

City of Killeen, Texas
\$4,915,000* Limited Tax Note, Series 2020

Term Sheet Dated June 1, 2020

Bids Due No Later Than Tuesday, June 23, 2020 at 10:00 AM Central

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| Borrower: | City of Killeen, Texas (the "City") |
| Amount: | Approximately \$4,915,000* of the City's Limited Tax Note, Series 2020 (the "Note") |
| Purpose: | Proceeds from the sale of the Note will be used for the purpose of 1) purchasing fire equipment and 2) paying the professional services including the costs associated with the issuance of the Note. |
| Tax-Status: | Interest on the Note will be excludable from gross income for federal income tax purposes under existing law. The City will NOT designate the Note as a "Qualified Tax-Exempt Obligation" for financial institutions. |
| Security: | Payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City as provided in the Ordinance authorizing the Issuance of the Note (the "Ordinance") to be adopted on June 23, 2020. |
| Amortization: | Annual payments of principal installments on February 1 of each year beginning 2021 through 2027, inclusive. See the attached BID FORM. The City reserves the right to modify the principal installment amounts shown on the BID FORM to ensure desired debt service payments upon receipt of the proposed interest rate(s). |
| Payment of Interest: | Interest on the Note will accrue from the date of initial delivery of the Note, will be payable February 1 and August 1 of each year commencing February 1, 2021 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. |
| Interest Rate: | Propose a tax-exempt, fixed rate or series of fixed rates for each principal installment that upon the verbal commitment from the City and/or the City's Financial Advisor will be honored by proposer <u>through the Closing Date</u> . |
| Prepayment: | The Note is not subject to optional redemption prior to its stated maturity. |
| Award Date: | Tuesday, June 23, 2020 |
| Closing Date: | Anticipated to be Wednesday, July 15, 2020, but subject to Texas Attorney General approval. |
| Paying Agent: | Please indicate your interest in serving as Paying Agent/Registrar (and any fees for this service); otherwise, the City will select the Paying Agent/Registrar for the Note. |

*Preliminary, subject to change.

Bond Ratings: None on this issue. The City's ad valorem tax supported debt is currently rated "AA-" by S&P Global Ratings and "AA" by Fitch Ratings without regard to credit enhancement.

Bond Insurance: None on this issue

Reporting Requirements: None on this issue

Bond Counsel: McCall, Parkhurst & Horton, L.L.P., Austin, Texas

Financial Advisor: Specialized Public Finance Inc., Austin, Texas

Placement Agent: FHN Financial, Austin, Texas

Disclosure of Interested Parties: Described hereinafter is an obligation of the City to receive information from a winning bidder if the bidder is not a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Note to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Note is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award. **The Disclosure Form must be received by the City prior to its formal acceptance of the winning bid.** Pursuant to the rules prescribed by the TEC, the Disclosure Form must be completed online through the TEC's website at <https://www.ethics.state.tx.us/tec/1295-Infor.htm>, print, sign, notarize, and deliver by email, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City (c/o the City's Financial Advisor, Specialized Public Finance, Attn: Dan Wegmiller, dan@spfmuni.com), along with the Certification of Filing generated by the TEC. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that the declaration is made "under penalty of perjury." **Consequently, a Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form.** Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Note until a completed Disclosure Form from a winning Privately Held Bidder is received. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Note should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid.

Document/Covenant Provisions: Please indicate any provisions, covenants or conditions being requested to include in the authorizing documents as part of this bid.

**Conditions
Precedent to
Funding:**

Executed documentation satisfactory to the City, Bond Counsel, the Financial Advisor, and the Purchaser including, but not limited, to the following:

Ordinance duly adopted, approved and executed which contains all relevant provisions governing the financing (rate, term, amortization, security, prepayment provisions, and all other conditions, warranties and covenants as are usual and customary for transactions of the same general type);

No Litigation Certificate;

Purchase Letter executed by the Purchaser and agreed to and accepted by the City which will include the following representations:

Anti-Boycott Verification. The Purchaser hereby represents that neither it, nor any parent company, wholly- or majority- owned subsidiary, and other affiliates of the same, if any, boycotts Israel or, to the extent this Letter is a contract for goods or services, will boycott Israel through the date of delivery of the Note. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Purchaser understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Purchaser and exists to make a profit.

Iran, Sudan and Foreign Terrorist Organizations. The Purchaser hereby represents that, neither it, nor any parent company, wholly- or majority-owned subsidiary, and other affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2271.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>,

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

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

Opinion of the Texas Attorney General as to validity of the financing under Texas State Law;

Opinion of Bond Counsel as to tax exempt status of interest on the Note;

Certificate of the Purchaser, relating to the purchase price of the Note, in the form required by the City's Bond Counsel.

No Material Adverse Change in the City's financial condition.

No CUSIPs; The Note will be purchased for the Bank's own loan portfolio as evidence of a privately negotiated bank loan and not with a present view toward resale or distribution. The Note will (i) not be registered under the 1933 Act and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) not be listed on any stock or other securities exchange, (iii) not carry a rating from any credit rating agency, and (iv) not be DTC eligible.

Please reply to Peter Lamar at peter.lamar@fhfinancial.com by Tuesday, June 23, 2020 no later than 10:00 AM CDT.

Attachments: 2018 and 2019 Audits and the City's Texas Municipal Advisory Report



BID FORM

**CITY OF KILLEEN, TEXAS
\$4,915,000* LIMITED TAX NOTE, SERIES 2020**

BIDS DUE TUESDAY, JUNE 23, 2020 AT 10:00 AM CENTRAL

| <i>Principal Payment Schedule</i> | | |
|-----------------------------------|-------------------------|---------------|
| Payment Date | Principal Installments* | Interest Rate |
| 2/1/2021 | \$ 655,000 | _____% |
| 2/1/2022 | 675,000 | _____% |
| 2/1/2023 | 690,000 | _____% |
| 2/1/2024 | 705,000 | _____% |
| 2/1/2025 | 715,000 | _____% |
| 2/1/2026 | 730,000 | _____% |
| 2/1/2027 | 745,000 | _____% |
| Total | \$ 4,915,000 | |

*Preliminary, subject to change. The City reserves the right to modify the principal installment amounts shown above in order to ensure the desired debt service payments upon receipt of the proposed interest rate(s).

Bidders may, at their option, bid as with one interest rate or with interest rates for each principal installment.

Please indicate any additional fees to be reimbursed by the City:

Please indicate if your firm will provide Paying Agent services and at what cost, if any:

The undersigned is/ is not (check appropriate box) a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity. If the undersigned is not a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity, the undersigned understands that upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Form 1295") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed and sent by email to the City, c/o the City's Financial Advisor at dan@spfmuni.com, and the City's Bond Counsel at jbfowler@mphlegal.com. The undersigned understands that unless it is a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity, the failure to provide the certified Form 1295 will prohibit the City from providing final written award of the enclosed bid.

The undersigned verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the sale of the Note is a contract for goods or services, will not boycott Israel through initial delivery of the Note. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity

doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The undersigned understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the undersigned and exists to make a profit.

The undersigned represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2271.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

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

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

Respectfully submitted,

Purchaser

Authorized Representative

Phone Number

Signature