

**RESOLUTION**

**A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2023”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE NEW SERIES BONDS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING NEW SERIES BONDS, THE TERMS AND CONDITIONS OF SUCH BONDS, AND THE FUTURE ISSUANCE OF ADDITIONAL BONDS ON PARITY THEREWITH; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL OF THE DISTRIBUTION OF AN OFFICIAL STATEMENT RELATING THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND SALE DOCUMENTATION; DELEGATING THE AUTHORITY TO CERTAIN CORPORATION STAFF TO APPROVE AND EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; AND PROVIDING AN EFFECTIVE DATE**

WHEREAS, Subchapter D of Chapter 431 (Sections 431.101-431.110) of the Texas Transportation Code, as amended (the *Act*) authorizes local governments to create local government corporations to aid, assist, and act on behalf of local governments; and

WHEREAS, the City Councils (collectively, the *Governing Bodies*) of the City of Seguin, Texas and the City of Schertz, Texas (collectively, the *Cities*) have previously authorized and approved the creation of the Schertz/Seguin Local Government Corporation (the *Corporation*), a local government corporation and a nonprofit entity, as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system (the *Project*), pursuant to the provisions of Chapter 552, as amended, Texas Local Government Code (formerly Chapter 402, as amended, Texas Local Government Code), and other applicable law; and

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the Corporation for the purposes set forth in the Corporation’s Articles of Incorporation, including the issuance of bonds to finance or refinance the costs of the Project; and

WHEREAS, pursuant to law, and particularly the Act, Section 552.018, as amended, Texas Local Government Code (formerly Section 402.018, as amended, Texas Local Government Code), and the Corporation’s powers under Chapter 22, as amended, Texas Business Organizations Code, and Chapter 1201, as amended, Texas Government Code (incorporated by reference, respectively,

under Sections 431.006 and 431.070, as amended, Texas Transportation Code), the Corporation is empowered to acquire and construct water supply facilities and to deliver this water to the Cities; and

WHEREAS, pursuant to the provisions of the Act and the other laws of the State of Texas (the *State*), the Corporation and the Cities entered into a Regional Water Supply Contract, dated as of November 15, 1999, as amended (the *Contract*) pursuant to which the Corporation agreed to finance the costs of the Project and under which the Cities agreed to make payments to or on behalf of the Corporation in amounts sufficient to meet all of the Corporation's obligations relating to the issuance of contract revenue bonds to finance or refinance the Project; and

WHEREAS, the Contract permits the Corporation to issue bonds, notes, or other obligations, whether in one or more series or issues, to pay the cost of the Project or to refund any such bonds, notes, or other obligations; and

WHEREAS, the recitals and provisions of the Contract are incorporated herein as if set forth in its entirety, and the capitalized terms of this resolution (the *Resolution*) shall have the same meanings, and shall be defined as set forth in the Contract; and

WHEREAS, the Corporation has heretofore issued (and there are now outstanding) a series of bonds, the proceeds of which were utilized to pay Project costs, secured by and payable from a first lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities pursuant to the Contract (the *Priority Bonds*); and

WHEREAS, the Corporation's resolution authorizing the issuance of the Priority Bonds (the *Priority Bonds Resolution*) permits the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, to realize covenant relief governing the issuance of additional Priority Bonds pursuant to the terms of the Priority Bonds Resolutions, the Corporation previously established a new revenue finance system and previously issued now outstanding "New Series Bonds", which are obligations of the Corporation secured, together with the currently outstanding New Series Bonds (hereinafter defined) by a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract that is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, the Corporation's resolutions authorizing the issuance of the New Series Bonds (the *New Series Bonds Resolutions*) permits the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, in conjunction with the establishment of the New Series Bonds revenue finance system, the Corporation previously covenanted to no longer issue additional series of bonds secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual

Payments paid to the Corporation by the Cities under the Contract on parity with the Priority Bonds (referred to herein as Additional Priority Bonds) so that at such time as no Priority Bonds remain outstanding, the lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract securing the repayment of the New Series Bonds will be elevated to and enjoy a first and prior lien position; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, principal of and interest on the Bonds are payable solely from the Bond Payment portion of the Annual Payments made to the Corporation by the Cities under the Contract at such level of priority hereinbefore and hereinafter described and in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, the fees and expenses of the Paying Agent/Registrar for the Bonds, and other expenses and costs of the Corporation, all as required by this Resolution; and

WHEREAS, the Corporation hereby finds and determines that the Bonds can and should be issued as the seventh series of New Series Bonds and in connection therewith (a) the Corporation is not in default as to any covenant, condition or obligation prescribed in Priority Bonds Resolution, any New Series Bond Resolutions, or the Contract (including any amendment or supplement thereto); (b) the Cities have approved this Resolution as to form and content and acknowledged that the payment of principal of and interest on the Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract; (c) a consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project; (d) the Bonds are made to mature on February 1 or August 1, or both, in each of the years in which they are scheduled to mature; and (e) this Resolution provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Bonds as the same become due; and

WHEREAS, the Act also authorizes the Corporation acting through its Board of Directors (the *Board*) to issue revenue bonds to finance such projects, payable solely from the revenues derived from payments to be made to the Corporation for the purpose of defraying the cost of financing, acquiring, and constructing such projects; and

WHEREAS, the principal of the Bonds and the interest thereon are and shall be payable from and secured, together with the currently outstanding New Series Bonds, by a lien on and pledge of the payments designated as Bond Payment portion of the Annual Payments to be made by the Cities pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar (defined herein) for the Bonds, all as required by this Resolution; and

WHEREAS, the Board of the Corporation has determined that the Bonds in the total amount of \$ \_\_, \_\_, \_\_ should be issued and sold at this time in order to finance the costs of the Project and to pay the costs of issuing the Bonds; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Special contract revenue bonds of the Corporation shall be and are hereby authorized to be issued in the aggregate principal amount of \_\_\_\_\_ AND NO/100 DOLLARS (\$ \_\_, \_\_, \_\_), to be designated and bear the title of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2023” (the *Bonds*), pursuant to a resolution adopted by the Board (the *Resolution*) for the purpose of (i) constructing, acquiring, purchasing, renovating, enlarging, and improving the utility system, (ii) purchasing materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the utility system improvements, (iii) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects, and (iv) paying the costs of issuing the Bonds. The Bonds shall be payable as to both principal and interest solely from and equally and ratably secured, together with the currently outstanding New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, by a lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is immediately junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no currently outstanding Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, as amended, Texas Government Code, the Contract, and the Resolution.

