



GLEN SMITH – Mayor
 JOHNNY TRAN – Councilmember Place 1
 DONNA HARVEY SCHULMAN – Councilmember Place 2
 MARY CROCKER – Councilmember Place 3
 TROY LEWIS – Councilmember Place 4
 ANDY ERDELT – Councilmember Place 5
 STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS
 CITY COUNCIL REGULAR MEETING AGENDA
 March 26, 2019**

Notice is hereby given of a Regular Council Meeting of the Palacios City Council to be held March 26, 2019, beginning at 7:00 p.m. in the Council Chambers of City Hall, 311 Henderson Avenue, Palacios, TX, for the purpose of considering the following items:

REGULAR COUNCIL MEETING 7:00 PM

CALL TO ORDER

INVOCATION – Councilmember Erdelt

PLEDGE OF ALLEGIANCE – Councilmember Crocker

PLEDGE TO TEXAS FLAG – Councilmember Crocker

PLEDGE TO PALACIOS FLAG – Councilmember Crocker

PROCLAMATION

1. Mayor Glen Smith proclaimed Friday, March 22, 2019 as a day of welcome to exchange students visiting from Karatsu, Japan

VISITOR / CITIZEN FORUM

ADMINISTRATIVE REPORTS

1. City Manager's Report – February 2019
2. Mayor Glen Smith hosted a seafood lunch on Friday, March 22, 2019 to welcome exchange students visiting from Karatsu, Japan
3. Spring Clean Up Day at the Recycle Center is April 27, 2019, 8 am to 1pm
4. LaBelle Day by the Bay – April 26th & 27th, 2019 at Palacios Pavilion
5. Beachside Development Lot Sale – April 27, 2019

ITEMS TO BE CONSIDERED

1. Discuss and consider approving the final plat of Cruz Subdivision, a 1.66 Acre Subdivision, Lewis Goodwin Survey, A-162, Matagorda County, Texas part of 2.02 acres described in file 2016-1775 at M.C.O.R.

2. Discuss and consider adopting Resolution 2019-R-8 regarding a Lease Purchase Agreement for the purpose of financing sewer heavy equipment.
3. Discuss and consider approving a Municipal Lease-Purchase Agreement No. 8565 with Government Capital Corporation for the purpose of financing sewer heavy equipment and designate Mayor Glen Smith as an authorized signer of the Agreement and related documents.
4. Discuss and consider adopting Resolution 2019-R-9 approving the submission of the grant application for the Local Border Security Program to the Office of the Governor, Criminal Justice Division.
5. Discuss and consider approving the License Agreement with NextEdge Networks to install a dish and conduit and other equipment at 4 locations throughout the city.
6. Discuss and consider action to approve the following consent agenda items:
Minutes of the March 12, 2019 Regular Council Meeting

EXECUTIVE SESSION

In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:

Consult with its attorney (551.071)

Discuss Real Estate transaction (551.072)

Deliberation regarding prospective gifts or donation (551.073)

Discuss personnel matters (551.074)

Deliberation regarding security devices (551.076)

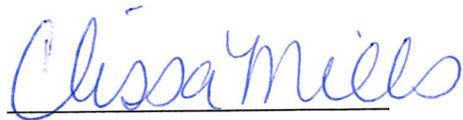
Discuss economic development negotiations (551.087)

ADJOURN

In compliance with the Americans with Disabilities Act, the City of Palacios will provide for reasonable accommodations for persons attending public meetings. To better serve attendees, requests should be received 24 hours prior to the meeting. Please contact City Hall, at 361.972.3605.

CERTIFICATION

I certify that a copy of the March 26, 2019 agenda of items to be considered by the City Council was posted on the City Hall bulletin board by 5:00 p.m. on March 22, 2019.



Clissa Mills, City Secretary



Office of the MAYOR

CITY OF



PALACIOS

Proclamation



hereas:

WHEREAS, the Palacios Independent School District is an active participant in a student exchange program with schools in Japan, and students from all over the world are a vital part of our community;

WHEREAS, a group of students from Karatsu, Japan is currently visiting the Palacios Independent School District;

WHEREAS, by working together we can achieve a greater understanding of other cultures to help make the City of Palacios the type of place where diverse people from around the world feel valued and work in harmony with their fellow students,

WHEREAS, our two communities have come together to reaffirm that our two school districts stand as a beacon of education, opportunity and cooperation,

NOW, THEREFORE, I, Glen Smith, Mayor of the City of Palacios, do hereby proclaim Friday, March 22, 2019 as a day of welcome to our friends from Japan and a day of recognition for the students and officials that have worked together to make this occasion of friendship and cooperation a reality.

Glen Smith, Mayor

City Manager's
MONTHLY REPORT
FEBRUARY 2019

HURICANE HARVEY

- Closing out FEMA damage projects
- Working with Engineering Consultant to submit Harvey CDBG-DR project applications for the City.

ADMINISTRATION

- Held pre-construction meeting to be held to issue the Notice to Proceed in March with contractor for IKE CDBG-DR grant to rehabilitate Lift Stations.
- Finalizing contracts for generators through the Hazard Mitigation Grant Program.
- TxDOT Aviation Department for Palacios Airport Improvements Grant to repair Runway 13-31, taxiways, and terminal apron; Held meeting with Engineer to discuss Preliminary Engineering Report.
- Contractor completed the Recycle Center Expansion Project; closing out Grant with H-GAC.
- Engineer making final revisions to the sidewalk project utilizing the Downtown Revitalization Grant from Texas Department of Agriculture.
- HGAC Solid Waste Grant; the new recycling vehicle has been delivered.

PUBLIC WORKS

- Work Orders Completed: 3 water leaks, 18 animal calls, 7 sewer stoppage calls, 18 miscellaneous work orders, cleaned 4,200 feet of ditches, resetting culverts and cleaning out existing culverts; repaired potholes; 62 total calls for service.
- Setup barricades and trash receptacles for community event.
- Mowed RR Park and other city properties, water plants, and 14 lift stations.

AIRPORT

- Mowed and sprayed around buildings, runways, and hangers
- Fuel Inspection is scheduled for March

POLICE

- Calls for Service 379
- Citations 70 Warnings 74 issued, and 13 arrests
- Cases Assigned 32, Cases Closed 19
- Traffic accidents 4

FIRE

- Responded to two vehicle fires outside city limits.
- Responded to a house fire inside city limits.
- Fire Department is collecting donations for new Fire Station.
- Fire Department is completing the construction plans for new Fire Station.

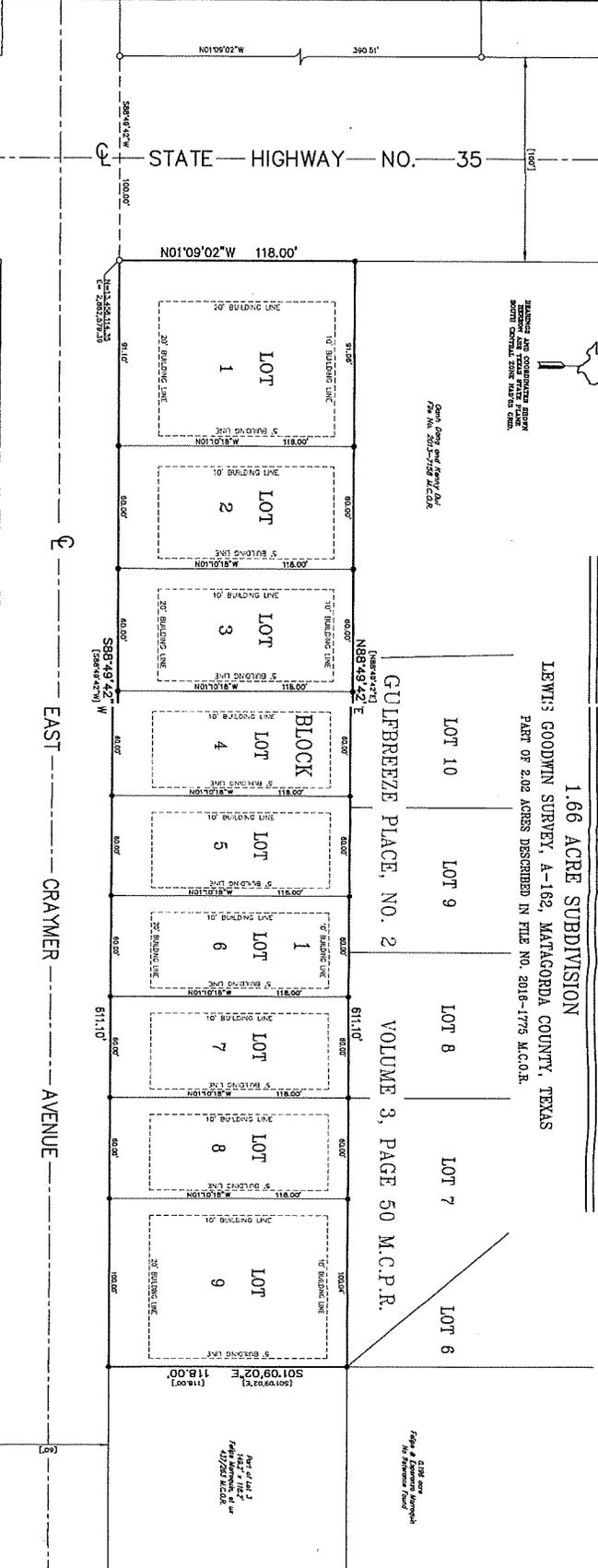
CRUZ SUBDIVISION

1.66 ACRE SUBDIVISION

LEWIS GOODWIN SURVEY, A-162, MATAGORDA COUNTY, TEXAS
PART OF 2.02 ACRES DESCRIBED IN FILE NO. 2016-1775 M.C.O.R.

