

**OFFICIAL STATEMENT DATED JULY 22, 2021**

*Interest on the Bonds is not excludable gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.*

**NEW ISSUE: BOOK-ENTRY-ONLY**

**RATINGS: S&P (Underlying)..... "A+"  
S&P (Insured)..... "AA"  
See "MUNICIPAL BOND RATINGS" and  
"BOND INSURANCE" herein**

**\$11,610,000**

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**

(Fort Bend and Harris Counties, Texas)

**SALES TAX REVENUE REFUNDING BONDS, TAXABLE SERIES 2021**

Dated: August 1, 2021

Due: September 1, as shown on inside cover

Interest accrues from Delivery Date.

The \$11,610,000 Stafford Economic Development Corporation Sales Tax Revenue Refunding Bonds, Taxable Series 2021 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including provisions of Chapters 501, 502, and 505, Texas Local Government Code, as amended (the "Act"), and the Resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the Stafford Economic Development Corporation (the "Corporation"), a nonprofit corporation created to act on behalf of the City of Stafford, Texas (the "City"), and authorized by the City. In the Bond Resolution, the Board of Directors delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate," which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution"). (See "THE BONDS – Authority for Issuance" herein.) The Bonds are special, limited obligations of the Corporation, payable solely from, and together with parity revenue obligations issued in the future, secured by a lien on and pledge of certain Pledged Revenues, which include the proceeds of a one-half (1/2) of one percent (1%) sales and use tax (the "Sales Tax") levied within the City for the benefit of the Corporation. (See "THE BONDS – Security for Payment" and "INVESTMENT CONSIDERATIONS" herein.)

Interest on the Bonds will accrue from the delivery dates set forth below and will be payable on March 1 and September 1 of each year, commencing March 1, 2022, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry-Only System" herein.)

---

CUSIP PREFIX: 852516

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND CUSIPS**

See Schedule on Page 2

---

Proceeds from the sale of the Bonds will be used to refund a portion of the Corporation's outstanding sales tax revenue bonds, which are further set forth in "Schedule I" (the "Refunded Bonds"), in order to achieve debt service savings for the Corporation, and to pay the costs of issuing the Bonds. (See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriter (shown below) subject to the approval of legality by the Attorney General of the State and the approval of certain legal matters by McCall, Parkhurst & Horton LLP, Dallas, Texas, Bond Counsel (see "Appendix B – Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Underwriter's Counsel. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about September 2, 2021 (the "Delivery Date").

**SAMCO Capital Markets, Inc.**



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

**PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND CUSIPS**

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Nos. (c)</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Nos. (c)</u>
2022	\$255,000	0.300%	0.300%	852516BY8	2027(a)	\$1,575,000	1.450%	1.450%	852516CD3
2023	260,000	0.500%	0.500%	852516BZ5	2028(a)	1,605,000	1.650%	1.650%	852516CE1
2024	1,535,000	0.750%	0.750%	852516CA9	2029(a)	1,620,000	1.750%	1.750%	852516CF8
2025	1,545,000	1.000%	1.000%	852516CB7	2030(a)	1,655,000	1.900%	1.900%	852516CG6
2026	1,560,000	1.250%	1.250%	852516CC5					

- 
- (a) The Corporation reserves the right to redeem the Bonds maturing on or after September 1, 2027, prior to maturity, in multiples of \$5,000, in whole or in part, on September 1, 2026, or on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. If less than all of such Bonds are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by lot by the Paying Agent/Registrar. See “THE BONDS – Redemption Provisions.”
  - (b) The initial yields will be established by and are the sole responsibility of the Underwriter, and may subsequently be changed.
  - (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is included solely for the convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in anyway as a substitute for CUSIP services. None of Corporation, the Financial Advisor (defined herein), or the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**

<b><u>Board of Directors</u></b>	<b><u>Length of Service</u></b>
Wen Guerra, President .....	9 years
Ken Mathew, Vice President.....	13 years
Joe Rome, Secretary.....	22 years
Gwen Goodwin, Treasurer.....	18 years
Randy Krahn, Board Member.....	5 years
Lawrence Vaccaro, Jr., Board Member.....	7 years
Damon Leonetti, Board Member.....	<1 year

**CITY OF STAFFORD**

<b><u>City Council</u></b>	<b><u>Length of Service</u></b>
Honorable Cecil Willis, Jr., Mayor.....	<1 year
Ken Mathew, Mayor Pro Tem.....	15 years
Wen Guerra, Council Member.....	19 years
Don Jones, Council Member.....	5 years
Alice C. Chen, Council Member.....	2 years
Virginia Rosas, Council Member.....	6 years
Xavier Herrera, Council Member.....	<1 year

<b><u>Appointed Officials</u></b>	<b><u>Length of Service</u></b>
Alka Shah, Finance Director.....	<1 year
Nicola Browe, Interim City Secretary.....	5 years

<b><u>Consultants and Advisors</u></b>	
McCall, Parkhurst & Horton LLP, Dallas, Texas.....	Bond Counsel
RBC Capital Markets, LLC, Houston, Texas .....	Financial Advisor
Olson & Olson, Houston, Texas .....	General Counsel
Whitley Penn, LLP, Houston, Texas.....	Auditor

## TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY .....	6
INTRODUCTION.....	9
PLAN OF FINANCE.....	9
SOURCES AND USES .....	10
THE BONDS.....	10
INVESTMENT CONSIDERATIONS.....	16
THE SALES TAX.....	19
THE CORPORATION.....	21
SELECTED FINANCIAL INFORMATION.....	22
DEBT SERVICE REQUIREMENTS .....	24
TAX MATTERS.....	25
INVESTMENTS.....	26
LEGAL MATTERS .....	28
SALE AND DISTRIBUTION OF THE BONDS.....	29
MUNICIPAL BOND RATINGS.....	30
BOND INSURANCE .....	30
MUNICIPAL BOND INSURANCE RISK FACTORS.....	31
FINACIAL ADVISOR .....	32
VERIFICATION OF MATH. CALCULATIONS.....	32
CONTINUING DISCLOSURE OF INFORMATION.....	32
AUDITED FINANCIAL STATEMENTS.....	34
LITIGATION.....	34
MISCELLANEOUS.....	34
SCHUEDE I.....	SCHEDULE OF REFUNDED BONDS
APPENDIX A.....	INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
APPENDIX B.....	FORM OF BOND COUNSEL'S OPINION
APPENDIX C.....	SELECTED PROVISIONS OF THE RESOLUTION
APPENDIX D.....	SPECIMEN MUNICIPAL BOND INSURANCE POLICY

## USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, Schedule, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. The information set forth herein has been obtained from the Corporation and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CORPORATION, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CORPORATION OR OTHER MATTERS DESCRIBED HEREIN. SEE "CONTINUING DISCLOSURE OF INFORMATION" FOR A DESCRIPTION OF THE CORPORATION'S UNDERTAKING TO PROVIDE CERTAIN INFORMATION ON A CONTINUING BASIS.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

## OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Corporation.....	The Stafford Economic Development Corporation (the “Corporation”) is a Texas nonprofit corporation created and organized as an instrumentality for the City of Stafford, Texas (the “City”) for the purposes of organizing and leading the economic development effort for the City. It was created pursuant to Section 4B of the Industrial Development Corporation Act of 1979 (now the Development Corporation Act), formerly Article 5190.6, Texas Revised Civil Statutes, as amended, and now operating, existing and governed by the recodified provisions of such Act, as codified in Chapters 501, 502, and 505, Texas Local Government Code, as amended (the “Act”). The City authorized the creation of Corporation on February 3, 1999, and the City Council authorizes all actions of the Corporation and appoints the members of the Board of Directors of the Corporation.
The City .....	The City is a Texas home rule city incorporated in 1956 with an estimated 2020 population of 17,693 and is located three miles east of the intersection of U.S. Highway 59 and U.S. 90-A, approximately 17 miles southwest of downtown Houston. The City limits are coterminous, in part, on the west with those of the City of Sugar Land and on the east with the City of Missouri City. Further, the City lies entirely within the boundaries of Fort Bend County WC&ID No. 2, which provides water and sewer service to City residents. The City does not levy or collect an ad valorem tax.
The Bonds .....	The Sales Tax Revenue Refunding Bonds, Taxable Series 2021 (the “Bonds”) are dated August 1, 2021. The Bonds will be issued as serial bonds in the aggregate principal amount of \$11,610,000 maturing in varying amounts from September 1, 2022 through 2030, inclusive. Interest on the Bonds will be payable March 1 and September 1 of each year commencing March 1, 2022 until maturity or prior redemption. The Bonds are offered in fully registered form in multiples of \$5,000 within a stated maturity.
Municipal Bond Ratings and Insurance.....	<p>It is expected that S&amp;P Global Ratings, a business unit of Standard &amp; Poor’s Financial Services LLC (“S&amp;P”) will assign its municipal bond rating of “AA” to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual.</p> <p>Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement. S&amp;P has assigned an underlying rating of “A+” to the Bonds. (See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”).</p>
Redemption.....	The Corporation reserves the right to redeem the Bonds maturing on or after September 1, 2027, prior to maturity, in multiples of \$5,000, in whole or in part, on September 1, 2026, or on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. If less than all of such Bonds are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by lot by the Paying Agent/Registrar. See “THE BONDS - Redemption Provisions.”
Use of Proceeds .....	The proceeds from the sale of the Bonds will be used to refund a portion of the Corporation’s outstanding sales tax revenue bonds set forth in Schedule I hereto (the

“Refunded Bonds”), in order to achieve debt service savings for the Corporation, and to pay the costs of issuing the Bonds. (See “PLAN OF FINANCE” and “SOURCES AND USES OF THE BONDS” herein.)

Issuance.....	The Bonds are being issued pursuant to the Constitution and the laws of the State of Texas (the “State”), including provisions of the Act, and pursuant to the provisions of a resolution (the “Bond Resolution”) adopted by the Board of Directors of the Corporation and authorized by the City Council of the City. In the Bond Resolution, the Board of Directors delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who has approved the “Pricing Certificate” which contains the final terms of sale and completes the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the “Resolution”). (See “THE BONDS – Authority for Issuance” herein.) THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE, THE CITY, FORT BEND OR HARRIS COUNTIES OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, FORT BEND OR HARRIS COUNTIES OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See “THE BONDS – Security of Payment” and “INVESTMENT CONSIDERATIONS” herein.)
Security for Payment.....	The Bonds are special obligations of the Corporation and are payable from and secured by a lien on and pledge of the Pledged Revenues (as defined herein), which include the receipts from a one-half (½) of one percent (1%) sales and use tax collected within the boundaries of the City for the benefit of the Corporation as provided in the Bond Resolution authorizing the issuance of the Bonds. See “THE BONDS - Source of Payment.”
Tax Treatment.....	In the opinion of Bond Counsel, the interest on the Bonds will not be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein.
Additional Bonds.....	Under the Bond Resolution, Additional Bonds, either defined herein or in Appendix C, may be authorized by the Corporation on a parity with the Bonds with respect to the pledge of and lien on the receipts of the Pledged Revenues, subject to certain conditions, including that the Pledged Revenues were, during either the next preceding fiscal year, or any twelve consecutive calendar month period out of the eighteen-month period next preceding the month in which the resolution authorizing the proposed Additional Bonds is adopted, at least equal to 1.25 times the average annual debt service requirements of all Bonds and similarly secured to be outstanding after the issuance of the then proposed Additional Bonds.
Book-Entry-Only.....	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of printed Bonds. See “THE BONDS – Book-Entry-Only System.”
Payment Record.....	The Corporation has never defaulted in the payment of its debt.
Legal Opinion .....	McCall, Parkhurst & Horton LLP, Bond Counsel, Dallas, Texas.
Financial Advisor .....	RBC Capital Markets, LLC, Houston, Texas
General Counsel .....	Olson & Olson, LLP, Houston, Texas
Underwriter’s Counsel .....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas

Paying Agent/Registrar ..... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

THE BONDS INVOLVE CERTAIN INVESTMENT CONSIDERATIONS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

*(Remainder of Page Left Blank Intentionally)*

**\$11,610,000**  
**STAFFORD ECONOMIC DEVELOPMENT CORPORATION SALES TAX REVENUE REFUNDING BONDS,**  
**TAXABLE SERIES 2021**  
**SALE AND DISTRIBUTION OF THE BONDS**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by the Stafford Economic Development Corporation (the "Corporation") of its \$11,610,000 Sales Tax Revenue Refunding Bonds, Taxable Series 2021 (the "Bonds") identified on the cover page hereof. The Bonds are issued pursuant to the Constitution and laws of the State of Texas (the "State"), including provisions of Chapters 501, 502, and 505, Texas Local Government Code, as amended (the "Act"), and pursuant to the provisions of a resolution (the "Bond Resolution") adopted by the Board of Directors of the Corporation (the "Board") and authorized by the City Council of the City of Stafford, Texas (the "City"). In the Bond Resolution, the Board of Directors delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who has approved the "Pricing Certificate" which contains the final terms of sale and completes the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution") (see "Appendix C - Selected Provisions of the Resolution" herein).

The creation of the Corporation was authorized by the City Council of the City on February 3, 1999, to act on behalf of the City for the promotion and development of new or expanded business enterprises. At an election held within the City on January 16, 1999, the voters of the City approved a one-half (1/2) of one percent (1%) sales and use tax for the benefit of the Corporation (the "Sales Tax") which, pursuant to the Act, may be pledged to secure obligations of the Corporation. The imposition of the Sales Tax became effective on July 1, 1999, and the Corporation received the first receipts thereof in September, 2000. The Sales Tax, together with all other State and municipal taxes levied in the City, produces a total sales and use tax rate within the City of 8.25%. The City does not levy or collect an ad valorem tax.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution. Included in this Official Statement are descriptions of the Bonds, the Corporation, and certain information about the City and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the Corporation or the Financial Advisor (defined herein).