As authorized by Chapter 22, as amended, Texas Business Organizations Code and Chapter 1201, as amended, Texas Government Code (incorporated by reference, respectively, under Sections 431.006 and 431.070, as amended, Texas Transportation Code), the Board President, Board Secretary, and General Manager (each of the foregoing, individually, an *Authorized Official*) are hereby authorized, appointed, and designated as the officials of the Corporation authorized to individually act on behalf of the Corporation in selling and delivering the Bonds authorized herein and carrying out the procedures specified in this Resolution, including approval of the aggregate principal amount of each maturity of the Bonds, the dated date, the redemption provisions therefor, the rate of interest to be borne on the principal amount of each such maturity, and the determination of whether to sell the Bonds by private placement, competitive bid, or by negotiated sale (and if by negotiated sale, the selection of the Purchasers (defined herein)). Each Authorized Official, acting for and on behalf of the Corporation, is authorized to execute the Approval Certificate attached hereto as Schedule I. The Bonds shall be issued in the original principal amount not to exceed \$5,000,000; the maximum maturity of the Bonds will be February 1, 2053; and the true interest rate shall not exceed a rate greater than 6.00% per annum calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the Corporation to the Purchasers in accordance with the provisions of the Act. Upon execution of the Approval Certificate, Bond Counsel is authorized to complete this Resolution to reflect such final terms applicable to the Bonds.

SECTION 2: Fully Registered Bonds - Authorized Denominations - Stated Maturities - Interest Rates - Interest Payments – Bond Date. The Bonds are issuable in fully registered form only; shall be dated November 1, 2023 (the *Bond Date*), shall be in denominations of \$5,000 or any integral multiple thereof, and the Bonds shall become due and payable on February 1 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts from the Closing Date (anticipated to occur on or about November 16, 2023), or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
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The Bonds shall bear interest on the unpaid principal amount thereof at the per annum rates shown above, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable semiannually on February 1 and August 1 of each year (each, an *Interest Payment Date*), commencing August 1, 2024, while the Bonds are Outstanding.

SECTION 3: Payment of Bonds - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder (hereinafter defined) of the Bonds.

The selection and appointment of Zions Bancorporation, National Association (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed, and the Corporation agrees and covenants to cause to be kept and maintained at

the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached hereto, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and the Corporation may prescribe. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The Corporation reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or resolutions terminating such agency. Additionally, the Corporation agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Bonds by United States Mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the Bonds appearing on the Security Register (the *Holder* or *Holder*s) maintained on behalf of the Corporation by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof upon redemption of the Bonds or at the Bonds' Stated Maturity and (iii) on any other date for any other purpose. The Corporation and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the Corporation nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest Payment Date for the Bonds (the *Record Date*) and shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the 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 day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

In the event of a non-payment 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 Corporation. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (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 each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4: Redemption.

A. Mandatory Redemption. The Bonds stated to mature on February 1, 20\_\_, February 1, 20\_\_, February 1, 20\_\_, and February 1, 20\_\_ are referred to herein as the “Term Bonds”. The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Term Bonds Stated to Mature on February 1, 20__		Term Bonds Stated to Mature on February 1, 20__	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

\*Payable at Stated Maturity

Term Bonds Stated to Mature on February 1, 20__		Term Bonds Stated to Mature on February 1, 20__	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

\*Payable at Stated Maturity

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Corporation, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Corporation and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Corporation with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

B. Optional Redemption. The Bonds having Stated Maturities on and after February 1, 20\_\_, shall be subject to redemption prior to Stated Maturity, at the option of the Corporation, on February 1, 20\_\_, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par plus accrued interest to the date of redemption.

C. Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the Corporation shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the Corporation to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the Corporation.

D. Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by \$5,000.



E. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first-class postage prepaid, in the name of the Corporation and at the Corporation's expense, by the Paying Agent/Registrar to each Holder of a Bond to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Resolution.

F. Transfer/Exchange. Neither the Corporation nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (2) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

SECTION 5: Execution - Registration. The Bonds shall be executed on behalf of the Corporation by its President, Board of Directors, its seal reproduced or impressed thereon, and attested by its Secretary, Board of Directors. The signature of either officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers, all as authorized and provided in Chapter 1201 and Chapter 1206, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or her duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

**SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds.** The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the Corporation shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the Corporation shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the Corporation, evidencing the same obligation to pay, and entitled to the same benefits under this Resolution, as the Bonds surrendered upon such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any fee, tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and

delivered pursuant to Section 34 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 7: Initial Bond. The Bonds herein authorized shall be issued initially either (i) as a single fully-registered Bond in the total principal amount of \$ \_\_, \_\_, \_\_ with principal installments to become due and payable as provided in Section 2 and numbered T-1, or (ii) as one (1) fully-registered Bond for each year of Stated Maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the *Initial Bond*) and, in either case, the Initial Bond shall be registered in the name of the Purchasers or the designee thereof. The Initial Bond shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers. Any time after the delivery of the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

#### SECTION 8: FORMS.

A. Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of the Paying Agent/Registrar, and the form of Assignment to be printed on each of the Bonds shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Resolution and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Bonds, or any Stated Maturities thereof, are insured and identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends and any reproduction of an opinion of Bond Counsel (hereinafter referenced)) thereon as may, consistent herewith, be established by the Corporation or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced.

B. Form of Definitive Bond.

REGISTERED  
NO. \_\_\_\_\_

REGISTERED  
PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

United States of America  
State of Texas

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION  
CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2023

Bond Date:  
November 1, 2023

Interest Rate:

Stated Maturity:

CUSIP No.

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The Schertz/Seguin Local Government Corporation (the *Corporation*), a nonprofit corporation of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the Closing Date (anticipated to occur on or about November 16, 2023), or from the most recent interest payment date to which interest has been paid or duly provided for until such principal sum has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year (each, an *Interest Payment Date*), commencing August 1, 2024.