GULFBREEZE PLACE, NO. 2
VOLUME 3, PAGE 50 M.C.P.R.

EAST CRAWMER AVENUE



THIS PLAN IS THE PROPERTY OF G & W ENGINEERS, INC. IT IS TO BE USED ONLY FOR THE PROJECT AND SHALL BE VOID IF REPRODUCED OR COPIED WITHOUT THE WRITTEN CONSENT OF G & W ENGINEERS, INC.

Scale: 1" = 40'



CERTIFICATE OF COMPLETION

STATE OF TEXAS
COUNTY OF MATAGORDA

I, LEWIS GOODWIN, CLERK OF THE COUNTY CLERK OF MATAGORDA COUNTY, TEXAS, DO HEREBY CERTIFY THAT THE FOREGOING SUBDIVISION PLAN OF CRUZ SUBDIVISION, WITH THE CORRECTED DIMENSIONS AND DIMENSIONS AS SHOWN ON THE PLAN, HAS BEEN APPROVED BY THE CITY CLERK OF THE CITY OF PALACIOS, TEXAS, AND HAS BEEN RECORDED IN THE MATAGORDA COUNTY PLAT RECORDS, PLAT NO. _____ OF THE _____

CITY CLERK CERTIFICATE OF APPROVAL

STATE OF TEXAS
COUNTY OF MATAGORDA

APPROVED THIS _____ DAY OF _____, 2019, BY THE CITY CLERK OF THE CITY OF PALACIOS, TEXAS, _____

CITY MANAGER CERTIFICATE OF APPROVAL

STATE OF TEXAS
COUNTY OF MATAGORDA

APPROVED THIS _____ DAY OF _____, 2019, BY THE CITY MANAGER OF THE CITY OF PALACIOS, TEXAS, _____

CITY PLANNING COMMISSION CERTIFICATE OF APPROVAL

STATE OF TEXAS
COUNTY OF MATAGORDA

APPROVED THIS _____ DAY OF _____, 2019, BY THE CITY PLANNING COMMISSION OF THE CITY OF PALACIOS, TEXAS, _____



| | |
|------------|----------|
| FILE NO.: | 2019-001 |
| JOB NO.: | 2019-001 |
| SHEET NO.: | 1 OF 1 |

G & W ENGINEERS, INC.
ENGINEERING • SURVEYING • PLANNING

205 W. LIVE OAK STREET, PORT LAVACA, TEXAS 77979
TBPLS FIRM NO.: 10022100
(361) 552-4509; PORT LAVACA (979) 323-7100; BAY CITY

DRAWN BY: _____
R.A.D.
CHECKED BY: _____
H.A.D.
DATE: JAN. 28, 2019
SCALE: 1" = 40'

FINAL PLAT

PRELIMINARY THIS DOCUMENT SHALL NOT BE RECORDED FOR ANY PURPOSE AND SHALL NOT BE USED OR VIEWED OR RELIED UPON AS A FINAL SURVEY DOCUMENT

01-29-2019
RELEASE DATE

RESOLUTION #2019-R-8

A RESOLUTION REGARDING A LEASE PURCHASE AGREEMENT FOR THE PURPOSE OF PROCURING SEWER EQUIPMENT.

WHEREAS, the City of Palacios, TX desires to enter into that certain Lease Purchase Agreement No. 8565, by and between Government Capital Corporation and the City of Palacios, TX, for the purpose of procuring sewer equipment. The City desires to designate this Agreement as a "qualified tax exempt obligation" of the City for the purposes of Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended. The City of Palacios, TX desires to designate Glen Smith, whose title is Mayor, as an authorized signer of the Agreement.

NOW THEREFORE, BE IT RESOLVED BY CITY COUNCIL OF THE CITY OF PALACIOS, TX:

Section 1. That the City enters into a LEASE PURCHASE AGREEMENT with Government Capital Corporation for the purpose of procuring sewer equipment.

Section 2. That the LEASE PURCHASE AGREEMENT No. 8565, by and between the City of Palacios, TX and Government Capital Corporation is designated by the City as a "qualified tax exempt obligation" for the purposes of Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended.

Section 3. That the City designates Glen Smith, whose title is Mayor, as an authorized signer of the LEASE PURCHASE AGREEMENT No. 8565, by and between the City of Palacios, TX and Government Capital Corporation.

Section 4. That should the need arise, if applicable, City of Palacios, TX will use LEASE PURCHASE AGREEMENT proceeds for reimbursement of expenditures related to the Property, within the meaning of Treasury Regulation § 1.150-2, as promulgated under the Internal Revenue Code of 1986, as amended.

PASSED AND APPROVED by City Council of the City of Palacios, TX in a meeting held on the 26th day of March, 2019.

LESSEE: City of Palacios, TX

Witness:

Glen Smith, Mayor

Clissa Mills, City Secretary

RANDALL B. STRONG

ATTORNEY AT LAW

407 W. BAKER ROAD, SUITE T
BAYTOWN, TEXAS 77521

TELEPHONE:
(281) 428-2200

FAX:
(281) 427-0864

March 27, 2019

Mayor and City Council
311 Henderson
Palacios, Texas 77465

Re: Texas Municipal Lease-Purchase Agreement No. 8565 with Government Capital Corporation

Dear Mayor and City Council:

I have acted as Counsel to City of Palacios with respect to that certain Texas Municipal Lease-Purchase Agreement No. 8565, by and between Government Capital Corporation as Lessor and City of Palacios as Lessee. I have reviewed the Agreement and such other documents, records and certifications of Lessee and appropriate public officials as I have deemed relevant and am of the opinion that:

1. The Lessee is a political subdivision or agency of the State of Texas with the requisite power and authority to incur obligations, the interest on which may be determined to be exempt from taxation by virtue of Section 103(a) of the Internal Revenue Code of 1986;
2. The approval, execution and delivery by the Lessee of the Agreement have been duly authorized by all necessary action on the part of the Lessee and have been performed in accordance with all state open meeting laws and public bidding laws;
3. The Lessee has the requisite power and authority to lease the property described in the Agreement, with an option to purchase, and the Agreement constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms; and
4. The above opinions are issued in my capacity as counsel to the City of Palacios, made to the City of Palacios, and solely for the benefit of the City of Palacios. I have not acted as attorney for any of the other parties to this transaction, and render no opinion to them as to this transaction. Any parties to this transaction or third parties should seek counsel from their own attorneys as to any questions they may have regarding this transaction.

Sincerely,

Randall B. Strong
City Attorney

RBS/lp
c: City Manger

SIGNING INSTRUCTION SHEET

These documents have been prepared and are being provided with the intent of a smooth and timely funding; however, by providing these documents an irrevocable offer to provide funding for this transaction is not represented until such time as adequate financial information is provided and loan committee approval is granted.

IF YOU HAVE ANY QUESTIONS, PLEASE CALL THE DOCUMENTATION DEPARTMENT AT 817-421-5400.

Enclosed or attached please find the documents for the financing of your current needs. Please sign in **blue ink** the following documents and witness as indicated. Please print your documents single sided only.

Closing Date currently scheduled for March 27, 2019

FINANCE CONTRACT, PROMISSORY NOTE, OR LEASE AGREEMENT

Please read and understand the document. The document requires the signature and date of an authorized individual with the signature witnessed.

EXHIBIT "B"

Please review and verify that the information contained in this document is correct.

INCUMBENCY CERTIFICATE

The authorized individual needs to sign this document, in front of a witness, who is either the "Keeper of the Records", Secretary of the Board, Clerk of the Board, City Secretary, or other Administrative Official.

