

April 5, 2022

Mayor and Members of the City Council  
City of Stephenville  
298 W. Washington Street  
Stephenville, Texas 76401

Re: Proposed City of Stephenville, Texas, Combination Tax and Revenue Certificates of  
Obligation, Series 2022

and

Proposed City of Stephenville, Texas General Obligation Refunding Bonds, Series 2022

Ladies and Gentlemen:

The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel to the City of Stephenville (the "Issuer") in connection with the issuance of the above-referenced certificates of obligation (the "Certificates") and general obligation bonds (the "Bonds," and collectively with the Certificates, the "Obligations").

We understand that the Certificates are being issued for the purpose providing up to \$22,000,000 in funding for the purpose of (i) acquiring, constructing, installing and equipping additions, improvements, extensions and equipment for the City's waterworks and sewer system (the "System") including necessary street reconstruction related to the extension of water and sewer lines; (ii) constructing, improving, extending, expanding, upgrading and developing parks and recreation facilities, including fields, trails (but excluding any construction or improvements for the Bosque River Trail), and utility relocation, landscaping, sidewalks and operational improvements, installation of lighting, the purchase of any necessary rights-of-way, drainage and other related costs; and (iii) paying legal, fiscal, engineering and architectural fees in connection with such projects. We also understand that the Certificates will be secured by a pledge of an ad valorem tax levied by the Issuer, within the limits prescribed by law, and that the Certificates will additionally be secured by a pledge of the surplus net revenues ("Surplus Revenues") of the Issuer's combined water and sewer system (the "System").

We understand that the Bonds are being issued for the purpose providing funds to refund approximately \$3,095,000 of the outstanding tax-supported bonds of the Issuer (the "Refunded Bonds"). We also understand that the Bonds will be secured by a pledge of an ad valorem tax levied by the Issuer, within the limits prescribed by law.

We further understand that the Obligations will be authorized to be sold by the City Council of the Issuer (the "City Council") pursuant to ordinances (collectively, the "Ordinance") adopted on the date hereof (the "Sale Date"), and that the Obligations will be sold by competitive offering to the bidder or bidders providing the lowest cost of the debt to the Issuer for the Obligations (such winning bidders are collectively, the "Purchaser") by competitive sale pursuant to Notices of Sale and Bidding Instructions (collectively, the "Notice of Sale").

#### **A. THE FINANCING**

As Bond Counsel to the Issuer, we would like for the City Council to understand how the issuance of the Obligations will be effected and the ramifications of the financing. I will briefly describe the procedures and certain applicable law that pertains to the issuance of the Obligations, below. However, you should feel free to call me at any time to discuss any questions that you or your staff may have.

- (1) The Obligations will be "ordered to be issued" when and if the City Council approves the Ordinance. The Ordinance provides for certain terms of the Obligations. Among the matters approved in the Ordinance are: (i) the terms of the Obligations, including the principal amount to be issued in each series of the Obligations and the purposes that the Obligation proceeds may be expended on, the amortization schedule and interest rates for each series of the Obligations; (ii) the Issuer's commitment to levy its debt service tax each year in an amount sufficient to pay the debt service on the Obligations and/or, with respect to the Certificates to apply Surplus Revenues of the System to pay debt service on the Obligations; (iii) the sale of the Obligations to the Purchaser; (iv) the redemption and refunding of the Refunded Bonds; (v) the approval of this engagement letter; (vi) approval of a paying agent agreement with a financial institution to whom you will make semiannual payments sufficient to pay the debt service on the Obligations; (vii) approval of an old paying agent deposit agreement to provide for the redemption and refunding of the Refunded Bonds; (viii) covenants obligating the Issuer to make periodic filings of operating and financial data in accordance with Rule 15c2-12 of the Securities and Exchange Commission; and (ix) certain other covenants of the Issuer that are designed to allow the Issuer to issue the Obligations as tax-exempt obligations. As you can see, the Ordinance is an omnibus undertaking of the Issuer that is intended to provide for all actions and undertakings that are required for the issuance of the Obligations. There will be other Obligations and letters that will be required to be executed by officers of the Issuer on the Sale Date, but they all spring from, and are authorized by, the Ordinance.
- (2) As noted above, the Obligations will be sold to the Purchaser in accordance with the provisions of the Ordinance and, in addition, the Purchaser will want the Issuer to certify that, as of the date of delivery of the Obligations, that the information regarding the Obligations and the Issuer in the Official Statement (as described below) are true and correct and do not omit any information that is material to a decision to invest in the Obligations, and that no litigation is pending against the Issuer that would be material to an investor (such certification is the