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the *Holder*) upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$\_\_\_\_,\_\_\_\_,\_\_\_\_ (the *Bonds*) pursuant to a resolution adopted by the governing body of the Corporation (the *Resolution*), for the purpose of (i) constructing, acquiring, purchasing,

renovating, enlarging, and improving the utility system, (ii) purchasing materials, supplies, equipment, machinery, land, and rights-of-way for authorized needs and purposes relating to the utility system improvements, (iii) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects, and (iv) paying the costs of issuing the Bonds. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Act, the Chapter 1201, as amended, Texas Government Code, the Contract, and the Resolution.

As specified in the Resolution, the Bonds stated to mature on February 1, 20\_\_, February 1, 20\_\_, February 1, 20\_\_, and February 1, 20\_\_ are referred to herein as the “Term Bonds”. The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Term Bonds Stated to Mature on February 1, 20__		Term Bonds Stated to Mature on February 1, 20__	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

\*Payable at Stated Maturity

Term Bonds Stated to Mature on February 1, 20__		Term Bonds Stated to Mature on February 1, 20__	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

\*Payable at Stated Maturity

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Corporation, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Corporation and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Corporation with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The Bonds stated to mature on and after February 1, 20\_\_, may be redeemed prior to their Stated Maturities, at the option of the Corporation, on February 1, 20\_\_, or on any date thereafter, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States Mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Resolution. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Resolution for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying

Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the Corporation or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Bonds of this series are special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment (as defined in the Contract) portion of the Annual Payments (as defined in the Contract) received by the Corporation from the Cities pursuant to the provisions of the Contract, which lien and pledge is immediately junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). In the Resolution, the Corporation has covenanted to not issue any Additional Priority Bonds, but has reserved and retained the right to issue Additional New Series Bonds and additional obligations payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds. In addition, the Corporation has reserved and retained the right to issue Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation or System, except with respect to the Bond Payment portion of the Annual Payments.

THIS BOND IS NOT A GENERAL OBLIGATION OF THE STATE OF TEXAS, THE CITY OF SCHERTZ, TEXAS, OR THE CITY OF SEGUIN, TEXAS. THE REGISTERED OWNER SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT HEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION. NO FUNDS OF THE CITY OF SCHERTZ, TEXAS OR THE CITY OF SEGUIN, TEXAS RAISED BY TAXATION SHALL EVER BE USED TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE CORPORATION HAS NO TAXING AUTHORITY.

Reference is hereby made to the Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Annual Payments of the System pledged for the payment of the Bonds; the terms and conditions under which the Corporation may issue additional indebtedness (including Additional New Series Bonds and Additional Obligations); the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the Corporation and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

**THE CORPORATION AND THE CITIES IN THE CONTRACT AND IN SECTION 59 OF THE RESOLUTION HAVE RESERVED THE RIGHT TO SEEK FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD (THE TWDB) TO COMPLETE THE PROJECT PURSUANT TO THE TWDB PROGRAM AND PURSUANT THERETO TO GRANT AN UNDIVIDED OWNERSHIP INTEREST IN THE PROJECT TO THE TWDB.**

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The Corporation and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the Corporation nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment 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 Corporation. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* – which shall be fifteen (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 each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the Corporation have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Annual Payments and as otherwise provided in this Resolution. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the Board of the Corporation has caused this Bond to be duly executed under the official seal of the Corporation.



SCHERTZ/SEGUIN LOCAL  
GOVERNMENT CORPORATION

By \_\_\_\_\_  
President, Board of Directors

ATTESTED:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

C. \*Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §  
OF PUBLIC ACCOUNTS  
THE STATE OF TEXAS § REGISTER NO. \_\_\_\_\_

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

WITNESS my signature and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

\* Note to Printer: Not to appear on printed Bonds

D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued under the provisions of the within-mentioned Resolution; the Bond or Bonds of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

ZIONS BANCORPORATION, NATIONAL  
ASSOCIATION, as Paying Agent/Registrar

Registered this date:

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

By: \_\_\_\_\_  
Authorized Officer

E. Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number: \_\_\_\_\_) the within Bonds and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

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

Signature guaranteed:

\_\_\_\_\_

F. The Initial Bond shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

- (i) immediately under the name of the Bond the headings "Interest Rate" and "Stated Maturity" shall both be completed "as shown below";
- (ii) the first two paragraphs shall read as follows:

Registered Owner: \_\_\_\_\_

Principal Amount: \_\_\_\_\_

The Schertz/Seguin Local Government Corporation (the *Corporation*), a nonprofit corporation of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above on the 1st day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>Year of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amounts (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
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(Information to be inserted from schedule in Section 2 hereof)

(or such much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Closing Date (anticipated to occur on or about November 16, 2023), or from the most recent interest payment date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year, commencing August 1, 2024.

Principal of this Bond shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, at the corporate trust office of Zions Bancorporation, National Association (the *Paying Agent/Registrar*). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each interest payment date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States Mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof.

G. Insurance Legend. If bond insurance is obtained by the Purchasers or the Corporation for the Bonds, the definitive Bonds and the Initial Bond(s) shall bear an appropriate legend as provided by the insurer to appear under the following header:

[BOND INSURANCE]

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 36 and 53 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term *Additional New Series Bonds* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is immediately junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds until such time as no Priority Bonds remain Outstanding (at which point all New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments), but senior and superior to the lien thereon and pledge thereof of any additional Corporation obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds and

(ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, as determined by the Corporation in accordance with applicable law, on parity with the lien thereon and pledge thereof securing the other New Series Bonds then-Outstanding.

B. The term *Additional Priority Bonds* shall mean any bonds, notes, warrants, or other evidences of indebtedness (including those issued for the purpose of refunding previously issued bonds, notes, or other evidences of indebtedness) which the Corporation reserved the right to issue under the Priority Bonds Resolutions the repayment of which is secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is on parity with the lien thereon and pledge thereof securing the repayment of the Priority Bonds.

C. The term *Additional Obligations* shall mean collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Corporation.

D. The term *Annual Payments* shall mean the payments, including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, that the Corporation expects to receive from the Cities pursuant to the terms of the Contract.