INSURANCE CERTIFICATE (if applicable)

Please provide current Insurance Information, such as, Company name, Email Address, Phone Number, Policy Number, etc. If you are Self-Insured, please indicate and provide a Self Insurance Certificate.

CERTIFICATE OF ACCEPTANCE (if applicable)

If equipment has been received please sign and date this Certificate. If equipment has not been received please do not sign, but complete the bottom portion of the Certificate.

ATTORNEY'S OPINION

Provided in your doc package, is an Attorney's Opinion letter template. This template needs to be retyped on your attorney's letterhead paper. Urge your attorney to call us with any questions, or comments.

RESOLUTION

The Resolution authorizes the actual financing and the Authorized Signer's authority to sign the documents. Please sign as indicated and date the **day of Board or Council action**.

ESCROW AGREEMENT (if applicable)

Sign original as indicated. An "*Agent*" will be determined upon our receipt of the documents.

EXHIBIT A AND ATTACHMENT 1 / PAYMENT REQUEST / ACCEPTANCE CERTIFICATE (if applicable)

When you are ready to pay your vendor, please complete and return this form to our Documentation Department along with the vendor invoice. If equipment has not been received, please keep this form, so we can proceed with the paperwork. Then send the Payment Request/Acceptance Certificate Form when equipment is received.

8038 FORM

An 8038 is required by the IRS. Please sign and date the form. We will file on your behalf.

W-9 Form

A W-9 is a request for Taxpayer Identification number and Certification. Please fill out and sign and date.

ADVANCE PAYMENT (if applicable)

If applicable, include any Advance Payment, "At Signing", or Fee as invoiced, and return your payment along with the signed documents.

PLEASE RETURN ALL ORIGINAL DOCUMENTS AND ANY PAYMENTS DUE TO:

GOVERNMENT CAPITAL CORPORATION
Attn: Documentation Department
345 Miron Drive
Southlake, TX 76092
Ph: 817-421-5400

MUNICIPAL LEASE-PURCHASE AGREEMENT

THIS MUNICIPAL LEASE-PURCHASE AGREEMENT **No.8565** (hereafter referred to as "Agreement") dated as of **March 27, 2019**, by and between **Government Capital Corporation**, a Texas corporation (and its successors and assigns, herein referred to as "Lessor"), and **City of Palacios**, a political subdivision or agency of the State of Texas (hereinafter referred to as "Lessee").

WITNESSETH: In consideration of the mutual covenants and conditions hereinafter set forth, the parties hereto agree as follows

1. Term and Payments. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the property described in Exhibit A hereto (hereinafter, with all replacement parts, substitutions, proceeds, increases, additions, accessions, repairs and accessories incorporated therein or affixed thereto, referred to as the "Property") for the amounts to be paid in the amounts (the "Lease Payments") and on the dates (the "Lease Payment Dates") set forth in Exhibit B hereto. Except as specifically provided in Section 2 hereof, the obligation of the Lessee to make the Lease Payments shall be absolute and unconditional in all events and shall not be subject to any set-off, defense, counterclaim, abatement, reduction or recoupment for any reason. The term of this Agreement shall commence on the date hereof and shall continue until the end of the Lessee's current fiscal period and thereafter shall continue for such successive fiscal periods as are necessary to pay all Lease Payments for the full lease term as set forth in Exhibit B, unless earlier terminated as provided herein. Lessee shall pay the Lease Payments out of its general funds and other funds of Lessee that are legally available therefor with lawful money of the United States of America, without notice or demand, at the office of Lessor identified below (or such other place as Lessor may designate from time to time in writing).

2. Renewal and Non-Appropriation. Lessee agrees that its officer responsible for the Lessee's budget will take all necessary steps and make timely requests for the appropriation of funds to make all Lease Payments, and use the officer's best efforts and take all reasonable means to cause such appropriations to be made. *If Lessee fails to make such an appropriation prior to a fiscal period of Lessee for the Lease Payments scheduled in such fiscal period, this Agreement shall terminate at the end of the last fiscal period immediately preceding the fiscal period for which such funds have not been appropriated.* Lessee shall give notice to Lessor at least sixty (60) days prior to the first day of such fiscal period for which appropriations cannot be made. Lessee's failure to obtain the full amount of funds necessary to make Lease Payments hereunder during any fiscal period shall terminate all Lessee's right, title and interest in and obligations under this Agreement and to all the Property, effective on the last day of the last fiscal period for which appropriation or approval was properly obtained.

3. Lessee's Representations and Warranties. Lessee covenants and warrants to Lessor as follows:
(a) (a) Lessee is a state or political subdivision of the State within the meaning of Section 103(c) of the Internal Revenue Code of 1986, as amended (the "Code"), duly organized and existing under the Constitution and laws of the State, and is authorized under the Constitution and laws of the State to enter into this Agreement and the transactions contemplated hereby and thereby, and to perform all of its obligations under this Agreement.

(b) This Agreement has been duly authorized, executed, and delivered by Lessee and is a valid and binding obligation of Lessee enforceable in accordance with its terms, and all requirements for execution, delivery and performance of this Agreement have been, satisfied;

(c) The execution, delivery and performance of this Agreement by Lessee does not (i) violate any State or federal law or local law or ordinance, or any order, writ, injunction, decree, or regulation of any court or other governmental agency or body applicable to Lessee, or (ii) conflict with or result in the breach or violation of any term or provision of, or constitute a default under, any note, bond, mortgage, indenture, agreement, deed of trust, lease or other obligation to which Lessee is bound;(d) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Lessee's knowledge, threatened against or affecting Lessee, challenging Lessee's authority to enter into this Agreement or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of this Agreement;

(d) Information supplied and statements made by Lessee in any financial statement or current budget prior to or contemporaneously with the Agreement are true and correct;

(e) Lessee has an immediate need for, and expects to make immediate use of, the Property, which need is not temporary or expected to diminish during the full term of this Agreement;

(f) There are no circumstances presently affecting the Lessee that could reasonably be expected to alter its foreseeable need for the Property or adversely affect its ability or willingness to budget funds for the payment of sums due hereunder;

(g) Lessee's right to terminate this Agreement as specified in Section 2 hereof was not an independently bargained for consideration, but was included solely for the purpose of complying with the requirements of the laws of the State in which Lessee is located; and

(h) No lease, rental agreement, lease-purchase agreement, payment agreement or contract for purchase to which Lessee has been a party at any time during the past ten (10) years has been terminated by Lessee as a result of insufficient funds being appropriated in any Fiscal Year. No event has occurred which would constitute an event of default under any debt, revenue bond or obligation which Lessee has issued during the past ten (10) years.

4. Taxes. Lessee agrees to pay all licenses, assessments, sales, use, real or personal property, gross receipts or other taxes, levies, imposts, duties or charges, if any, together with any penalties, fines, or interest thereon imposed against or on Lessor, Lessee or the Property by any governmental authority upon or with respect to the Property or the purchase, ownership, rental, possession, operation, return or sale of, or receipt of payments for, the Property, except any Federal or state income taxes, if any, payable by Lessor (except as provided in Section 23). Lessee may contest any such taxes prior to payment provided such contest does not involve any risk of sale, forfeiture or loss of the Property or any interest therein.

5. Use and Licenses. Lessee shall pay and discharge all operating expenses and shall cause the Property to be operated by competent persons only. Lessee shall use the Property only for its proper purposes and will not install, use, operate or maintain the Property improperly, carelessly, or in violation of any applicable law, ordinance, rule or regulation of any governmental authority, or in a manner contrary to the nature of the Property or the use contemplated by its manufacturer. Lessee shall keep the property at the location stated on the Certificate of Acceptance executed by Lessee upon delivery of the Property until Lessor, in writing, permits its removal, and the Property shall be used solely in the conduct of the Lessee's operations. Lessee shall obtain, at its expense, all registrations, permits and licenses, if any, required by law for the installation and operation of the Property. Any license plates used on the Property shall be issued in the name of the Lessee. If a certificate of title is issuable with respect to the

Property, it shall be delivered to the Lessor showing the interest of the Lessor.

6. Maintenance. Lessor shall not be obligated to make any repairs or replacements. At its own expense, Lessee shall service, repair and maintain the Property in as good condition, repair, appearance and working order as when delivered to Lessee hereunder, ordinary wear and tear from proper use alone excepted, and shall replace any and all parts thereof which may from time to time become worn out, lost, stolen, destroyed, or damaged beyond repair or rendered unfit for intended use, for any reason whatsoever, all of which replacements shall be free and clear of all liens, encumbrances and claims of others and shall become part of the Property and subject to this Agreement. Lessor may, at its option, discharge such costs, expenses and insurance premiums necessary for the repair, maintenance and preservation of the Property, and all sums so expended shall be due from Lessee in addition to rental payments hereunder.