**PLAN OF FINANCE**

The Bonds are being issued to refund a portion of the Corporation's currently outstanding sales tax revenue debt. The proposed bonds to be refunded, as shown in "Schedule I" hereto (the "Refunded Bonds"), represent a portion of the Corporation's outstanding Sales Tax Revenue Bonds, Series 2014. The refunding is being undertaken to achieve debt service savings for the Corporation.

**Refunded Bonds**

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment dates, maturity dates and redemption date therefor from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent") pursuant to an Escrow Agreement, dated as of August 1, 2021 (the "Escrow Agreement"), between the Corporation and the Escrow Agent.

The Resolution provides that from a portion of the proceeds of the sale of the Bonds to the underwriter listed on the cover page hereof (the "Underwriter"), the Corporation will deposit with the Escrow Agent an amount, together with other lawfully available funds, if any, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America or agency securities guaranteed by the full faith and credit of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

Public Finance Partners, LLC, will verify at the time of delivery of the Bonds to the Underwriter that the funds deposited as required by the Resolution will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on the interest payment dates, maturity dates and redemption date. Such funds will not be available to pay the debt service on the Bonds. See "VERIFICATION OF MATHEMATICAL ACCURACY."

By the deposit of the cash and Federal Securities described above with the Escrow Agent pursuant to the Escrow Agreement, the Corporation will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will no longer be payable from any sales tax revenues but will be payable solely from the cash and Federal Securities on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the Corporation for the purpose of a limitation of indebtedness or for any other purpose.

**SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds will be applied as follows:

**SOURCES OF FUNDS:**

Principal Amount of the Bonds	\$11,610,000.00
Total Sources of Funds	\$11,610,000.00

**USES OF FUNDS:**

Deposit to Escrow Fund	\$11,360,577.22
Cost of Issuance <sup>(a)</sup>	176,842.08
Underwriter’s Discount	72,580.70
Total Uses of Funds	\$11,610,000.00

(a) Includes municipal bond insurance premium.

**THE BONDS**

**Description**

The Bonds will be dated August 1, 2021, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement. Principal of and interest on the Bonds are payable in the manner described herein under “THE BONDS - Book-Entry-Only System.” In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar, as of the Record Date (the 15th day of the calendar month next preceding such interest payment date) by check, mailed first class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar.

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

**Authority for Issuance**

The Bonds are being issued pursuant to the Constitution and laws of the State, including particularly the provisions of the Act, the Resolution and the approving resolution of the City. THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE, THE CITY, FORT BEND OR HARRIS COUNTIES OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, FORT BEND OR HARRIS COUNTIES OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS.

The City Council appoints the members of the Board and authorizes all actions of the Corporation, including the issuance of the Bonds. The Corporation has no assets or resources other than the receipts of the Sales Tax.

**Security of Payment**

*Pledge Under the Bond Resolution*

The Bonds are special obligations of the Corporation and are payable solely from, and secured by a lien on and pledge of amounts on deposit in the Debt Service Fund and the “Pledged Revenues,” which are composed of the Sales Tax revenues due from the Texas Comptroller of Public Accounts (the “Comptroller”) less collection costs and certain other charges.

UNDER THE BOND RESOLUTION, THE BONDS, INCLUDING INTEREST PAYABLE THEREON, CONSTITUTE SPECIAL OBLIGATIONS OF THE CORPORATION, PAYABLE SOLELY FROM, AND SECURED BY A LIEN ON AND PLEDGE OF CERTAIN FUNDS CREATED UNDER THE BOND RESOLUTION AND THE PLEDGED REVENUES, AND NOT FROM ANY OTHER REVENUES, PROPERTIES OR INCOME OF THE CORPORATION. THE BONDS DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE, THE CITY, FORT BEND OR HARRIS COUNTIES OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND THE HOLDERS THEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OUT OF ANY FUNDS RAISED OR TO BE RAISED BY ANY SYSTEM OF AD VALOREM TAXATION.

#### *The Sales Tax Remittance Agreement*

Pursuant to an agreement (the "Sales Tax Remittance Agreement") dated as of June 11, 2014 between the City and the Corporation, the City has agreed to maintain an escrow fund at an official depository bank of the City (the "Sales Tax Fund") and shall deposit the Corporation's pro rata share of all sales and use tax receipts of the City into the Sales Tax Fund to be held pending transfer of the amounts on deposit therein to the Revenue Fund described in the Bond Resolution. The Sales Tax Remittance Agreement provides that until such time as the Comptroller of Public Accounts is able to determine and report the amount of the Sales Tax levied for the benefit of the Corporation, the City will transfer to the Sales Tax Fund the portion of total sales and use tax receipts of the City which has been levied for the benefit of the Corporation, and will allocate the cost of any rebate or charge-back applicable to Corporation on the same pro rata basis.

Under the terms of the Sales Tax Remittance Agreement, the City has covenanted and agreed that so long as Bonds are outstanding, the City will take and pursue all possible action under the Act and other State law by which the City derives its power to cause the Sales Tax to be levied and collected continuously at the rate of one-half (½) of one percent (1%), or to the extent permitted by law and necessary or desirable, at a higher rate, and the City will not cause a reduction, abatement, or exemption in the Sales Tax or in the rate at which it is authorized to be collected.

#### *General Covenant Regarding the Sales Tax*

The Municipal Sales and Use Tax Act (Chapter 321, Texas Tax Code) provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Limited Sales, Excise, and Use Tax Act (Chapter 151, Texas Tax Code). The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the Texas Legislature without the consent of the City or the Corporation (see "INVESTMENT CONSIDERATIONS" herein).

In the Sales Tax Remittance Agreement, the City covenants and agrees that, for so long as any of the Bonds are outstanding, the Sales Tax will be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, at the current rate or, under certain circumstances at a rate higher if permitted by applicable law, in the manner and to the maximum extent permitted by applicable law; and to cause no reduction in the rate of the Sales Tax below the current rate; and that any repeal of the right and power to levy and collect the Sales Tax will not be effective until all of the Bonds have been paid in full or until they are lawfully defeased in accordance with the Bond Resolution.

The Act contains provisions which would allow the voters of the City to either reduce or repeal the Sales Tax. On July 8, 1992, the Texas Attorney General issued an Attorney General's Opinion (Opinion No. DM-137), which held that a "reduction in the sales tax rate, or a limitation on the amount of time the tax may be collected, may not be applied to any bonds issued prior to the date of the rollback election". In so ruling, the Attorney General noted any "subsequent legislation which purports to permit the reduction or other limitation of that tax is ineffective to do so, because such alteration would impair the obligation of the contract between the city and such bondholders", and in effect be a violation of Article 1, Section 10 of the United States Constitution and Article 1, Section 16 of the Texas Constitution.

#### **Flow of Funds**

In the Resolution, the Corporation agrees to maintain on its books, separate and apart from all other funds of the Corporation, a special fund entitled the "Stafford Economic Development Corporation Sales Tax Revenue Fund" (the "Revenue Fund"). All Pledged Revenues are deposited into the Revenue Fund immediately upon receipt and are transferred as prescribed by the Resolution to the following funds in the following order of priority:

FIRST: To the payment of the amounts required to be deposited in the Debt Service Fund for the payment of Debt Service on the Bonds Similarly Secured as the same becomes due and payable.

SECOND: On a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Bonds Similarly Secured, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions.

THIRD: To the payment of amounts required to be deposited in any other fund or account required by any resolution authorizing the issuance of Bonds Similarly Secured.

FOURTH: To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board

of Directors which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created in the Resolution on behalf of the Bonds Similarly Secured.

Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by law. See "APPENDIX C - Selected Provisions of the Resolution".

### **No Reserve Fund**

In the Resolution, the Corporation has reserved the right to create a debt service reserve fund pursuant to the provisions of any resolution authorizing the issuance of Bonds Similarly Secured for the purpose of securing that particular issue or series of Bonds Similarly Secured or any specific group of issues or series of Bonds Similarly Secured. **The Corporation has not created a debt service reserve fund to secure the payment of the Bonds.**

### **Redemption Provisions**

The Bonds maturing on or after September 1, 2027, are subject to redemption prior to their scheduled maturities at the option of the Corporation, in whole or in part, on September 1, 2026, or on any date thereafter at a price equal to par plus accrued interest to the date fixed for redemption. The Bonds, or portions thereof redeemed, will be selected by lot by the Paying Agent/Registrar.

The Underwriter may combine two or more consecutive serial maturities into one or more "Term Bonds", and such Term Bonds would be subject to mandatory sinking fund redemption in accordance with the Resolution.

### **Notice of Redemption**

At least thirty (30) days prior to a redemption date for any Bond, a notice of redemption will be sent in the name of the authority to each bond owner of a Bond to be redeemed in whole or in part at the address of such bond owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notice shall state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of Bonds or portions thereof to be redeemed. So long as the Bonds remain Book-Entry Bonds, the Corporation shall only be required to send such notice of redemption to the Securities Depository (or its nominee). Any notice of redemption so sent as provided in this provision will be conclusively presumed to have been duly given, whether or not the bond owner receives such notice by the date fixed for redemption, and due provisions shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed. When Bonds have been called for redemption, in whole or in part, and notice of redemption has been given as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

### **Payment Record**

The Corporation has never defaulted in the timely payment of principal of or interest on its bonds.

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Corporation, the Financial Advisor and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Bonds, as set forth on the inside cover hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System,

a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, certificates will be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Bond Resolution.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

***Effect of Termination of Book-Entry Only System*** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

#### **Additional Bonds**

In the Resolution, the Corporation reserves the right to issue Additional Bonds payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions set forth in the Resolution including, among other criteria, (i) obtaining a no-default certificate signed by the President of the Board of Directors and (ii) obtaining a certificate from the chief financial officer of the Corporation to the effect that, according to the books and records of the Corporation, the Pledged Revenues received by the Corporation and the interest earnings thereon for the last completed Fiscal Year or for any consecutive twelve (12) month period out of the eighteen (18) month period next preceding the month in which the resolution authorizing the proposed Additional Bonds is adopted were equal to not less than 1.25 times the average annual debt service requirements for all Bonds Similarly Secured to be outstanding after giving effect to the issuance of the Additional Bonds then being issued. See "APPENDIX C - Selected Provisions of the Resolution" for additional details and criteria relating to the Corporation's ability to issue Additional Bonds.

#### **Amendments**

In the Resolution, the Corporation has reserved the right to amend the Resolution without the consent of any holder for the purpose of amending or supplementing the Resolution to (i) cure any ambiguity, defect or omission in the Resolution that does not materially adversely affect the interests of the Registered Owners, (ii) grant additional rights or security for the benefit of the Registered Owners, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution and that shall not materially adversely affect the interests of the Registered Owners, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Resolution as shall not be materially inconsistent with the provisions of the Resolution and that shall not, in the opinion of nationally-recognized bond counsel, materially adversely affect the interests of the Registered Owners.

The Resolution further provides that the registered owners of the Bonds aggregating in principal amount a majority of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the Corporation; provided, however, that without the consent of 100% of the registered owners of the Bonds in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Resolution for further provisions relating to the amendment thereof.

#### **Defeasance**

The Bond Resolution provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or

otherwise), is provided by irrevocably depositing with the paying agent/registrar, or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) defeasance securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. Under current Texas law, the Corporation is authorized to use the following obligations as defeasance securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Corporation 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, and (c) 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 Corporation 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. The Corporation has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Corporation moneys in excess of the amount required for such defeasance.

After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the Corporation to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Corporation: (i) in the proceedings providing for the defeasance of the Bonds, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that current Texas law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury securities used as defeasance securities or those for any other defeasance security will be maintained at any particular rating category.

### **Default and Remedies**

The Bond Resolution establishes specific events of default with respect to the Bonds. If the Corporation defaults in the payment of the principal of or interest on the Bonds when due or defaults in the observance or performance of any of the covenants, conditions, or obligations of the Corporation, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the Corporation, the Bond Resolution provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Corporation to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Resolution and the Corporation's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Resolution does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the Corporation to perform in accordance with the terms of the Bond Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Corporation's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the Corporation for breach of the obligations or covenants in the Bond Resolution. Even if a judgment against the Corporation could be obtained, it could not be enforced by direct levy and execution against the Corporation's property. Further, the registered owners cannot themselves foreclose on property within the Corporation or sell property within the Corporation to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Corporation is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Pledged Revenues, such provision is subject to particular circumstances and Bankruptcy Court interpretation. Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Corporation avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy

Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Bond Resolution the Corporation retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Corporation, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Corporation, shall be a national or state banking association or 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, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Corporation agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the 15<sup>th</sup> day of the calendar month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar.

### **Future Registration**

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in principal denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer.

### **Limitation on Transfer of Bonds**

Neither the Corporation nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Bond and ending with the opening of business on the next following principal or interest payment date.

### **Replacement Bonds**

The Corporation has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Corporation and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Corporation may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

## **INVESTMENT CONSIDERATIONS**

The primary source of security for the Bonds will be receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality. The City could be subjected to economic events that slow sales tax growth, or result in an annual decline in collections. The City cannot predict such events, but they could arise from increased environmental regulations, downturns in financial and credit markets, cyclical housing and commercial development activity, changes in Federal and State tax policies, including the implementation of value added taxation measures, among other factors.

