorandum. In the event long-term working capital financing is needed, issuers are advised to consult McCall, Parkhurst & Horton L.L.P. to address the federal income tax consequences of these transactions.

Importantly, the regulations contain rules for determining whether proceeds used to reimburse an issuer for costs paid prior to the date of issue of the obligation, in fact, are considered spent at the time of reimbursement. These rules apply to an issuer who uses general revenues for the payment of all or a portion of the costs of a project then uses the proceeds of the bonds to reimburse those general revenues. Failure to comply with these rules would result in the proceeds continuing to be subject to federal income tax restrictions, including rebate.

To qualify for reimbursement, a cost must be described in an expression (e.g., resolution, legislative authorization) evidencing the issuer's intent to reimburse which is made no later than 60 days after the payment of the cost. Reimbursement must occur no later than 18 months after the later of (1) the date the cost is paid or (2) the date the project is placed in service. Except for projects requiring an extended construction period or small issuers, in no event can a cost be reimbursed more than three years after the cost is paid.

Reimbursement generally is not permitted for working capital; only capital costs, grants and loans may be reimbursed. Moreover, certain anti-abuse rules apply to prevent issuers from avoiding the limitations on refundings. **IN CASES INVOLVING WORKING CAPITAL OR REIMBURSEMENT, ISSUERS ARE ADVISED TO CONTACT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION.**

Rebate Payments

Rebate payments generally are due 60 days after each installment computation date. The interim computation dates occur each fifth anniversary of the issue date. The final computation date is on the latest of (1) the date 60 days after the date the issue of bonds is no longer outstanding, (2) the date eight months after the date of issue for certain short-term obligations (i.e., obligations retired within three years), or (3) the date the issuer no longer reasonably expects any spending exception, discussed below, to apply to the issue. On such payment dates, other than the final payment date, an issuer is required to pay 90 percent of the rebatable arbitrage to the United States. On the final payment date, an issuer is required to pay 100 percent of the remaining rebate liability.

Failure to timely pay rebate does not necessarily result in the loss of tax-exemption. Late payments, however, are subject to the payment of interest, and unless waived, a penalty of 50 percent (or, in the case of private activity bonds, other than qualified 501(c)(3) bonds, 100 percent) of the rebate amount which is due. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

Rebate payments are refundable. The issuer, however, must establish to the satisfaction of the Commissioner of the Internal Revenue Service that the issuer paid an amount in excess of the rebate and that the recovery of the overpayment on that date would not result in additional rebatable arbitrage. An overpayment of less than \$5,000 may not be recovered before the final computation date.



Alternative Penalty Amount

In certain cases, an issuer of a bond the proceeds of which are to be used for construction may elect to pay a penalty, in lieu of rebate. The penalty may be elected in circumstances in which the issuer expects to satisfy the two-year spending exception which is more fully described under the heading "Exceptions to Rebate." The penalty is payable, if at all, within 60 days after the end of each six-month period. This is more often than rebate. The election of the alternative penalty amount would subject an issuer, which fails the two-year spend-out requirements, to the payment of a penalty equal to one and one-half of the excess of the amount of proceeds which was required to be spent during that period over the amount which was actually spent during the period.

The penalty has characteristics which distinguish it from arbitrage rebate. First, the penalty would be payable without regard to whether any arbitrage profit is actually earned. Second, the penalty continues to accrue until either (1) the appropriate amount is expended or (2) the issuer elects to terminate the penalty. To be able to terminate the penalty, the issuer must meet specific requirements and, in some instances, must pay an additional penalty equal to three percent of the unexpended proceeds.

Exceptions to Rebate

The Code and regulations provide certain exceptions to the requirement that the excess investment earnings be rebated to the United States.

a. *Small Issuers.* The first exception provides that if an issuer (together with all subordinate issuers) during a calendar year does not issue tax-exempt bonds² in an aggregate face amount exceeding \$5 million, then the obligations are not subject to rebate. *Only issuers with general taxing powers may take advantage of this exception.* Subordinate issuers are those issuers which derive their authority to issue bonds from the same issuer, e.g., a city and a health facilities development corporation, or which are controlled by the same issuer, e.g., a state and the board of a public university. In the case of bonds issued for public school capital expenditures, the \$5 million cap may be increased to as much as \$15 million. For purposes of measuring whether bonds in the calendar year exceed these dollar limits, current refunding bonds can be disregarded if they meet certain structural requirements. Please contact McCall, Parkhurst & Horton L.L.P. for further information.

b. *Spending Exceptions.*

Six-Month Exception. The second exception to the rebate requirement is available to all tax-exempt bonds, all of the gross proceeds of which are expended during six months. The six month rule is available to bonds issued after the effective date of the Tax Reform Act of 1986. See the discussion of effective dates on page two. For this purpose, proceeds used for the redemption of bonds (other than proceeds of a refunding bond deposited to an escrow fund to discharge refunded bonds) cannot be taken into account as expended. As such, bonds with excess gross proceeds generally cannot satisfy the second exception unless the amount does not exceed the lesser of five percent or \$100,000 and such de minimis amount must be expended within one year.

Certain gross proceeds are not subject to the spend-out requirement, including amounts deposited to a bona fide debt service fund, to a reserve fund and amounts which become gross proceeds received from purpose investments. These amounts themselves, however, may be subject to rebate even though the originally expended proceeds were not.

² For this purpose, "private activity bonds" neither are afforded the benefit of this exception nor are taken into account for purposes of determining the amount of bonds issued.



The Code provides a special rule for tax and revenue anticipation notes (i.e., obligations issued to pay operating expenses in anticipation of the receipt of taxes and other revenues). Such notes are referred to as TRANs. To determine the timely expenditure of the proceeds of a TRAN, the computation of the "cumulative cash flow deficit" is important. If the "cumulative cash flow deficit" (i.e., the point at which the operating expenditures of the issuer on a cumulative basis exceed the revenues of the issuer during the fiscal year) occurs within the first six months of the date of issue and must be equal to at least 90 percent of the proceeds of the TRAN, then the notes are deemed to satisfy the exception. This special rule requires, however, that the deficit actually occur, not that the issuer merely have an expectation that the deficit will occur. In lieu of the statutory exception for TRANs, the regulations also provide a second exception. Under this exception, 100 percent of the proceeds must be spent within six months, but before note proceeds can be considered spent, all other available amounts of the issuer must be spent first ("proceeds-spent-last" rule). In determining whether all available amounts are spent, a reasonable working capital reserve equal to five percent of the prior year's expenditures may be set aside and treated as unavailable.

18-Month Exception. The regulations also establish a non-statutory exception to arbitrage rebate if all of the gross proceeds (including investment earnings) are expended within 18 months after the date of issue. Under this exception, 15 percent of the gross proceeds must be expended within a six-month spending period, 60 percent within a 12-month spending period and 100 percent within an 18-month spending period. The rule permits an issuer to rely on its reasonable expectations for computing investment earnings which are included as gross proceeds during the first and second spending period. A reasonable retainage not to exceed five percent of the sale proceeds of the issue is not required to be spent within the 18-month period but must be expended within 30 months. Rules similar to the six-month exception relate to the definition of gross proceeds.

Two Year Exception. Bonds issued after December 19, 1989 (i.e., the effective date of the Omnibus Reconciliation Act of 1989), at least 75 percent of the net proceeds of which are to be used for construction, may be exempted from rebate if the gross proceeds are spent within two years. Bonds more than 25 percent of the proceeds of which are used for acquisition or working capital may not take advantage of this exception. The exception applies only to governmental bonds, qualified 501(c)(3) bonds and private activity bonds for governmentally-owned airports and docks and wharves. The two-year exception requires that at least 10 percent of the available construction proceeds must be expended within six months after the date of issue, 45 percent within 12 months, 75 percent within 18 months and 100 percent within 24 months. The term "available construction proceeds" generally means sale proceeds of the bonds together with investment earnings less amounts deposited to a qualified reserve fund or used to pay costs of issuance. Under this rule, a reasonable retainage not to exceed five percent need not be spent within 24 months but must be spent within 36 months.