7. Alterations.

(a) Lessee may, at its own expense, install or place in or on, or attach or affix to, the Property such equipment or accessories as may be necessary or convenient to use the Property for its intended purposes provided that such equipment or accessories do not impair the value or utility of the Property. All such equipment and accessories shall be removed by Lessee upon termination of this Agreement, provided that any resulting damage shall be repaired at Lessee's expense. Any such equipment or accessories not removed shall become the property of Lessor.

(b) Without the written consent of Lessor, Lessee shall not make any other alterations, modifications or improvements to the Property except as required or permitted hereunder. Any other alterations, modifications or improvements to the Property shall immediately become part of the Property, subject to the provisions hereof. Without the prior written consent of Lessor, Lessee shall not affix or attach any of the Property to any real property. The Property shall remain personal property regardless of whether it becomes affixed or attached to real property or permanently rests upon any real property or any improvement thereon.

8. Liens. Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, security interest, pledge, lien, charge, encumbrance or claim on or with respect to the Property, title thereto or any interest therein, except the respective rights of Lessor and Lessee hereunder.

9. Damage to or Destruction of Property. Lessee shall bear the entire risk of loss, damage, theft or destruction of the Property from any and every cause whatsoever, and no loss, damage, destruction or other event shall release Lessee from the obligation to pay the full amount of the Lease Payments or from any other obligation under this Agreement. In the event of damage to any item of the Property, Lessee will provide notice to Lessor and, unless otherwise directed by Lessor, immediately place the same in good repair, with the proceeds of any insurance recovery applied to the cost of such repair. If Lessor determines that any item of Property is lost, stolen, destroyed or damaged beyond repair, Lessee, at the option of Lessor, will either (a) replace the same with like property in good repair or (b) on the next Lease Payment Date, pay to Lessor (i) all amounts then owed by Lessee to Lessor under this Agreement, including the Lease Payment due on such date, and (ii) an amount equal to the applicable Option to Purchase Value set forth in Exhibit B.

10. Insurance. Lessee shall, for the term of this Agreement, at its own expense, provide comprehensive liability insurance with respect to the Property, insuring against such risks, and such amounts as are customary for lessees of property of a character similar to the Property. Lessee may self-insure with Lessor's prior written consent. In addition, Lessee shall, for the term of this Agreement, at its own expense, provide casualty insurance with respect to the Property, insuring against customary risks, coverage at all times not less than the amount of the unpaid principal portion of the Lease Payments. If insurance policies are provided with respect to the Property, all insurance policies shall be with insurers rated not less than "A" by A.M. Best and authorized to do business in the State where the Property is located, and shall name both Lessor and Lessee as insureds as their respective interest may appear. Insurance proceeds from casualty losses shall be payable solely to the Lessor, subject to the provisions of Section 9. Lessee shall, upon request, deliver to Lessor evidence of the required coverages together with premium receipts, and each insurer shall agree to give Lessor written notice of non-payment of any premium due and ten (10) days notice prior to cancellation or alteration of any such policy. Lessee shall also carry and require any other person or entity working on, in or about the Property to carry workmen's compensation insurance covering employees on, in or about the Property. In the event Lessee fails, for any reason, to comply with the requirements of this Section, Lessee shall indemnify, save harmless and, at Lessee's sole expense, defend Lessor and its agents, employees, officers and directors and the Property against all risk of loss not covered by insurance.

11. Claims and Expenses. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others, which is proximately caused by the negligent conduct of Lessee, its officers, employees and agents. Lessee hereby assumes responsibility for and agrees to reimburse Lessor for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of Lessee, its officers, employees and agents, to the maximum extent permitted by law.

12. No Warranty. ALL WARRANTIES, PROMISES AND SERVICE AGREEMENTS, IF ANY, RELATING TO THE PROPERTY THAT THE MANUFACTURERS OR SUPPLIERS OF THE PROPERTY (THE "VENDOR") HAVE MADE IN CONNECTION WITH THE PROPERTY ARE HEREBY ASSIGNED TO LESSEE. Lessee may communicate with Vendor and receive an accurate and complete statement of all such warranties, promises and service agreements, if any. All claims or actions on any warranty so assigned shall be made or prosecuted by Lessee, at its sole expense, upon prior written notice to Lessor. Lessor may, but shall have no obligation whatsoever to participate in such claim or action on such warranty, at Lessor's expense. Any recovery under such a warranty shall be made payable jointly to Lessee and Lessor. Lessee acknowledges that Lessee has selected the Vendor and that Lessee has directed Lessor to acquire the Property from Vendor in connection with this Agreement. Lessee further acknowledges that this Agreement is a "Finance Lease" within the meaning of the Uniform Commercial Code and that Lessee is entitled to the Vendor's warranties and promises described above, if any. LESSOR HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AND ASSUMES NO OBLIGATION WITH RESPECT TO THE TITLE, MERCHANTABILITY, CONDITION, QUALITY OR FITNESS OF THE PROPERTY DESCRIBED IN EXHIBIT A FOR ANY PARTICULAR PURPOSE OR THE CONFORMITY OF THE PROPERTY TO ANY SPECIFICATION OR PURCHASE ORDER, OR AS TO THE PROPERTY'S DESIGN, DELIVERY, INSTALLATION OR OPERATION. All such risks shall be borne by Lessee without in any way excusing Lessee from its obligations under this Agreement, and Lessor shall not be liable to Lessee for any damages on account of such risks.

13. Option to Purchase. Provided that no Event of Default has occurred and is continuing, Lessee shall have the option to purchase all of the Property which is then subject to this Agreement, "as is" on a Lease Payment Date, by paying the applicable Option to Purchase Value set forth in Exhibit B plus the Lease Payment then due and all other amounts due and owing hereunder, by giving written notice to Lessor not less than sixty (60) days prior to the date for the exercise of such option; provided that at the end of the full term of this Agreement upon Lessee's payment of all Lease Payments and any other amounts payable hereunder, Lessee shall be deemed to have properly exercised its option to purchase the Property, free of any lien, encumbrance or security interest except such liens in favor of Lessor. Upon payment of the applicable Option to Purchase Value and other amounts payable hereunder, Lessor's interest in the Property shall automatically vest in Lessee free from any lien, encumbrance or security interest in favor of Lessor and this Agreement shall terminate.

14. Default and Lessor's Remedies.

(a) The occurrence of one or more of the following events shall constitute an "Event of Default", whether occurring voluntarily or involuntarily, by operation of law or pursuant to any order of any court or governmental agency:

- (1) Lessee fails to make any payment hereunder when due;
- (2) Lessee fails to comply with any other covenant, condition or agreement of Lessee hereunder for a period of the ten (10) days after notice thereof;
- (3) Any representation or warranty made by Lessee hereunder shall be untrue in any material respect as of the date made;
- (4) Lessee fails to insure the Property as required by Section 10.
- (5) Lessee makes, permits or suffers any unauthorized assignment, transfer or other disposition of this Agreement or any interest herein, or any part of the Property or any interest therein; or
- (6) Lessee becomes insolvent; or admits in writing its inability to pay its debts as they mature; or applies for, consents to or acquiesces in the appointment of a trustee, receiver or custodian for the Lessee or a substantial part of its property; or, in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed for Lessee or a substantial part of its property and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, moratorium, or any proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against Lessee and, if instituted against Lessee, is consented to or acquiesced in by Lessee or is not dismissed within sixty (60) days.

(b) Upon the occurrence of any Event of Default specified herein, Lessor may, at its sole discretion, exercise any or all of the following remedies:

- (1) Lessor, with or without terminating this Agreement, may declare all Lease Payments payable hereunder to the end of the then-current fiscal period of Lessee to be immediately due and payable by Lessee, whereupon such Lease Payments shall be immediately due and payable;
- (2) Terminate this Agreement and take possession of the Property, without demand or notice and without court order or any process of law, and remove and relet the same for Lessee's account, in which event Lessee waives any and all damages resulting there from and shall be liable for all costs and expenses incurred by Lessor in connection therewith and the difference, if any, between the amounts to be paid pursuant to Section 1 hereof and the amounts received and to be received by Lessor in connection with any such reletting;
- (3) Terminate this Agreement and repossess the Property, in which event Lessee shall be liable for any amounts payable hereunder through the date of such termination and all costs and expenses incurred by Lessor in connection therewith;
- (4) Sell the Property or any portion thereof for Lessor's account at public or private sale, for cash or credit, without demand on notice to Lessee of Lessor's intention to do so, or relet the Property for a term and a rental which may be equal to, greater than or less than the rental and term provided herein. If the proceeds from any such sale or rental payments received under a new agreement made for the periods prior to the expiration of this Agreement are less than the sum of (i) the costs of such repossession, sale, relocation, storage, reconditioning, reletting and reinstallation (including but not limited to reasonable attorneys' fees), (ii) the unpaid principal balance of the Lease Payments, and (iii) any past due amounts hereunder (plus interest on such unpaid principal balance at the Default Rate (defined herein), to the date of such sale), all of which shall be paid to Lessor, Lessor shall retain all such proceeds and Lessee shall remain liable for any deficiency; or
- (5) Pursue and exercise any other remedy available at law or in equity, in which event Lessee shall be liable for any and all costs and expenses incurred by Lessor in connection therewith. "Costs and expenses", as that term is used in this Section 14, shall mean, to the extent allowed by law: (i) reasonable attorneys' fees if this Agreement is referred for collection to an attorney not a salaried employee of Lessor or the holder of this Agreement; (ii) court costs and disbursements including such costs in the event of any action necessary to secure possession of the Property; and (iii) actual and reasonable out-of-pocket expenses incurred in connection with any repossession or foreclosure, including costs of storing, reconditioning and reselling the Property, subject to the standards of good faith and commercial reasonableness set by the applicable Uniform Commercial Code. Lessee waives all rights under all exemption laws.