E. The term *Authorized Officials* shall mean the Board President, Board Secretary, and the General Manager.

F. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on all outstanding Priority Bonds and New Series Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Priority Bonds and New Series Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

G. [The term \_\_\_\_\_ shall mean \_\_\_\_\_, or any successor thereto.]

H. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

I. The term *Bond Payment* shall have the meaning ascribed thereto in the Contract.

J. The term *Bonds* shall mean the \$\_\_\_\_\_,\_\_\_\_\_ “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2023”, dated November 1, 2023, authorized by this Resolution and issued by the Corporation as the seventh series of New Series Bonds.

K. The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchasers.

L. The term *Contract* shall mean the Regional Water Supply Contract, dated as of November 15, 1999, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a conformed copy of such Contract being attached hereto as Exhibit E for the purposes of identification.

M. The term *Corporation* shall mean Schertz/Seguin Local Government Corporation and any other nonprofit corporation, public agency, or other entity succeeding to the powers, rights, privileges and functions of the Corporation and, when appropriate, the Board of Directors of the Corporation.

N. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Corporation as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

O. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

P. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

Q. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Corporation under such

hedge agreement from the amounts payable by the Corporation under such hedge agreement and such obligations.

R. The term *Depository* shall mean an official depository bank of the Corporation.

S. The term *Fiscal Year* shall mean the twelve month accounting period used by the Corporation in connection with the operation of the System, currently ending on September 30<sup>th</sup> of each year, which may be any twelve consecutive month period established by the Corporation, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

T. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

U. The term *Gross Revenues* shall mean all income and increment, including, but not limited to, any revenues, income, or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Contract (excluding the Bond Payment portion of the Annual Payments), but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Corporation's Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Directors of the Corporation may utilize any revenues, including those generated by the Contract, in excess of the debt service requirements on the New Series Bonds for any lawful purpose in accordance with this Resolution and the Contract.

V. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Bond.

W. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Corporation payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 21 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Corporation, and

(ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

X. The term *Insurance Policy* means each insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

Y. The term *Insured Obligations* shall mean those Bonds covered by the Insurance Policy, for so long as the same remains valid, in force, and in effect.

Z. The term *Insurer* means \_\_\_\_\_, or its successors or assigns.

AA. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2024, while any of the Bonds remain Outstanding.

BB. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 21 of this Resolution and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

CC. The term *Late Payment Rate* means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (*Prime Rate*) (any change in such Prime Rate to be effective on the date such change is publicly announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates, including Chapter 1204, as amended, Texas Government Code. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

DD. The term *Maintenance and Operating Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Corporation's System, including the cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operating expenses of the System, including Operation and Maintenance Expenses and Overhead Expenses (each as defined in the Contracts).

EE. The term *Operation and Maintenance Expenses* shall have the meaning ascribed thereto in the Contract.



FF. The term *Overhead Expenses* shall have the meaning ascribed thereto in the Contract.

GG. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

HH. The term *New Series Bonds* shall mean the currently outstanding New Series Bonds heretofore issued, the Bonds, and any Additional New Series Bonds hereafter issued, designated as:

(1) \$43,670,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)", dated August 1, 2016;

(2) \$22,830,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION TEXAS WATER DEVELOPMENT BOARD PARTICIPATION PROGRAM 2016", dated November 1, 2016;

(3) \$19,045,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2018", dated November 15, 2018;

(4) \$39,150,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, TAXABLE NEW SERIES 2022", dated January 15, 2022; and

(5) \$4,500,000 "SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT BONDS, NEW SERIES 2022A", dated September 1, 2022.

II. The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Resolution, except:

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the Corporation in accordance with the provisions of Section 38 of this Resolution by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 34 of this Resolution.

JJ. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 20 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a first and prior lien on and pledge of the Net Revenues as determined by the Board in accordance with applicable law.

KK. The term *Priority Bonds* shall mean those obligations heretofore issued by the Corporation and that remain Outstanding after the issuance of the Bonds and the refunding of the Refunded Obligations, which Outstanding obligations are payable from and secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments, which lien and pledge is senior and superior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds, being the:

(1) \$41,040,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2001”, dated February 1, 2001.

LL. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 35 of this Resolution.

MM. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.

NN. The term *Renewal and Replacement Fund* shall mean the special fund, creation and establishment under the Priority Bonds Resolutions of which is recognized by the Corporation in Section 15 of this Resolution.

OO. The term *Resolution* shall mean this resolution adopted by the Board on September 21, 2023.

PP. The term *Special Project Bonds* shall mean bonds which the Corporation expressly reserves the right to issue in Section 22 of this Resolution.

QQ. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Resolution.

RR. The term *Surety Policy* shall mean a bond insurance policy, letter of credit, or other agreement or instrument whereby the Corporation is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

SS. The term *System* shall mean the works, improvements, facilities, plants, equipments, appliances, property, easements, leaseholds, licenses, privileges, right of use or

enjoyment, contract rights or other interests in property comprising the utility system of the Corporation, including the Project, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Corporation has contractual rights of use, except the facilities which the Corporation may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

TT. The term *TWDB* shall mean the Texas Water Development Board or any successor entity thereof.

UU. The term *TWDB Program* shall have the meaning ascribed in Section 59 of the Resolution.

SECTION 10: Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest.

A. The Corporation hereby covenants and agrees that the Bond Payment portion of the Annual Payments, subject (but only subject) to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, is hereby irrevocably pledged to the payment and security of the New Series Bonds including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, as hereinafter provided. It is hereby resolved that the New Series Bonds, and the interest thereon, shall constitute a lien on and pledge of the Bond Payment portion of the Annual Payments (subject only to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds) and shall be valid and binding without any physical delivery thereof or further act by the Corporation. This lien on the Bond Payment portion of the Annual Payments for the payment and security of the New Series Bonds, as heretofore described, shall be subject only to the first and prior lien thereon and pledge thereof securing the currently outstanding Priority Bonds and, at such time as no Priority Bonds are Outstanding, the lien on and pledge of the Bond Payment Portion of the Annual Payments securing the repayment of the New Series Bonds hereby created shall be elevated to a first and prior lien position such that this lien and pledge shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Corporation or the System.