"Closing Certificate" of the Issuer). Thus, if there are any unusual financial or legal circumstances affecting the Issuer that would make the covenants, representations or statements made by the Issuer in the Closing Certificate untrue, you should let the Purchaser, your financial advisor and/or the undersigned know about them as soon as possible. As a condition to the Purchaser's payment for the Obligations, the Purchaser will require this firm to deliver our Bond Counsel opinion to them, in which we will opine that the Obligations are valid obligations of the Issuer and that, assuming ongoing compliance by the Issuer with the provisions of the Ordinance, the interest on the Obligations will be exempt from federal income taxation. The terms of sale as set forth in the Notice of Sale will also require the delivery of an opinion of the Texas Attorney General approving the Obligations, as is required by State law.

- (3) You should know that the purchase price for the Obligations may be somewhat higher than the principal amount of the Obligations. This is because additional proceeds may be generated by the sale of certain of the Obligations at a premium. The premium can be used to pay costs of issuance of the Obligations or to fund the construction account or the refunding defeasance account.
- (4) The Purchaser will offer the Obligations into the public debt markets prior to the time that the City Council meets to accept the Purchaser's offer for the Obligations. Through this process, the Obligations will be "priced" – i.e., interest rates and premiums or discounts, if any, for the Obligations will be established. On the Sale Date, the City Council will consider the terms offered to the Issuer by the Purchaser based upon the market conditions and other factors that determine interest rates and pricing information. In connection with the offering of the Obligations, the City Council will approve an offering document called an "Official Statement" that contains financial and operating data concerning the Issuer, and information that describes the Obligations. The Issuer is responsible for the information that is contained in the Official Statement to the extent that it describes the Obligations and the Issuer. Some information in the Official Statement has been prepared by others and the Issuer is generally not responsible for any information provided by others. As your Bond Counsel, we will review the Official Statement to ensure that the information describing the Obligations and the Ordinance are correct. If you know of any information that an investor would consider to be material in order to make an investment decision, and that information is omitted from, or incorrect in, the Official Statement, the Purchaser needs to know, and the Official Statement should be corrected in that regard.

## **B. SCOPE OF ENGAGEMENT**

In this engagement, we have performed, or expect to perform, the following duties:

- (1) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Bond Opinion"), regarding the validity and binding effect of the Obligations, the source of payment and security for the Obligations, and the excludability of interest on the Obligations from gross income for federal income tax purposes.

- (3) Prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Obligations, coordinate the authorization and execution of such documents, and review enabling legislation.
- (4) Assist the Issuer in seeking from other governmental authorities such approvals, permissions and exemptions as we determine are necessary or appropriate in connection with the authorization, issuance and delivery of the Obligations, except that we will not be responsible for any required federal or state securities law filings. In this connection, we particularly undertake to assist the Issuer in having the Obligations approved by the Public Finance Division of the Office of the Texas Attorney General, and, following such approval, registered by the Texas Comptroller of Public Accounts.
- (5) Review legal issues relating to the structure of the Obligation issues.
- (6) Review those sections of the official statement to be disseminated in connection with the sale of the Obligations that describe the Obligations, the Ordinance pursuant to which the Obligations will be issued and the tax-exempt treatment of the interest on the Obligations for purposes of federal income taxation.
- (7) If requested, assist the Issuer in presenting information to bond rating organizations relating to legal issues affecting the issuance of the Obligations.
- (8) Draft the continuing disclosure undertaking of the Issuer.

Our Bond Opinion will be delivered by us on the date the Obligations are exchanged for their purchase price (the "Closing"). The Issuer will be entitled to rely on our Bond Opinion.

