

CERTIFICATE AS TO TAX EXEMPTION

The undersigned, being the duly chosen and qualified County Judge and County Auditor of Fannin County, Texas (the *County*), hereby certifies with respect to the "FANNIN COUNTY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020" (the *Certificates*) in the aggregate principal amount of \$9,860,000.00 as follows:

A. General

1. For all purposes of this certificate, unless otherwise defined, all defined terms herein shall have the same meaning given to them in the Order and the Regulations (each as defined below).

2. Pursuant to state law and the Order authorizing the issuance of the Certificates, we, along with other officers of the County, are charged with the responsibility for issuing the Certificates.

3. This certificate is made pursuant to Treasury Regulations Sections 1.141 through 1.150 (the *Regulations*), and sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*).

4. This certificate is based on the facts and estimates described herein in existence on this date, which is the date of delivery of the Certificates to and payment for the Certificates by the initial purchasers thereof, and, on the basis of such facts and estimates, the County expects that the future events described herein will occur. To the best knowledge and belief of the undersigned, there are no other facts, estimates, or circumstances which would materially change the following statements, and the expectations hereinafter set forth are reasonable. Except as provided herein, the County covenants not to take any intentional acts or actions after the Closing Date of the Certificates to earn a Yield upon the investment of proceeds materially higher than the Yield of the Certificates.

5. Terms used and not defined herein have the same meaning given to them in the Order of the County adopted by its Commissioners Court on February 18, 2020 authorizing the issuance of the Certificates (the *Order*) or the Regulations, as applicable.

6. The County's employer identification number is 75-6000941.

B. Purpose and Size.

1. The Certificates are being issued pursuant to the Order for the purpose of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects (collectively, the *Project*).

2. The County has and will, at all times prior to the last Stated Maturity of the Certificates,

a. exclusively own, operate, and possess all property financed or refinanced, acquired, constructed, or improved with Gross Proceeds of the Certificates and not use or permit the use of any property financed or refinanced, acquired, constructed, or improved with Gross Proceeds of the Certificates in any activity carried on by any person or entity (other than a state or local government), *unless* such use is merely as a member of the general public, or

b. not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds of the Certificates or any property financed or refinanced, acquired, constructed, or improved with Gross Proceeds, other than a charge or other payment merely as a member of the general public or interest earned on Investments acquired with Gross Proceeds of the Certificates pending application for their intended purposes, either or both.

3. The County has not and will not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a person or entity if (1) property financed or refinanced, acquired, constructed, or improved with Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or any property financed or refinanced, acquired, constructed, or improved with Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

4. The Project will be owned, operated, and maintained by the County; and the County has not contracted with any firm, company, or other person or entity to operate and/or maintain the Project for and on behalf of the County. The County does not expect to enter into any contract for the operation, maintenance or management of the Project.

5. There is not as of the date hereof and the County does not anticipate entering into any lease, contract, or other understanding or arrangement with any person other than a state or local governmental unit, pursuant to which the County expects that proceeds of the Certificates, or the Project, will be used in the trade or business of such person (including all activities of such person who are individuals). The County does not currently have any leases or contacts with the Federal government concerning the County jail facilities nor does it reasonably expect to enter into such leases or contracts during the term of the Certificates.

6. The amounts received from the sale of the Certificates, when added to the amount expected to be received from the investment thereof, do not exceed the amounts required to pay the costs of the Project and the costs of offering and issuing the Certificates.

7. No receipt from the sale of the Certificates or amounts received from the investment thereof will be used to pay the principal of or interest on any currently outstanding debt obligation of the County other than the Certificates.

C. Source and Disbursement of Certificate Proceeds.

1. The Certificates are being issued and delivered to Robert W. Baird & Co. Inc., Milwaukee, Wisconsin, as an authorized representative of a group of purchasers (the *Purchasers*) at a competitive sale. The Purchasers purchased the Certificates for \$10,100,489.14, which represents an Issue Price of \$10,094,676.95, plus accrued interest in the amount of \$5,812.19. The County has received as a result of the sale of the Certificates an amount equal to \$10,008,721.42 which represents par, plus a net reoffering premium of \$234,676.95, plus accrued interest in the amount of \$5,812.19, and less the Purchasers' discount of \$91,767.72.