B. As an additional source of payment of debt service on the New Series Bonds, but not pledged as additional security therefor, the Corporation hereby reserves the right to utilize its Net Revenues for such lawful purpose, but any use of Net Revenues for the payment of New Series Bonds debt service shall be subject to the prior lien on and pledge of the Net Revenues securing the payment of any Additional Obligations hereafter issued by the Corporation.

C. Chapter 1208, as amended, Texas Government Code applies to the issuance of the New Series Bonds and the pledge of Bond Payment portion of the Annual Payments granted by the Corporation under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the Bond Payment portion of the Annual Payments granted by

the Corporation is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in this pledge, the Corporation 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 this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the New Series Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Corporation hereby expressly stipulates and agrees, while any of the New Series Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;

D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the currently outstanding Priority Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Priority Bonds' debt service and debt service reserve funds and the Renewal and Replacement Fund heretofore created and established for the payment and security of the Priority Bonds; and

F. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the New Series Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

SECTION 12: System Fund. The Corporation hereby ratifies, confirms and herein assumes the application for so long as any New Series Bonds are Outstanding its prior covenants and agreements made in the Priority Bonds Resolution that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account previously created, established, and maintained with the Depository known as the “Schertz/Seguin Local Government Corporation Revenue Fund” (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Corporation. The Corporation covenants that the Overhead Expenses and Operation and Maintenance Expenses (each as defined in the Contract) shall be deposited upon receipt by the Corporation into the System Fund. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.
- SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
- THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
- FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
- FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds and the Renewal and Replacement Fund created and established for the payment and security of the currently outstanding Priority Bonds.
- SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Corporation purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the New Series Bonds as the same become due and payable, the Corporation agrees to maintain, at the Depository, a separate and special Fund or account previously created and known as the “Schertz/Seguin Local Government Corporation Contract Revenue Improvement Bonds, New Series 2023 Interest and Sinking Fund” (the *Bond Fund*). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

- FIRST: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolution.
- SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.

Accrued interest received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation’s discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and

investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction with which such reserve fund is created. No debt service reserve was created in the issuance of the currently outstanding Priority Bonds, the currently outstanding New Series Bonds, and no debt service reserve is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the "Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund" (the *Renewal and Replacement Fund*). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was \$500,000.00 (the *Emergency Amount*) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.

Though it has not exercised such right with respect to the issuance of the Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time in the Renewal and Replacement Fund shall be available to pay debt service on the New Series Bonds *subject* to the prior use of any such proceeds to pay debt service on any Priority Bonds at such time Outstanding. Such Corporation resolution shall provide for the manner of funding any resultant increase in the amount to be accumulated and maintained in the Repair and Replacement Fund in a manner permitted under the Priority Bonds Resolutions and other applicable law and that is not in conflict with terms and provisions of this Resolution.

SECTION 16: Deficiencies - Excess Net Revenues. If on any occasion there shall not be a sufficient amount of the Bond Payment portion of the Annual Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Bond Payment portion of the Annual Payments, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be

paid into these Funds or accounts during such month or months. Subject to making the required deposits to any funds or accounts securing any Additional Obligations or Priority Bonds, when and as required by any Corporation resolution authorizing a series of Additional Obligations or any Priority Bonds Resolution, respectively, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the payment of debt service on or redemption of any Bonds.

SECTION 17: Payment of Bonds. While any of the New Series Bonds are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the New Series Bonds as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the New Series Bonds at the close of the business day next preceding the date a debt service payment is due on the New Series Bonds.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Corporation, be invested as permitted by the provisions of the Public Funds Investment Act (codified at Chapter 2256, as amended, Texas Government Code), or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the New Series Bonds.

SECTION 19: Issuance of Additional Bonds.

A. The Corporation hereby covenants to not issue any Additional Priority Bonds.

B. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the Corporation reserves the right hereafter to issue Additional New Series Bonds. The Additional New Series Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payment portion of the Annual Payments in the same manner and to the same extent as are the New Series Bonds at such time Outstanding and such Additional New Series Bonds and New Series Bonds at such time Outstanding shall in all respects be of equal dignity.



The Additional New Series Bonds may be issued in one or more installments provided, however, that no Additional New Series Bonds, shall be issued unless and until the following conditions have been met:

(1) The Corporation is not then in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution authorizing the issuance of Priority Bonds at such time outstanding and any resolution authorizing the issuance of the New Series Bonds at such time Outstanding or the Contract (including any amendment or supplement thereto).

(2) A consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project, if new money bonds are being issued.

(3) The Cities shall have approved the resolution(s) authorizing the issuance of the Additional New Series Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional New Series Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract.

(4) The Additional New Series Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

(5) The resolution authorizing the issuance of the Additional New Series Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional New Series Bonds as the same become due.

Outstanding New Series Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the Corporation may deem to be in the best interest of the Corporation.

**SECTION 20: Issuance of Prior Lien Obligations.** The Corporation also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien and pledge of the Net Revenues of the System. The Corporation covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Corporation is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of New Series Bonds.

B. Each of the funds created solely for the payment of principal of and interest on the then-outstanding Priority Bonds and any New Series Bonds contains the amounts of money then-required to be on deposit therein.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Board may deem to be in the best interest of the Corporation and its inhabitants.

SECTION 21: Obligations of Inferior Lien and Pledge. The Corporation hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Corporation as may be authorized by the laws of the State of Texas.

SECTION 22: Special Project Bonds. The Corporation further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The Corporation further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

SECTION 23: Maintenance of System - Insurance. The Corporation covenants, agrees, and affirms its covenants that while the New Series Bonds remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the New Series Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Resolution shall be construed as requiring the Corporation to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Corporation from doing so.