(6) Apply any proceeds of this Agreement held under any escrow fund or project fund established in connection herewith to the outstanding amount of this Agreement.

Each of the rights and remedies under this Agreement is cumulative and may be enforced separately or concurrently.

15. Termination. Unless Lessee has properly exercised its option to purchase pursuant to Section 13 hereof, lessee shall, upon the expiration of the term of this Agreement or any earlier termination hereof pursuant to the terms of this Agreement, deliver the Property to Lessor unencumbered and in at least as good condition and repair as when delivered to Lessee, ordinary wear and tear resulting from proper use alone excepted, by loading the Property, at Lessee's sole expense, on such carrier, or delivering the Property to such location, as Lessor shall provide or designate at or within a reasonable distance from the general location of the Property. If Lessee fails to deliver the Property to Lessor, as provided in this Section 15, on or before the date of termination of this Agreement, Lessee shall pay to Lessor upon demand, for the hold-over period, a portion of the total payment for the applicable period as set forth in Exhibit B prorated from the date of termination of this Agreement to the date Lessee either redelivers the Property to Lessor or Lessor repossesses the Property. Lessee hereby waives any right which it now has or which might be acquired or conferred upon it by any law or order of any court or other governmental authority to terminate this Agreement or its obligations hereunder, except in accordance with the express provisions hereof.

16. Assignment. Without Lessor's prior written consent, Lessee will not either (i) assign, transfer, pledge, hypothecate, grant any security interest in or otherwise dispose of this Agreement or the Property or any interest in this Agreement or the Property; or (ii) sublet or lend the Property. Lessor may assign its rights, title and interest in and to this Agreement, the Property and any other documents executed with respect to this Agreement and/or grant or assign a security interest in this Agreement and the Property, in whole or in part. Any such assignees shall have all of the rights of Lessor under this Agreement. Subject to the foregoing, this Agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. No assignment or reassignment of any of Lessor's rights, title or interest in this Agreement or the Property shall be effective with regard to Lessee unless and until Lessee shall have received notice of such assignment, disclosing the name and address of such assignee. During the term of this Agreement, Lessee shall keep a complete and accurate record of all such assignments in form necessary to comply with the United States Internal Revenue Code of 1986, Section 149 (a), and the regulations, proposed or existing, from time to time promulgated thereunder.

17. Personal Property. The Property is and shall at all times be and remain personal property.

18. Title. Upon acceptance of the Property by Lessee hereunder, Lessee shall have title to the Property during the term of this Agreement; however, in the event of (i) an Event of Default hereunder and for so long as such Event of Default is continuing, or (ii) termination of this Agreement pursuant to the provisions of Section 2 hereof, title shall be reverted immediately in and shall revert to Lessor free of any right, title or interest of Lessee unless Lessor elects otherwise.

19. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment or perform or comply with any of its covenants or obligations hereunder, Lessor may, but shall not be required to, make such payment or perform or comply with such covenants and obligations on behalf of Lessee, and the amount of any such payment and the expenses (including but not limited to reasonable attorneys' fees) incurred by Lessor in performing or complying with such covenants and obligations, as the case may be, together with interest thereon at the Default Rate, shall be payable by Lessee upon demand.

20. Interest on Default. If Lessee fails to pay any Lease Payment specified in Section 1 hereof within ten (10) days after the due date thereof, Lessee shall pay to Lessor interest on such delinquent payment from the due date until paid at the lesser of 10% per annum or the highest lawful rate (the "Default Rate").

21. Notices. Any notices to be given or to be served upon any party hereto in connection with this Agreement must be in writing and may be given by certified or registered mail, and shall be deemed to have been given and received forty-eight (48) hours after a registered or certified letter containing such notice, postage prepaid, is deposited in the United States mail, and if given otherwise shall be deemed to have been given when delivered to and received by the party to whom it is addressed. Such notice shall be given to the parties at their respective addresses designated on the signature page of this Agreement or at such other address as either party may hereafter designate.

22. Security Interest. As security for Lessee's covenants and obligations hereunder, Lessee hereby grants to Lessor, and its successors, a security interest in the Property, all accessions thereto and proceeds therefrom, and, in addition to Lessor's rights hereunder, all of the rights and benefits of a secured party under the Uniform Commercial Code as in effect from time to time hereafter in the State in which the Property is located or any other State which may have jurisdiction over the Property. Lessee agrees to execute, acknowledge and deliver to Lessor in recordable form upon request financing statements or any other instruments with respect to the Property or this Agreement considered necessary or desirable by Lessor to perfect and continue the security interest granted herein in accordance with the laws of the applicable jurisdiction. Lessee hereby authorizes Lessor or its agent/assigns to sign and execute on its behalf, any and all necessary UCC-1 forms to perfect the Purchase Money Security interest herein granted to Lessor.

23. Tax Exemption.

(a) Lessee covenants and agrees that it will (i) complete and timely file an IRS Form 8038-G with the Internal Revenue Service ("IRS") in accordance with Section 149(e) of the Code; (ii) not permit the Property to be directly or indirectly used for a private business use within the meaning of Section 141 of the Code including, without limitation, use by private persons or entities pursuant to contractual arrangements which do not satisfy IRS guidelines for permitted management contracts, as the same may be amended from time to time; (iii) invest and reinvest moneys related to this Agreement from time to time in a manner that will not cause this Agreement to be classified as an "arbitrage bond" within the meaning of Section 148(a) of the Code; (iv) rebate an amount equal to excess earnings on invested proceeds of this Agreement to the federal government if required by, and in accordance with, Section 148(f) of the Code and make the determinations and maintain the records required by the Code; and (v) comply with all provisions and regulations applicable to establishing and maintaining the excludability of the interest component of the Rental Payments from federal gross income pursuant to Section 103 of the Code.

(b) Lessee certifies that it does reasonably anticipate that not more than \$10,000,000 of "qualified tax-exempt obligations" as that term is defined in Section 265(b)(3) of the Code, will be issued by it and any subordinate entities during the current calendar year. Further, Lessee designates this issue as comprising a portion of the \$10 million in aggregate issues to be designated as "qualified tax exempt obligations" eligible for the exception contained in Section 265(b)(3) of the Code allowing for an exception to the general rule of the Code which provides for a total disallowance of a deduction for interest expense allocable to the carrying of tax exempt obligations.

(c) If Lessor either (i) receives notice, in any form, from the Internal Revenue Service; or (ii) reasonably determines, based on an opinion of independent tax counsel selected by Lessor and approved by Lessee, which approval Lessee shall not unreasonably withhold; that Lessor may not exclude any interest paid hereunder from Federal gross income because Lessee breached a covenant contained herein, then Lessee shall pay to Lessor, within thirty (30) days after Lessor notifies Lessee of such determination, an amount which, with respect to rental payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal, state and local taxes imposed on the interest component of all Lease Payments due through the date of such event), will restore to Lessor its after-tax yield (assuming tax at the highest marginal tax rate and taking into account the time of receipt of payments and reinvestment at the after-tax yield rate) on the transaction evidenced by this Agreement through the date of such payment. Additionally, Lessee agrees that upon the occurrence of such an event, it shall pay as additional rent to Lessor, on each succeeding Lease Payment due date, such amount as will maintain such after-tax yield to Lessor.

24. Continuing Disclosure. Specifically and without limitation, Lessee agrees to provide audited financial statements, prepared by a certified public accountant not later than six (6) months after and as of the end of each fiscal year. Periodic financial statement shall include a combined balance sheet as of the end of each such period, and a combined statement of revenues, expenditures and changes in fund balances, from the beginning of the then fiscal year to the end of such period certified as correct by one of Lessee's authorized agents. If Lessee has subsidiaries, the financial statements required will be provided on a consolidated and consolidation basis.