Increases in Internet sales may result in a decrease in Sales Tax revenue to the Corporation. The emergence of Internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October, 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three year moratorium on certain aspects of taxation of the Internet (existing taxes imposed by Texas were exempted from the moratorium), and, in late 2001, the moratorium was extended by Congress through November 1, 2003. In 2004, Congress extended the moratorium again until November 1, 2007. On November 1, 2007 the President signed into law a continuation of the moratorium passed by Congress that extends the moratorium until November 1, 2014. On June 9, 2015, the United States House of Representatives approved H.R. 235, the Permanent Internet Tax Freedom Act (PITFA), which would make the moratorium permanent, the bill was sent to the United States Senate, where it was referred to the Committee on Finance. The relevant provisions of the PITFA were added to Section 922 of the Trade Facilitation and Trade Enforcement Act (the "Trade Act"), signed into law by President Obama on February 24, 2016. The emergence of internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the State and national level. Internet sales have likely resulted in a decrease in Sales Tax revenue to the Corporation. However, in June of 2018, the U.S. Supreme Court, in reversal of a principle set out by the Court in 1992 (*Quill Corp. v. North Dakota*, 504 U.S. 298 (1992)), determined that the Commerce Clause of the U.S. Constitution would not prohibit state and local governmental entities from collecting sales tax on goods sold to buyers for delivery in a state, even though a business that made the sale did not have a physical presence in the state. (See *South Dakota v. Wayfair, Inc.*, 2018 U.S. Lexis 3835 (2018)).

During the most recently concluded session of the Texas Legislature in June, 2019, two bills were passed regarding the collection of sales taxes in response to the United States Supreme Court decision in *South Dakota v. Wayfair, Inc.* H.B. 1525, effective October 1, 2019, amended Chapters 151, 321 and 323, Texas Tax Code, by amending the definitions of "seller" and "retailer" to include a "Marketplace" provider and to require such Marketplace provider to collect and remit to the Comptroller sales and use taxes on items sold in Texas on electronic mediums, including internet websites and software applications. In other words, H.B. 1525 requires an online marketplace (e.g., Ebay, Amazon, or Walmart) to collect sales taxes on marketplace sales instead of potentially requiring each individual seller on that marketplace to do so. Additionally, it requires the sales taxes associated with marketplace sales to be sourced to the destination to which the marketplace goods are shipped. H.B. 2153, effective October 1, 2019, amends the Texas Tax Code by giving remote sellers the option to either: (1) collect and remit the actual sales taxes owed based upon the shipping destination; or (2) collect a simplified "single local use tax rate" of roughly 1.75 percent on all sales. Remote sellers who collect the single local use tax rate send the money to the Comptroller, who remits the revenue to local taxing entities based upon their existing proportion of the local sales tax base.

In response to this legislation passed during the 2019 legislative session, the Texas Comptroller adopted rule changes affecting orders made on the internet. The rule changes add Section 3.334(b)(5), Texas Administrative Code, which states "orders not received by sales personnel, including orders received by a shopping website or shopping software application . . . are received at locations that are not places of business of the seller." As a result, under the newly adopted regulations, when an order is placed over an internet website, that order is sourced to the purchaser's address. The Comptroller delayed implementation of this rule until October 1, 2021, to give interested parties time to seek a legislative change. As a result, the implementation of this rule is subject to any related legislation that may be passed during the 2021 legislative session.

Although State law protects sales tax data of individual taxpayers, the City is entitled to confidential information from remitters of sales taxes in the City, which it uses to monitor collection efforts of the Comptroller and to target economic development objectives. The availability of such information has made the City aware that large "big box" retailers or other entities could produce a significant percentage of Sales Tax revenues for the Corporation, and that such entities can have business reversals, may occasionally redirect resources and may relocate from the City, thereby potentially adversely affecting Sales Tax revenues. The City and its instrumentalities, including the Corporation, use economic development incentives, zoning and other City services in accordance with strategies designed to retain and attract new businesses to the City, although such efforts are subject to competition from other municipalities in the area, in the State and nationally. In accordance with the Act, the Corporation may enter into economic development incentive agreements with business entities, and such agreements may include rebates or grants equal to substantial portions of Sales Tax revenues collected from business entities and the Corporation may agree to provide such rebates or grants over multiple year periods. The Corporation has not entered into such agreements in the past but may do so in the future, assuming sufficient revenues are available to fund such agreements.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City's boundaries is 8.25% (including State and

City). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied; and the City (and hence the Corporation as the beneficiary of the City's action), except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the one half (1/2) of one percent (1%) tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

**Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very uncertain. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.**

**COVID-19 IMPACT** . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 2, 2021, Governor Abbott issued Executive Order GA-34, which supersedes and rescinds Executive Orders GA-17, GA-25, GA-29, GA-31 and GA-32 but not GA-10 or GA-13. GA-34 will remain in effect and in full force unless it is modified, amended, rescinded or superseded by the governor. GA-34 ordered that effective at 12:01 a.m. on March 10, 2021, all counties not in an area with high hospitalizations, as defined in GA-34, there are no COVID-19 related operating limits for any business or other establishment although individuals are strongly encouraged to wear face coverings when it is not feasible to maintain six feet of social distancing from another person no in the same household but no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. A current list of areas of high hospitalizations can be found at [www.dshs.texas.gov/ga3031](http://www.dshs.texas.gov/ga3031). On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive GA-36 prohibits governmental entities in the State, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine up to \$1,000 for noncompliance, subject to certain exceptions. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide. These negative impacts may reduce or otherwise negatively affect future property values and/or the collection of sales and use taxes. See "The Sales Tax". The Bonds are secured, by the Pledged Revenues, and changes in economic or other conditions as a result of COVID-19 may negatively impact the collection of Pledged Revenues.

The financial and operating data contained herein are the latest available but may not reflect the full economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the full economic impact of the Pandemic on the City's and the Corporation's financial condition. While the potential impact of the Pandemic on the City and the Corporation cannot be fully quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the operations and financial condition of the City and the Corporation, and the effect could be material.

**CITY'S RESPONSE TO COVID-19 IMPACT** . . . A portion of the City's general fund revenue is comprised of local sales and use tax revenues. Due to COVID-19, many localities have experienced a decline in sales taxes compared to prior year revenues resulting from the widespread social distancing requirements that were put in place. Further actions taken to slow the Pandemic may reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, and other fees and charges may negatively impact the City's operating budget and overall financial condition. The City enacted several immediate cost reduction measures at the start of the Pandemic which have put the City in a good position to withstand or offset any potential revenue losses. Cost reduction measures included implementation of a hiring freeze, restrictions on purchasing, delaying of capital projects and reduction or reassignment of staff hours in the hardest hit departments. The City expects the fiscal year ending September 30, 2021 with a surplus, and is approaching next year's budget conservatively. The 12-month rolling average of sales tax collections was 11.76% higher compared to the prior 12 months as of June 2021. At this time, the City believes it has not been materially adversely affected by COVID-19 and measures implemented in response to the pandemic.

The financial and operating data contained herein are as of dates and are for some periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City. The City and the Corporation continue to monitor the spread of COVID-19 and are working with local, state, and national agencies to address the potential impact of the Pandemic upon the City and the Corporation. While the potential impact of the Pandemic on the City and the Corporation cannot be fully quantified at this time, the continued spread of COVID-19 could have an adverse effect on the City and the Corporation operations and financial condition of the City and the Corporation, and such effect could be material.

## **2021 Legislation**

The Texas Legislature recently concluded its 87th Regular Session (the "Regular Session"), which ended on May 31, 2021. The Governor called a special session, which began on July 8th and may call one or more additional special sessions following the Regular Session. During this time, the Texas Legislature may enact laws that materially change taxing procedures or statutory authority related thereto. The Corporation can make no representation regarding the actions the Texas Legislature may take.

## **THE SALES TAX**

In the 1989 Regular Session of the Texas Legislature, Section 4B was added to the Industrial Development Corporation Act of 1979 (now the Act), which authorized the levy of sales and use tax to be used by an economic development corporation for the promotion of economic development. The City was authorized at an election held therein on January 16, 1999, to levy a Sales Tax for the benefit of the Corporation. The Corporation is now referred to as a Type B Corporation. Under Chapters 501 and 505, Texas Local Government Code. A tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City at a rate of one half of one percent (1/2%). The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. Imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by Chapter 151, Texas Tax Code, as amended (the "Texas Limited Sales, Excise and Use Tax Act") except to the extent that such Chapter is in conflict with the Act, and by Chapter 321 Texas Tax Code, as amended (the "Municipal Sales and Use Tax Act") and reference is made thereto for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, motor vehicle parking and storage services, the repair, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling and security services. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices, agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunication services, newspapers and magazines. In addition, items which are taxed under the other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when

the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the Sales Tax levied for the benefit of the Corporation, the City levies the following additional sales taxes: a one-half (1/2) of one percent (1%) sales tax for debt reduction and a one percent (1%) sales tax for general City purposes. The State levies and collects a 6.25% sales and use tax against essentially the same tax base as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied by the State, the City and the counties within the boundaries of the City is 8.25%.

The Comptroller of Public Accounts of the State administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under non-sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may, by local option, determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The City has not opted to repeal the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local basis, may tax such use. The City does not tax the residential use of gas and electricity.

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owning \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 sales and use tax dollars in a calendar month, but \$1,500 or more in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than \$1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period of yearly filers ends each December 31st; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible, but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly. The Comptroller has initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2 percent of the sales and use taxpayers (who report about 65 percent of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office; (2) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it; (3) filing liens and requiring a new or increased payment bond; (4) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g. a checking account) or freezing assets of the taxpayer that are in the custody of third parties; (5) removing a taxpayer's sales and use tax permit; and (6) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the

permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 0.5% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1.25% of the amount of the prepayment in addition to the 0.5% percent allowed for the cost of collecting the sales and use tax.

## **THE CORPORATION**

The Corporation is a nonprofit corporation created and organized exclusively for the purposes of benefiting and accomplishing public purposes of the City for economic development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare, and financing the acquisition, construction and/or equipping, and/or the maintenance and operating costs of any "Project" as defined in the Act. The Corporation may not issue any bonds pursuant to the provisions of the Act without first receiving the written approval of the governing body of the City. The Corporation has no members and is a non-stock corporation.

### **Board of Directors**

The affairs of the Corporation are managed by the Board of Directors, which is composed of seven persons appointed by the governing body of the City. Under the Corporation's by-laws, each director must be a resident of the City. Three directors must be persons who are not employees, officers, or members of the governing body of the City. Other than the initial directors appointed under the Articles of Incorporation, the governing body of the City appoints or reappoints all directors of the Corporation for two year terms. Each director is eligible for reappointment. Directors are removable by the governing body of the City for cause or without cause. In the event any director resigns, is removed from office by the governing body of the City or no longer serves on the Board of Directors of the Corporation for any reason, the governing body of the City appoints a new director to complete the unexpired term. The directors serve without compensation except that they may be reimbursed for their actual expenses incurred in the performance of their duties as directors.

*(Remainder of Page Left Blank Intentionally)*

**SELECTED FINANCIAL INFORMATION**

**Direct Debt**

Outstanding Bonds.....	\$ 13,830,000
Less Refunded Bonds.....	(10,365,000)
The Bonds.....	<u>11,610,000</u>
Total Direct Debt.....	\$ 15,075,000

**Special Fund Balances <sup>(a)</sup>**

Debt Service Fund.....	\$ 592,238
Capital Projects Fund.....	\$ 3,892,394
General Fund.....	\$ 6,652,158

**Debt Service Coverage**

12 Months 1/2 Cent Type B Sales Tax Collected.....	\$ 5,361,330	(b)
Average Annual Debt Service Requirements (2022-2030).....	\$ 1,686,969	
Debt Service Coverage.....	3.18	x
Maximum Annual Debt Service Requirement.....	\$ 1,691,278	
Debt Service Coverage.....	3.17	x

(a) Audited balances as of fiscal year end September 30, 2020.

(b) 12 months of sales tax receipts allocated August 2020 through July 2021.

**Total Historical Sales Tax Allocations for the City <sup>(a) (b)</sup>**

<u>Year</u>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
January	\$1,292,676.34	\$1,247,927.82	\$1,997,159.60	\$1,328,728.71	\$1,337,122.58	\$1,449,847.88	\$1,628,026.92
February	1,736,137.58	1,680,624.03	1,683,346.93	1,703,638.55	1,666,507.22	1,750,281.54	1,998,877.30
March	1,214,467.58	1,203,639.10	1,103,869.04	1,173,513.28	1,303,362.82	1,413,090.11	1,573,417.32
April	1,194,430.96	1,183,321.34	1,134,532.69	1,216,779.90	1,197,760.37	1,424,441.20	1,358,221.56
May	1,590,294.62	1,665,020.29	1,562,429.59	1,628,653.48	1,683,697.79	1,782,422.60	2,409,389.56
June	1,315,867.40	1,273,103.88	1,208,745.47	1,282,245.00	1,376,568.73	1,476,609.64	1,827,126.35
July	1,358,621.38	1,223,155.30	1,193,079.70	1,367,771.97	1,445,371.70	1,507,239.60	1,725,396.09
August	1,780,732.02	1,744,285.11	1,599,236.44	1,678,952.24	1,629,213.55	1,935,032.55	*
September	1,575,738.07	1,302,160.16	1,254,369.11	1,324,311.34	1,408,876.31	1,720,512.85	*
October	1,338,307.57	1,386,056.22	1,092,022.96	1,368,698.87	1,429,358.41	1,642,337.58	*
November	1,530,740.44	1,562,991.18	1,504,821.99	1,541,418.73	1,622,571.67	1,973,902.05	*
December	1,287,416.55	1,315,323.40	1,352,066.70	1,311,415.71	1,562,461.36	1,653,080.76	*
<b>Total</b>	<b>\$17,215,430.51</b>	<b>\$16,787,607.83</b>	<b>\$16,685,680.22</b>	<b>\$16,926,127.78</b>	<b>\$17,662,872.51</b>	<b>\$19,728,798.36</b>	<b>\$12,520,455.10</b>

\*Not yet allocated.