The two-year rule also provides for numerous elections which must be made not later than the date of issuance of the bonds. Once made, the elections are irrevocable. Certain elections permit an issuer to bifurcate bond issues, thereby treating only a portion of the issue as a qualified construction bond; and, permit an issuer to disregard earnings from reserve funds for purposes of determining "available construction proceeds." Another election permits an issuer to pay the alternative penalty amount discussed above in lieu of rebate if the issuer ultimately fails to satisfy the two-year rule. Issuers should discuss these elections with their financial advisors prior to issuance of the bonds. Of course, McCall, Parkhurst & Horton L.L.P. remains available to assist you by providing legal interpretations thereof.

Debt Service Funds. Additionally, an exception to the rebate requirement, whether or not any of the previously discussed exceptions are available, applies for earnings on "bona fide debt service funds." A "bona fide debt service fund" is one in which the amounts are expended within 13 months of the accumulation of such amounts by the issuer. In general, most interest and sinking funds (other than any excess taxes or revenues accumulated therein) satisfy these requirements. For private activity bonds, short term bonds (i.e.,



have a term of less than five years) or variable rate bonds, the exclusion is available only if the gross earnings in such fund does not exceed \$100,000, for the bond year. For other bonds issued after November 11, 1988, no limitation is applied to the gross earnings on such funds for purposes of this exception. Therefore, subject to the foregoing discussion, the issuer is not required to take such amounts into account for purposes of the computation.

Conclusion

McCall, Parkhurst & Horton L.L.P. hopes that this memorandum will prove to be useful as a general guide to the arbitrage rebate requirements.

Again, this memorandum is not intended as an exhaustive discussion nor as specific advice with respect to any specific transaction. We advise our clients to seek competent financial and accounting assistance. Of course, we remain available to provide legal advice regarding all federal income tax matters, including arbitrage rebate. If you have any questions, please feel free to contact either Harold T. Flanagan or Stefano Taverna at (214) 754-9200.

EXHIBIT "B"

January 1, 2018

**Certain Federal Income Tax Considerations for
Private Business Use of Bond-Financed Facilities**

This memorandum provides a general discussion of those types of contractual arrangements which give rise to private business use, and to what extent that use rises to a prohibited level. Generally, in order for bonds issued by governmental units to be tax-exempt, no more than a de minimis amount of the proceeds of the bonds or the facilities financed with such proceeds may be used by non-governmental users. That is, there may be no more than an incidental use by persons, other than state or local governments. Too much private business use can cause the bonds to become taxable. Private business use for this purpose can be direct or can result from indirect benefits being conveyed to a private person by contractual arrangement. The following discussion describes, in general terms, those types of arrangements which need to be scrutinized.

We hope that this general guideline will be useful to you in interacting with private parties regarding the use of bond proceeds or bond-financed facilities. While the statements contained herein are not intended as advice with regard to any specific transaction, McCall, Parkhurst & Horton L.L.P. remains available should you have questions about these rules. Any tax advice contained in this memorandum, including any attachments, was not intended or written to be used for the purpose of avoiding federal tax related penalties or promoting, marketing or recommending to another party any transaction or matter addressed herein. If you have any specific questions or comments, please feel free to contact Stefano Taverna or Harold T. Flanagan at (214) 754-9200.

I. Private Business Use

Arrangements that involve use in a trade or business by a nongovernmental person of bond proceeds or facilities financed with bond proceeds may cause a "private business use" problem. Bond-financed facilities may be used by a variety of people with differing consequences under these rules. For example, students, teachers, employees and the general public may use bond-financed facilities on a non-exclusive basis without constituting private business use. More problematic, however, is use of bond-financed facilities by groups such as managers, lessees (e.g., book store owners), persons providing services (e.g., food or cleaning), seminar groups, sports and entertainment groups, and even alumni associations. The benefits also may be considered to pass to a private person where the right to the output produced by the facility is transferred. For this purpose, the federal government is considered a non-governmental person. Use by an organization organized under section 501(c)(3) of the Internal Revenue Code in a trade or business unrelated to the exempt purpose of such organization also is considered use by a private person.

The term "use" includes both actual and beneficial use. As such, private business use may arise in a variety of ways. For example, ownership of a bond-financed facility by a non-governmental person is private business use. The leasing of a bond-financed facility by a non-governmental person can also cause a private business use problem. Along the same line,



management of such facilities by a non-governmental person can cause a problem with private business use, absent compliance with the management contract rules discussed below. Essentially, such use can occur in connection with any arrangement in which the non-governmental user has a preference to benefit from the proceeds or the facilities. Therefore, any arrangement which results in a non-governmental person being the ultimate beneficiary of the bond financing must be considered.

1. Sales and Leases. The sale of a bond-financed facility to a non-governmental person would cause a private business use problem if that facility involved the use of more than 10 percent of the bond proceeds. Since state law often prohibits a governmental issuer from lending credit, this circumstance generally does not occur. Leases, however, also could be a problem because such arrangements grant a possessory interest in the facility which results in the lessee receiving a right to use the facility which is superior to members of the general public.

2. Management Contracts. Having a private manager will give rise to private business use unless certain terms of the management agreement demonstrate that beneficial use has not been passed to the manager. These factors relate to the compensation arrangements, contract term, cancellation provisions, and the relationship of the parties.

The tax rules provide that a contract that satisfies certain requirements is treated as a contract that does not give rise to private use of facilities financed with tax-exempt bonds (“Qualified Contract”). Additionally, certain arrangements that qualify as an eligible expense reimbursement arrangement do not give rise to private use.

A Qualified Contract is one that meets **all** of the following requirements:

- i. Compensation paid to the private manager must be reasonable;
- ii. The private manager cannot receive a share of “net profits” from the operation of the managed property;
- iii. The private manager cannot share in the net losses resulting from the operation of the managed property;
- iv. The contract’s term cannot exceed 30 years or 80 percent of the weighted average reasonably expected economic life of the managed property, if less;
- v. The governmental owner must exercise a significant degree of control over the actual use of the managed property;
- vi. The governmental owner must retain the risk of loss (for example, in cases of catastrophic events); and
- vii. The private manager cannot take an inconsistent tax position from the position taken by the governmental owner nor can it retain substantial ability to limit the governmental owner’s control rights.

Various factors must be evaluated when drafting a contract to ensure it meets this new safe-harbor, including the eligibility for, the amount of, and the timing of, compensation payments to the private manager, as well as the amount and contingency of, and the timing of operational losses borne by the private manager. Penalties for the inability to meet certain benchmarks are allowed, so long as they are determinable in a stated dollar amount, or a multiple thereof. Similarly, incentive compensations or bonuses are permissible, even if measured against



standards of quality of services, performance or productivity, so long as they are not based on the net profits from the management of the bond financed property.

An owner's control is significant so long as it retains control over the budget, the type of expenditures, dispositions of bond financed property and control over the general nature and type of use of those assets.

The tax rules also provide owner's flexibility when structuring compensation arrangements with private managers (which could include fixed, per capita, per unit or any other variable compensation arrangement and terms that could be as long as 30 years), as long as the term of the contract does not exceed the allowable term, including all renewal options, the owner retains significant controls over the venture, the compensation is reasonable and there is no sharing of net profit or net losses with the private manger.

3. Cooperative Research Agreements. A cooperative research agreement with a private sponsor whereby the private party uses bond-financed facilities may cause a private business use problem. Nevertheless, such use of a bond-financed facility by a non-governmental person is to be disregarded for purposes of private business use if the arrangement is in one of the following forms. First, the arrangement may be disregarded if the sponsoring party is required to pay a competitive price for any license or other use of resulting technology, and such price must be determined at the time the technology is available. Second, an arrangement may also qualify if a four-part requirement is met: (1) multiple, unrelated industry sponsors must agree to fund university-performed basic research; (2) the university must determine the research to be performed and the manner in which it is to be performed; (3) the university must have exclusive title to any patent or other product incidentally resulting from the basic research; and (4) sponsors must be limited to no more than a nonexclusive, royalty-free license to use the product of any such research.

4. Output Contracts. In some circumstances, private business use arises by virtue of contractual arrangements in which a governmental unit agrees to sell the output from a bond-financed facility to a non-governmental person. If the non-governmental person is obligated to take the output or to pay for output even if not taken, then private business use will arise. This is because the benefits and burdens of the bond-financed facility are considered as inuring to the non-governmental purchaser. In addition to the general rule, output-type facilities, including electric and gas generation, transmission and related facilities (but not water facilities) are further limited in the amount of private business use which may be permitted. If more than 5 percent of the proceeds are used for output facilities and if more than 10 percent of the output is sold pursuant to an output arrangement, then the aggregate private business use which may result (for all bond issues) is \$15,000,000.