2. Of the remaining proceeds of the Certificates received by the County from the Purchasers, approximately \$102,909.23 will be used to pay the costs of issuance (other than underwriters' spread) relating to the Certificates, and \$9,900,000.00 (representing par of \$9,860,000.00 plus a portion of the net reoffering premium of \$40,000.00) will be deposited in a separate checking account of the County (the *Construction Account* or *Fund*) to pay costs of the Project. The County estimates that it will receive \$330,000.00 in income or profit from the investment of the amounts deposited to the Construction Fund pending the disbursement of such amounts for the governmental purposes for which the Certificates are being issued. Such amount will be used to pay additional costs of the Project or deposited in the Certificate Fund (the *Certificate Fund*) to pay principal of or interest on the Certificates within one year from the date of receipt.

3. The Purchasers, in the Issue Price Certificate attached hereto as Exhibit A (the *Issue Price Certificate*), and the Municipal Advisor, in the Certificate of Municipal Advisor attached hereto as Exhibit B, have provided certifications to establish that the requirements of the special rule for competitive sales under Section 1.148-1(f)(2)(iii) of the Regulations were satisfied with respect to the Certificates. The County hereby identifies Section 1.148-1(f)(2)(iii) of the Regulations as the rule that applies to determine the issue price of the Certificates.

D. Temporary Periods and Time for Expenditures.

1. Within six months from the date hereof, the County will have incurred binding obligations or commitments in the amount of at least five percent of the principal amount of the Certificates for the Project by entering into contracts for construction, architectural services, engineering services, land acquisition, site development, construction materials, or the purchase of equipment. The County will account for the allocation of the Certificate proceeds to an expenditure not later than 18 months after the later of the date the expenditure is paid or the date the Project is placed in service; but in all events 60 days after the earlier of the fifth anniversary of the date of this Certificate or the retirement of the Certificates.

2. After entering into said contracts, work on the construction or acquisition of the Project will proceed with due diligence to completion, which is expected to occur on, and the proceeds from the sale of the Certificates and investment earnings thereon are expected to be expended January 31, 2023.

3. Based on the foregoing, the County expects to invest Gross Proceeds, held in the Construction Fund, without regard as to restriction of Yield until January 31, 2023. Thereafter,

the County will restrict the Yield on investments of Gross Proceeds held in the Construction Fund to the Yield on the Certificates.

E. Certificate Fund.

1. The Certificates are payable primarily from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the jurisdiction of the County, and by a lien on and pledge of the Pledged Revenues. All taxes levied and collected for and on account of the Certificates are to be deposited into the appropriate Certificate Fund.

2. Pursuant to Section 11 of the Order, the County will levy an ad valorem tax, within the limits prescribed by law, on all taxable property within the jurisdiction of the County and by a lien on and pledge of the Pledged Revenues of the System to pay principal of and interest on the Certificates as such becomes due, and such tax has been pledged to the payment of the Certificates. Amounts collected from such tax for the payment of the principal of and interest on the Certificates are to be deposited to the credit of the Certificate Fund. The County may credit against its required deposits to the Certificate Fund all amounts received from the investment of funds held therein. In addition, a lien on and pledge of the Pledged Revenues has been granted to secure the payment of the debt service requirements of the Certificates. All monies deposited in the Certificate Fund, if any, will be used solely to pay the principal of and interest on the Certificates as the same becomes due and payable.

3. Except for that portion of the Certificate Fund, if any, consisting of deposits made to defease in whole or in part the Certificates, the Certificate Fund (i) was created primarily to achieve a proper matching of revenues and debt service with respect to the Certificates within each bond year, beginning on the Closing Date and ending on each anniversary of the Closing Date thereafter until the Certificates are no longer Outstanding and (ii) will be depleted at least once a year except possibly for a carry-over amount not greater than the larger of the preceding bond year's income from the investment thereof or one-twelfth of the debt service paid during the preceding bond year on the Certificates. All amounts deposited to the Certificate Fund will be spent within 13 months of deposit, and all amounts received from investment of such fund will be deposited therein and will be expended within twelve months of receipt. Any amounts held in the Certificate Fund during such periods are expected to be invested by the County without regard as to restriction of Yield. Any amounts held in the Certificate Fund in excess of such periods will be invested at a Yield not to exceed the Yield on the Certificates.

4. All money deposited in the Certificate Fund will be used solely to pay the principal of, and interest on, the Certificates as the same becomes due and payable, and there will be no other funds that will be so used or pledged or otherwise restricted so as to be available with reasonable certainty to be so used.

F. Yield, Rebate and Miscellaneous.

1. The Yield on the Certificates is 2.0478 percent, calculated on the basis of the information provided in the Issue Price Certificate. The Certificates stated to mature on March 1 in each of the years 2030 through 2032 inclusive (*Optional Premium Certificates*), are subject to optional early redemption and were issued at a price that exceeds their respective stated redemption

prices at maturity by more than .25 percent multiplied by the product of their respective stated redemption prices at maturity and the number of complete years to their respective optional redemption date on March 1, 2029. Accordingly, for purposes of computing Yield on the Certificates, the Optional Premium Certificates were treated as redeemed at their respective stated redemption prices on the optional redemption date of March 1, 2029, which redemption date produces the lowest yield on the Certificates.