25. Miscellaneous.

(a) Lessee shall, whenever requested, advise Lessor of the exact location and condition of the Property and shall give the Lessor immediate notice of any attachment or other judicial process affecting the Property, and indemnify and save Lessor harmless from any loss or damage caused thereby. Lessor may, for the purpose of inspection at all reasonable times enter upon any job, building or place where the Property and the books and records of the Lessee with respect thereto are located.

(b) Time is of the essence. No covenant or obligations hereunder to be performed by Lessee may be waived except by the written consent of Lessor, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude Lessor from invoking such remedy at any later time prior to Lessee's cure of the condition giving rise to such remedy. Lessor's rights hereunder are cumulative and not alternative.

(c) This Agreement shall be construed in accordance with, and governed by, the laws of the State in which the Property is located.

(d) This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, altered or changed in any respect except by a written document signed by both Lessor and Lessee.

(e) Any term or provision of this Agreement found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, invalidating the remainder of this Agreement.

(f) The Lessor hereunder shall have the right at any time or times, by notice to Lessee, to designate or appoint any person or entity to act as agent or trustee for Lessor for any purposes hereunder.

(g) All transportation charges shall be borne by Lessee. Lessee will immediately notify Lessor of any change occurring in or to the Property, of a change in Lessee's address, or in any fact or circumstance warranted or represented by Lessee to Lessor, or if any Event of Default occurs.

(h) Use of the neuter gender herein is for purposes of convenience only and shall be deemed to mean and include the masculine or feminine gender whenever and wherever appropriate.

(i) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(j) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns, where permitted by this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and in making proof of this Agreement it shall not be necessary to produce or account for more than one such counterpart. A signed and delivered facsimile copy of this Agreement, or a signed copy transmitted electronically in either a tagged image format file (TIFF) or a portable document format (PDF), shall be binding on the party signing the facsimile or electronically transmitted copy, and such copy shall have the same effect as the original. Any party who delivers such a signature page agrees to later deliver an original counterpart to the party which requests it.

[Signature Page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the ____ day of _____ in the year 2019.

Lessor: Government Capital Corporation

Authorized Signature
345 Miron Drive
Southlake, TX 76092

Witness Signature: _____

Print Name: _____

Print Title: _____

Lessee: City of Palacios

Glen Smith, Mayor
311 Henderson
Palacios, TX 77465

Witness Signature: _____

Print Name: _____

Print Title: _____

EXHIBIT A
DESCRIPTION OF PROPERTY
MUNICIPAL LEASE-PURCHASE AGREEMENT **No.8565** (THE "AGREEMENT")
BY AND BETWEEN
Lessor, Government Capital Corporation and **Lessee**, City of Palacios
Dated as of March 27, 2019

| QTY | DESCRIPTION |
|------------------------------|---|
| Sewer Heavy Equipment | |
| One (1) | 2019 Freightliner 108SD includes: 182" Wheelbase, Battery Disconnect Mtd LH Drivers Seat, RH Understep After treatment w/Vert Exhaust, 3 Piece Chromed Steel Bumper, Front Tow Hooks, Fuel Water Seperator w/Water in Fuel Sensor, 700 Watt/115 Volt Block Heater, Hood Mtd Chrome Grille, LH/RH Electric Door Locks, 11R22.5 14 Ply FR Tires, 11R22.5 14 Ply RR Tires, Stationary Grille, Adjustable Steering Column, Dual West Coast Bright Finish Mirror w/Remote, Front Sun Visor, LH/RH Electric Windows, Smart Switch Expansion Module, AM/FM Radio w/Bluetooth, Basic High Back Air Driver Seat, Basic High Back Air Pass Seat, Texas Underground 3634PH6C, Engine Remote for Remote Throttle, Graphite Bronze Bushing w/Seals Front Suspension, Alcoa LVL One Aluminum FR Wheels, and Alcoa LVL One Aluminum RR Wheels. |

PROPERTY LOCATION:
1200 Perryman Street
Palacios, TX 77465

EXHIBIT B

>> SCHEDULE OF PAYMENTS & OPTION TO PURCHASE PRICE <<
MUNICIPAL LEASE-PURCHASE AGREEMENT No.8565 (THE "AGREEMENT")
BY AND BETWEEN

Lessor: Government Capital Corporation and **Lessee:** City of Palacios

Schedule dated as of March 27, 2019

| PMT NO. | PMT DATE MO DAY YR | TOTAL PAYMENT | INTEREST PAID | PRINCIPAL PAID | OPTION TO PURCHASE after pmt on this line |
|--------------|--------------------|---------------|---------------|----------------|---|
| 1 | 10/15/2019 | \$52,438.98 | \$5,981.94 | \$46,457.04 | N/A |
| 2 | 10/15/2020 | \$52,438.98 | \$8,900.16 | \$43,538.82 | N/A |
| 3 | 10/15/2021 | \$52,438.98 | \$7,250.04 | \$45,188.94 | \$148,044.77 |
| 4 | 10/15/2022 | \$52,438.98 | \$5,537.38 | \$46,901.60 | \$100,195.18 |
| 5 | 10/15/2023 | \$52,438.98 | \$3,759.80 | \$48,679.18 | \$50,862.25 |
| 6 | 10/15/2024 | \$52,438.98 | \$1,914.87 | \$50,524.11 | \$1.00 |
| Grand Totals | | \$314,633.88 | \$33,344.19 | \$281,289.69 | |

Interest Rate: 3.79 Wo

Accepted By Lessee: _____
Glen Smith, Mayor

INCUMBENCY, INSURANCE, AND ESSENTIAL USE CERTIFICATES
MUNICIPAL LEASE-PURCHASE AGREEMENT No.8565 (THE "AGREEMENT")
BY AND BETWEEN
Lessor, Government Capital Corporation and Lessee, City of Palacios
Dated as of March 27, 2019

I, Clissa Mills, do hereby certify that I am the duly elected or appointed and acting City Secretary (Keeper of the Records), of City of Palacios, a political subdivision or agency duly organized and existing under the laws of the State of Texas, that I or my designee have custody of the records of such entity, and that, as of the date hereof, the individual(s) named below are the duly elected or appointed officer(s) of such entity holding the office(s) set forth opposite their respective name(s). I further certify that (i) the signature(s) set opposite their respective name(s) and title(s) are their true and authentic signature(s), and (ii) such officers have the authority on behalf of such entity to enter into that certain Municipal Lease-Purchase Agreement dated as of March 27, 2019, between such entity and Government Capital Corporation.

| Name _____ | Title _____ | Signature _____ |
|------------|-------------|-----------------|
| Glen Smith | Mayor | _____ |

IN WITNESS WHEREOF, I have duly executed this certificate hereto this _____ day of _____, 2019.

BY: _____
 Clissa Mills, City Secretary

Lessee certifies that property and liability insurance, if applicable, have been secured in accordance with the Agreement and such coverage will be maintained in full force for the term of the Agreement. "Lessor or its Assigns" should be designated as loss payee until Lessee is notified, in writing, to substitute a new loss payee. **The following information is provided about insurance-- (PLEASE FILL IN THE INFORMATION BELOW)**

INSURANCE COMPANY/AGENT'S NAME: _____

INSURANCE COMPANY ADDRESS: _____

INSURANCE AGENT'S EMAIL ADDRESS: _____

PHONE NUMBER: _____

POLICY NUMBER: _____

I, Glen Smith, Mayor, of City of Palacios ("Lessee"), hereby certify that the Property to be leased to the undersigned under the certain Lease Agreement, dated as of March 27, 2019, between such entity and Government Capital Corporation ("Lessor"), will be used by the undersigned Lessee for the following purpose: **(PLEASE FILL OUT PRIMARY USE BELOW)**

PRIMARY USE-- _____

The undersigned hereby represents that the use of the Property is essential to its proper, efficient and economic operation.

IN WITNESS WHEREOF, I have set my hand this _____ day of _____, 2019.

By Lessee:

 Glen Smith, Mayor

For Lessee: City of Palacios

**SCHEDULE I
to the Escrow Agreement
FORM OF DISBURSEMENT REQUEST**

Re: Lease Schedule No. 8565, dated March 27, 2019 to that certain Municipal Lease Purchase Agreement dated as of March 27, 2019, each between Lessor and Lessee (hereinafter collectively referred to as the "Lease") (Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Lease.)