II. How Much Private Business Use is Too Much?

In general, there is too much private business use if an amount in excess of 10 percent of the proceeds of the bond issue are to be used, directly or indirectly, in a trade or business carried on by persons other than governmental units, and other than as members of the general public. All trade or business use by persons on a basis different than that of the general public is aggregated for the 10 percent limit. Private business use is measured on a facility or bond issue basis. On a facility basis, such use is generally measured by relative square footage, fair market rental value or the percentage of cost allocable to the private use. On a bond issue basis, the proceeds of the bond issue are allocated to private and governmental (or public) use of the



facility to determine the amount of private business use over the term of the bond issue. Temporary use is not necessarily "bad" (i.e., private use) even though it results in more than 10 percent of the facility being so used. For example, if 100 percent of a facility is used for a period equal to five percent of the term of the bond such use may not adversely impact the bonds. The question is whether the benefits and burdens of ownership have transferred to the private user, as in the case of a sale, lease or management contract. If these benefits and burdens have not transferred, such use may be disregarded for purposes of private business use. In no event should private business use exceed \$15,000,000.

In addition, if the private use is considered "unrelated or disproportionate" to the governmental purpose for issuance of the bonds, the private business use test is met if the level of the prohibited private use rises to 5 percent. The "unrelated" question turns on the operational relationship between the private use and use for the governmental purpose. In most cases, a related use facility must be located within or adjacent to the related governmental facility, e.g., a privately-operated school cafeteria would be related to the school in which it is located. Whereas, the use of a bond-financed facility as an administrative office building for a catering company that operates cafeterias for a school system would not be a related use of bond proceeds. Nonetheless, even if a use is related, it is disproportionate to the extent that bond proceeds used for the private use will exceed proceeds used for the related governmental use.

III. When are the tests applied to analyze the qualification of a bond?

A bond is tested both (1) on the date of issue, and (2) over the term. The tests are applied to analyze the character of the bond on the date of issue, based on how the issuer expects to use the proceeds and the bond-financed property. This is known as the "**reasonable expectations**" standard. The tests also continuously are applied during the term of the bonds to determine whether there has been a deviation from those expectations. This is known as the "**change of use**" standard. When tested, bonds are viewed on an "issue-by-issue" basis. Generally, bonds secured by the same sources of funds are part of the same "issue" if they are sold within 15 days of one another.

IV. What is the reasonable expectations standard?

The reasonable expectations standard will be the basis on which McCall, Parkhurst & Horton L.L.P., as bond counsel, will render the federal income tax opinion on the bonds. The statement of expectations will be incorporated into the Federal Tax Certificate, previously referred to as the Federal Tax Certificate. The certificate also will contain information about the amounts to be expended on different types of property, e.g., land, buildings, equipment, in order to compute a weighted useful life of the bond-financed property. Based on the information on useful life, the maximum weighted average maturity of the bonds tested to ensure that is restricted to no more than 120 percent of the useful life of the property being financed or refinanced.

V. Change of Use Standard.

The disqualified private business use need not exist on the date of issue. Subsequent use by non-governmental persons also can cause a loss of tax-exemption. Post-issuance "change of use" of bond-financed facilities could result in the loss of the tax-exempt status of the bonds, unless certain elements exist which demonstrate the change was unforeseen. For this purpose, a change in use includes a failure to limit private business use subsequent to the date of issuance of the bonds. A reasonable expectation element requires that, as of the date of issue of the bonds, the governmental unit reasonably have expected to use the proceeds of the issue for qualified



facilities for the entire term of the issue. To fall within the safe harbor rules which avoid loss of tax-exempt status the governmental unit must assure that no circumstances be present which indicate an attempt to avoid directly or indirectly the requirements of federal income tax law.

Finally, the safe harbor requires that the governmental unit take remedial action that would satisfy one of the following provisions: redemption of bonds; alternative use of disposition proceeds of a facility that is financed by governmental bonds; or, alternative use of a facility that is financed by governmental bonds. For purposes of the latter two remedial action provisions, the governmental unit has 90 days from the date of the change of use to satisfy the requirements. In addition, there is an exception for small transactions for dispositions at a loss.

VI. Written Procedures.

Each governmental issuer should establish written procedures to assure continuing compliance with the private use and arbitrage limitations imposed by the Code. Moreover, the Internal Revenue Service ("IRS") is asking issuers to state in a bond issue's informational return (such as an 8038-G) whether such post-issuance procedures have been adopted. The federal tax certificate, together with the attached memoranda and bond covenants can be supplemented by standard written practices adopted by the executive officer or legislative bodies of the issuer. Accordingly, our firm is prepared to advise you with respect to additional practices which we believe would be beneficial in monitoring compliance and taking remedial action in cases of change in use. There is no standard uniform practice for all issuers to adopt because each issuer operates in unique fashion. However, if you wish us to assist you in developing practices which might assist you in complying with the viewpoints expressed by the IRS and its personnel, please contact your bond lawyer at McCall, Parkhurst & Horton LLP.



Exhibit "C"

August 20, 2019

Ms. Lekeita Sutton
Director of Finance
City of Kennedale, Texas
405 Municipal Drive
Kennedale, Texas 76060

Re: City of Kennedale, Texas
Tax Note, Series 2019

Dear Ms. Sutton:

As you know, the City of Kennedale, Texas (the "Issuer") will issue the captioned note in order to provide for the acquisition and construction of the projects described in the Ordinance authorizing the issuance of such note. As a result of that issuance, the federal income tax laws impose certain restrictions on the investment and expenditure of amounts to be used for the projects or to be deposited to the interest and sinking fund for the captioned note. The purpose of this letter is to set forth, in somewhat less technical language, those provisions of the tax law which require the timely use of bond proceeds and that investment of these amounts be at a yield which is not higher than the yield on the captioned note. For this purpose, please refer to line 21(e) of the Form 8038-G included in the transcript of proceedings for the yield on the captioned note. Please note that the Form 8038-G has been prepared based on the information provided by or on your behalf by your financial advisor. Accordingly, while we believe that the information is correct you may wish to have the yield confirmed before your rebate consultant or the paying agent attempt to rely on it.

Generally, the federal tax laws provide that, unless excepted, amounts to be used for the projects or to be deposited to the interest and sinking fund must be invested in obligations the combined yield on which does not exceed the yield on the note. Importantly, for purposes of administrative convenience, the note, however, has been structured in such a way as to avoid, for the most part, this restriction on investment yield. They also contain certain covenants relating to expenditures of proceeds designed to alert you to unintentional failures to comply with the laws affecting expenditures of proceeds and dispositions of property. **IMPORTANTLY, THE PROCEEDS OF THE NOTE MAY NOT BE USED TO FINANCE EMPLOYEE COMPENSATION, INCLUDING SALARIES OR RETIREMENT PAYMENTS, OR TO PAY SERVICE CONTRACT EXPENSES WITHOUT SUBJECTING THE NOTE TO ADDITIONAL FEDERAL INCOME TAX REQUIREMENTS.**

First, the sale and investment proceeds to be used for the new money projects may be invested for up to three years without regard to yield. (Such amounts, however, may be subject to rebate.) Thereafter, they must be invested at or below the bond yield. Importantly, expenditure of these proceeds must be accounted in your books and records. Allocations of these expenditures must occur within 18 months of the later of the date paid or the date the projects are completed. The foregoing notwithstanding, the allocation should not occur later than 60 days after the earlier of (1) of five years after the delivery date of the note or (2) the date the note is retired unless you obtain advice of bond counsel.

Second, the interest and sinking fund is made up of amounts which are received annually for the payment of current debt service on all the Issuer's outstanding obligations. Any taxes or revenues deposited to the interest and sinking fund which are to be used for the payment of current debt service on the captioned note,

600 Congress Ave.
Suite 1800
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

Two Allen Center
1200 Smith Street, Suite 1550
Houston, Texas 77002
T 713.980.0500
F 713.980.0510

700 N. St. Mary's Street
Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

www.mphlegal.com



or any other outstanding obligations, are not subject to yield restriction. By definition, current debt service refers only to debt service to be paid within one year of the date of receipt of these amounts. For the most part, this would be debt service in the current fiscal year. These amounts deposited to the account for current debt service may be invested without regard to any constraint imposed by the federal income tax laws.