2. The County has covenanted to account for the Gross Proceeds of the Certificates separately and apart from all other funds of the County from the date hereof.

3. The County does not expect that the proceeds of the Certificates will be used in a manner that would cause the Certificates to be “arbitrage bonds” within the meaning of section 148 of the Code.

4. Unless the County has qualified for an exception to rebate pursuant to section 148(f)(4) of the Code, not less frequently than each Computation Date, the County has covenanted in the Order to calculate or cause to be calculated by a nationally recognized accounting, financial advisory firm or financial institution, in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder, the Rebate Amount. The County has covenanted in the Order to maintain such calculations with the official transcript of the proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

5. The County has covenanted in the Order to pay to the United States any amount described in the preceding paragraph of this Section, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

6. The County reasonably expects that at least 75% of the “Available Construction Proceeds” of the Certificates, as defined in Regulation Section 1.148-7(i), will be allocated to “construction expenditures”, as defined in Regulation Section 1.148-7(g) for property which will be owned by the County.

7. The weighted average maturity of the Certificates is 14.3418 years, which is less than 120% of the average reasonably expected economic life of the assets acquired or constructed with the proceeds of the Certificates.

8. The County has not sold nor will it sell any obligations within 15 days of the sale date of the Certificates.

9. The County has not incurred or issued and will not incur or issue tax exempt bonds (bonds, notes, lease agreements, etc.) pursuant to section 103(a) of the Code during the current calendar year in an aggregate amount in excess of \$10,000,000.00 and the County has in the Order and hereby designates the Certificates as qualified tax-exempt obligations in accordance with the provisions of paragraph (3) of subsection (b) of section 265 of the Code. The County reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year 2020 by the County (including any subordinate entities) will not exceed \$10,000,000.00, and the County will take such action or refrain from such action as is necessary in order that the Certificates will not be considered “private activity bonds” within the meaning of section 141 of the Code.

G. No Abusive Arbitrage Device.

1. In connection with the issuance of the Certificates, the County has not employed any action which has the effect of overburdening the market for tax-exempt obligations by issuing more obligations, issuing obligations earlier, or allowing obligations to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Certificates.

2. In connection with the issuance of the Certificates, the County has not employed any action which has the effect of enabling the County to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

H. Written Procedures. This certificate shall constitute written procedures and processes that require the County to insure that, after the Closing Date, the County is in compliance with the covenants and representations contained herein and the Code and Regulations related to the Certificates and for a period of three (3) years after the Certificates are paid in full will maintain records that show compliance with the covenants and representations contained herein and the Code and Regulations related to the Certificates. The County designates the following officer(s) to have primary responsibility for maintaining post-issuance compliance with the covenants and representations contained herein and the Code and Regulations related to the Certificates:

County Auditor

and the following officer(s) shall maintain the records related thereto:

County Auditor

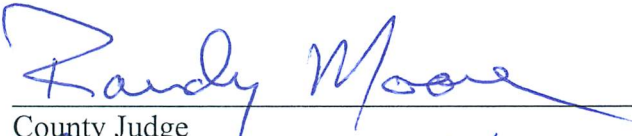
Such officers may assign and delegate responsibilities to others as they deem necessary or appropriate.

I. Remedial Action/Voluntary Closing Agreement Program. If the County in complying with the terms and provisions the policies or guidelines set forth herein and the Code and Regulations related to the Certificates determines that the requirements of these policies and guidelines or the Code and Regulations related to the Certificates may have been violated, the County will make final determinations, if necessary with the assistance of its bond and tax counsel and financial advisors, and take appropriate actions related to such noncompliance including, if appropriate, any remedial action described under applicable Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program.

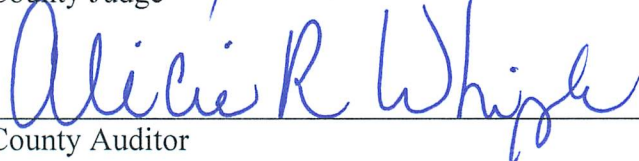
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EXECUTED AND DELIVERED this MAR 10 2020.

FANNIN COUNTY, TEXAS



County Judge



County Auditor

EXHIBIT A

Issue Price Certificate

See Tab No. 15

EXHIBIT B

Certificate of Municipal Advisor

See Tab No. 16