The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume continuing compliance by the Issuer with applicable laws relating to the Obligations. During the course of this engagement, we will rely on you to provide us with complete and timely information on all developments pertaining to any aspect of the Obligations and their security. We understand that you will direct members of your staff and other employees of the Issuer to cooperate with us in this regard. Our Bond Opinion will represent the our legal judgment based upon our review of existing law and the reliance on the aforementioned information, as well as other representations and covenants of the Issuer. The Bond Counsel opinion is not a guarantee of a result. Applicable law pertaining to the Bond Opinion is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such applicable law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations. As Bond Counsel to the Issuer, we are not being retained to monitor compliance with the requirements of applicable law subsequent to the issuance of the Obligations, but we will provide advice to the Issuer following the issuance of the Obligations, which advice will be based on post-issuance information (if any) provided to us by the Issuer.

Our duties in this engagement are limited to those expressly set forth above. Unless we are separately engaged in writing to perform other services, our duties do not include any other services, including the following:

- (1) Except as described in paragraphs A and B above, assisting in the preparation or review of an official statement or any other disclosure document with respect to the Obligations, assisting in the preparation of, or opining on, a continuing disclosure undertaking pertaining to the Obligations or, after Closing, providing advice concerning any actions necessary to assure compliance with any continuing disclosure undertaking, or, in connection with the issuance of the Obligations, performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the official statement or other disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.
- (2) Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.
- (3) Preparing state securities law memoranda or investment surveys with respect to the Obligations.
- (4) Drafting state constitutional or legislative amendments.
- (5) Pursuing test cases or other litigation.
- (6) Making an investigation or expressing any view as to the creditworthiness of the Issuer or the Obligations.
- (7) Representing the Issuer in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- (8) After Closing, providing continuing advice to the Issuer or any other party concerning any actions necessary to assure that interest paid on the Obligations will continue to be excludable from gross income for federal income tax purposes (e.g., our engagement does not include rebate calculations for the Obligations).
- (9) Negotiating the terms of, or opining as to, any investment contract.
- (10) Addressing any other matter not specifically set forth above that is not required to render our Bond Opinion.

## **ATTORNEY-CLIENT RELATIONSHIP**

Upon execution of this engagement letter, the Issuer will be our client and an attorney-client relationship will exist between us. We further assume that all other parties in this transaction understand that we represent only the Issuer in this transaction, we are not counsel to any other party, and we are not acting as an intermediary among the parties. Our services as bond counsel are limited to those contracted for in this letter; the Issuer's execution of this engagement letter will constitute an acknowledgment of those limitations. Our representation of the Issuer will not affect, however, our responsibility to render an objective Bond Opinion.

Our representation of the Issuer and the attorney-client relationship created by this engagement letter will be concluded upon issuance of the Obligations. Nevertheless, subsequent to Closing, we will mail the appropriate Internal Revenue Service Form 8038, prepare and distribute to the participants in the transaction a transcript of the proceedings pertaining to the Obligations.

## **CONFLICTS**

As you are aware, our firm represents many political subdivisions and investment banking firms, among others, who do business with political subdivisions. It is possible that during the time that we are representing the Issuer, one or more of our present or future clients will have transactions with the Issuer. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance of the Obligations. We do not believe such representation, if it occurs, will adversely affect our ability to represent you as provided in this letter, either because such matters will be sufficiently different from the issuance of the Obligations so as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of the Obligations. Execution of this letter will signify the Issuer's consent to our representation of others consistent with the circumstances described in this paragraph.

## **FIRM NOT A MUNICIPAL ADVISOR**

As a consequence of the adoption of Rule 15Ba1-1 pursuant to the Securities Exchange Act of 1934 (the "Municipal Advisor Rule"), which has been promulgated by the Securities and Exchange Commission as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), we hereby inform the Issuer that we are not a "Municipal Advisor" within the meaning of the Municipal Advisor Rule or the Dodd-Frank Act (collectively, the "MA Rule"). In the course of performing our services as Bond Counsel in this transaction, we may engage in analysis, discussion, negotiation, and advice to the Issuer regarding the legal ramifications of the structure, timing, terms, and other provisions of the financial transaction that culminates with the planned issuance of the Obligations, and such services and advice may be essential to the development of the plan of finance for the issuance of the Obligations. In turn, these services become, among other things, the basis for the transaction's basic legal documents, the preparation and delivery of the official statement or any other disclosure document that describes the material terms and provisions of the transaction, if an offering document is used