Third, a portion of the interest and sinking fund is permitted to be invested without regard to yield restriction as a "minor portion." The "minor portion" exception is available for de minimis amounts of taxes or revenues deposited to the interest and sinking fund. The maximum amount that may be invested as part of this account may not exceed the lesser of five percent of the principal amount of the note or \$100,000.

Accordingly, you should review the current balance in the interest and sinking fund in order to determine if such balance exceeds the aggregate amounts discussed above. Additionally, in the future it is important that you be aware of these restrictions as additional amounts are deposited to the interest and sinking fund. The amounts in this fund which are subject to yield restriction would only be the amounts which are in excess of the sum of (1) the current debt service account and (2) the "minor portion" account. Moreover, to the extent that additional obligations are issued by the Issuer, whether for new money projects or for refunding, these amounts will change in their proportion.

As of January 1, 2018, tax-exempt bonds cannot be issued to advance refund another bond. While certain exceptions may apply, an advance refunding bond is one the proceeds of which are generally used to pay principal, interest or premium on another issue of bonds more than 90 days after the issue date of the refunding bond. **The Issuer should not use any proceeds of the note for the payment of principal, interest or premium on another issue of bonds without first discussing with Bond Counsel.**

The Ordinance contains covenants that require the Issuer to comply with the requirements of the federal tax laws relating to the tax-exempt obligations. The Internal Revenue Service (the "Service") has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under the Internal Revenue Code. Accordingly, the Issuer should retain such materials, records and information for the period beginning on the issue date of the captioned note and ending three years after the date the captioned note is retired. Please note this federal tax law standard may vary from state law standards. The material, records and information required to be retained will generally be contained in the transcript of proceedings for the captioned note, however, the Issuer should collect and retain additional materials, records and information to ensure the continued compliance with federal tax law requirements. For example, beyond the transcript of proceedings for the note, the Issuer should keep schedules evidencing the expenditure of note proceeds, documents relating to the use of bond-financed property by governmental and any private parties (e.g., leases and management contracts, if any) and schedules pertaining to the investment of note proceeds. In the event that you have questions relating to record retention, please contact us.

The Service also wants some assurance that any failure to comply with the federal tax laws was not due to an issuer's intentional disregard or gross neglect of the responsibilities imposed on it by the federal tax laws. Therefore, to ensure post-issuance compliance, an issuer should consider adopting formalized written guidelines to help the issuer perform diligence reviews at regular intervals. The goal is for issuers to be able to timely identify and resolve violations of the laws necessary to maintain their obligations' tax-favored status. While the federal tax certificate, together with its attachments, may generally provide a basic written guideline when incorporated in an organizations' operations, the extent to which an organization has appropriate written compliance procedures in place is to be determined on a case-by-case basis. Moreover, the Service has indicated that written procedures should identify the personnel that adopted the procedures, the personnel that is responsible for monitoring compliance, the frequency of compliance check activities, the nature of the compliance check activities undertaken, and the date such procedures were originally adopted and subsequently updated, if applicable. The Service has stated that the adoption of such procedures will be a favorable factor that



the Service will consider when determining the amount of any penalty to be imposed on an issuer in the event of an unanticipated and non-curable failure to comply with the tax laws.

Finally, you should notice that the Ordinance contains a covenant that limits the ability of the Issuer to sell or otherwise dispose of bond-financed property for compensation. Beginning for obligations issued after May 15, 1997 (including certain refunding obligations), or in cases in which an issuer elects to apply new private activity bond regulations, such sale or disposition causes the creation of a class of proceeds referred to as "disposition proceeds." Disposition proceeds, like sale proceeds and investment earnings, are tax-restricted funds. Failure to appropriately account, invest or expend such disposition proceeds would adversely affect the tax-exempt status of the note. In the event that you anticipate selling property, even in the ordinary course, please contact us.

Obviously, this letter only presents a fundamental discussion of, among other tax rules, the yield restriction rules as applied to amounts deposited to the interest and sinking fund. This letter does not address the rebate consequences with respect to the interest and sinking fund and you should review the memorandum attached to the Federal Tax Certificate as Exhibit "A" for this purpose. If you have certain concerns with respect to the matters discussed in this letter or wish to ask additional questions with regards to certain limitations imposed, please feel free to contact our firm. Thank you for your consideration and we look forward to our continued relationship.

Very truly yours,

McCALL, PARKHURST & HORTON L.L.P.

cc: Mr. Thomas K. Spurgeon
Mr. Orlando Juarez, Jr

Exhibit "D"

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of First National Bank Texas (the "Purchaser"), hereby certifies as set forth below with respect to the purchase of the Tax Note, Series 2019 (the "Note") issued by City of Kennedale, Texas (the "Issuer").

The Purchaser is purchasing the Note as the first buyer of the Note at a purchase price of \$2,000,000. The Purchaser is not acting as an Underwriter with respect to the Note. The Purchaser has no present intention to sell, reoffer, or otherwise dispose of the Note (or any portion of the Note or any interest in the Note). The Purchaser is not acquiring the Note from the Issuer in consideration for the payment of property, other than money.

For purposes of this Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Note to a person (including an individual, trust, estate, partnership, association, company, or corporation) that is not an Underwriter, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Note to a person (including an individual, trust, estate, partnership, association, company, or corporation) that is not an Underwriter (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Note to the Public) and (2) any person who has more than 50 percent common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Note, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Note is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Note.

EXECUTED and DELIVERED as of this September 18, 2019.

FIRST NATIONAL BANK TEXAS, as Purchaser

By: Sara Reid
Sara Reid, Public Finance Officer

SOURCES AND USES OF FUNDS

City of Saginaw, Texas
\$2,000,000 Tax Note, Series 2019
FINAL NUMBERS
Non Callable

Dated Date 09/17/2019
 Delivery Date 09/17/2019

Sources:

Bond Proceeds:	
Par Amount	2,000,000.00
	2,000,000.00

Uses:

Project Fund Deposits:	
Project Fund	1,957,000.00
Cost of Issuance:	
Other Cost of Issuance	43,000.00
	2,000,000.00

BOND PRICING

City of Saginaw, Texas
\$2,000,000 Tax Note, Series 2019
FINAL NUMBERS
Non Callable

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	03/01/2020	430,000	1.400%	1.400%	100.000
	03/01/2021	410,000	1.400%	1.400%	100.000
	03/01/2022	225,000	1.400%	1.400%	100.000
	03/01/2023	230,000	1.400%	1.400%	100.000
	03/01/2024	230,000	1.400%	1.400%	100.000
	03/01/2025	235,000	1.400%	1.400%	100.000
	03/01/2026	240,000	1.400%	1.400%	100.000
		2,000,000			

Dated Date	09/17/2019	
Delivery Date	09/17/2019	
First Coupon	03/01/2020	
Par Amount	2,000,000.00	
Original Issue Discount		
Production	2,000,000.00	100.000000%
Underwriter's Discount		
Purchase Price	2,000,000.00	100.000000%
Accrued Interest		
Net Proceeds	2,000,000.00	

BOND DEBT SERVICE

City of Saginaw, Texas
\$2,000,000 Tax Note, Series 2019
FINAL NUMBERS
Non Callable

Dated Date 09/17/2019
 Delivery Date 09/17/2019

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2020	430,000	1.400%	12,755.56	442,755.56	
09/01/2020			10,990.00	10,990.00	
09/30/2020					453,745.56
03/01/2021	410,000	1.400%	10,990.00	420,990.00	
09/01/2021			8,120.00	8,120.00	
09/30/2021					429,110.00
03/01/2022	225,000	1.400%	8,120.00	233,120.00	
09/01/2022			6,545.00	6,545.00	
09/30/2022					239,665.00
03/01/2023	230,000	1.400%	6,545.00	236,545.00	
09/01/2023			4,935.00	4,935.00	
09/30/2023					241,480.00
03/01/2024	230,000	1.400%	4,935.00	234,935.00	
09/01/2024			3,325.00	3,325.00	
09/30/2024					238,260.00
03/01/2025	235,000	1.400%	3,325.00	238,325.00	
09/01/2025			1,680.00	1,680.00	
09/30/2025					240,005.00
03/01/2026	240,000	1.400%	1,680.00	241,680.00	
09/30/2026					241,680.00
	2,000,000		83,945.56	2,083,945.56	2,083,945.56