In accordance with the terms of the Escrow Agreement, dated as of March 27, 2019 (the "Escrow Agreement") by and among Government Capital Corporation, as lessor (and its successors and permitted assigns, "Lessor"), City of Palacios ("Lessee") and _____, as escrow agent (the "Escrow Agent"), the undersigned hereby requests the Escrow Agent pay the following persons the following amounts from the Escrow Account created under the Escrow Agreement for the following purposes:

| Payee's Name and Address (if disbursement via wire, must include wire transfer instructions) | Invoice Number | Dollar Amount | Purpose |
|--|----------------|---------------|---------|
| | | | |
| | | | |

(i) (a) Each obligation specified in the foregoing table has been incurred by Lessee in the stated amount, (b) the same is a proper charge against the Escrow Account for costs relating to the Equipment identified in the Lease, and (c) has not been paid (or has been paid by Lessee and Lessee requests reimbursement thereof).

(ii) Each item of Equipment relating to an obligation specified in the foregoing table has been delivered, installed and accepted by Lessee. Attached hereto is a true and correct copy of the invoice with respect to such obligation.

(iii) The undersigned, as authorized representative of Lessee, has no notice of any vendor's, mechanic's or other liens or rights to liens, chattel mortgages, conditional sales contracts or security interest which should be satisfied or discharged before such payment is made.

(iv) This requisition contains no item representing payment on account, or any retained percentages which Lessee is, at the date hereof, entitled to retain (except to the extent such amounts represent a reimbursement to Lessee).

(v) The Equipment is insured in accordance with the Lease.

(vi) No Event of Default, and no event which with notice or lapse of time, or both, would become an Event of Default, under the Lease has occurred and is continuing at the date hereof.

(vii) The representations, warranties and covenants of Lessee set forth in the Lease are true and correct as of the date hereof.

(vii) No Material Adverse Change has occurred since the date of the execution and delivery of the Lease.

Dated: _____

CITY OF PALACIOS

By: _____
Name: Glen Smith
Title: Mayor

Disbursement of funds from the Escrow Account in accordance with the foregoing Disbursement Request hereby is authorized

GOVERNMENT CAPITAL CORPORATION
as Lessor under the Lease

By: _____
Name:
Title:

Information Return for Tax-Exempt Governmental Bonds

(Rev. September 2018)

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

OMB No. 1545-0720

Department of the Treasury
Internal Revenue Service

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

| | | | |
|--|--|--|--|
| Part I Reporting Authority | | If Amended Return, check here <input type="checkbox"/> | |
| 1 Issuer's name City of Palacios | | 2 Issuer's employer identification number (EIN) 74-6001842 | |
| 3a Name of person (other than issuer) with whom the IRS may communicate about this return (see Instructions) David Kocurek, City Manager | | 3b Telephone number of other person shown on 3a 361-972-3605 | |
| 4 Number and street (or P.O. box if mail is not delivered to street address) Room/suite P.O. Box 845 | | 5 Report number (For IRS Use Only) 3 | |
| 6 City, town, or post office, state, and ZIP code Palacios, TX 77465 | | 7 Date of issue March 27, 2019 | |
| 8 Name of Issue Municipal Lease Purchase Agreement No.8565 | | 9 CUSIP number None | |
| 10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see Instructions) Glen Smith, Mayor | | 10b Telephone number of officer or other employee shown on 10a 361-972-3605 | |

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

| | | | | |
|--|--|-----------|------------------|-----------|
| 11 Education | | 11 | | |
| 12 Health and hospital | | 12 | | |
| 13 Transportation | | 13 | | |
| 14 Public safety | | 14 | | |
| 15 Environment (including sewage bonds) | | 15 | | |
| 16 Housing | | 16 | | |
| 17 Utilities | | 17 | | |
| 18 Other. Describe ► Sewer Heavy Equipment | | 18 | \$281,289 | 69 |
| 19a If bonds are TANs or RANs, check only box 19a | | | | |
| b If bonds are BANs, check only box 19b | | | | |
| 20 If bonds are in the form of a lease or installment sale, check box | | | | |

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

| | (a) Final maturity date | (b) Issue price | (c) Stated redemption price at maturity | (d) Weighted average maturity | (e) Yield |
|-----------|-------------------------|----------------------|---|-------------------------------|---------------|
| 21 | 10/15/2024 | \$ 281,289.69 | \$ N/A | 3.566 years | 3.79 % |

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

| | | | | |
|--|--|-----------|------------------|-----------|
| 22 Proceeds used for accrued interest | | 22 | N/A | |
| 23 Issue price of entire issue (enter amount from line 21, column (b)) | | 23 | \$281,289 | 69 |
| 24 Proceeds used for bond issuance costs (including underwriters' discount) | | 24 | \$4,973 | 69 |
| 25 Proceeds used for credit enhancement | | 25 | N/A | |
| 26 Proceeds allocated to reasonably required reserve or replacement fund | | 26 | N/A | |
| 27 Proceeds used to refund prior tax-exempt bonds. Complete Part V | | 27 | N/A | |
| 28 Proceeds used to refund prior taxable bonds. Complete Part V | | 28 | N/A | |
| 29 Total (add lines 24 through 28) | | 29 | \$4,973 | 69 |
| 30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) | | 30 | \$276,316 | 00 |

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

| | | | |
|--|---|------------|--------------|
| 31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded | ► | N/A | years |
| 32 Enter the remaining weighted average maturity of the taxable bonds to be refunded | ► | N/A | years |
| 33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY) | ► | N/A | |
| 34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY) | ► | | |

Part VI Miscellaneous

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

| | | | | |
|-------------------------------|---|----------------------|--|--|
| Signature and Consent | Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above. | | | |
| | ▶ _____ Signature of issuer's authorized representative | _____ Date | ▶ Glen Smith, Mayor Type or print name and title | |
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed PTIN |
| | Firm's name ▶ | Firm's EIN ▶ | | |
| | Firm's address ▶ | Phone no. | | |

RESOLUTION 2019-R-9

WHEREAS, The City of Palacios finds it in the best interest of the citizens of Palacios, TX that the Local Border Security Program be operated for 2019-2020; and

WHEREAS, The City of Palacios agrees to provide the applicable matching funds for the said project as required by the Criminal Justice grant application; and

WHEREAS, The City of Palacios agrees that in the event of loss or misuse of the Criminal Justice Division funds, The City of Palacios assures that the funds will be returned to the Criminal Justice Division in full.

WHEREAS, The City of Palacios designates the City Manager as the grantee's authorized official. The authorized official is given the power to apply for, accept, reject, alter or terminate the grant on behalf of the applicant agency.

NOW THEREFORE, BE IT RESOLVED that The City of Palacios approves submission of the grant application for the Local Border Security Program to the Office of the Governor, Criminal Justice Division.

Passed and Approved this _____ Day of March, 2019.

Glen Smith, Mayor

Attest:

Clissa Mills, City Secretary

Grant 3003004

LICENSE AGREEMENT

This License Agreement ('Agreement') dated March 11, 2019 ('Effective Date') between City of Palacios, a Texas Municipality with its principal offices located at 311 Henderson, Palacios, TX 77465 ("Licensor") and NextEdge Networks, LLC, a Delaware Limited Liability Company with its principal offices at 240 Stockton Street, 3rd Floor, San Francisco, CA 94108 ("NextEdge").

Grant: Licensor grants to NextEdge a non-exclusive license to install, maintain, repair, operate, inspect, augment and remove, at NextEdge's expense, a dish, cable(s), conduit and other equipment as described in Exhibit A, attached hereto and incorporated herein (the "Equipment") on the Property, located at _____. The Equipment, requiring an interior wall space of 2' x 2' for its electrical equipment, conduit and a 4'x4' rooftop space for the A-Equipment and additional space for the B-Equipment (the "Space"), will be placed in a mutually agreed upon location within the Property. This Agreement is contingent upon the Licensor's approval of the Equipment location(s). Licensor also grants to NextEdge the use of one (1) standard 110 VAC outlet located within or near the Space. Licensor shall allow NextEdge, as well as its employees, agents, contractors, partners, representatives and assigns reasonable access to the Property and Space during normal business hours for repair, upgrade, replacement, or maintenance of the Equipment. In the event of an emergency after hours, Licensor will make reasonable effort to allow NextEdge access to the Property. Licensor and NextEdge are aware and agree that the NextEdge will sublicense the Space to a DISH Network during this Term. NextEdge's sublicense Agreement with Dish will accommodate and allow for NextEdge's continued use of the Property.

Term: This Agreement shall have a Term three years (3 years), the Initial Term ("Initial Term"), commencing on the date of full execution by Licensor and NextEdge of this agreement. In consideration for this Agreement, NextEdge will pay the Licensor an upfront annual fee of one thousand three hundred eighty Dollars (\$1,380.00), to be paid within thirty business days of installation. At the expiration of the initial Term, this Agreement shall automatically renew on a month-to-month basis if NextEdge has not terminated the Agreement in writing prior to, or has not removed their Equipment, hereinafter referred to as holdover period ("Holdover"). In this event, NextEdge and the Licensor will be required to renegotiate the Term and annual fee of this Agreement. During this Holdover period, either party may terminate this Agreement by providing thirty (30) days written notice.