SECTION 24: Records and Accounts - Annual Audit. The Corporation covenants, agrees, and affirms its covenants that so long as any of the New Series Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The Corporation further agrees that following (and in no event later than 120 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. A copy of each annual audit shall be made publically available in the manner described in Section 53 hereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 25: Sale or Encumbrance of System. While any New Series Bonds remain Outstanding, the Corporation will not sell, dispose of or, except as permitted in Sections 18, 19, 20, 21, and 59, further encumber the System or any substantial part thereof; provided, however, that this provision shall not prevent the Corporation from disposing of any of the System which is being replaced or is deemed by the Corporation to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Corporation contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Competition. To the extent it legally may, the Corporation will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 27: Special Covenants. The Corporation further covenants and agrees that:

A. Encumbrance and Sale.

(1) The Annual Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Corporation except with respect to the currently outstanding Priority Bonds; and while any of the New Series Bonds are Outstanding, the Corporation will not, except as provided in this Resolution, additionally encumber any portion of the Annual Payments or the Net Revenues.

(2) While the New Series Bonds are Outstanding, and except as specifically permitted in Section 18, 19, 20, 21, and 59 of this Resolution, the Corporation shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

B. Title. Subject to the provisions of Section 59 of the Resolution, the Corporation or the Cities lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the New Series Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payment portion of the Annual Payments to the payment of the New Series Bonds, in the manner prescribed herein, and that it has lawfully exercised such rights.

(i) Liens. The Corporation will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Corporation.

(ii) Performance. The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Contract and in the resolutions authorizing the issuance of New Series Bonds, and in each and every New Series Bond and pay from the Bond Payment portion of the Annual Payments the principal of and interest on every New Series Bond (subject to the payment obligations relating to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions) on the dates and in the places and manner prescribed in such resolutions and New Series Bonds; and that it will, at the times and in the manner prescribed (and subject to the payment requirements applicable to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions), deposit or cause to be deposited from the Bond Payment portion of the Annual Payments the amounts required to be deposited into the Bond Fund; and the Holder of the Bonds may require the Corporation, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional New Series Bonds including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Corporation, its officials, agents, and employees.

(iii) Legal Authority. The Corporation is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the authorization and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Corporation in accordance with their terms.

(iv) Budget. The Corporation will prepare, adopt, and place into effect an annual budget (the *Annual Budget*) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

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

SECTION 28: Limited Obligations of the Corporation. The Bonds are limited, special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment portion of the Annual Payments at the level of priority specified in Section 10 hereof, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the Corporation.

SECTION 29: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by

the laws of the State of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 30: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the Corporation covenants and agrees particularly that in the event the Corporation (a) defaults in the payments to be made to the Bond Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Corporation and other officers of the Corporation to observe and perform any covenant, condition, or obligation prescribed in this Resolution or in the Contract. In addition, the Holders shall be entitled to exercise any rights of enforcement against the Cities, as provided in the Contract.

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 31: Notices to Holders Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Resolution provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 32: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a “security” and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 33: Cancellation. All Bonds surrendered for payment, transfer, redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the Corporation, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The Corporation may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the Corporation may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Paying

Agent/Registrar. All canceled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the Corporation.

SECTION 34: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the Corporation and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Corporation and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the Corporation or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Corporation shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the Corporation may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Corporation, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 35: Sale of Bonds - Approval of Purchase Contract and the Contract – Official Statement Approval. The Bonds authorized by this Resolution are hereby sold by the Corporation to \_\_\_\_\_ (the *Purchasers*) in accordance with the provisions of a Purchase Contract, dated October 25, 2023 (the *Purchase Contract*), attached hereto as Exhibit B and incorporated hereby by reference as a part of this Resolution for all purposes. The Initial Bond shall be registered in the name of \_\_\_\_\_. The Corporation also hereby ratifies, reaffirms, readopts and approves the Contract. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the Corporation. Each Authorized Official is hereby authorized and directed to execute the Purchase Contract for and on behalf of the Corporation and as the act and deed of the Board of Directors, and in regard to the approval and execution of the Purchase Contract, the Board of Directors hereby finds, determines and declares that the representations, warranties, and agreements of the Corporation contained in the Purchase Contract and the Contract are true and correct in all material respects and shall be honored by the Corporation. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the

adoption of this Resolution, upon payment therefor in accordance with the terms of the Purchase Contract.

Furthermore, the Corporation hereby ratifies, confirms, and approves in all respects (i) the Corporation's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined) and (ii) the use and distribution of the Preliminary Official Statement by the Purchasers in connection with the public offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale, attached as Exhibit A to the Purchase Contract (together with such changes approved by the Authorized Official), shall be and is hereby in all respects approved and the Purchasers are hereby authorized to use and distribute the final Official Statement, dated October 25, 2023, in the reoffering, sale and delivery of the Bonds to the public. The President, Board of Directors, and/or Secretary, Board of Directors are further authorized and directed to manually execute and deliver for and on behalf of the Corporation copies of the Official Statement in final form as may be required by the Purchasers, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the Board of Directors and constitute the Official Statement authorized for distribution and use by the Purchasers.

Proceeds from the sale of the Bonds shall be applied as follows:

(i) Accrued interest, if any, received from the Purchasers shall be deposited into the Bond Fund.

(ii) A portion of the proceeds shall be deposited into the special construction account or accounts created for the projects to be constructed with a portion of the proceeds of the Bonds or to pay the costs of issuance of the Bonds. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 18 of this Resolution. Interest earned on the proceeds of the Bonds pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 13 of this Resolution.

SECTION 36: Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

"*Closing Date*" means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“*Computation Date*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Gross Proceeds*” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

“*Investment*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

“*Rebate Amount*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Regulations*” means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“*Yield*” of

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

B. Not to Cause Interest to Become Taxable. The Corporation shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Corporation receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Corporation shall comply with each of the specific covenants in this Section.

C. No Private Use or Private Payments. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds



(including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the Corporation or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

D. No Private Loan. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. Not to Invest at Higher Yield. Except to the extent that it will cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

F. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Corporation shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

G. Information Report. The Corporation shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

H. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The Corporation shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all

records of accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the Corporation may commingle Gross Proceeds of the Bonds with other money of the Corporation, provided that the Corporation separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Corporation shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Corporation shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Corporation shall pay to the United States out of the Bond Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Bonds equals i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The Corporation shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

J. Bonds Not Hedge Bonds.

(1) The Corporation reasonably expects to spend at least 85% of the spendable proceeds of the Bonds within three years after such Bonds are issued.

(2) Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The Corporation hereby directs and authorizes any Authorized Official, either or any combination of the foregoing, to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds. Such elections shall be deemed to be made on the Closing Date.