BOND SUMMARY STATISTICS

**City of Saginaw, Texas
\$2,000,000 Tax Note, Series 2019
FINAL NUMBERS
Non Callable**

Dated Date	09/17/2019
Delivery Date	09/17/2019
First Coupon	03/01/2020
Last Maturity	03/01/2026
Arbitrage Yield	1.400068%
True Interest Cost (TIC)	1.400068%
Net Interest Cost (NIC)	1.400000%
All-In TIC	2.155781%
Average Coupon	1.400000%
Average Life (years)	2.998
Weighted Average Maturity (years)	2.998
Duration of Issue (years)	2.917
Par Amount	2,000,000.00
Bond Proceeds	2,000,000.00
Total Interest	83,945.56
Net Interest	83,945.56
Bond Years from Dated Date	5,996,111.11
Bond Years from Delivery Date	5,996,111.11
Total Debt Service	2,083,945.56
Maximum Annual Debt Service	453,745.56
Average Annual Debt Service	322,814.29
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	2,000,000.00	100.000	1.400%	2.998
	2,000,000.00			2.998

BOND SUMMARY STATISTICS

City of Saginaw, Texas
\$2,000,000 Tax Note, Series 2019
FINAL NUMBERS
Non Callable

	TIC	All-In TIC	Arbitrage Yield
Par Value	2,000,000.00	2,000,000.00	2,000,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-43,000.00	
- Other Amounts			
Target Value	2,000,000.00	1,957,000.00	2,000,000.00
Target Date	09/17/2019	09/17/2019	09/17/2019
Yield	1.400068%	2.155781%	1.400068%

FORM 8038 STATISTICS

City of Saginaw, Texas
\$2,000,000 Tax Note, Series 2019
FINAL NUMBERS
Non Callable

Dated Date 09/17/2019
 Delivery Date 09/17/2019

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	03/01/2020	430,000.00	1.400%	100.000	430,000.00	430,000.00
	03/01/2021	410,000.00	1.400%	100.000	410,000.00	410,000.00
	03/01/2022	225,000.00	1.400%	100.000	225,000.00	225,000.00
	03/01/2023	230,000.00	1.400%	100.000	230,000.00	230,000.00
	03/01/2024	230,000.00	1.400%	100.000	230,000.00	230,000.00
	03/01/2025	235,000.00	1.400%	100.000	235,000.00	235,000.00
	03/01/2026	240,000.00	1.400%	100.000	240,000.00	240,000.00
		2,000,000.00			2,000,000.00	2,000,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	03/01/2026	1.400%	240,000.00	240,000.00		
Entire Issue			2,000,000.00	2,000,000.00	2.9981	1.4001%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	43,000.00
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00

Exhibit "F"

CERTIFICATE OF ELECTION PURSUANT TO SECTION 148(f)(4)(C)
OF THE INTERNAL REVENUE CODE OF 1986

I, the undersigned, being the duly authorized representative of the City of Kennedale, Texas (the "Issuer") hereby state that the Issuer elects the provisions of section 148(f)(4)(C) of the Internal Revenue Code of 1986 (the "Code"), relating to the exception to arbitrage rebate for temporary investments, as more specifically designated below, with respect to the Issuer's Tax Note, Series 2019 (the "Note") which are being issued on the date of delivery of the Note. The CUSIP Number for the Note is stated on the Form 8038-G filed in connection with the Note. Unless the "No Election" box is checked below, the Issuer intends to take action to comply with the two-year temporary investments exception to rebate afforded construction bonds under section 148(f)(4)(C) of the Code or any of the other exceptions available to the Issuer in accordance with section 1.148-7 of the Treasury Regulations. Capitalized terms have the same meaning as defined in the Federal Tax Certificate.

1. PENALTY ELECTION. In the event that the Issuer should fail to expend the "available construction proceeds" of the Note in accordance with the provisions of section 148(f)(4)(C) of the Code, the Issuer elects, in lieu of rebate, the penalty provisions of section 148(f)(4)(C)(vii)(I) of the Code.
2. RESERVE FUND ELECTION. The Issuer elects to exclude from "available construction proceeds," within the meaning of section 148(f)(4)(C)(vi) of the Code, of the Note, earnings on the Reserve Fund in accordance with section 148(f)(4)(C)(vi)(IV) of the Code.
3. MULTIPURPOSE ELECTION. The Issuer elects to treat that portion of the Note the proceeds of which are to be used for the payment of expenditures for construction, reconstruction or rehabilitation of the Projects, as defined in the instrument authorizing the issuance of the Note, in an amount which is currently expected to be equal to \$ _____ as a separate issue in accordance with the provisions of section 148(f)(4)(C)(v)(II) of the Code. (*Note: This election is not necessary unless less than 75 percent of the proceeds of the Note will be used for construction, reconstruction or renovation.*)
4. ACTUAL FACTS. For purposes of determining compliance with section 148(f)(4)(c) of the Code (other than qualification of the Note as a qualified construction issue), the Issuer elects to use actual facts rather than reasonable expectations.
5. NO ELECTION.

The Issuer understands that the elections which are adopted as evidenced by the check in the box adjacent to the applicable provision are irrevocable. Further, the Issuer understands that qualification of the Note for eligibility for the exclusion from the rebate requirement set forth in section 148(f) of the Code is based on subsequent events and is unaffected by the Issuer's expectations of such events as of the date of delivery of the Note. Accordingly, while failure to execute this certificate and to designate the intended election does not preclude qualification, it would preclude the Issuer from the relief afforded by such election.

DATED: September 18, 2019

City of Kennedale, Texas

By: _____

Name: Lakeita Sutton

Title: Director of Finance

405 Municipal Drive

Kennedale, Texas 76060

Employer I.D. Number: 75-6003070

Form **8038-G**

Information Return for Tax-Exempt Governmental Bonds

(Rev. September 2018)

► Under Internal Revenue Code section 149(e)
► See separate instructions.

OMB No. 1545-0720

Department of the Treasury
Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.
► Go to www.irs.gov/F8038G for instructions and the latest information.

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>
1 Issuer's name Kennedale, Texas (City of)		2 Issuer's employer identification number (EIN) 75-6003070
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) None		3b Telephone number of other person shown on 3a N/A
4 Number and street (or P.O. box if mail is not delivered to street address) 405 Municipal Drive	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Kennedale, Texas 76060		7 Date of issue 09/18/2019
8 Name of issue Tax Note, 2019		9 CUSIP number None
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) George Campbell, City Manager		10b Telephone number of officer or other employee shown on 10a (817) 985-2105

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.		
11 Education	11	
12 Health and hospital	12	
13 Transportation	13	
14 Public safety	14	
15 Environment (including sewage bonds)	15	
16 Housing	16	
17 Utilities	17	
18 Other. Describe ► various municipal projects	18	2,000,000
19a If bonds are TANs or RANs, check only box 19a <input type="checkbox"/>		
b If bonds are BANs, check only box 19b <input type="checkbox"/>		
20 If bonds are in the form of a lease or installment sale, check box <input type="checkbox"/>		

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	02/01/2026	\$ 2,000,000	\$ 2,000,000	4.17 years	1.9002 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest	22	0	
23	Issue price of entire issue (enter amount from line 21, column (b))	23	2,000,000	
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	43,000	
25	Proceeds used for credit enhancement	25	0	
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0	
27	Proceeds used to refund prior tax-exempt bonds. Complete Part V	27	0	
28	Proceeds used to refund prior taxable bonds. Complete Part V	28	0	
29	Total (add lines 24 through 28)	29	43,000	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	1,957,000	

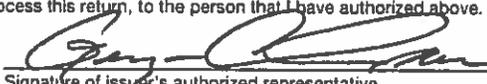
Part V Description of Refunded Bonds. Complete this part only for refunding bonds.		Not applicable
31	Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	_____ years
32	Enter the remaining weighted average maturity of the taxable bonds to be refunded	_____ years
33	Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	_____
34	Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)	_____

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC). See instructions	36a	0
b	Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) _____		
c	Enter the name of the GIC provider ▶ _____		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	0
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ <input type="checkbox"/> and enter the following information:		
b	Enter the date of the master pool bond ▶ (MM/DD/YYYY) _____		
c	Enter the EIN of the issuer of the master pool bond ▶ _____		
d	Enter the name of the issuer of the master pool bond ▶ _____		
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ <input checked="" type="checkbox"/>		
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ <input type="checkbox"/>		
41a	If the issuer has identified a hedge, check here ▶ <input type="checkbox"/> and enter the following information:		
b	Name of hedge provider ▶ _____		
c	Type of hedge ▶ _____		
d	Term of hedge ▶ _____		
42	If the issuer has superintegrated the hedge, check box ▶ <input type="checkbox"/>		
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ▶ <input checked="" type="checkbox"/>		
44	If the issuer has established written procedures to monitor the requirements of section 148, check box ▶ <input checked="" type="checkbox"/>		
45a	If some portion of the proceeds was used to reimburse expenditures, check here ▶ <input type="checkbox"/> and enter the amount of reimbursement ▶ _____		
b	Enter the date the official intent was adopted ▶ (MM/DD/YYYY) _____		

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.