NextEdge's Obligation: NextEdge shall keep the Equipment in good order. Upon written Notice from the Licensor, NextEdge shall repair physical damage created by NextEdge at or adjacent to the Space in a timely manner, to a condition as nearly as is reasonably possible, existing prior to such damage being caused by NextEdge or its agents. NextEdge is not responsible for normal wear and tear at, or adjacent to, the Space. NextEdge will maintain a general liability insurance in the amount of one million dollars (\$1,000,000.00) during the life of this Agreement and shall name the Licensor as additional insured.

Non-interference: NextEdge agrees that Equipment shall not unduly interfere with Licensor use, maintenance or operation of the Property and any existing communication system(s) installed at the Property. In the event the Equipment causes demonstrated interference, Licensor shall notify NextEdge in writing and NextEdge shall make the necessary alterations at its expense.

Notices: All notices ("Notice") under this Agreement shall be written and given by certified mail, return receipt requested, nationally recognized overnight courier service such as Federal Express or UPS, or hand delivered to the respective address of each party as set forth below (or as may subsequently be provided by either party).

Licensor:

Attention: City of Palacios
Address: 311 Henderson, Palacios, TX 77465

Emergency Contact Name: David Kocurek
Emergency Contact Email: dkocurek@cityofpalacios.org

NextEdge:

Attention: NextEdge Networks, LLC
Address: 240 Stockton Street, 3rd floor
San Francisco, CA 94108

Emergency: Chris Maguire
Emergency Email: cmaguire@nextedenetworks.com

Termination: NextEdge may terminate this Agreement by providing thirty (30) days prior written notice to the Licensor. Upon the expiration or termination of this Agreement by NextEdge, NextEdge shall remove the Equipment from the Property within thirty (30) business days. Licensor may terminate this Agreement at the end of the initial Term or any time thereafter, upon thirty (30) days written notice to NextEdge. Licensor represents and warrants that Licensor has rights in the Property sufficient to grant the license to NextEdge upon execution

of this Agreement and shall retain said rights throughout the initial Term. The result of early termination with no reasonable notice by the Licensor will result in default and action by NextEdge, with possible financial implication.

Assignment: NextEdge has the right to assign this Agreement without notice to or consent of Licensor. In the event of an assignment, all terms and conditions of this Agreement remain in full force. Licensor may not assign this Agreement without the written authorization of NextEdge, which shall not be unreasonably withheld.

Amendment: Neither party may amend this Agreement except in writing signed by Licensor and NextEdge.

Miscellaneous: Each party acknowledges that: (a) this is the entire agreement between the parties; (b) Licensor is not relying on any representation or assurance of any nature whatsoever (whether or not in writing) made or given by any person (whether or not a party to this Agreement) that is not expressly set out in this Agreement (nothing in this Agreement shall have the effect of limiting or excluding any liability for, or remedy in respect to fraud); and (c) this Agreement is governed by, and construed in accordance within the laws of the state where the Licensor is located..

WITNESS WHEREOF, each of the persons executing this Agreement affirms that he or she has the complete authority to enter into this Agreement on behalf of the party for which he or she is signing, and to bind said party to the terms contained herein as of the last date signed.

Licensor:
Signature: _____

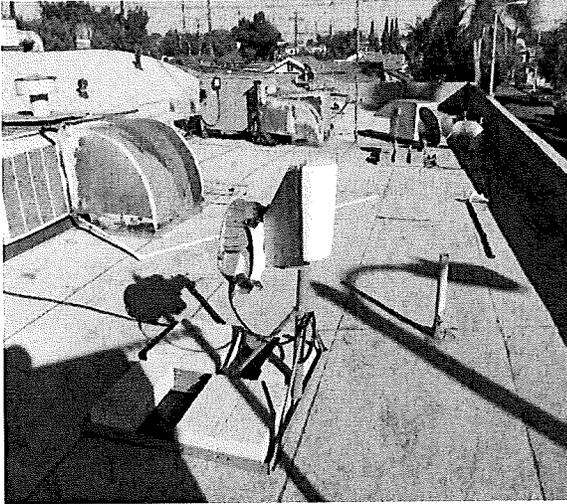
NextEdge Networks, LLC
Signature: _____

Name:
Title: _____
Date: _____

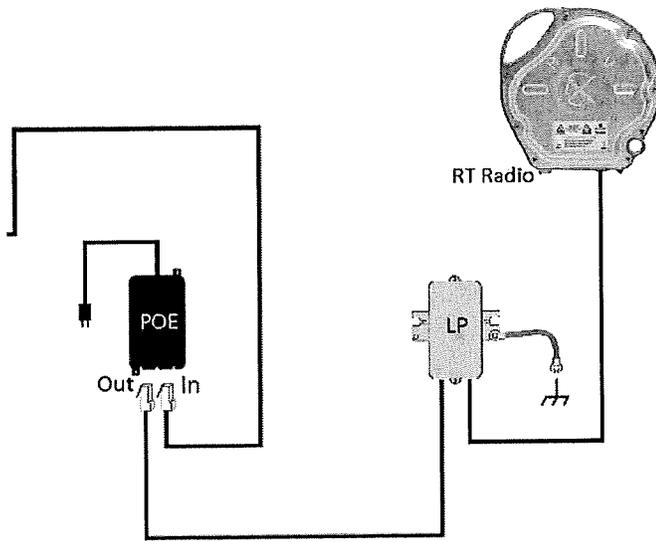
Name: Chris Maguire
Title: CEO
Date: _____

Exhibit A
NextEdge's Equipment

A-EQUIPMENT



INTERIOR EQUIPMENT



B-EQUIPMENT



- GLEN SMITH – Mayor
- JOHNNY TRAN –Councilmember Place 1
- DONNA HARVEY SCHULMAN– Councilmember Place 2
- MARY CROCKER – Councilmember Place 3
- TROY LEWIS – Councilmember Place 4
- ANDY ERDELT – Councilmember Place 5
- STEPHEN MCGOVERN – Councilmember Place 6

**CITY OF PALACIOS
CITY COUNCIL REGULAR MEETING MINUTES
March 12, 2019**

REGULAR COUNCIL MEETING 7PM

- CALL TO ORDER** – Mayor Glen Smith at 7pm
- INVOCATION** – Councilmember Schulman
- PLEDGE OF ALLEGIANCE** – Councilmember Lewis
- PLEDGE TO TEXAS FLAG** – Councilmember Lewis
- PLEDGE TO PALACIOS FLAG** – Councilmember Lewis

VISITOR / CITIZEN FORUM

There were no comments.

ADMINISTRATIVE REPORTS

1. Peggy Georgi with the Palacios Recycle Center will give a presentation on recycling and will have the new van and trailer available for display.

ITEMS TO BE CONSIDERED

1. Discuss and consider adopting Resolution 2019-R-7 authorizing an application to the Texas Department of Housing and Community Affairs for a Texas Home Program Grant; Committing to provide matching funds and to establish a reserve; and providing an effective date.
Councilmember Tran motion to adopt Resolution 2019-R-7
Councilmember McGovern seconded
There was no opposition
With no opposition, the motion carried
2. Discuss and consider approving the final plat of Cruz Subdivision, a part of 2.02 acres described in file 2016-1775 at M.C.O.R.
Mayor Glen Smith tabled approving the final plat of Cruz Subdivision until the next City Council Meeting
3. Discuss and consider action to approve the following consent agenda items:
Minutes of the February 26, 2019 Regular Council Meeting
Excuse the absence of Mayor Glen Smith from the February 26, 2019 Regular Council Meeting

Councilmember Erdelt motioned to approve the minutes and excuse the absence of Mayor Glen Smith from the February 26, 2019 Regular Council Meeting
Councilmember Lewis seconded
There was no opposition
With no opposition, the motion carried

EXECUTIVE SESSION - There was no Executive Session
In accordance with Chapter 551, Government Code, (Open Meetings Law) the Council May go into Executive (closed) session in order to:
Consult with its attorney (551.071)
Discuss Real Estate transaction (551.072)
Deliberation regarding prospective gifts or donation (551.073)
Discuss personnel matters (551.074)
Deliberation regarding security devices (551.076)
Discuss economic development negotiations (551.087)

ADJOURN

Councilmember Tran motioned to adjourn the meeting at 7:15 pm
Councilmember Crocker seconded
There was no opposition
With no opposition, the motion carried

Glen Smith, Mayor

Clissa Mills, City Secretary