(a) Source, Texas Comptroller of Public Accounts.

(b) The sales taxes collected by the City have totaled 2% in all years referenced in the table. The 2% total sales taxes currently includes 1% for the general City purposes, 0.5% for property tax relief, and 0.5% for the benefit of the Corporation.

**Historical ½ Cent Type B Sales Tax Allocation <sup>(a) (b)</sup>**

<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
January	\$323,169.09	\$311,981.96	\$499,289.90	\$332,182.18	\$334,280.65	\$362,461.97	\$407,006.73
February	434,034.40	420,156.01	420,836.73	425,909.64	416,626.81	437,570.39	499,719.33
March	303,616.90	300,909.78	275,967.26	293,378.32	325,840.71	353,272.53	393,354.33
April	298,607.74	295,830.34	283,633.17	304,194.98	299,440.09	356,110.30	339,555.39
May	397,573.66	416,255.07	390,607.40	407,163.37	420,924.45	445,605.65	602,347.39
June	328,966.85	318,275.97	302,186.37	320,561.25	344,142.18	369,152.41	456,781.59
July	339,655.35	305,788.83	298,269.93	341,942.99	361,342.93	376,809.90	431,349.02
August	445,183.01	436,071.28	399,809.11	419,738.06	407,303.39	483,758.14	*
September	393,934.52	325,540.04	313,592.28	331,077.84	352,219.08	430,128.21	*
October	334,576.89	346,514.06	273,005.74	342,174.72	357,339.60	410,584.40	*
November	382,685.11	390,747.80	376,205.50	385,354.68	405,642.92	493,475.51	*
December	321,854.14	328,830.85	338,016.68	327,853.93	390,615.34	413,270.19	*
<b>Total</b>	<b>\$4,303,857.63</b>	<b>\$4,196,901.96</b>	<b>\$4,171,420.06</b>	<b>\$4,231,531.95</b>	<b>\$4,415,718.13</b>	<b>\$4,932,199.59</b>	<b>\$3,130,113.78</b>

\*Not yet allocated.

(a) Source, Texas Comptroller of Public Accounts.

(b) Actual ½ percent Type B sales taxes collected by the City for the benefit of the Corporation.

**Total Sales Tax by Industry <sup>(a)</sup>**

<b>Industry</b>	<b>Calendar Year</b>					
	<b>2020 <sup>(b)</sup></b>		<b>2019</b>		<b>2018</b>	
	<b>Gross</b>	<b>Amount</b>	<b>Gross</b>	<b>Amount</b>	<b>Gross</b>	<b>Amount</b>
<b>Sales</b>	<b>Subject to</b>	<b>Sales</b>	<b>Subject to</b>	<b>Sales</b>	<b>Subject to</b>	
	<b>State Sales</b>	<b>State Sales</b>	<b>State Sales</b>	<b>State Sales</b>	<b>State Sales</b>	
	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	
Mining/Quarrying/Oil and Gas Extraction	\$55,742,102	\$405,736	\$106,644,046	\$612,627	\$109,085,329	\$2,954,664
Construction	412,283,907	29,876,278	502,624,063	40,873,849	506,761,673	56,064,588
Manufacturing	300,874,568	23,039,996	587,950,148	36,178,495	672,636,280	32,211,133
Wholesale Trade	2,698,204,192	141,761,432	3,719,749,778	204,596,570	3,378,372,886	190,018,137
Retail Trade	665,993,738	293,828,545	811,514,238	306,394,894	782,847,565	271,554,253
Transportation/Warehousing	56,703	6,450	52,799	37,021	1,031,786	104,254
Information	6,685,401	4,781,702	20,789,614	17,343,382	21,097,973	16,145,951
Finance/Insurance	403,365	134,551	652,924	202,215	920,447	202,326
Real Estate/Rental/Leasing	30,857,996	23,260,814	46,249,547	35,218,666	43,900,884	32,171,998
Professional/Scientific/Technical Services	43,794,067	9,254,966	66,345,414	15,644,132	86,148,769	19,575,075
Admin/Support/Waste Mgmt/Remediation Serv.	118,953,578	54,459,352	143,342,531	71,034,325	156,018,256	71,286,346
Educational Services	4,950,945	4,311,866	5,414,707	3,771,546	3,389,405	2,109,097
Health Care/Social Assistance	5,253,662	15,323	13,862,475	332,437	14,794,342	275,671
Arts/Entertainment/Recreation	4,195,578	2,996,208	17,344,673	7,296,158	9,945,413	6,991,986
Accommodation/Food Services	72,528,391	69,018,598	104,945,233	98,100,333	94,861,063	88,150,150
All Other	88,822,623	13,337,738	160,915,151	28,743,856	113,625,497	21,257,213
<b>Total</b>	<b>\$4,509,600,816</b>	<b>\$670,489,555</b>	<b>\$6,308,397,341</b>	<b>\$866,380,506</b>	<b>\$5,995,437,568</b>	<b>\$811,072,842</b>

(a) The table shows information based upon the State sales and use tax base only; no information is available with respect to the City's sales tax base.

(b) Through the 3rd quarter of 2020.

## DEBT SERVICE REQUIREMENTS

FYE 30- Sept	Outstanding Debt Service	Less Refunded Bonds	<b>The Bonds</b>			Total Debt Service
			Principal (Due 9/1)	Interest	Total Principal & Interest	
2022	\$ 1,791,500.00	\$ 518,250.00	\$ 255,000.00	\$ 157,204.60	\$ 412,204.60	\$ 1,685,454.60
2023	1,788,750.00	518,250.00	260,000.00	156,877.50	416,877.50	1,687,377.50
2024	1,793,250.00	1,793,250.00	1,535,000.00	155,577.50	1,690,577.50	1,690,577.50
2025	1,794,500.00	1,794,500.00	1,545,000.00	144,065.00	1,689,065.00	1,689,065.00
2026	1,792,500.00	1,792,500.00	1,560,000.00	128,615.00	1,688,615.00	1,688,615.00
2027	1,787,250.00	1,787,250.00	1,575,000.00	109,115.00	1,684,115.00	1,684,115.00
2028	1,793,750.00	1,793,750.00	1,605,000.00	86,277.50	1,691,277.50	1,691,277.50
2029	1,786,250.00	1,786,250.00	1,620,000.00	59,795.00	1,679,795.00	1,679,795.00
2030	1,790,250.00	1,790,250.00	1,655,000.00	31,445.00	1,686,445.00	1,686,445.00
	-					
	<u>\$ 16,118,000.00</u>	<u>\$ 13,574,250.00</u>	<u>\$ 11,610,000.00</u>	<u>\$ 1,028,972.10</u>	<u>\$ 12,638,972.10</u>	<u>\$ 15,182,722.10</u>

## TAX MATTERS

*General.* The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (“IRS”) and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS, INCLUDING UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

### **Certain U.S. Federal Income Tax Consequences to U.S. Holders**

*Periodic Interest Payments and Original Issue Discount.* The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in “gross income” within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

*Disposition of Bonds.* An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner’s tax basis in the Bonds. Generally, a U.S. Holder’s tax basis in the Bonds will be the owner’s initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

*Defeasance of the Bonds.* Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in

which event a U.S. Holder will recognize taxable gain or loss as described above.

*State, Local and Other Tax Consequences.* Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. **PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.**

#### **Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders.**

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of a Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

#### **Information Reporting and Backup Withholding.**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## **INVESTMENTS**

The Corporation invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the Corporation. Both state law and the Corporation's investment policies are subject to change.

#### **Legal Investments**

Under State law, the Corporation is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the Corporation in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the Corporation's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the Corporation appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses

(1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for Corporation deposits, or (ii) where (a) the funds are invested by the Corporation through a broker or institution that has a main office or branch office in the State and selected by the Corporation in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the Corporation, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the Corporation appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the Corporation with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party selected and approved by the Corporation, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the Corporation is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party designated by the Corporation, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The Corporation is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index

### **Investment Policies**

Under Texas law, the Corporation is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Corporation funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All Corporation funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Corporation investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Corporation shall submit an investment report detailing: (1) the investment position of the Corporation, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value

and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Corporation funds without express written authority from the Corporation Council. No person may invest Corporation funds without express written authority from the Board of Directors.

### **Additional Provisions**

Under State law, the Corporation is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Corporation to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the Corporation's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Corporation.

## **LEGAL MATTERS**

### **Legal Opinions**

The Corporation will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Corporation. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of subcaptions "Payment Record" and "Book-Entry-Only System"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), the subcaptions "Registration and Qualification Under Securities Laws," "Legal Investments and Eligibility to Secure Public Funds in Texas," and "Legal Opinions" (first paragraph only, except for the last sentence thereof) under "LEGAL MATTERS" and "APPENDIX C – Selected Provisions of the Resolution" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws, legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Resolution. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel to the Underwriter.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **Registration and Qualification Under Securities Laws**

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Corporation assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Corporation has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Underwriting**

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the Corporation for \$11,537,419.30 (an amount equal to the par amount of the Bonds, less an underwriting discount of \$72,580.70).

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the Corporation of a certificate executed and delivered by the Underwriter two (2) days prior to the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the Corporation has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Corporation has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

## MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), is expected to assign to the Bonds insured ratings of "AA" based upon the issuance of the Policy by BAM at the time of delivery of the Bonds. S&P has assigned to the Bonds an underlying rating of "A+." An explanation of the significance of such ratings may be obtained from S&P. These ratings reflect only the views of S&P, and the Corporation makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the sole judgment of S&P circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds.

## BOND INSURANCE

### The Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com). BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.7 million, \$156.4 million and \$321.3 million, respectively. BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions. BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published. BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix D – Specimen Municipal Bond Insurance Policy."

### *Additional Information Available from BAM*

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

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

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

### **BOND INSURANCE RISK FACTORS**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some become due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Corporation which is recovered by the Corporation from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Corporation at such time and in such amounts as would have been due absent such prepayment by the Corporation unless the provider of the insurance policy (the "Bond Insurer") chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the paying agent/registrars exercises and the Bond Insurer's consent may be required in connection with amendments to the applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the paying agent/registrars pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Bondholders may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Corporation nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

### **FINANCIAL ADVISOR**

The Corporation has employed the firm of RBC Capital Markets, LLC as financial advisor to the Corporation. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has reviewed the information in this Official Statement pursuant to its responsibilities to the Corporation, but the Financial Advisor does not guarantee the accuracy or completeness of such information, and has not made independent evaluation of the work product of the consultants or experts retained by the Corporation.

### **VERIFICATION OF MATHEMATICAL ACCURACY**

Public Finance Partners LLC, a firm of independent consultants, will deliver to the Corporation, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of and interest on the Refunded Bonds.

The verification performed by Public Finance Partners LLC will be solely based upon data, information and documents provided to Public Finance Partners LLC by RBC Capital Markets, LLC on behalf of the Corporation. Public Finance Partners LLC has restricted its procedures to verifying the computations provided by RBC Capital Markets, LLC on behalf of the Corporation and has not evaluated or examined the assumptions or information used in the computations.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the Corporation has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The Corporation is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Corporation will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Reports**

The Corporation will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Corporation of the general type included in this Official Statement under the heading "SELECTED FINANCIAL INFORMATION," and in "APPENDIX A." The Corporation will update and provide this information within six months after the end of each fiscal year ending in or after 2021.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website identified below or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements. If audited financial statements are not available by the required time, the Corporation will provide unaudited financial information by the required time and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the Corporation may be required to employ from time to time pursuant to State law or regulation.

The Corporation's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will notify the MSRB of the change.

#### **Event Notices**

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice of any

of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) nonpayment 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; (14) appointment of a successor or additional trustee or the change of name of a trustee, 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; and (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. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under “Annual Reports”. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in (12) in the immediately preceding paragraph 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.

For the purposes of the above described event notices 15 and 16, the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

#### **Availability of Information from MSRB**

The Corporation has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The Corporation has agreed to update information and to provide notices of certain specified events only as described above. The Corporation has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Corporation makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Corporation disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the Corporation under federal and state securities laws.

The Corporation may amend its continuing disclosure agreement 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, if, but only if (i) the agreement, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the original primary offering in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in

aggregate amount of the outstanding Bonds consent to such amendment or (b) a person unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Corporation amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

The Corporation failed to file the Corporation’s annual financial information and operating data for the fiscal year ended September 30, 2018 within six months after the end of the Corporation’s respective fiscal year beginning September 30, 2017. On March 30, 2021, financial information and operating data for the fiscal year ended September 30, 2020 was timely filed but was inadvertently linked to CUSIPs for outstanding debt of the City of Stafford, Texas and was not associated with the applicable CUSIPs for the Corporation’s outstanding bonds as required under the Corporation’s outstanding continuing disclosure undertaking. On June 10, 2021, such information was linked to the applicable CUSIPs for the Corporation’s outstanding bonds.