SECTION 37: Control and Custody of Bonds. The President, Board of Directors shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Bonds pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers.

Furthermore, any Authorized Official, or any one or more of said officials, is hereby authorized and directed to furnish and execute such documents relating to the Corporation and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the Corporation's Financial Advisors, bond counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond(s) to the Purchasers.

SECTION 38: Satisfaction of Obligation of Corporation. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the lien on and pledge of the Bond Payment portion of the Annual Payments under this Resolution and all covenants, agreements, and other obligations of the Corporation to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof on or prior to Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar" or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the

redemption date thereof for the Bonds. In the event of a defeasance of the Bonds, the Corporation shall deliver a certificate from its Financial Advisors, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds.

Notwithstanding the foregoing, for so long as the Insurance Policy remains in effect, additional restrictions relating to the defeasance of Insured Obligations, as specified in Section 57.B hereof, shall apply.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the Corporation or deposited as directed by the Corporation. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the Corporation be remitted to the Corporation against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

SECTION 39: Reserved.

SECTION 40: Reserved.

SECTION 41: Reserved.

SECTION 42: Resolution a Contract; Amendments - Outstanding Bonds. The Corporation acknowledges that the covenants and obligations of the Corporation herein contained are a material inducement to the purchase of the Bonds. This Resolution shall constitute a contract with the Holders from time to time, binding on the Corporation and its successors and assigns, and it shall not be amended or repealed by the Corporation so long as any Bond remains Outstanding except as permitted in this Section. The Corporation may, without the consent of any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or

omission herein. In addition, the Corporation may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

SECTION 43: Printed Opinion. The Purchasers' obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, as Bond Counsel, approving certain legal matters as to the Bonds, this opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Printing of a true and correct copy of this opinion on the reverse side of each of the Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the Secretary, Board of Directors of the Corporation is hereby approved and authorized.

SECTION 44: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof, and neither the Corporation nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 45: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 46: Benefits of Resolution. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person other than the Corporation, the Cities, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Corporation, the Cities, Bond Counsel, the Paying Agent/Registrar, and the Holders.

SECTION 47: Inconsistent Provisions. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 48: Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 49: Severability. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 50: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

SECTION 51: Authorization of Paying Agent/Registrar Agreement. The Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the registration, exchange, transferability, and payment of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated herein by reference as fully as if recopied in its entirety in this Resolution.

SECTION 52: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 53: Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

*EMMA* means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

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

*MSRB* means the Municipal Securities Rulemaking Board.

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

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

*Undertaking* means the Corporation's continuing disclosure undertaking, described in Paragraphs B through F below, hereunder accepted and entered into by the Corporation for the purpose of compliance with the Rule.

B. Annual Reports.

The Corporation shall file annually with the MSRB, (1) within six months after the end of each fiscal year of the Corporation ending in or after 2023, financial information and operating

data with respect to the Corporation of the general type included in the final Official Statement authorized by Section 35 of this Resolution, being the information described in Exhibit C hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the Corporation, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the Corporation may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Corporation commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Corporation shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such financial statements becomes available. Under current Texas law, the Corporation must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the Secretary, Board of Directors, within 180 days after the last day of the Corporation's fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the Corporation changes its fiscal year, it will file notice of such change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the Corporation otherwise would be required to provide financial information and operating data pursuant to this Section.

C. Notice of Certain Events.

The Corporation shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;

- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Corporation, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.
- (15) Incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect security holders, if material;
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties.

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

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

D. Limitations, Disclaimers, and Amendments.



The Corporation shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Corporation remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Corporation in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

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

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

No default by the Corporation in observing or performing its obligations under this Section shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

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

The provisions of this Section may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Corporation may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case

only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Corporation so amends the provisions of this Section, the Corporation shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The Corporation information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

F. General Policies and Procedures Concerning Compliance with the Rule.

Because the issuance of the Bonds is subject to the provisions of the Rule and because the potential “underwriters” in a negotiated sale of the Bonds or the initial purchasers in a competitive sale of the Bonds may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the Corporation hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the *Policies and Procedures*), attached hereto as Exhibit F, with which the Corporation shall follow to assure compliance with the Undertaking. The Corporation has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from its internal staff charged with administering the Corporation’s financial affairs, its municipal or financial advisors, its legal counsel (including its Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the Corporation and any such amendment will not be deemed to be an amendment to the Undertaking. Each Authorized Official is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Authorized Official to be necessary or desirable for or with respect to future compliance with the Undertaking.

SECTION 54: Book-Entry Only System. It is intended that the Bonds initially be registered so as to participate in a securities depository system (the *DTC System*) with The Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the

Initial Bonds described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The Corporation and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit D (the *Representation Letter*).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an *Indirect Participant*). Without limiting the immediately preceding sentence, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the Corporation to make payments of principal, premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

In the event that (a) the Corporation determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the Corporation determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Corporation shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the Corporation may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the Corporation, or such depository's agent or designee, and if the Corporation and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 55: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Resolution shall be given in such other manner and at such time or times as in the judgment of the Corporation or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirements for publication thereof.

SECTION 56: No Recourse Against Corporation Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any New Series Bond or for any claim based thereon or on this Resolution against any official of the Corporation or any person executing any New Series Bond.

SECTION 57: Reserved.

SECTION 58: Further Procedures. The officers of the Corporation are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Corporation 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 Resolution, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Purchase Contract, and the Official Statement. In addition, prior to the initial delivery of the Bonds, the President, Board of Directors, and Secretary, Board of Directors and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office. In case any officer of the Corporation whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 59: Reservation of Rights to Utilize the Texas Water Development Board's State Participation Account Program. The Cities and the Corporation have agreed in the Contract that the Corporation may file an application with the Texas Water Development Board (the *TWDB*) to seek financial assistance pursuant to the *TWDB*'s State Participation Account as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code, or any other assistance programs from time to time authorized by Texas law and administered by the *TWDB* (and under the guidelines for which the Corporation is an eligible applicant) (each a *TWDB Program*). To the extent the Corporation utilizes a *TWDB Program* to access funds to complete the Project, such *TWDB Program*'s rules and regulations may require that the *TWDB* take an undivided ownership interest in up to 50% of the infrastructure improvements comprising the Project. This undivided ownership interest is represented by a master agreement and other documents to be executed between the Corporation and the *TWDB* to effectuate the Corporation's financial participation in such a *TWDB*

Program. Under any such TWDB Program, the Corporation will be obligated to make lease or other rental payments to the TWDB to repay its financial assistance which enabled the Corporation to construct the Project in a manner in which excess capacity in the Project was implemented on a regional basis. Accordingly, the Purchasers of the New Series Bonds are provided notice that the Corporation hereby expressly reserves the right to seek financial assistance to complete the Project utilizing such a TWDB Program.