09/18/2019
 Signature of issuer's authorized representative Date
George Campbell, City Manager
Type or print name and title

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Stefano Taverna		09/18/2019		P01067358
	Firm's name ▶ McCall, Parkhurst & Horton L.L.P.	Firm's EIN ▶ 75-0799392			
	Firm's address ▶ 717 N. Harwood, Suite 900, Dallas, TX 75201	Phone no. 214-754-9200			

October 14 2019

VIA UPS NEXT DAY AIR #1Z 564 04W 01 9021 2402

Internal Revenue Service Center
1973 North Rulon White Boulevard
Ogden, Utah 84201-1000

Re: Information Reporting - Tax-Exempt Bonds
City of Kennedale, Texas
Tax Note, Series 2019

Ladies and Gentlemen:

Pursuant to the requirements of Section 149(e) of the Internal Revenue Code of 1986, enclosed please find an original of Form 8038-G which is hereby submitted to you for the above-captioned bonds issued September 18, 2019.

Sincerely,

McCALL, PARKHURST & HORTON L.L.P.



Stefano Taverna

ST: vd

Enclosures

cc: Mr. Thomas K. Spurgeon
Mr. Orlando J. Juarez, Jr.

GENERAL CERTIFICATE

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

We, the undersigned, hereby officially certify that we are the Mayor and City Secretary, respectively, of the **CITY OF KENNEDALE, TEXAS** (the "**City**"), and we further certify as follows:

1. This Certificate is given for the benefit of the Attorney General of the State of Texas and all parties interested in the **CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019** (the "**Note**"), dated as of September 1, 2019, and authorized by an ordinance passed by the City Council of the City on August 20, 2019 (the "**Ordinance**").

2. The City is a duly incorporated Home Rule City, having more than 5,000 inhabitants, operating and existing under the Constitution and laws of the State of Texas and the duly adopted Home Rule Charter of the City, which Charter has not been changed or amended since the voters of the City approved certain amendments at an election held on May 4, 2019.

3. No litigation of any nature has ever been filed pertaining to, affecting or contesting: (a) the issuance, delivery, payment, security or validity of the proposed Note; (b) the authority of the officers of the City to issue, execute and deliver the Note; or (c) the validity of the corporate existence or the current Tax Rolls of the City; and no litigation is pending pertaining to, affecting or contesting the boundaries of the City.

4. The currently effective ad valorem tax appraisal roll of the City (the "**Tax Roll**") is the Tax Roll prepared and approved during the calendar year 2019, being the most recently approved Tax Roll of the City; that the taxable property in the City has been appraised, assessed, and valued as required and provided by the Texas Constitution and Property Tax Code (collectively, "**Texas law**"); that the Tax Roll for said year has been submitted to the City Council of the City as required by Texas law, and has been approved and recorded by the City Council; and according to the Tax Roll for said year the net aggregate taxable value of taxable property in the City (after deducting the amount of all applicable exemptions required or authorized under Texas law), upon which the annual ad valorem tax of the City has been or will be imposed and levied, is *\$781,196,930*.

5. Attached hereto as Exhibit A is a true, full and correct schedule and statement of the aforesaid proposed Note, and all presently outstanding tax indebtedness of the City, and attached hereto as Exhibit B is a combined debt service schedule for all outstanding tax indebtedness of the City (including the proposed Note). The City is not in default as to any covenant, condition, or obligation in connection with any of such outstanding obligations or the ordinances authorizing same.

6. The following persons are the duly elected members of the City Council of the City as of the date hereof:

Mayor	Brian Johnson
Councilmember - Place 1	Josh Altom
Councilmember - Place 2	Chris Pugh
Mayor Pro Tem - Place 3	Sandra Lee
Councilmember - Place 4	Linda Rhodes
Councilmember - Place 5	Chad Wandel

7. The following persons are the duly appointed City Manager, City Secretary and Director of Finance of the City as of the date hereof:

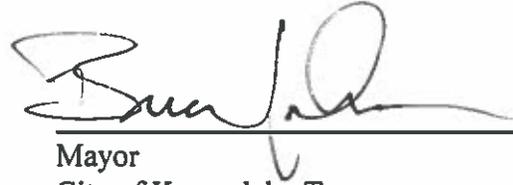
City Manager	George Campbell
City Secretary	Leslie E. Galloway
Director of Finance	Lakeita Sutton

8. The City received all required disclosure filings under Section 2252.908, Texas Government Code, in connection with the authorization and issuance of the Note and has notified, or will timely notify, the Texas Ethics Commission of its receipt of such filings by acknowledging such filings in accordance with the provisions of Section 2252.908, Texas Government Code, and 1 Tex. Admin. Code § 46.5(c).

9. With respect to the contracts contained within the transcript of proceedings relating to the Bonds submitted to the Attorney General of Texas that are subject to Subchapter F of Chapter 2252, Texas Government Code, the District has confirmed that none of such counter parties are identified on a list prepared and maintained under Sections 2270.0201 or 2252.153 of the Texas Government Code, to the extent such lists have been prepared and made available for public review as of the date of this Note by the appropriate state agency.

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SIGNED AND SEALED THIS 20TH DAY OF AUGUST, 2019.



Mayor
City of Kennedale, Texas



City Secretary
City of Kennedale, Texas

(SEAL)



EXHIBIT A

**SCHEDULE OF ALL OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS
OF THE CITY OF KENNEDALE, TEXAS**

THE PROPOSED TAX NOTE

TAX NOTE, SERIES 2019, dated September 1, 2019, to be outstanding in the aggregate principal amount of \$2,000,000, bearing interest and maturing as set forth in the Ordinance authorizing such Note.

ALL PRESENTLY OUTSTANDING TAX INDEBTEDNESS:

<u>TITLE OF OUTSTANDING OBLIGATIONS</u>	<u>DATED DATE</u>	<u>CURRENT OUTSTANDING PRINCIPAL AMOUNT (\$)</u>
General Obligation Refunding Bonds, Series 2007	02/01/2007	1,285,000
Combination Tax & Revenue Notes of Obligation, Series 2007	02/01/2007	1,450,000
Combination Tax & Revenue Notes of Obligation, Series 2007A	10/01/2007	1,000,000
Combination Tax & Revenue Notes of Obligation, Series 2010	01/01/2010	1,275,000
Combination Tax & Revenue Notes of Obligation, Series 2011	06/01/2011	1,755,000
General Obligation Refunding Bonds, Series 2016	09/01/2016	3,195,000
Tax Note, Series 2018	10/01/2018	<u>575,000</u>
TOTAL PRINCIPAL AMOUNT CURRENTLY OUTSTANDING:	***	<u>10,535,000</u>

EXHIBIT B

**City of Kennedale, Texas
Combined Debt Service**

FYE (9/30)	Existing Debt Service	Plus: Tax Notes, Series 2019			New Outstanding Debt Service
		Principal	Interest	Total	
2020	\$ 1,800,190	\$ 60,000	\$ 32,469	\$ 92,469	1892658.39
2021	1,877,303	135,000	35,578	170,578	2,047,881
2022	1,388,319	275,000	31,683	306,683	1,695,002
2023	1,388,518	370,000	25,555	395,555	1,784,073
2024	1,387,227	380,000	18,430	398,430	1,785,657
2025	943,359	385,000	11,163	396,163	1,339,521
2026	952,012	395,000	3,753	398,753	1,350,764
2027	875,242	-	-	-	875,242
2028	662,659	-	-	-	662,659
2029	336,750	-	-	-	336,750
2030	337,950	-	-	-	337,950
2031	183,600	-	-	-	183,600
	12,133,128	2,000,000	158,629	2,158,629	14,291,757

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

We, the undersigned Mayor and City Secretary, respectively, of the **CITY OF KENNEDALE, TEXAS** (the "*City*"), hereby certify as follows:

(a) This Note is executed and delivered with reference to the **CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019**, dated September 1, 2019, authorized by an ordinance passed by the City Council of the City on August 20, 2019 (the "*Note*").