### **AUDITED FINANCIAL STATEMENTS**

Whitley Penn LLP, the Corporation’s independent auditor, (the “Auditor”) has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of the Auditor relating to Corporation’s financial statements for the fiscal year ended September 30, 2020 is included in this Official Statement in Appendix A; however, the Auditor has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the Corporation, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

### **LITIGATION**

The Corporation is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Corporation, would have a material adverse effect on the financial condition of the Corporation.

### **MISCELLANEOUS**

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

The Bond Resolution authorizes the Pricing Officer to approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorizes its use in the reoffering of the Bonds by the Underwriter.

/s/ Wen Guerra  
\_\_\_\_\_  
Pricing Officer  
Stafford Economic Development Corporation

**Schedule I**

**SCHEDULE OF REFUNDED BONDS**

<b>Series</b>	<b>Original Maturity</b>	<b>Principal Amount</b>	<b>Call Date</b>
Sales Tax Revenue Refunding Bonds, Series 2014	09/01/2024	\$1,275,000	09/01/2023
	09/01/2025	1,340,000	09/01/2023
	09/01/2026	1,405,000	09/01/2023
	09/01/2027	1,470,000	09/01/2023
	09/01/2028	1,550,000	09/01/2023
	09/01/2029	1,620,000	09/01/2023
	09/01/2030	<u>1,705,000</u>	09/01/2023
		\$10,365,000	

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE CORPORATION**

The information contained in this appendix has been excerpted from the annual financial report of the Stafford Economic Development Corporation for the fiscal year ending September 30, 2020. Certain information not considered to be relevant to this financing has been omitted; however, complete financial reports are available upon request.

**STAFFORD ECONOMIC  
DEVELOPMENT CORPORATION,  
A COMPONENT UNIT OF  
THE CITY OF STAFFORD, TEXAS**

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2020  
with Report of Independent Auditors**



**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**TABLE OF CONTENTS**

	<u>Page</u>
Report of Independent Auditors	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements	17
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	29
Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund	30
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service and Capital Projects Fund	32

*(This page intentionally left blank.)*

## **FINANCIAL SECTION**

*(This page intentionally left blank.)*

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Stafford Economic Development Corporation  
Stafford, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stafford Economic Development Corporation (“SEDC”), a component unit of the City of Stafford, Texas (the “City”) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the SEDC’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the SEDC as of September 30, 2020, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board Directors  
Stafford Economic Development Corporation

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 7, and the budgetary schedules on pages 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SEDC’s basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Whitley Penn LLP*  
Houston, Texas  
March 22, 2021

# STAFFORD ECONOMIC DEVELOPMENT CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Stafford Economic Development Corporation ("SEDC"), we offer readers of the SEDC's financial statements this narrative overview and analysis of the financial activities of the SEDC for the fiscal year ended September 30, 2020.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SEDC's basic financial statements. The SEDC's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Although the SEDC is not a political subdivision or a political corporation under state law, under GAAP it is treated as a governmental unit. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the SEDC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the SEDC's assets, deferred outflows of resources and liabilities, with the difference between the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the SEDC is improving or deteriorating.

The *statement of activities* presents information showing how the SEDC's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The government-wide financial statements show the functions of the SEDC that are supported by taxes and investment earnings. The activities of the SEDC include general administration and interest due on bonds. Major construction projects currently funded by the SEDC's bonds will be transferred to the City of Stafford, Texas for operation. The SEDC has no business-type activities.

The government-wide financial statements can be found on pages 10 through 11 of this report.

### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SEDC, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The SEDC consists only of governmental funds.

### Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the SEDC's near-term financing requirements.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the SEDC's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The SEDC maintains three individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund, the Debt Service Fund and the Capital Projects Fund, all of which are considered to be major funds.

The SEDC adopts annual appropriated budgets for all governmental funds. A budgetary comparison statement has been provided for the General Fund in the Required Supplementary Information section to demonstrate compliance with this budget. The same types of budgetary comparisons are presented for the Debt Service Fund and the Capital Projects Fund in the Other Supplementary Information section to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 25 of this report.

**Required and Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the budget to actual comparisons of the General Fund. Required supplementary information can be found on page 29 through 30 of this report.

The other supplemental information is presented following the required supplementary information. This individual schedule is found on pages 32 and 33 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the SEDC exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3.6 million (net deficit). The SEDC's total net deficit was increased during the year by \$2.7 million primarily due to the SEDC taking on more City related construction projects. Management anticipates the current and future fiscal years' financial positions will reflect a deficit of net position through the life of the outstanding bonded indebtedness.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following table summarizes the SEDC's net position as of September 30, 2020 and 2019:

***Condensed Statement of Net Position***  
***September 30, 2020 and 2019***

	Governmental Activities		Change	
	2020	2019	Amount	Percent
<b>Current and other assets</b>	\$ 11,661,511	\$ 15,362,099	\$ (3,700,588)	-24%
<b>Deferred outflow of resources</b>	1,021,466	1,123,613	(102,147)	-9%
Current and other liabilities	582,346	467,475	114,871	25%
Long-term liabilities	15,678,311	16,902,652	(1,224,341)	-7%
<b>Total Liabilities</b>	16,260,657	17,370,127	(1,109,470)	-6%
Net position (deficit):				
Unrestricted	(3,577,680)	(884,415)	(2,693,265)	-305%
<b>Total Net Position (Deficit)</b>	\$ (3,577,680)	\$ (884,415)	\$ (2,693,265)	-305%

The following table summarizes the change in net position for the SEDC for the years ended September 30, 2020 and 2019:

***Condensed Statement of Activities***  
***For the Years Ended September 30, 2020 and 2019***

	Governmental Activities		Change	
	2020	2019	Amount	Percent
Revenues:				
Sales tax	\$ 4,936,953	\$ 4,380,365	\$ 556,588	13%
Miscellaneous	25,668	56,890	(31,222)	-55%
Interest	39,474	141,375	(101,901)	-72%
Capital grants and contributions	-	100,000	(100,000)	-100%
<b>Total Revenues</b>	5,002,095	4,678,630	323,465	7%
Expenses:				
Economic development	1,296,443	854,001	442,442	52%
Project costs on behalf of the City	5,694,852	2,790,693	2,904,159	104%
Interest and fiscal agent fees	704,065	740,548	(36,483)	-5%
<b>Total Expenses</b>	7,695,360	4,385,242	3,310,118	75%
Change in net position	(2,693,265)	293,388	(2,986,653)	-1018%
<b>Net Position (Deficit) - Beginning</b>	(884,415)	(1,177,803)	293,388	25%
<b>Net Position (Deficit) - Ending</b>	\$ (3,577,680)	\$ (884,415)	\$ (2,693,265)	-305%

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Financial Analysis of the SEDC's Funds**

As noted earlier, the SEDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the SEDC's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SEDC's financing requirements. In particular, unassigned fund balance may serve as a useful measure of an entity's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the SEDC's governmental funds reported combined ending fund balances of \$11.1 million, of which \$6.7 million constitutes unassigned fund balance. Almost 93 percent or \$6.2 million of the unassigned fund balance consists of a long-term receivable from the City's General Fund. The remainder of the fund balance has been committed by the Board of Directors for debt service in the amount of \$592,238, or construction related projects in the amount of \$3.9 million.

Fund balance in the General Fund decreased by approximately \$2.6 million due to the general fund taking on more street expansion projects on behalf of the City. Specifically, the SEDC provided funding for expansions on West Airport, Trinity Drive and Cash Road along with improvements to Network Drive as part of the Grid development.

Fund balance in the Debt Service Fund remained stable relatively unchanged from the prior year.

Fund balance in the Capital Projects Fund decreased by approximately \$1.2 million primarily due to the transfer of \$1.5 million from the US 90A maintenance project to the general fund for street expansion projects

**General Fund Budgetary Highlights**

Actual sales tax revenues for the 2020 fiscal year of \$2.6 million were less than budgeted revenue projections by \$49,863, which is net of \$473,000 of sales tax collections payable to a developer as a result of a 380 agreement (see Note 8 to the financial statements). Actual total expenditures were significantly less than final appropriations due to certain street project budgeted in the General fund not being completed. These variances resulted in an ending fund balance in the General Fund of \$6.7 million, or \$654,000 higher than budgeted, primarily due to an unbudgeted \$1.5 million transfer from the capital projects fund US 90A maintenance project.

Additional information on the SEDC's General Fund budgetary highlights can be found in the required supplementary information on pages 29 and 30 of this report.

**Debt Administration**

At the end of the current fiscal year, the SEDC had sales tax revenue bonds outstanding of \$13.8 million. The SEDC has secured the payment of the principal and interest on such bonds by a pledge of the sales tax revenue received by the SEDC from the City. Sales taxes collected by the SEDC are being used to service the debt payments. Further, at the end of the current fiscal year, the SEDC had excess sales tax liability outstanding of \$328,996. The SEDC has secured the payment of the principal on such excess sales tax by a pledge of the sales tax revenue received by the SEDC from the City.

The SEDC Sales Tax Revenue Refunding Bonds, Series 2014 hold an "A1" rating from Moody's and an "AA" rating from Standard & Poor's. Additional information regarding the SEDC's debt outstanding can be found in Note 7 to the basic financial statements.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Economic Factors and Next Year's Budgets and Rates**

The SEDC is dependent on a one-half percent sales tax that is received from the City for ongoing operations, supplements for capital asset costs funded primarily by bond proceeds and debt service costs on bonds outstanding.

The SEDC is currently operating under its fiscal year 2020 budget adopted and passed by the Board of Directors. The following schedule outlines a comparison of the fiscal year 2020 budgeted operations and the fiscal year 2021 General Fund budget:

	<u>2020 Budget</u>	<u>2021 Budget</u>	<u>Net Change</u>
Total Revenues	\$ 6,929,250	\$ 5,827,110	\$ (1,102,140)
Total Expenditures	<u>10,223,240</u>	<u>9,140,084</u>	<u>(1,083,156)</u>
Changes in fund balance	(3,293,990)	(3,312,974)	(18,984)
Beginning budgetary fund balance	<u>9,292,069</u>	<u>6,652,158</u>	<u>(2,639,911)</u>
Ending budgetary fund balance	<u>\$ 5,998,079</u>	<u>\$ 3,339,184</u>	<u>\$ (2,658,895)</u>

The large increase in revenues for 2021 anticipates additional funding of \$3.1 million from the Fort Bend County mobility improvement bond program for reimbursement for certain mobility projects described in Note 9 to the financial statements. Total appropriations for expenditures includes \$4.4 million in street expansions described in the same note and \$3.8 million in costs associated with streets drainage and park projects in the City's general fund.

**Request for Information**

This financial report is designed to provide a general overview of the SEDC's finances for all those with an interest in the SEDC. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Stafford, 2610 South Main, Stafford, Texas 77477.

*(This page intentionally left blank.)*

## **BASIC FINANCIAL STATEMENTS**

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF NET POSITION**  
*September 30, 2020*

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,516,458
Receivables	906,560
Due from primary government	6,238,493
<b>Total Assets</b>	<u>11,661,511</u>
<b>Deferred outflows of resources</b>	
Deferred amount on refunding	<u>1,021,466</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	582,346
Long-term liabilities:	
Due within one year	1,127,409
Due in more than one year	14,550,902
<b>Total Liabilities</b>	<u>16,260,657</u>
<b>Net Position (Deficit)</b>	
Unrestricted	<u>(3,577,680)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ (3,577,680)</u>

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION****STATEMENT OF ACTIVITIES***For the Year Ended September 30, 2020*

	<b>Governmental Activities</b>
<b>General revenues</b>	
Sales tax	\$ 4,936,953
Interest	39,474
Miscellaneous	25,668
<b>Total General Revenues</b>	<u>5,002,095</u>
<b>Expenses</b>	
Economic development	1,296,443
Maintenance projects on behalf of the City	
US 90A maintenance	310,936
Stafford Centre maintenance	23,164
US 59 Landscaping and monument maintenance	66,030
Street expansions	5,294,722
Principal	
Interest and fiscal agent fees	704,065
<b>Total Expenses</b>	<u>7,695,360</u>
Change in net position	(2,693,265)
<b>Net Position (Deficit) - Beginning</b>	<u>(884,415)</u>
<b>Net Position (Deficit) - Ending</b>	<u>\$ (3,577,680)</u>

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2020

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,660	\$ 592,238	\$ 3,913,560	\$ 4,516,458
Receivables from other governments	904,060	-	2,500	906,560
Due from primary government	6,243,632	-	-	6,243,632
Due from other funds	18,527	-	-	18,527
<b>Total Assets</b>	<u>\$ 7,176,879</u>	<u>\$ 592,238</u>	<u>\$ 3,916,060</u>	<u>\$ 11,685,177</u>
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 524,721	\$ -	\$ -	\$ 524,721
Due to primary government	-	-	5,139	5,139
Due to other funds	-	-	18,527	18,527
<b>Total Liabilities</b>	<u>524,721</u>	<u>-</u>	<u>23,666</u>	<u>548,387</u>
<b>Fund Balance</b>				
Committed:				
Debt service	-	592,238	-	592,238
Capital projects	-	-	3,892,394	3,892,394
Unassigned	6,652,158	-	-	6,652,158
<b>Total Fund Balances</b>	<u>6,652,158</u>	<u>592,238</u>	<u>3,892,394</u>	<u>11,136,790</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,176,879</u>	<u>\$ 592,238</u>	<u>\$ 3,916,060</u>	<u>\$ 11,685,177</u>