SECTION 60: Corporation's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the Corporation hereby consents to and authorizes any Authorized Official, Bond Counsel to the Corporation, and/or the Financial Advisors to the Corporation to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Bonds; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Bonds.

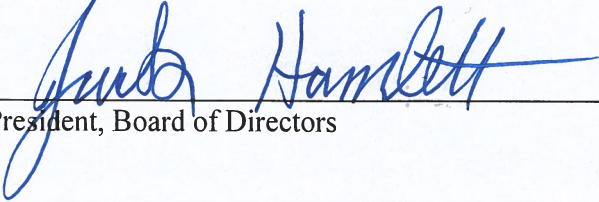
SECTION 61: Delegation Authorization Pursuant to HB 1295. Though such parties may be identified, and the entry into a particular contract may be authorized, herein, pursuant to Chapter 22, as amended, Texas Business Organizations Code and Chapter 1201, as amended, Texas Government Code (incorporated by reference, respectively, under Sections 431.006 and 431.070, as amended, Texas Transportation Code), and any other applicable law, the Corporation hereby delegates to any Authorized Official the authority to independently select the counterparty to the Paying Agent/Registrar Agreement, or any agreement with any rating agency, securities depository or any other contract that is determined by any Authorized Official, the Corporation's Co-Financial Advisors, or the Corporation's Bond Counsel to be necessary or incidental to the issuance of the Bonds as long as each of such contracts has a value of less than the amount referenced in Section 2252.908 of the Texas Government Code (collectively, the *Ancillary Bond Contracts*) and, as necessary, to execute the Ancillary Bond Contract on behalf and as the act and deed of the Corporation. As a result of such delegation, the provisions of Section 2252.908 of the Texas Government Code, as amended, are not applicable to the Ancillary Bond Contracts pursuant to 1 Texas Administrative Code Sec. 46.1(c).

SECTION 62: Effective Date. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

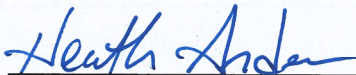
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PASSED AND ADOPTED on the 21st day of September, 2023.

SCHERTZ/SEGUIN LOCAL GOVERNMENT  
CORPORATION

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors



**INDEX TO SCHEDULE AND EXHIBITS**

Schedule I..... Approval Certificate  
Exhibit A.....Paying Agent/Registrar Agreement  
Exhibit B..... Purchase Contract  
Exhibit C..... Description of Annual Financial Information  
Exhibit D..... DTC Letter of Representations  
Exhibit E..... Regional Water Supply Contract  
Exhibit F..... General Policies and Procedures Concerning Compliance with the Rule

**SCHEDULE I**  
APPROVAL CERTIFICATE  
SEE TAB NO. 2



**EXHIBIT A**

**PAYING AGENT/REGISTRAR AGREEMENT**

SEE TAB NO. \_\_

**EXHIBIT B**

PURCHASE CONTRACT

SEE TAB NO. \_\_

## **EXHIBIT C**

### **CONTINUING DISCLOSURE OF INFORMATION**

#### **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

The following information is referred to in Section 53 of this Resolution.

#### **Annual Financial Statements and Operating Data**

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

1. [The Corporation's audited financial statements for the most recently concluded fiscal year of the general type as attached as Appendix E to the Official Statement or to the extent these audited financial statements are not available, the portions of the unaudited financial statements by the required time and audited financial statements when and if they become available.

2. The Cities' audited financial statements for the most recently concluded fiscal year of the general type as attached as Appendices C and D, respectively, to the Official Statement or to the extent these audited financial statements are not available, the portions of the unaudited financial statements by the required time and audited financial statements when and if they become available.

3 The quantitative financial information and operating data of the general type in Appendix A to the Official with respect to the Corporation.

4. The quantitative financial information and operating data of the general type in Appendix B to the Official Statement with respect to each of the Cities.]

#### **Accounting Principles**

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

**EXHIBIT D**

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. \_\_

**EXHIBIT E**

REGIONAL WATER SUPPLY CONTRACT

SEE TAB NO. \_\_

## EXHIBIT F

### General Policies and Procedures Concerning Compliance with Federal Securities Laws

I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 53 of the Resolution. “Bonds” refers to the Bonds that are the subject of the Resolution to which this Exhibit is attached.

II. As a capital markets participant, the Corporation is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the “Effective Date”), and has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the Corporation’s compliance with the Rule.

III. The Corporation is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 53C of the Resolution, which provisions are a part of the Undertaking.

IV. The Corporation is aware that “participating underwriters” (as such term is defined in the Rule) of the Bonds must make inquiry and reasonably believe that the Corporation is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.

V. The Corporation now establishes the following general policies and procedures (the “Policies and Procedures”) for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the Corporation’s informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the Corporation’s obligations under the Rule, the advice from and discussions with the Corporation’s internal senior staff (including staff charged with administering the Corporation’s financial affairs), its municipal or financial advisors, its legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the “Compliance Team”):

1. the General Manager (the “Compliance Officer”) shall be responsible for satisfying the Corporation’s obligations pursuant to the Undertaking through adherence to these Policies and Procedures;
2. the Compliance Officer shall establish reminder or “tickler” systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the Corporation’s information of the type described in Section 53B of the Resolution;

3. the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 53C of the Resolution;
4. the Compliance Officer shall work with external consultants of the Corporation, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the Corporation and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectively, the foregoing being required to satisfy the terms of the Undertaking;
5. the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the Corporation, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Bonds;
6. upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any Corporation agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;
7. the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the Corporation; and

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