(b) Each of us signed the Note by manually executing or causing facsimiles of our manual signatures to be printed or lithographed on the Note, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed the Note.

(c) The Note is substantially in the form, and it has been duly executed and signed in the manner, prescribed in the ordinance authorizing the issuance thereof.

(d) At the time we so executed and signed the Note we were, and at the time of executing this Note we are, the duly chosen, qualified, and acting officers indicated therein, and authorized to execute and sign the same.

(e) No litigation of any nature has been filed or is now pending or, to our knowledge, threatened, to restrain or enjoin the issuance or delivery of the Note, or which would affect the provision made for its payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Note, and that so far as we know and believe no such litigation is threatened.

(f) Neither the corporate existence nor boundaries of the City is being contested; no litigation has been filed or is now pending or, to our knowledge, threatened, which would affect the authority of the officers of the City to issue, execute, sign, and deliver the Note; and no authority or proceedings for the issuance of the Note have been repealed, revoked, or rescinded.

(g) We have caused the official seal of the City to be impressed, or printed, or lithographed on the Note; and said seal on the Note has been duly adopted as, and is hereby declared to be, the official seal of the City.

[The remainder of this page intentionally left blank]

EXECUTED and delivered this September 18, 2019.

MANUAL SIGNATURES

OFFICIAL TITLES

Brian Johnson

Brian Johnson, Mayor

Leslie E. Galloway

Leslie E. Galloway, City Secretary

Before me, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

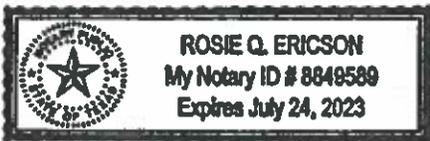
Given under my hand and seal of office this 21 August 2019.

Rosie Q. Ericson
Notary Public

Typed Name Rosie Q. Ericson

(My Commission Expires 7-24-2023)

(Notary Seal)



August 20, 2019

The Attorney General of Texas
Public Finance Division
300 W. 15th Street, 7th Floor
Austin, Texas 78701

RE: CITY OF KENENDALE, TEXAS TAX NOTE, SERIES 2019

Ladies and Gentlemen:

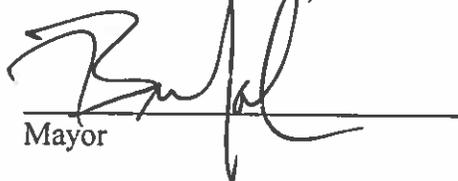
It is requested that you examine the above issues of obligations and the proceedings authorizing their issuance.

We enclose herewith one signed but undated copy of the Signature Identification and No-Litigation Note. Upon approval of the obligations, you are authorized to insert the date of approval in said Signature Note. If any litigation should develop before you have approved the obligations, we will notify you at once both by telephone and telecopy. With this assurance you can rely upon the absence of any such litigation at the time you approve the obligations unless we advise you otherwise.

After you have examined the obligations, kindly deliver them to the Office of the Comptroller of Public Accounts of the State of Texas. The Comptroller has received instructions as to disposition of such obligations following their registration.

Sincerely yours,

CITY OF KENNEDALE, TEXAS



Mayor

cc: Comptroller of Public Accounts

August 20, 2019

Texas State Comptroller of Public Accounts
Cash and Securities Management Division
Thomas Jefferson Rusk Building
208 East 10th Street, 4th Floor, Room 448
Austin, Texas 78701-2407
Attn: Melissa Popkoff

RE: CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019

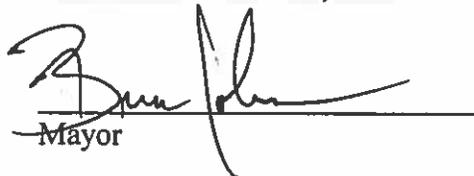
Ladies and Gentlemen:

The Attorney General will deliver to you the above-described issues of obligations. At such time as you have registered such obligations, this will be your authority to deliver them to an authorized representative of McCall, Parkhurst & Horton L.L.P. who will deliver said obligations to the Paying Agent/Registrar named in the obligations for delivery to the purchasers thereof.

At the time you have registered the obligations, please deliver three copies of the Attorney General's opinion and the Comptroller's Signature Note covering said issue of obligations to a representative of McCall, Parkhurst & Horton L.L.P., or send such documents by overnight courier to Orlando "Jay" Juarez, Jr. and Thomas K. Spurgeon, McCall, Parkhurst & Horton L.L.P., 700 N. St. Mary's, Suite 1525, San Antonio, Texas 78205.

Sincerely yours,

CITY OF KENNEDALE, TEXAS



Mayor

cc: Attorney General of Texas



CLOSING MEMORANDUM

**\$2,000,000
CITY OF KENNEDALE, TEXAS
TAX NOTE, SERIES 2019 (THE "NOTE")**

Date: September 11, 2019
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 Note is Wednesday, September 18, 2019, 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 the "Paying Agent/Registrar") will purchase the Note for \$2,000,000. There will be no accrued interest. The Purchaser will internally wire transfer the funds to the Paying Agent/Registrar.
3. The Paying Agent/Registrar shall wire \$1,957,000.00, representing the Construction Fund Deposit, to State Street Bank and Trust Company (the "Depository Bank") BNF (4200): Attn TexPool #67573774, RFB (4320): Location ID #78238, OBI (6000): Pool Number #449 MMDT#2208000001, Participant Name: City of Kennedale, ABA (3400): 011000028.
4. The Paying Agent/Registrar shall retain \$500.00 representing their one-time Paying agent/Registrar Fee.
5. The Paying Agent/Registrar shall wire \$2,000.00 to Naman, Howell, Smith & Lee, PLLC ("Purchaser's Counsel"), representing the Purchaser's Counsel fee and other expenses to: BBVA Compass, Account: Naman Howell Smith & Lee, PLLC, ABA Routing: 113010547, Bank Account: 75249330, Federal ID Number: 74-2004800, Reference: (33283-0064).
6. The Paying Agent/Registrar shall wire \$11,000.00, 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 #1113-2299-4, Account #7542113500 (For Credit to: McCall, Parkhurst & Horton L.L.P. Operating Account), Reference #1365.013.
7. The Paying Agent/Registrar shall wire \$29,500.00 from the proceeds of the Note, to SAMCO Capital Markets, Inc. for certain other fees and expenses associated with the legal authorization and issuance of the Note, 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 Tax Note, Series 2019, F/C: San Antonio Public Finance II #422.04, Attn: Georgia A. Bosworth (512) 344-7463.
8. The Reconciliation of Receipts and Disbursements is as follows:

<u>Receipts:</u>	
Par Amount of the Note	\$ 2,000,000.00
Total Receipts	<u>\$ 2,000,000.00</u>

<u>Disbursements:</u>	
Construction Fund Deposit	\$ 1,957,000.00
Paying Agent/Registrar Fee (One-time)	500.00
Purchaser's Counsel	2,000.00
Bond Counsel Fee and Expenses	11,000.00
Other Costs of Issuance	<u>29,500.00</u>
Total Disbursements	<u>\$ 2,000,000.00</u>