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
*September 30, 2020*

Total fund balance, governmental funds	\$ 11,136,790
--	---------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred amounts on refunding are not reported in funds	1,021,466
Bonds payable are not reported in the funds.	(15,349,315)

Excess sales tax payable is not reported in the funds.	(328,996)
--	-----------

Bond interest expense payable is not reported in the funds	<u>(57,625)</u>
--	-----------------

Net Position (deficit) of Governmental Activities in the Statement of Net Position	<u>\$ (3,577,680)</u>
--	-----------------------

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2020*

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Sales tax	\$ 3,132,499	\$ 1,790,750	\$ -	\$ 4,923,249
Interest	1,661	3,085	34,728	39,474
Miscellaneous	-	-	25,668	25,668
<b>Total Revenues</b>	<u>3,134,160</u>	<u>1,793,835</u>	<u>60,396</u>	<u>4,988,391</u>
<b>Expenditures</b>				
Current:				
Economic development	1,323,852	-	-	1,323,852
Maintenance projects on behalf of the City				
US 90A maintenance	-	-	310,936	310,936
Stafford Centre maintenance	-	-	23,164	23,164
US 59 Landscaping and monument maintenance	-	-	66,030	66,030
Street expansions	5,294,722	-	-	5,294,722
Debt Service:				
Principal	-	1,045,000	-	1,045,000
Interest and other charges	-	744,500	-	744,500
<b>Total Expenditures</b>	<u>6,618,574</u>	<u>1,789,500</u>	<u>400,130</u>	<u>8,808,204</u>
Revenues over (under) expenditures	<u>(3,484,414)</u>	<u>4,335</u>	<u>(339,734)</u>	<u>(3,819,813)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,500,000	-	655,497	2,155,497
Transfers out	(655,497)	-	(1,500,000)	(2,155,497)
<b>Total other financing sources (uses)</b>	<u>844,503</u>	<u>-</u>	<u>(844,503)</u>	<u>-</u>
Net Changes in Fund Balances	(2,639,911)	4,335	(1,184,237)	(3,819,813)
<b>Fund Balances - Beginning of Year</b>	<u>9,292,069</u>	<u>587,903</u>	<u>5,076,631</u>	<u>14,956,603</u>
<b>Fund Balances - End of Year</b>	<u>\$ 6,652,158</u>	<u>\$ 592,238</u>	<u>\$ 3,892,394</u>	<u>\$ 11,136,790</u>

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2020*

Net change in fund balances - total governmental funds \$ (3,819,813)

Amounts reported for governmental activities in the Statement of Activities are different because the following amounts are treated as inflows and outflows of resources in the governmental fund financial statements but are treated as increases or decreases in deferred outflows of resources and liabilities on the Statement of Net Position:

Repayment of long term debt principal	1,045,000
Amortization of bond premiums	151,932
Amortization on refunding	(102,147)
Retirement of excess sales tax debt	27,409

Interest is an expenditure when paid for by governmental funds, but for the Statement of Activities, interest payable is accrued through the end of the fiscal year. 4,354

Change in Net Position of Governmental Activities \$ (2,693,265)

*(This page intentionally left blank.)*

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Organization**

In 1999, the City of Stafford (the “City”) voters authorized the creation of the Stafford Economic Development Corporation (“SEDC”). The voters approved that a one-half percent sales tax be authorized for economic development purposes in accordance with specified projects, which were included on the ballot. In August 1999, the SEDC was formed under Article 5190.6 V.T.C.S., the Development Corporation Act of 1979 and governed by Section 4B of the Act. State law allows the City to collect sales tax to assist in the promoting and developing activities of the City. The SEDC has been included as a discretely presented component unit in the City’s financial statements. The City Council approves the budget of the SEDC and appoints the members of the Board of Directors of the SEDC.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the SEDC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

**A. Reporting Entity**

The SEDC’s financial statements include all the accounts and activities of the SEDC. Based on criteria prescribed by generally accepted accounting principles, the SEDC is considered a component unit of the City. As such, the financial statements of the SEDC are also included in the separately issued Annual Financial Report of the City.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the SEDC is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on these considerations, no other entities, organizations, or functions have been included in the SEDC’s financial reporting entity.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report financial information on all of the activities of the SEDC. As a general rule, the effect of interfund activity within the SEDC has been eliminated from the government-wide financial statements. The governmental activities of the SEDC are primarily supported through sales taxes and interest earnings.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* are grants and contributions that are restricted to meeting operational or capital requirements of a particular segment. Sales taxes, although required to be used for economic development activities, and other revenues reported in the statement of activities are not included in program revenues but are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. The SEDC does not have any fiduciary or proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues in the year when the transactions giving rise to the sales taxes occur.

General revenues include sales taxes and interest earnings received by the SEDC.

When both restricted and unrestricted resources are available for use, the SEDC will use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims and judgments, are recorded only when payment is due.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period in both the government-wide and individual fund financial statements.

The SEDC reports the following major governmental funds:

The *general fund* is used to account for all financial transactions except those required to be accounted for in another fund. The principal sources of revenue are sales taxes and interest earnings. Expenditures consist of all costs associated with the daily operations of the SEDC and certain capital expenditures.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation debts of the SEDC. The primary source of revenue is sales taxes.

The *capital projects fund* is used to account for the expenditure of long-term debt proceeds and other resources used for the acquisition and execution of maintenance activities on those completed projects.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**C. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation -- is utilized. Encumbrances outstanding at year-end are reported as an assignment of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances at September 30, 2020.

**D. Cash and Investments**

The SEDC's Investment Committee manages cash, money market accounts and certificates of deposit. The City's staff maintains these investments based on investment policies prescribed by the SEDC's Investment Committee. During the year, the City held no investments.

The SEDC considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**E. Estimates**

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. Fund Balance**

Restrictions of fund balance represent those portions of fund balance legally segregated for a specific use and include amounts restricted for future debt service and construction activities. Committed fund balance is comprised of amounts constrained to specific purposes by the SEDC itself, using its highest level of decision-making authority. Commitments of fund balance cannot be used for any other purposes unless the SEDC takes the same highest level of action to remove or change the constraint. Fund balance has been 100 percent committed in the Capital Projects Fund by the SEDC. Unassigned fund balance represents fund balance that can be used for any lawful purpose of the SEDC as described in the enabling legislation.

**G. Net Position**

Net position represents the differences between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
*NOTES TO FINANCIAL STATEMENTS (continued)*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**H. Federal Income Tax Status**

The SEDC qualifies as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code; therefore, no provision for federal income tax is made in the financial statements. Additionally, the SEDC is not a private foundation under provisions of the Internal Revenue Code.

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The SEDC has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Note 3 - Deposits (Cash) and Investment Policy**

The SEDC classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, an investment is considered a cash equivalent if when purchased it has a maturity date of three months or less. Investments are classified as either current investments or non-current investments. Investments are those that have a maturity of one year or more. There were no investments reported on the statement of net position at September 30, 2020.

**Deposits**

At September 30, 2020, the carrying amount of the SEDC's cash, savings and time deposits was \$4.5 million. Bank balances were covered by federal depository insurance and by collateral pledged in the SEDC's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a financial institution failure, the SEDC's deposits may not be returned to them. The SEDC requires that all deposits with financial institutions be collateralized in an amount equal to 110 percent of uninsured balances.

Under Texas state law, a bank serving as the depository must have a bond or, in lieu thereof, deposited or pledged securities with the SEDC or an independent third-party agent, an amount equal to the highest daily balance of all deposits the SEDC may have during the term of the depository contract, less any applicable FDIC insurance.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 - Deposits (Cash) and Investment Policy (continued)**

**Investment Policy**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the SEDC to invest its funds under a written investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The SEDC’s deposits and investments are invested pursuant to the investment policy, which is approved by the Board. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition, it includes an “Investment Strategy Statement” that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the SEDC will deposit funds is addressed. The SEDC’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The SEDC’s management believes it complied with the requirements of the PFIA and the SEDC’s investment policy.

The SEDC’s Investment Officer submits an investment report each month to the Board. The report details the investment positions of the SEDC and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and Texas State law.

The SEDC is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker’s acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

*Credit Risk* - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets SEDC’s cash flow requirements.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 - Receivables**

Receivables at September 30, 2020, for the SEDC’s individual funds are as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Sales Taxes	\$ 904,060	\$ -	\$ 904,060
Insurance reimbursements	-	2,500	2,500
Total Receivables	<u>\$ 904,060</u>	<u>2,500</u>	<u>\$ 906,560</u>

**Note 5 - Sales Tax Revenue**

The SEDC’s revenues consist principally of a one-half percent sales tax which the voters approved in 1999 for the purpose of economic development activities and costs associated with promoting and enhancing economic and industrial development activities. In fiscal year 2020, sales tax produced \$4.9 million in revenues, of which, \$1.79 million was allocated for the SEDC’s Debt Service Fund.

**Note 6 - Interfund Receivables, Payables and Transfers**

**Receivables and Payables**

The composition of interfund balances as of September 30, 2020, is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>
Capital Projects Fund	<u>General Fund</u>
	\$ 18,527
	<u>\$ 18,527</u>

**Transfers**

For the year ended September 30, 2020, the SEDC Board of Directors approved transfers between the General Fund to the Capital Projects Fund to provide resources for construction related projects.

<u>Transfers Out Fund</u>	<u>Transfers In Fund</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 1,500,000	To contribute to street development projects for City
General Fund	Capital Projects	383,642	To close out deficit in FM 1092 project
General Fund	Capital Projects	230,869	To close out deficit in Kirkwood Rd project
General Fund	Capital Projects	40,986	To close out deficit in Staffordshire Rd project
	Totals	<u>\$ 2,155,497</u>	

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 7 - Long-Term Debt**

**Use of Bond Proceeds**

Although the capital assets constructed or acquired with the proceeds of these bonds already have been or will eventually be entirely transferred to the City, the bonded debt will continue to be reflected in the SEDC’s financial statements.

The Sales Tax Revenue Refunding Bonds, Series 2014, was originally issued for \$20,775,000 with an interest rate from 2.0 percent to 5.0 percent. The maturity date is September 1, 2030 with a call date of September 1, 2023.

The following is a summary of the long-term debt transactions of the SEDC for the year ended September 30, 2020.

	Balance September 30, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Sales tax revenue bonds	\$ 14,875,000	\$ -	\$ 1,045,000	\$ 13,830,000	\$ 1,100,000
Bond issuance premiums	1,671,247	-	151,932	1,519,315	-
Sales tax obligation	356,405	-	27,409	328,996	27,409
	<u>\$ 16,902,652</u>	<u>\$ -</u>	<u>\$ 1,224,341</u>	<u>\$ 15,678,311</u>	<u>\$ 1,127,409</u>

The annual requirements on the SEDC Sales Tax Revenue Bonds, as of September 30, 2020, are shown below:

Year Ending <u>9/30</u>	<u>Revenue Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,100,000	\$ 691,500	\$ 1,791,500
2022	1,155,000	636,500	1,791,500
2023	1,210,000	578,750	1,788,750
2024	1,275,000	518,250	1,793,250
2025	1,340,000	454,500	1,794,500
2026	1,405,000	387,500	1,792,500
2027	1,470,000	317,250	1,787,250
2028	1,550,000	243,750	1,793,750
2029	1,620,000	166,250	1,786,250
2030	1,705,000	85,250	1,790,250
	<u>\$ 13,830,000</u>	<u>\$ 4,079,500</u>	<u>\$ 17,909,500</u>

**Federal Tax Compliance (Arbitrage) for Long-term Debt**

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986 (the “Code”), as amended, the SEDC’s long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered “tax exempt.” This “tax exempt” status means that interest income earned by purchasers of the SEDC’s long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under Section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered “arbitrage bonds” and are not considered “tax exempt” as described above.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 7 - Long-Term Debt (continued)**

**Rebate**

Section 148 of the Code also provides that in order for debt not to be considered arbitrage bonds (as described above), proceeds of such debt must be invested at a yield that is not materially higher than the yield on the debt issued starting on the third anniversary of the issue date of such debt. Accordingly, any unexpended proceeds of debt issued by the SEDC that remain unexpended more than three years after such debt was issued should be yield restricted. The yield restriction may be accomplished by making yield reduction payments pursuant to Treas. Reg. Section 1.148-5(c). The SEDC presently has unexpended proceeds from certain debt issues that require yield restriction as described above. The SEDC is currently in compliance with these yield restriction requirements and does not anticipate associated significant noncompliance issues. The SEDC is continuing to proceed with reasonable diligence to expend any remaining debt issuance proceeds on qualifying projects.

**Sales Tax Obligation**

The SEDC negotiated a long-term payout of excess sales tax received in prior years in the amount of \$479,338, with the State Comptroller. This amount was collected by the SEDC during the fiscal year periods 2000 through 2007. The total negotiated payout calls for a twenty-five year period with equal amounts deducted each month from the SEDC's sales tax receipts beginning with October 2007. No interest is associated with this long-term liability.

During the 2015 fiscal year, the SEDC negotiated a long-term payout of excess sales tax received in prior years in the amount of \$140,674, with the State Comptroller. The total negotiated payout calls for an eighteen year period with equal amounts deducted each month from the SEDC's sales tax receipts beginning with May 2015. No interest is associated with this long-term liability.

The annual requirements on the SEDC Excess Sales Tax liability, as of September 30, 2020, are \$27,409 for fiscal years 2017 through 2031 and \$27,497 in fiscal year 2032, for a total of \$328,996.