in the offering of the Obligations, the preparation of the various closing Obligations that embody the terms and provisions of this transaction and the preparation and delivery of our Bond Opinion. Moreover, legal advice and services of a traditional legal nature in the area of municipal finance inherently involve a financial advice component; but we hereby advise the Issuer that while we have expertise with respect to the legal aspects relating to the issuance of municipal securities, we are not "financial advisors" or "financial experts" in a manner that would subject us to the provisions of the MA Rule. As Bond Counsel, we provide only legal advice, not purely financial advice that is not inherent in our legal advice to the Issuer. The Issuer should seek the advice of its financial advisor with respect to the financial aspects of the issuance of the Obligations. By signing this engagement letter, the Issuer acknowledges receipt of this information, and evidences its understanding of the limitations of our role to the Issuer as Bond Counsel with respect to the MA Rule, as discussed in this paragraph.

### **NO ISRAEL BOYCOTT**

The firm hereby represents that during the term of this agreement we do not, nor will we, boycott Israel, in compliance with and within the meaning of 50 U.S.C. Section 4607 and Section 2271.002, of the Texas Government Code.

### **NOT A FOREIGN TERRORIST ORGANIZATION**

The firm hereby represents that neither the firm nor any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the firm is an entity listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code.

### **NO DISCRIMINATION OF FIREARMS INDUSTRY**

The firm hereby represents that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association, and the firm agrees that it will not discriminate during the term of this agreement against a firearm entity or firearm trade association within the meaning of Chapter 2274, Texas Government Code.

### **NO DISCRIMINATION OF FOSSIL FUEL COMPANIES**

During the term of this agreement the firm will not refuse to deal with, terminate business activities with, or otherwise take any action that is, solely or primarily, intended to penalize, inflict economic harm on, or limit commercial relations with a company engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law or does business with such a company.

## **FEES**

Based upon: (i) the terms, structure, size and schedule of the financing represented by the Bonds; (ii) the duties we will undertake pursuant to this engagement letter; (iii) the time we anticipate devoting to the financing; and (iv) the responsibilities we will assume in connection therewith, our fee in connection with each series of the Obligations will be \$7,500 for the first \$1,000,000 in net proceeds of the Obligations, plus \$1 per \$1,000 of net proceeds of each series of the Obligations for all such amounts above \$1,000,000. Net proceeds include any net original issue premium, less the amount of the Purchaser's discount, plus the principal amount of the Obligations (accrued interest, if any, is excluded from net proceeds). The fee includes our services rendered as Bond Counsel, but does not include client charges made or incurred on your behalf, such as travel costs, photocopying, deliveries, long distance telephone charges, telecopier charges, computer-assisted research and other expenses. Our fee will be billed after the Closing. If we advance the filing fees of the Texas Attorney General we will be reimbursed at the Closing for that advance.

## **RECORDS**

After the transaction has closed, you will receive from us a transcript of proceedings that contain the primary financing and closing documents related to the transaction. At your request, papers and property furnished by you, and work product belonging to you and to which you are entitled, will be returned promptly. We may have copies of any and all documents made for our files at our sole cost and expense, to be retained by us. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to dispose of any documents or other materials retained by us after the closing of the transaction.

## **ELECTRONIC COMMUNICATION AND STORAGE**

In the interest of facilitating our services to you, we may send documents, information or data electronically or via the Internet or store electronic documents or data via computer software applications hosted remotely or utilize cloud-based storage. Your confidential electronic documents or data may be transmitted or stored using these methods. We may use third party service providers to store or transmit these documents or data. In using these electronic communication and storage methods, we employ reasonable efforts to keep such communications, documents and data secure in accordance with our obligations under applicable laws, regulations, and professional standards; however, you recognize and accept that we have no control over the unauthorized interception or breach of any communications, documents or data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us or by our third party vendors. By your acceptance of this letter, you consent to our use of these electronic devices and applications and submission of confidential client information to or through third party service providers during this engagement.



**ACCEPTANCE OF TERMS OF ENGAGEMENT**

If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We look forward to working with you.

Very truly yours,

McCall, Parkhurst & Horton L.L.P.

By

  
Dan S. Culver

**Accepted and Approved**

City of Stephenville, Texas

By: \_\_\_\_\_  
Its: Mayor  
Date: April 5, 2022