BOND DEBT SERVICE

City of Kennedale, Texas
 Tax Notes, Series 2019
 FINAL NUMBERS
 Non Callable

Dated Date 09/18/2019
 Delivery Date 09/18/2019

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2020	60,000	1.900%	14,038.89	74,038.89	
08/01/2020			18,430.00	18,430.00	
09/30/2020					92,468.89
02/01/2021	135,000	1.900%	18,430.00	153,430.00	
08/01/2021			17,147.50	17,147.50	
09/30/2021					170,577.50
02/01/2022	275,000	1.900%	17,147.50	292,147.50	
08/01/2022			14,535.00	14,535.00	
09/30/2022					306,682.50
02/01/2023	370,000	1.900%	14,535.00	384,535.00	
08/01/2023			11,020.00	11,020.00	
09/30/2023					395,555.00
02/01/2024	380,000	1.900%	11,020.00	391,020.00	
08/01/2024			7,410.00	7,410.00	
09/30/2024					398,430.00
02/01/2025	385,000	1.900%	7,410.00	392,410.00	
08/01/2025			3,752.50	3,752.50	
09/30/2025					396,162.50
02/01/2026	395,000	1.900%	3,752.50	398,752.50	
09/30/2026					398,752.50
	2,000,000		158,628.89	2,158,628.89	2,158,628.89

\$2,000,000
CITY OF KENNEDALE, TEXAS
TAX NOTE, SERIES 2019

DISTRIBUTION LIST

ISSUER

Ms. Lakeita Sutton
Director of Finance
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060

Telephone: (817) 985-2105
lsutton@cityofkennedale.com

BOND COUNSEL

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

Telephone: (210) 225-2800
tspurgeon@mphlegal.com
kcooper@mphlegal.com
ojiuarez@mphlegal.com

PURCHASER/PAYING AGENT/REGISTRAR

Mr. Joe Burnett
Ms. Sara Reid
First National Bank of Texas
507 N. Gray Street
Killeen, Texas 76541

Telephone: (254) 554-4204
Joe.burnett@1stnb.com
sara.reid@1stnb.com
publicfinance@1stnb.com

FINANCIAL ADVISOR

Mr. Mark McLiney
Mr. Andrew Friedman
Ms. Veronica Alonzo
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209

Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com
valonzo@samcocapital.com

PURCHASER'S COUNSEL

Mr. Andrew Clark
Naman, Howell, Smith & Lee PLLC
400 Austin Avenue, Suite 800
Waco, Texas 76701

Telephone: (254) 755-4204
aclark@namaonhowell.com



Ms. Lakeita Sutton
Director of Finance
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060

STATEMENT

For Financial Advisor services rendered and expenses incurred in connection
with the legal authorization and issuance of \$2,000,000 City of Kennedale,
Texas Tax Note, Series 2019

\$ 29,500.00

RECEIPT FOR PROCEEDS

The undersigned hereby certifies as follows:

(a) This Receipt is executed and delivered with reference to the **CITY OF KENNEDALE, TEXAS TAX NOTE, SERIES 2019** (the "*Note*"), dated September 1, 2019, in the aggregate principal amount of **\$2,000,000** authorized by an ordinance passed by the City Council of the **CITY OF KENNEDALE, TEXAS** (the "*City*") on August 20, 2019.

(b) The undersigned is the duly chosen, qualified, and acting Director of Finance of the City.

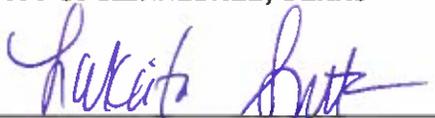
(c) The Note has been duly delivered to the initial purchaser thereof, namely

FIRST NATIONAL BANK TEXAS

(d) The Note has been paid for in full by said purchaser concurrently with the delivery of this Receipt, and the City has received, and hereby acknowledges receipt of, the agreed purchase price for the Note, being **\$2,000,000** (which amount is equal to par), and no accrued interest.

EXECUTED and delivered this September 18, 2019.

CITY OF KENNEDALE, TEXAS



Director of Finance



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

September 16, 2019

THIS IS TO CERTIFY that the City of Kennedale, Texas (the "Issuer"), has submitted the City of Kennedale, Texas Tax Note, Series 2019 (the "Note"), in the principal amount of \$2,000,000 for approval. The Note is dated September 1, 2019, numbered R-1, and was authorized by Ordinance No. 670 of the Issuer passed August 20, 2019.

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to any official statement or any other offering material relating to the Note.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Note has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) The Note is payable from the proceeds of an ad valorem tax levied, within the limits prescribed by law, against all taxable property in the Issuer.

Therefore, the Note is approved.


Attorney General of the State of Texas

No. 66430
Book No. 2019-C
MA

* See attached Signature Authorization

OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF TEXAS

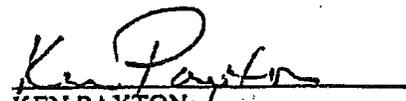
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I, KEN PAXTON, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, district, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supersedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 5th day of January, 2015.




KEN PAXTON
Attorney General of the State of Texas

OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

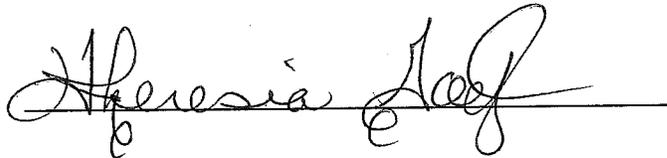
I, Theresa Goetz, Bond Clerk Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 16th day of September 2019, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

City of Kennedale, Texas Tax Note, Series 2019,

numbered R-1, dated September 1, 2019, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF I have executed this certificate this the 16th day of September
2019.



I, Glenn Hegar, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 92591.

GIVEN under my hand and seal of office at Austin, Texas, this the 16th day of September
2019.



GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, Glenn Hegar, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

City of Kennedale, Texas Tax Note, Series 2019

numbered R-1, of the denomination of \$ 2,000,000, dated September 1, 2019, as authorized by issuer, interest 1.90 percent, under and by authority of which said note was registered in the office of the Comptroller, on the 16th day of September 2019, under Registration Number 92591.

Given under my hand and seal of office, at Austin, Texas, the 16th day of September 2019.

A handwritten signature in black ink, appearing to read "Glenn Hegar", written in a cursive style.

GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas



September 18, 2019

**CITY OF KENNEDALE, TEXAS
TAX NOTE, SERIES 2019
DATED AS OF SEPTEMBER 1, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000**

AS BOND COUNSEL FOR THE CITY OF KENNEDALE, TEXAS (the "City") in connection with the issuance of the Tax Note described above (the "Note"), we have examined into the legality and validity of the Note, which bears interest from the dates specified in the text of the Note until maturity at the rates and payable on the dates as stated in the text of the Note, all in accordance with the terms and conditions stated in the text of the Note.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Note including (i) the ordinance authorizing the issuance of the Note (the "Ordinance"), (ii) one of the executed Note (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Note has been authorized, issued and delivered in accordance with law; that the Note constitutes a valid and legally binding general obligation of the City in accordance with its terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Note and to repay the Note; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note, 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, within the limits prescribed by law.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Note is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Note is not a "specified private activity bond" and that, accordingly, interest on the Note will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal



Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Note and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Note may become includable in gross income retroactively to the date of issuance of the Note.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Note, including the amount, accrual or receipt of interest on, the Note. Owners of the Note should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Note.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Note. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Note as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Note, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Note is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Note under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Note for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and



are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Note, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Note and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City.

Respectfully,

September 17, 2019

**CITY OF PORTLAND, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019
DATED AS OF SEPTEMBER 1, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,405,000**

AS BOND COUNSEL FOR THE CITY OF PORTLAND, TEXAS (the "**City**") in connection with the issuance of the certificates of obligation described above (the "**Certificates**"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "**Ordinance**"), (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, 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, within the limits prescribed by law; and that "**Surplus Revenues**" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's Waterworks and Sewer System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.



IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "***Service***"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.



OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

September 18, 2019

**CITY OF PORTLAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019
DATED SEPTEMBER 1, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,390,000**

AS BOND COUNSEL FOR THE CITY OF PORTLAND, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the ordinance authorizing the issuance of the Bonds (the "Ordinance"), (ii) an Escrow Agreement, dated as of September 1, 2019, between the City and UMB Bank, N.A., Houston, Texas, as Escrow Agent thereunder (the "Escrow Agreement"), (iii) a certificate of sufficiency provided by Specialized Public Finance Inc., the City's financial advisor, with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds (the "Sufficiency Certificate"), (iv) one of the executed Bonds (Bond No. T-1), and (v) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; that except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the City and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Obligations" (as defined in the Ordinance) being refunded by the Bonds are outstanding under the ordinances authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the certifications contained in the Sufficiency Certificate as to the sufficiency of the cash deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Obligations.



IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal



judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on Bonds executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,