**Note 8 - 380 Agreement**

Under Chapters 501, 502, 504, 505, and 380 of the Texas Local Government Code, The Stafford Economic Development Corporation entered what is known as a Chapter 380 Agreement with Southeastern Developers LLC in October 2019. The agreement is for an initial 15 years term with the option to extend for up to 5 additional years.

The purpose of the agreement is to provide an economic incentive for Southeastern Developers LLC to pursue a specific course of business which would generate considerable sales tax revenue for the City of Stafford. Under the agreement Southeastern Developers would receive an 80% rebate of the SEDC .5% sales tax revenues generated solely by their activity. The threshold to trigger the rebate is new net tax revenue in excess of \$50 million in 12-month period.

During the fiscal year ended September 30, 2020 this agreement generated the SEDC an additional \$591,391 in new sales tax revenue of which \$473,112 was paid out in grants to the Developer.

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Capital Outlay on Behalf of the City**

As part of its charge, the SEDC will expend capital outlay for certain road projects on behalf of the City of Stafford to promote economic development. These projects are expended in the funds of the SEDC and capitalized in the financial statements of the City. Some of these mobility projects are subject to reimbursement by Fort Bend County as part of the County’s ongoing mobility bond projects. A listing of current capital projects and outlays is presented below:

	<b>Budgeted</b>	<b>Costs in Prior Years</b>	<b>Costs in 2020</b>	<b>Total Construction Costs through FY 2020</b>	<b>Estimated Remaining Commitment</b>	<b>Anticipated County Partnership</b>
West Airport Expansion	\$ 3,000,000	\$ 459,883	\$ 2,494,393	\$ 2,954,276	\$ 45,724	\$ 1,500,000
Trinity Drive Extension and Right of Way	1,220,000	93,945	52,067	146,012	1,073,988	475,000
Network Drive	3,500,000	1,000,000	2,500,000	3,500,000	-	-
Cash Road Extension	2,600,000	-	248,262	248,262	2,351,738	980,000
		<u>1,553,828</u>	<u>\$ 5,294,722</u>	<u>\$ 6,848,550</u>	<u>\$ 3,471,450</u>	<u>\$ 2,955,000</u>

*(This page intentionally left blank.)*

## **REQUIRED SUPPLEMENTARY INFORMATION**

*(This page intentionally left blank.)*

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
*For the Year Ended September 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales tax	\$ 2,709,250	\$ 2,709,250	\$ 2,659,387	\$ (49,863)
Intergovernmental	4,195,000	4,195,000	-	(4,195,000)
Interest	25,000	25,000	1,661	(23,339)
<b>Total Revenues</b>	<u>6,929,250</u>	<u>6,929,250</u>	<u>2,661,048</u>	<u>(4,268,202)</u>
<b>Expenditures</b>				
Current:				
Economic development	903,240	903,240	850,740	52,500
Capital Outlay on Behalf of the City:				
Street expansions	9,320,000	9,320,000	5,294,722	4,025,278
<b>Total Expenditures</b>	<u>10,223,240</u>	<u>10,223,240</u>	<u>6,145,462</u>	<u>4,077,778</u>
Revenues over (under) expenditures	<u>(3,293,990)</u>	<u>(3,293,990)</u>	<u>(3,484,414)</u>	<u>(190,424)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,500,000	1,500,000
Transfers out	-	-	(655,497)	(655,497)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>844,503</u>	<u>844,503</u>
Net Changes in Fund Balances	(3,293,990)	(3,293,990)	(2,639,911)	654,079
<b>Fund Balances - Beginning of Year</b>	<u>9,494,267</u>	<u>9,292,069</u>	<u>9,292,069</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 6,200,277</u>	<u>\$ 5,998,079</u>	<u>\$ 6,652,158</u>	<u>\$ 654,079</u>

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**

**Budgetary Data**

The SEDC prepares and adopts an appropriated budget on its General Fund, Debt Service Fund and Capital Projects Fund. The budgets are generally prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles (GAAP). Exceptions to GAAP budgeting include:

- Sources and uses of capital leases
- Grants made pursuant to agreements under Chapter 380 of the Texas Government Code. For budgetary purposes, these payments are presented as a reduction in sales tax revenues

Encumbrances outstanding at year-end are appropriately provided for in the subsequent year’s budget.

The SEDC Board prepares an annual budget for the SEDC for the ensuing fiscal year. The Board reviews, considers and revises the proposed new budget for the forthcoming fiscal year, prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions and activities of the SEDC, and shall meet all fund requirements provided by law and required by bond covenants. Once approved by the Board, the budget is approved by the City Council along with the City’s budget.

The SEDC performs budget reviews during the year through which budget requirements are re-evaluated and revisions are recommended for the SEDC’s Board to approve and make changes as required. Total expenditures may not legally exceed budgeted appropriations. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by the Board and City Council through a formal budget amendment. Revisions to the budget were not made during the year.

A reconciliation between GAAP and the budgetary basis of accounting for the SEDC General Fund follows:

	GAAP Basis	Chapter380 Agreement Payments	Budgetary Basis
Revenues	\$ 3,134,160	\$ (473,112)	\$ 2,661,048
Expenditures	(6,618,574)	473,112	(6,145,462)
Other Sources (Uses)	844,503	-	844,503
Net Changes in Fund Balance	(2,639,911)	-	(2,639,911)
<b>Fund Balances - Beginning of Year</b>	<b>9,292,069</b>	<b>-</b>	<b>9,292,069</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,652,158</b>	<b>\$ -</b>	<b>\$ 6,652,158</b>

## **OTHER SUPPLEMENTARY INFORMATION**

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**DEBT SERVICE AND CAPITAL PROJECTS FUNDS**  
**For the Year Ended September 30, 2020**

<b>DEBT SERVICE FUND</b>			
	<b>Budgeted</b>		<b>Variance</b>
	<b>Amounts</b>		<b>with Final</b>
	<b>Final</b>	<b>Actual</b>	<b>Budget</b>
			<b>Positive</b>
			<b>(Negative)</b>
<b>Revenues</b>			
Sales tax	\$ 1,790,750	\$ 1,790,750	\$ -
Intergovernmental	-	-	-
Interest	5,500	3,085	(2,415)
Other	-	-	-
<b>Total Revenues</b>	<b>1,796,250</b>	<b>1,793,835</b>	<b>(2,415)</b>
<b>Expenditures</b>			
Current:			
Maintenance projects on behalf of the City			
US 90A maintenance	-	-	-
Stafford Centre maintenance	-	-	-
US 59 Landscaping and monument maintenance	-	-	-
Debt Service:			
Principal	1,045,000	1,045,000	-
Interest and other charges	745,750	744,500	1,250
<b>Total Expenditures</b>	<b>1,790,750</b>	<b>1,789,500</b>	<b>1,250</b>
Revenues over (under) expenditures	5,500	4,335	(1,165)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes in Fund Balances	5,500	4,335	(1,165)
<b>Fund Balances - Beginning of Year</b>	<b>587,903</b>	<b>587,903</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 593,403</b>	<b>\$ 592,238</b>	<b>\$ (1,165)</b>

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**DEBT SERVICE AND CAPITAL PROJECTS FUNDS**  
**For the Year Ended September 30, 2020**

	<b>CAPITAL PROJECTS FUND</b>		
	<b>Budgeted</b>		<b>Variance</b>
	<b>Amounts</b>		<b>with Final</b>
	<b>Final</b>	<b>Actual</b>	<b>Budget</b>
			<b>Positive</b>
			<b>(Negative)</b>
<b>Revenues</b>			
Sales tax	\$ -	\$ -	\$ -
Intergovernmental	100,000	-	(100,000)
Interest	100,000	34,728	(65,272)
Other	25,000	25,668	668
<b>Total Revenues</b>	<b>225,000</b>	<b>60,396</b>	<b>(164,604)</b>
<b>Expenditures</b>			
Current:			
Maintenance projects on behalf of the City			
US 90A maintenance	521,000	310,936	210,064
Stafford Centre maintenance	503,000	23,164	479,836
US 59 Landscaping and monument maintenance	255,000	66,030	188,970
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
<b>Total Expenditures</b>	<b>1,279,000</b>	<b>400,130</b>	<b>878,870</b>
Revenues over (under) expenditures	(1,054,000)	(339,734)	714,266
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	655,497	655,497
Transfers out	-	(1,500,000)	(1,500,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(844,503)</b>	<b>(844,503)</b>
Net Changes in Fund Balances	(1,054,000)	(1,184,237)	(130,237)
<b>Fund Balances - Beginning of Year</b>	<b>5,076,631</b>	<b>5,076,631</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 4,022,631</b>	<b>\$ 3,892,394</b>	<b>\$ (130,237)</b>

**APPENDIX B**

**FORM OF BOND COUNSEL'S OPINION**

**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds of Obligation, assuming no material changes in facts or law.*

**STAFFORD ECONOMIC DEVELOPMENT CORPORATION  
SALES TAX REVENUE REFUNDING BONDS, TAXABLE SERIES 2021  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$11,610,000**

---

AS BOND COUNSEL FOR THE STAFFORD ECONOMIC DEVELOPMENT CORPORATION (the “Issuer”) in connection with the issuance of the bonds described above (the “Bonds”), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the resolution of the Issuer authorizing the issuance and sale of the Bonds (the “Resolution”).

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer; and that the principal of and interest on the Bonds, are payable from and secured by a lien on and pledge of the Pledged Revenues which include the proceeds of a one-half of one percent sales and use tax (the “Sales Tax”) levied for the benefit of the Issuer by the City of Stafford, Texas (the “City”), and certain funds established under the Resolution, all as defined and provided in the Resolution.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, other than the aforesaid Sales Tax and the Bonds and the interest thereon are not payable from any other funds, revenues or properties of the Issuer. The Bonds and the interest thereon do not constitute obligations of the State of Texas, the City or any other political subdivision or agency of the State of Texas or of the Board of Directors of the Issuer, either individually or collectively.

THE ISSUER HAS RESERVED THE RIGHT, subject to restrictions stated and adopted by reference in the Resolution, to issue additional revenue bonds which may be made payable from and secured by a lien on and pledge of the Pledged Revenues on a parity with, or subordinate to, the lien on and pledge of the Pledged Revenues securing payment of the Bonds.

WE EXPRESS NO OPINION as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.



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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

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

Respectfully,

**APPENDIX C**

**SELECTED PROVISIONS OF THE RESOLUTION**

Exhibit B.  
Selected Provisions of the Resolution

The following sets forth certain selected provisions of the Resolution. This summary is qualified by reference to other provisions of the Resolution referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Resolution in the Official Statement are, separately and in whole, qualified by reference to the Resolution. The provisions below are excerpts from the Resolution, and the Section numbers and cross references have been retained to reflect such Section numbers and cross references as they exist in the Resolution. A full copy of the Resolution may be obtained from the Corporation's Financial Advisor upon request.

Section 1. DEFINITIONS.

“Act” shall mean former Article 5190.6, V.A.T.C.S., and now codified at Chapters 501, 502 and 505, Texas Local Government Code, as amended, and known as the Development Corporation Act.

“Additional Bonds” shall mean the additional parity revenue bonds which the Issuer reserves the right to issue in the future in accordance with Section 15 of this Resolution.

“Attorney General” means the Office of the Attorney General of the State of Texas.

“Average Annual Debt Service” means that amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from proceeds or borrowings of the Issuer shall be excluded in making the aforementioned computation.

“Board” shall mean the Board of Directors of the Issuer.

“Bond” or “Bonds” shall mean the Stafford Economic Development Corporation Sales Tax Revenue Refunding Bonds, Taxable Series 2021 (or such other name specified in the Pricing Certificate), authorized to be issued by this Resolution. The term includes collectively any Bonds initially issued and delivered pursuant to this Resolution and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

“Bonds Similarly Secured” shall mean any Previously Issued Bonds, the Bonds and any Additional Bonds.

“Capital Appreciation Bonds” shall mean any Bonds on which no interest is paid prior to maturity, maturing in the years and in the Maturity Values set forth in the Pricing Certificate.

“City” shall mean the City of Stafford, Texas.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Comptroller” shall mean the Comptroller of Public Accounts of the State of Texas, and any successor official or officer thereto.

“Debt Service” 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 Issuer 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 at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

“Event of Default” - Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an event of default:

- (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or
- (ii) default in the performance or observance of any other covenant, agreement or obligation of the Issuer, the failure to perform which materially, adversely affects the rights of the Registered Owners, including, but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Issuer.

“Fiscal Year” shall mean the fiscal year of the Issuer, being the twelve month period ending September 30 of each year.

“Holder,” “Registered Owner” or words of similar import means each registered owner of the Bonds from time to time as shown in the books kept by the Paying Agent/Registrar as bond registrar and transfer agent.

“Investment Act” shall mean the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

“Issuance Date” shall mean the date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

“Issuer” shall mean Stafford Economic Development Corporation, a Type B corporation under the Act.

“Maturity Value” shall mean, with respect to a Capital Appreciation Bond, the original principal amount thereof, plus initial premium, if any, and plus all interest accrued and compounded to the maturity date thereof.

“Outstanding” - When used in this Resolution with respect to Bonds Similarly Secured, including the Bonds, means, as of the date of determination, all Bonds Similarly Secured theretofore sold, issued and delivered by the Issuer, except:

- (1) those Bonds Similarly Secured canceled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;
- (2) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 20 hereof or similar provisions of any resolution authorizing the issuance of Additional Bonds; and
- (3) those Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement obligations have been registered and delivered in lieu thereof.

“Paying Agent/Registrar” shall mean the financial institution named in the Pricing Certificate to serve as the paying agent/registrar for the Bonds.

“Pledged Revenues” shall mean the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law.

“Previously Issued Bonds” shall mean the outstanding revenue bonds of the Issuer payable from and secured by a first lien on and pledge of the Pledged Revenues, which currently consists of the “Stafford Economic Development Corporation Sales Tax Revenue Refunding Bonds, Series 2014.

“Pricing Certificate” shall mean that certificate executed by the Pricing Officer setting forth the terms of sale of the Bonds, as authorized by Section 3 hereof.

“Pricing Officer” shall mean the officer of the Board appointed in Section 3 hereof who executes the Pricing Certificate.

“Sales Tax” shall mean the one-half of one percent sales and use tax levied by the City within the boundaries of the City as they now or hereafter exist, together with any increases in the aforesaid rate if provided and authorized by the laws of the State of Texas, including specifically the Act, and collected for the benefit of the Issuer, all in accordance with the Act, including particularly Chapter 505 thereof.

“Sales Tax Remittance Agreement” shall mean the Sales Tax Remittance Agreement dated as of June 11, 2014, between the City and the Issuer.

\* \* \*

#### Section 7. PLEDGE.

(a) The Bonds and any interest payable thereon, and any Additional Bonds which may be issued in accordance herewith and be Outstanding from time to time, and any interest payable thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, subject to the priorities set forth in Section 8 hereof, and from amounts on deposit in the Debt Service Fund created in accordance with Section 8 hereof. The Bonds are and will be secured by and payable only from the Pledged Revenues and amounts on deposit in the Debt Service Fund, and are not secured by or payable from a mortgage or deed of trust on any real, personal or mixed properties of the Issuer. Neither the State of Texas, the City, nor any political corporation, subdivision, or agency of the State of Texas, nor any member of the Board, either individually or collectively, shall be obligated to pay the principal of or the interest on the Bonds and neither the faith and credit nor the taxing power (except as described below) of the State of Texas, the City, or any other political corporation, subdivision, or agency thereof is pledged to the payment of the principal of or the interest on the Bonds. The Registered Owner of the Bonds shall not have the right to demand payment of the principal of or interest on the Bonds from any tax proceeds other than the Sales Tax proceeds levied for the benefit of the Issuer by the City pursuant to the Act, or from any other source

(b) Article 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, in order to preserve to the Registered Owners of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing of a security interest in said pledge to occur.

#### Section 8. REVENUE FUND.

(a) There has been created and established on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer, a special fund entitled the “Stafford Economic Development Corporation Sales Tax Revenue Fund” (hereinafter called the “Revenue Fund”). All Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt. Monies in said Fund shall be maintained by the Issuer at its Depository Bank.

(b) All Pledged Revenues deposited into the Revenue Fund shall be transferred as prescribed by this Resolution to the following funds in the following order of priority:

FIRST: To the payment of the amounts required to be deposited in the Debt Service Fund for the payment of Debt Service on the Bonds Similarly Secured as the same becomes due and payable.

SECOND: On a pro rata basis, to each debt service reserve fund created by any resolution authorizing the issuance of Bonds Similarly Secured, which contains less than the amount to be accumulated and/or maintained therein, as provided in such resolutions.

THIRD: To the payment of amounts required to be deposited in any other fund or account required by any resolution authorizing the issuance of Bonds Similarly Secured.

FOURTH: To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Issuer having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Bonds Similarly Secured.

(c) Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by law.

#### Section 9. DEBT SERVICE FUND.

(a) For the sole purpose of paying the principal of and interest on the Bonds Similarly Secured, as the same come due, there has been created and established on the books of the Issuer a separate fund entitled the "Stafford Economic Development Corporation Sales Tax Revenue Bonds Debt Service Fund" (hereinafter called the "Debt Service Fund"). Monies in said Fund shall be maintained by the Issuer's Depository Bank.

(b) Promptly after the delivery of the Bonds, the Issuer shall cause to be deposited to the credit of the Debt Service Fund any accrued interest received from the sale and delivery of the Bonds, as described in the Pricing Certificate, and any such deposit shall be used to pay the interest next coming due on the Bonds.

(c) In each Fiscal Year, and as the first use of Pledged Revenues, the Issuer shall transfer or cause to be transferred, as received, all Pledged Revenues on deposit in the Revenue Fund, and deposit to the credit of the Debt Service Fund, an amount sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the principal and interest scheduled to mature and come due on the Bonds in that Fiscal Year.

(d) The required deposits to the Debt Service Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Debt Service Fund is equal to the amount required to fully pay and discharge the Bonds (principal and interest) then Outstanding or (ii) the Bonds are no longer Outstanding.

Section 10. RESERVE FUNDS. The Issuer may create and establish a debt service reserve fund pursuant to the provisions of any resolution authorizing the issuance of Bonds Similarly Secured for the purpose of securing that particular issue or series of Bonds Similarly Secured or any specific group of issues or series of Bonds Similarly Secured and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Bonds Similarly Secured for which such debt service reserve fund was established. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Bonds Similarly Secured it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Bonds Similarly Secured. The Issuer has not created a debt service reserve fund for the Bonds.

#### Section 11. SALES TAX REMITTANCE.

(a) Pursuant to the provisions of the Sales Tax Remittance Agreement, the City has agreed to do any and all things necessary to accomplish the transfer of the Sales Tax collected for the benefit of the Issuer to the Revenue Fund on a monthly basis. The Sales Tax Remittance Agreement shall govern matters with respect to the collection of sales and use taxes from the Comptroller, credits and refunds due and owing to the Comptroller, and other matters with respect to the collection and transfer of the Sales Tax.

(b) The President and the Secretary of the Board are hereby ordered to do any and all things necessary to accomplish the transfer of money to the funds established hereby in ample time to pay the principal of and interest on the Bonds.

Section 12. INVESTMENTS. Money in any fund established by this Resolution may, at the option of the Board, be invested in eligible investment securities as described in the Investment Act; provided that all such investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. Investment earnings realized on investments attributable to the Debt Service Funds shall be retained therein and shall constitute a credit against the amount of money that is required to be on deposit therein for each payment of principal or interest. Such investments shall be valued in terms of current market value as of the last day of each Fiscal Year. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

Section 13. FUNDS SECURED. Money in all funds created by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

Section 14. PAYMENT. On or before the first principal or interest payment date specified in the Pricing Certificate, and semiannually on or before each such payment date specified in the Pricing Certificate thereafter while any of the Bonds are Outstanding and unpaid, the Issuer shall cause to be transferred to the Paying Agent/Registrar amounts sufficient to make payment of the principal of and interest on the Bonds to the Holder thereof with funds on deposit in the Debt Service Fund.

Section 15. ADDITIONAL BONDS. In addition to the right to issue obligations of inferior lien, the Issuer reserves the right to issue Additional Bonds which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Bonds herein authorized, payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues. The Additional Bonds may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The President of the Board shall have executed a certificate stating (A) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any resolution authorizing the issuance of outstanding Bonds Similarly Secured, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all outstanding Bonds Similarly Secured have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(b) The Designated Financial Officer signs and delivers to the Board a written certificate reflecting that for (i) the Fiscal Year next preceding the adoption of the resolution authorizing the proposed Additional Bonds or (ii) a consecutive twelve (12) month period out of the eighteen (18) month period next preceding the month in which the resolution authorizing the proposed Additional Bonds is adopted, the Pledged Revenues and interest earnings thereon were equal at least to 1.25 times the Average Annual Debt Service requirements on all Bonds Similarly Secured to be outstanding after the issuance of the proposed Additional Bonds; provided, however, that in the event an increase in the rate of the Sales Tax becomes effective prior to the date of a resolution authorizing the

issuance of Additional Bonds, such certificate or report shall calculate the Pledged Revenues for the calculation period as if such increased rate were in effect during the calculation period.

(c) The resolution authorizing the Additional Bonds provides that the Debt Service Fund be augmented by amounts adequate to accumulate the sum required to pay the principal and interest on such obligations as the same shall become due.

Section 16. DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Debt Service Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

Section 17. REFUNDING BONDS. The Issuer reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Issuer.

Section 18. SUBORDINATE DEBT. Except as may be limited by a resolution adopted in connection with a subsequent issuance of Bonds Similarly Secured, the Issuer shall have the right to issue or create any debt payable from or secured by a lien on all or any part of the Pledged Revenues for any lawful purpose without complying with the provisions of Section 15 or Section 17 hereof, provided the pledge and the lien securing such debt is subordinate to the pledge and lien established, made and created in Section 7 of this Resolution with respect to the Pledged Revenues to the payment and security of the Bonds Similarly Secured.

Section 19. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in every Bond; it will promptly pay or cause to be paid the principal of and interest on every Bond on the dates and in the places and manner prescribed in this Resolution and the Bonds; and it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Funds created hereby; and any registered owner of the Bonds may require the Issuer, its officials and employees to carry out, respect or enforce the covenants and obligations of this Resolution, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its officials and employees, or by the appointment of a receiver in equity.

(b) Legal Authority. It is a duly created and existing industrial development corporation, and is duly authorized under the laws of the State of Texas, including the Act, to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the registered owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) Further Encumbrance. It, while any Bonds Similarly Secured are outstanding and unpaid, will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Resolution; but the right of the Issuer to issue revenue bonds payable from a subordinate lien on the Pledged Revenues, in accordance with the provisions of the Act, is specifically recognized and retained.

(d) Collection of Sales Tax

(i) The Issuer hereby confirms the earlier levy by the City of the Sales Tax at the rate voted at the election held by and within the City on January 16, 1999, and the Issuer hereby warrants and

represents that the City has duly and lawfully ordered the imposition and collection of the Sales Tax upon all sales, uses and transactions as are permitted by and described in the Act throughout the boundaries of the City as such boundaries existed on the date of said election and as they may have been expanded thereafter.

(ii) For so long as any Bonds Similarly Secured are outstanding, the Issuer covenants, agrees and warrants to take and pursue all action permissible under applicable law to cause the Sales Tax, at said rate or at a higher rate if permitted by applicable law, to be levied and collected continuously, in the manner and to the maximum extent permitted by applicable law, and necessary or desirable, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in subsection (e)(i) of this Section to be ordered or permitted so long as any Bonds Similarly Secured shall remain outstanding.

(iii) If the City shall be authorized hereafter by applicable law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, the Issuer, to the extent it legally may do so, hereby covenants and agrees to use its best efforts to cause the City to take such action as may be required by applicable law to subject such taxable items or transactions to the Sales Tax.

(iv) The Issuer agrees to take and pursue all action permissible under applicable law to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by applicable law.

(v) The Issuer agrees and covenants at all times to use its best efforts to cause the City to comply with the Sales Tax Remittance Agreement.

(e) Records. It will keep proper books of record and account in which full, true and correct entries will be made of all dealings, activities and transactions relating to the Pledged Revenues and the funds created pursuant to this Resolution, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholders.

(f) Corporate Existence. It will maintain its corporate existence during the time that any Bonds are outstanding hereunder.

#### Section 20. DEFEASANCE OF BONDS.

(a) The Bonds may be defeased in any manner now or hereafter permitted by law with respect to public securities issued by the City that are subject to the provisions of Chapter 1207, Texas Government Code, as amended, or any successor statute thereto. At such time as a Bond shall be deemed to be defeased as aforesaid (a "Defeased Bond"), such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from the money, securities, or other assets or property used to accomplish such defeasance. 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 above shall not be irrevocable, provided that the Issuer: (1) in the proceedings providing for such payment arrangements, expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys deposited with the Paying Agent/Registrar to accomplish a defeasance may at the written direction of the Issuer also be invested in investments that mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to provide for payment of the principal of such Defeased Bonds, plus interest thereon to the due date (whether such due date be by reason of maturity or

otherwise), and all income from such investments received by the Paying Agent/Registrar that is not required for the payment of the Defeased Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any future agreement pursuant to which money and/or investments are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in investments or the substitution of other investments as then permitted by law.

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

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

#### Section 21. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new Bond of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Sec. 1206.022, Government Code, this Section 21 of this Resolution shall constitute authority for the issuance of any such replacement Bonds without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Resolution for a Bond issued in exchange for another Bond.

\* \* \*

Section 28. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Resolution subject to the following terms and conditions, to-wit:

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

(b) Except as provided in paragraph (a) above, a majority of the Registered Owners of Bonds then outstanding that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the Registered Owners in aggregate principal amount of the then outstanding Bonds, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Resolution or in any of the Bonds so as to:

- (1) Make any change in the maturity of any of the outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or
- (5) Change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Resolution under this Section, the Issuer shall send by U.S. mail to each registered owner of the affected Bonds a copy of the proposed amendment.

(d) Whenever at any time within one year from the date of mailing of such notice the Issuer shall receive an instrument or instruments executed by the Registered Owners of at least a majority in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment (or 100% if such amendment is made in accordance with paragraph (b)), which instrument or instruments shall refer to the proposed amendment and which shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

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

(f) Any consent given by the Registered Owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the such consent and shall be conclusive and binding

upon all future Registered Owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of said consent by the Registered Owner who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the Registered Owners the required amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Bonds, the Issuer shall rely solely upon the registration of the ownership of such Bonds on the Registration Books kept by the Paying Agent/Registrar.

\* \* \*

#### Section 31. REMEDIES FOR DEFAULT.

(a) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Issuer or the Board of the Issuer, as appropriate for the purpose of protecting and enforcing the rights of the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

#### Section 32. REMEDIES NOT EXCLUSIVE.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(c) By accepting the delivery of a Bond authorized under this Resolution, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Resolution do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the Issuer or the Board of the Issuer.

**APPENDIX D**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN