

HilltopSecurities
Investment Banking Solutions



BONDS 101:
INTRODUCTION TO
MUNICIPAL DEBT
OCTOBER 26, 2026



TABLE OF CONTENTS

Tab 1:	Introduction
Tab 2:	Types of Debt Instruments
Tab 3:	Participants
Tab 4:	Issuance Process
Tab 5:	Bond Refunding
Tab 6:	Post Issuance
Appendix A:	Regulatory Disclosures

Joel Tindal
Managing Director
Public Finance



Hilltop Securities Inc.
450 South Orange Ave.
Suite 225
Orlando, FL 32801

Office: (407) 426-9611
Work Mobile: (407) 289-1645
joel.tindal@hilltopsecurities.com
HilltopSecurities.com

INTRODUCTION

TAB 1

WHAT IS A MUNICIPAL BOND?

- **A municipal bond** is an obligation for borrowed money and a promise to repay
 - On a date certain
 - With interest at a specified rate
 - From specific sources of funds
- **Issued by a “governmental” issuer**, such as a City or County
 - Interest income to a holder of a municipal bond may be excludable from gross income for federal income tax purposes (tax-exempt bonds)
 - Interest may be includable in gross income for federal income tax purposes (taxable bonds) depending on the use of proceeds
- **Common types of municipal bonds:**
 - General Obligation Bonds
 - Revenue Bonds
- **Why are municipal bonds issued?**
 - Lack of available funds to pay-go capital projects on a timely basis
 - Lower financing cost due to tax-exemption
 - Pay for assets over their useful life
 - Market conditions present opportunities (refunding etc.)

TAX-EXEMPTION

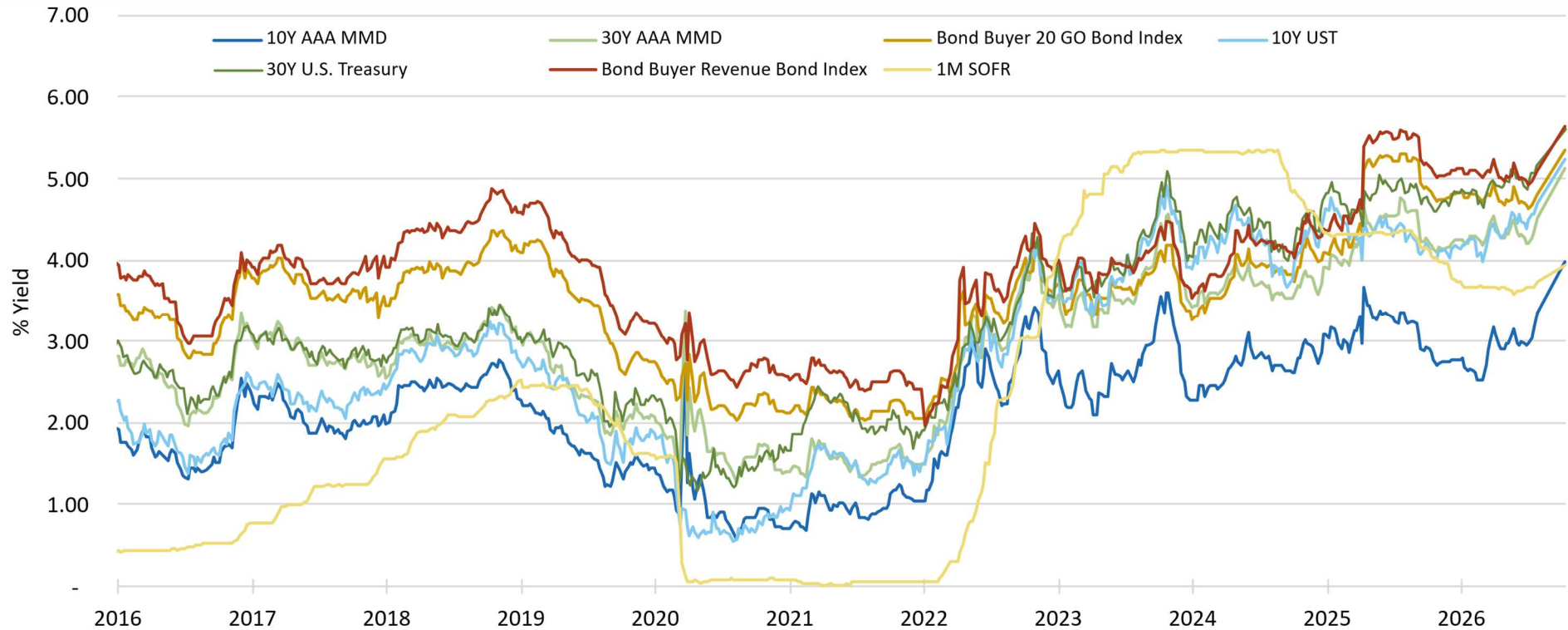
- **The 16th Amendment** to the U.S. Constitution gave the U.S. Congress the power to levy and collect federal income tax
- **Because municipal bonds are generally tax-exempt**, investors are willing to accept a lower yield than on comparable taxable bonds

$$\text{Tax Equivalent Yield} = \frac{\text{Tax Free Municipal Bond Yield}}{1 - \text{Tax Rate}}$$

- **An attorney or law firm (bond counsel)** typically issues an opinion, based on the provisions of the Internal Revenue Code of 1986, as amended, as to whether interest on a municipal bond may be deemed to be exempt from federal taxation.
 - Proceeds must be used for governmental (public) purpose or fit within the qualified private activity bond requirements
 - Some states and local governments extend state and local income tax exemptions for in-state bonds
 - Interest on debt issued or guaranteed by the Federal government is includable in gross income for federal income tax purposes
 - Qualified private activity bonds may be subject to the alternative minimum tax (AMT) depending upon the type

WEEKLY BENCHMARK INTEREST RATES

Benchmark Interest Rates – 1/1/2016 to 10/9/2026



Rates Analysis – 1/1/2016 to 10/9/2026

	10-Year AAA MMD	30-Year AAA MMD	Bond Buyer 20 GO Bond Index	Bond Buyer Revenue Bond Index	10-Year U.S. Treasury	30-Year U.S. Treasury	SIFMA	1-Month SOFR
Current	3.98	5.12	5.34	5.63	5.24	5.60	2.85	3.92
Maximum	3.98	5.12	5.34	5.63	5.24	5.60	5.20	5.36
Minimum	0.58	1.27	2.02	1.97	0.55	1.17	0.01	0.01
Average	2.12	2.95	3.51	3.84	2.79	3.22	1.57	2.31
% Time Lower	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	79.4%	72.2%

Source: Refinitiv Municipal Market Data, U.S. Treasury and Bloomberg

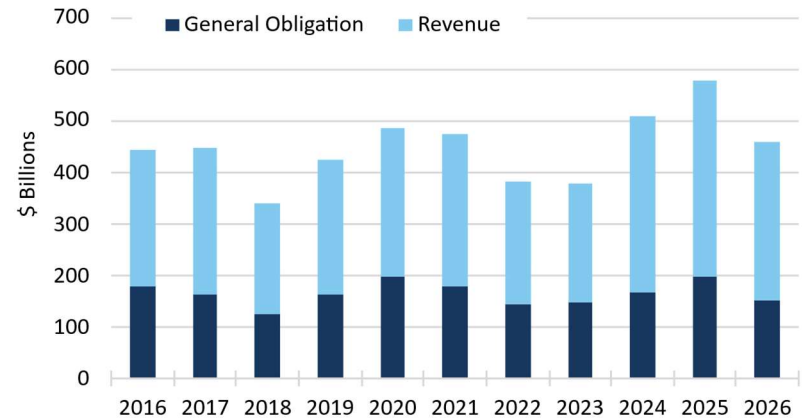
(1) SOFR 1 Month is blended with LIBOR 1 Month rates prior to 2019

MUNICIPAL ISSUANCE STATISTICS | ANALYSIS BY ISSUANCE TYPE

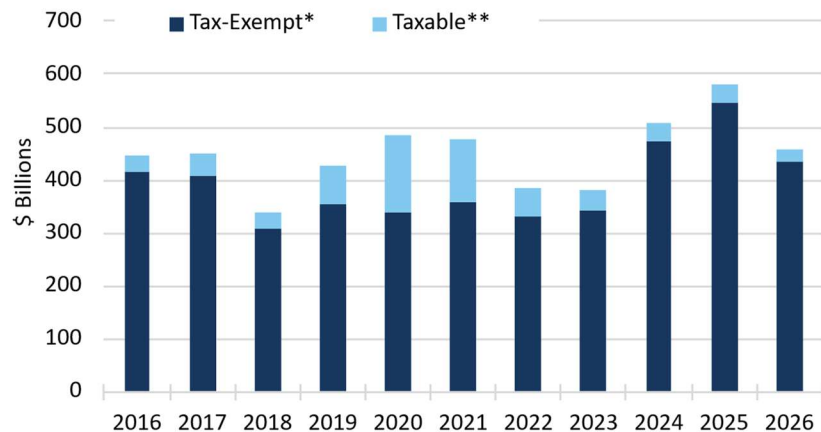
Negotiated vs Competitive vs Private Placement



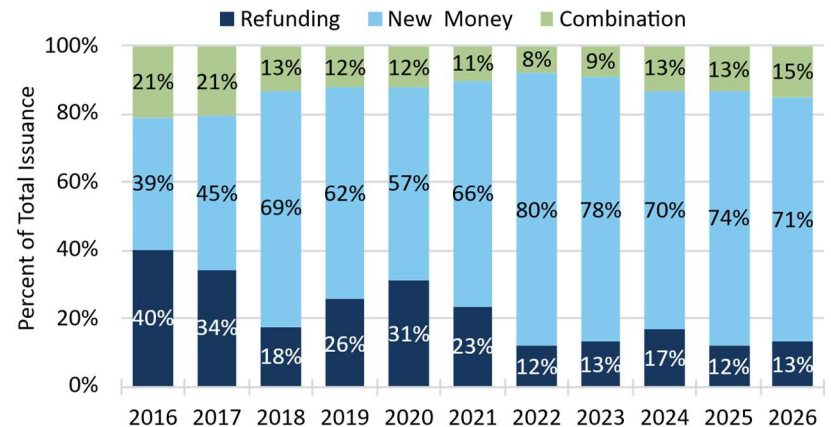
Revenue vs General Obligation



Taxable vs Tax-Exempt



Refunding vs New Money



* Tax-Exempt Includes AMT Bonds **Taxable Includes Stimulus Bonds

Source: The Bond Buyer "A Decade of Bond Finance" and Thomson Reuters (based on data available through September 30, 2026) Excludes Notes

TYPES OF DEBT INSTRUMENTS

TAB 2

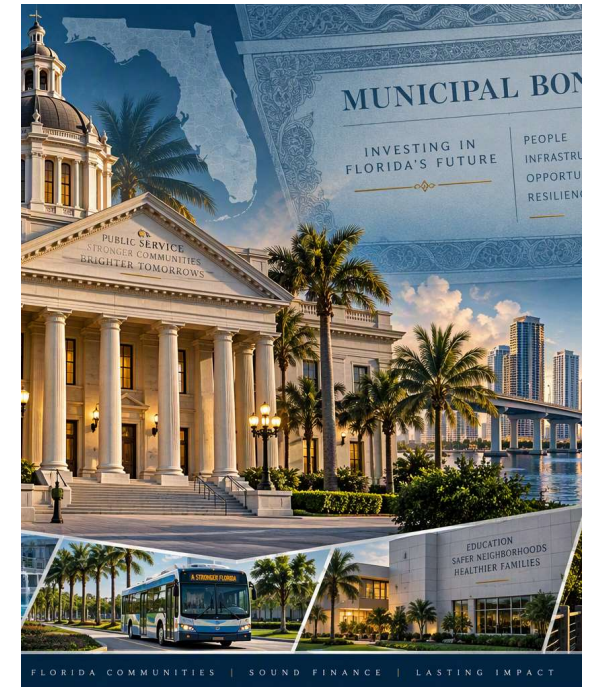
GENERAL BOND CLASSIFICATION

General obligation bonds

Secured by the issuer's full faith and credit and a pledge of taxing power. Long-term debt payable from ad valorem taxation generally requires voter approval and must finance capital projects.

Revenue bonds

Payable from identified revenues without pledging full faith and credit. Sources may include project revenues, fees, grants, excise taxes and other non-ad valorem revenues.



GENERAL OBLIGATION BONDS FOR FLORIDA ISSUERS

Security

Full faith and credit of the issuer, backed by its ad valorem taxing power.

Eligible issuers

Counties, municipalities, school districts, special districts and other local bodies with taxing power.

Capital projects and voter approval

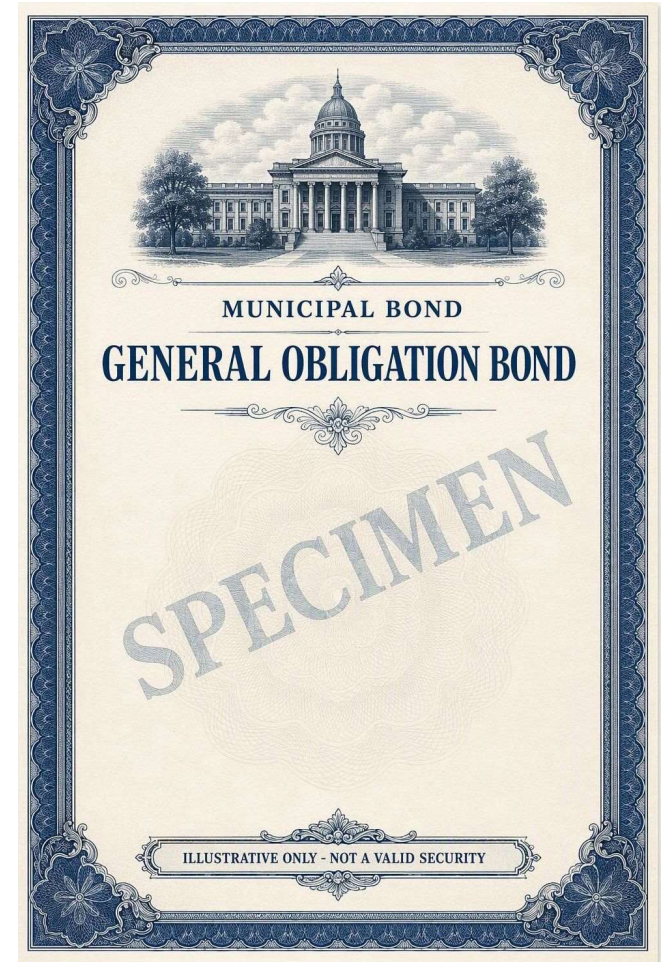
For ad valorem debt maturing beyond 12 months, the Florida Constitution requires legally authorized capital projects and voter approval.

Refunding exception

Refunding outstanding bonds at a lower net average interest cost rate without a new referendum.

Interest cost

Due to higher credit ratings and credit quality, GO bonds typically carry lower interest rates



Illustrative GO bond certificate

REVENUE BONDS

- **Voter approval is not required** to issue debt or to raise fees and charges to pay debt service, subject to local requirements.
- **Secured solely by** the revenues of the project or other revenues pledged
- **May sell at higher interest rates** than General Obligation Bonds
 - Some investors prefer essential service Revenue Bonds to General Obligation Bonds due to improved standing in the event of bankruptcy
- **May require a debt service reserve fund** based on the credit of the bonds and market conditions
- **Must adhere to covenants** set forth in the Bond Resolution or Indenture, which may include the following:
 - Rate Covenant (can require raising of user fees)
 - Limitations on Additional Bonds
 - Liquidity Covenant
 - Other ongoing covenants with respect to the revenues (enforcement of collections etc.)

REVENUE DEBT TAKES SEVERAL FORMS

STRUCTURES

Typical revenue bonds

Utilities, airports, non-ad valorem taxes, covenant-to-budget-and-appropriate (CB&A), and other structures.

Certificates of participation

Investor interests in annually appropriated lease payments

Equipment leases

Smaller-scale financing for equipment and vehicles; subject to annual appropriation

Private activity / conduit bonds

Governmental issuers lend proceeds to private borrowers; repayment generally comes from the private party.

Tax increment bonds

Community redevelopment financings supported by tax increment revenues.

Special assessment bonds

Revenue bonds paid from assessments on property specially benefited by an improvement.

THE TYPE OF REVENUE PLEDGE MATTERS

ASSESSMENTS, TAXES AND FEES

Special assessment	Tax	User fee	Impact fee
Charge tied to a special benefit to identified property and fairly apportioned among benefited parcels.	Non-Ad Valorem revenues that can consist of Franchise Fees, Sales Tax, Public Service Taxes, Communications Services Taxes, etc.	Payment for a service benefiting the paying user rather than the public generally.	Charge to offset development-driven capital expansion, limited by reasonable connections between growth, need, expenditure and benefit.

GENERAL OBLIGATION VS. REVENUE MUNICIPAL BONDS

Comparison	General obligation bonds	Revenue bonds
Security pledge	Full faith and credit of the issuer, supported by its taxing power.	Specified revenues only. No pledge of the issuer's full faith and credit.
Repayment source	General funds or pledged taxes, often ad valorem property taxes.	Enterprise or project receipts, user fees, or other specifically pledged non-ad valorem revenues.
Typical uses	Public-purpose capital projects, such as schools and public facilities.	Utilities, airports, toll roads and other projects or systems with pledged revenues, along with non-ad valorem revenue governmental projects.
Credit focus	Tax base, financial condition, debt burden and legal limits on the tax pledge.	Reliability of pledged revenues, operating performance, debt service coverage and covenants.
Voter approval	May be required. Requirements depend on state law and the specific pledge. Florida cities and counties must obtain voter approval.	Generally, not required. Applicable law and the financing structure control.

COMMON DEBT TYPES

Financing Type	General Overview
Bank Loans	<ul style="list-style-type: none">– Often utilized for shorter duration financing, or where the issue size may be smaller– Typically do not require debt service reserve fund– Do not require as much documentation and may only require minimal annual reporting– May contain gross-up provisions and/or capital adequacy provision
Bond Issues	<ul style="list-style-type: none">– Allow municipalities to borrow through a payment structure of 30-years or longer– Typically carry higher issuance costs than loans, which include rating and underwriting fees– Longer duration and efficiency in the capital markets can help to offset the higher issuance costs– May required a debt service reserve funds equal to one year worth of debt service
Pooled Loan Programs	<ul style="list-style-type: none">– Can provide economies of scale– Can take alternative forms, including commercial paper loans
Commercial Paper	<ul style="list-style-type: none">– Can provide low interest, short-term or construction financing for projects– May need economies of scale in order to overcome credit and professional costs– Short-term credit ratings and liquidity are important, and may require a letter of credit
Governmental Loans	<ul style="list-style-type: none">– SRF loans have historically provided a relatively low cost of capital to utilities in Florida– SIB loans can provide low financing costs for transportation related projects in addition to other federal type loans– TIFIA and WIFIA loans may be available as a low cost option for certain infrastructure
Leases	<ul style="list-style-type: none">– COPS can provide for an annual appropriation structure– Equipment lease-purchase financing may be available for certain assets– Structure introduce concept of appropriate risk to lenders and investors
Anticipation notes	<ul style="list-style-type: none">– Tax Anticipation Notes, Revenue Anticipation Notes, Bond Anticipation Notes, Tax and Revenue Anticipation Notes, Grant Anticipation Notes

SHORT TERM AND VARIABLE RATE DEBT EXAMPLES

- **Fixed Rate Notes** (Tax Anticipation Notes, Revenue Anticipation Notes, Bond Anticipation Notes, Tax and Revenue Anticipation Notes, Grant Anticipation Notes)
- **Variable Rate Bonds** (Daily, Weekly, Annual, Flex-Mode Interest Rate Modes)
 - Long-term nominal maturity
 - Optional and mandatory put features
 - Often require credit enhancement
 - Letter of Credit – Bank pays principal of and interest on the related debt and is reimbursed by Issuer of debt
 - Liquidity Facility (e.g. Standby Bond Purchase Agreement, Revolving Credit Facility) Bank provides liquidity for related debt in the event of market disruption, does not provide for payment of principal and interest
 - Benchmark interest rate of variable rate bonds in a weekly mode of interest is SIFMA Index
- **Floating Rate Notes**
 - Bear a variable rate of interest based on an index (e.g. SIFMA or SOFR) plus a fixed spread.
 - Optional and mandatory tender provisions are limited
 - May be sold in public capital markets or privately placed

LONG-TERM FIXED RATE DEBT EXAMPLES

▪ Long-term Bond Issue

- Can provide fixed rate funding up to 30 years or longer
- Fixed rate bonds typically include a 10-year call feature, but alternative call features are sometimes utilized
- Bonds may be sold at par, at a premium, or at a discount

▪ Private Placements and Bank Loans

- For banks, fixed rate funding generally limited to 15-20 years
- Include lines of credit, fixed rate loans, and variable rate loans
- Prepayment provisions are dependent upon lender

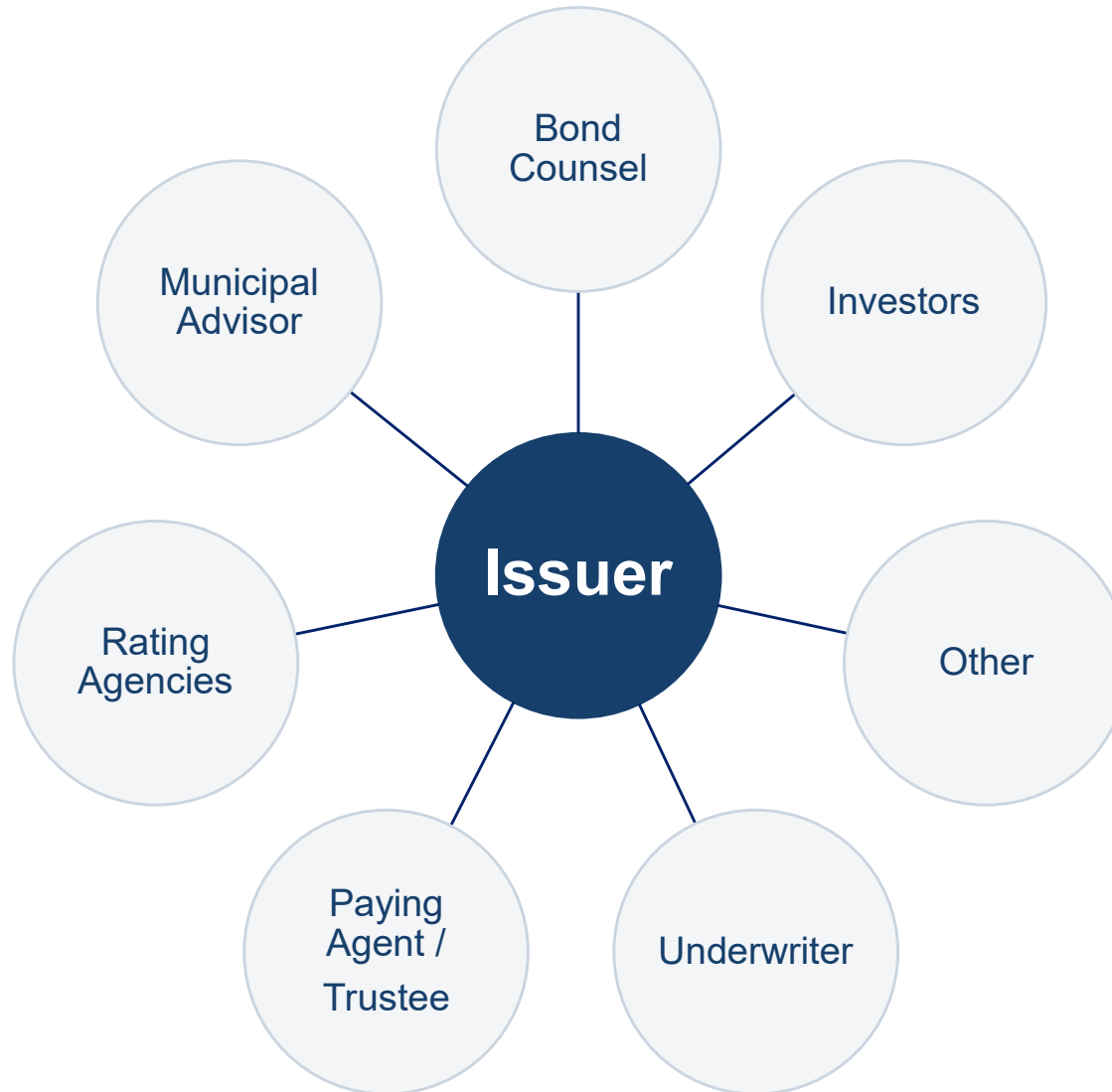
▪ SRF Loans

- Generally, provide a 20-year loan repayment (30-years for disadvantaged communities)
- Below market interest rates on loans, but federal project requirements may impact project costs
- Can be prepaid without penalty

PARTICIPANTS

TAB 3

PARTICIPANTS IN THE MUNICIPAL FINANCING PROCESS



MUNICIPAL ADVISORY RULE

- **Effective July 1, 2014**
- **Municipal Advisor (MA):** A person other than a municipal entity or its employee who:
 - Advises an Issuer on municipal financial products or the issuance of municipal securities, or
 - Solicits an Issuer
- **Fiduciary duty:** MAs have an explicit fiduciary duty to municipal clients.
- **Advice exemptions:** Underwriters without a fiduciary duty to Issuers may provide advice only when an exemption applies:
 - **Request for Proposal (RFP):** The underwriter is responding to an RFP.
 - **Underwriting:** The underwriter has been hired for a specific transaction.
 - **Independent Registered Municipal Advisor (IRMA):** The Issuer has engaged an independent municipal advisor.
 - The MA must be registered and independent. No member of the client's municipal advisory team may have been associated with the soliciting underwriter in the past two years.
 - The Issuer must confirm in writing that an MA represents it.
 - The underwriter must acknowledge receipt of the Issuer's representations and disclose to the Issuer and IRMA that it is not an MA and has no fiduciary duty to the Issuer.
- **Government officials:** State and local government employees, board and committee members, and others are exempt when acting in their official capacity.

MUNICIPAL ADVISOR

- **Advises the Issuer** on matters regarding the bond issuance, including structure, timing, marketing, fairness of pricing, and bond ratings
- **A Municipal Advisor** should possess specialized transaction and municipal market knowledge to use in developing the most advantageous plan of finance and debt structure
- **Issuer's representative in and to the bond market** providing an ongoing link between such parties as underwriters, insurers, rating agencies, and others
- **Evaluates the cost effectiveness** of various financing alternatives
- **Provides the Issuer with access to real-time market information** through in-house resources and market experts
- **Advises the Issuer** in all phases of the transaction, including structuring, pricing and issuance of the bonds
- **Recommends the method of sale** that maximizes the marketability of the Issuer's debt and minimizes the overall borrowing cost
- **Coordinates the bond issuance process** and all parties involved

- **Overview:** An attorney or law firm retained by the Issuer to opine on the bonds' due authorization, execution and delivery, their validity as binding obligations, the source of payment or security, and tax matters, including whether and to what extent interest is exempt from federal income tax.
- **Transaction structure:** Addresses legal issues related to the financing structure and works with the financing team to resolve them.
- **Bond and closing documents:** Prepares documents with input from other counsel and members of the financing group.
- **Closing opinions:** Provides legal opinions at closing.
- **Transcript of proceedings:** Compiles the legal documents related to the bond sale and distributes the transcript to the Issuer and financing group.

UNDERWRITERS

- **Bond sales may involve a Senior Manager, Co-Managers and a Selling Group.**
- **Senior Manager**
 - Leads financing structure and coordinates the syndicate's pricing views with the financing team.
 - Negotiates the underwriter's discount, interest rates and yields on behalf of the syndicate.
 - Coordinates structuring, pricing and marketing with the Issuer and Municipal Advisor, and maintains communication with syndicate members.
 - Supports the financing to help the Issuer obtain the lowest borrowing cost.
- **Co-Managers**
 - Expand distribution through local presence, middle market capabilities and access to niche investors.
 - Commit capital to the transaction.
 - The group should be sized to avoid diluting each firm's participation below a meaningful level.
- **Selling Group**
 - If used, provides support to expand distribution and help lower borrowing cost.
 - Not members of the underwriting syndicate.

INVESTORS

Investor Types	Typical Investor Demand
Retail <ul style="list-style-type: none">– Individual investors– Trust and/or advisory accounts (e.g. Separately Managed Accounts or “Professional Retail”)	Shortest Bond Maturities <ul style="list-style-type: none">– Individual Retail Investors– Trust Accounts– Corporations– Bond Funds– Money Market Managers
Middle Market <ul style="list-style-type: none">– Banks– Small mutual insurance companies– Local and regional money managers and investment advisors	Intermediate Bond Maturities <ul style="list-style-type: none">– Banks– Bond Funds– Insurance Companies
Institutional <ul style="list-style-type: none">– Property and Casualty Insurance Companies– Bond Funds– Other large buyers such as large corporations– Hedge Funds/Trading Accounts	Longest Bond Maturities <ul style="list-style-type: none">– Bond Funds– Insurance Companies– Individual Retail Investors– Arbitrage Accounts

OTHER PARTICIPANTS

- **Credit Rating Agencies**

- Independent corporations that evaluate the credit quality of debt instruments and assign credit ratings for a fee
- Moody's Investors Service, Standard & Poor's and Fitch Ratings are the three main credit rating agencies; additional rating agencies include Kroll Bond Ratings

- **Paying Agent/Registrar**

- A financial institution that tracks ownership of the securities and makes payment, from funds of the Issuer, of debt service to holders of the bonds

- **Trustee**

- A financial institution with trust powers that acts in a fiduciary capacity to facilitate the collection, escrow, and distribution of funds for the benefit of the holders of the bonds

- **Consulting Engineer**

- For certain bond transactions, may prepare a consulting engineer's report supporting the offering of the bonds

- **Feasibility Consultant**

- For certain bond transactions, may prepare a financial feasibility report supporting the offering of the bonds

▪ **Issuer's Counsel**

- Reviews and comments on documents from the perspective of the Issuer
- Provides legal opinion at closing including that major bond documents adopted by the Issuer are valid and binding on the Issuer and, except with respect to certain portions, the offering document does not contain any misstatements of material facts or omit material facts

▪ **Disclosure Counsel**

- Responsible for preparation of the offering documents (e.g. Preliminary Official Statement and Official Statement)
- Provides opinion at closing that, except with respect to certain portions, the offering document does not contain any misstatements of material facts or omit material facts

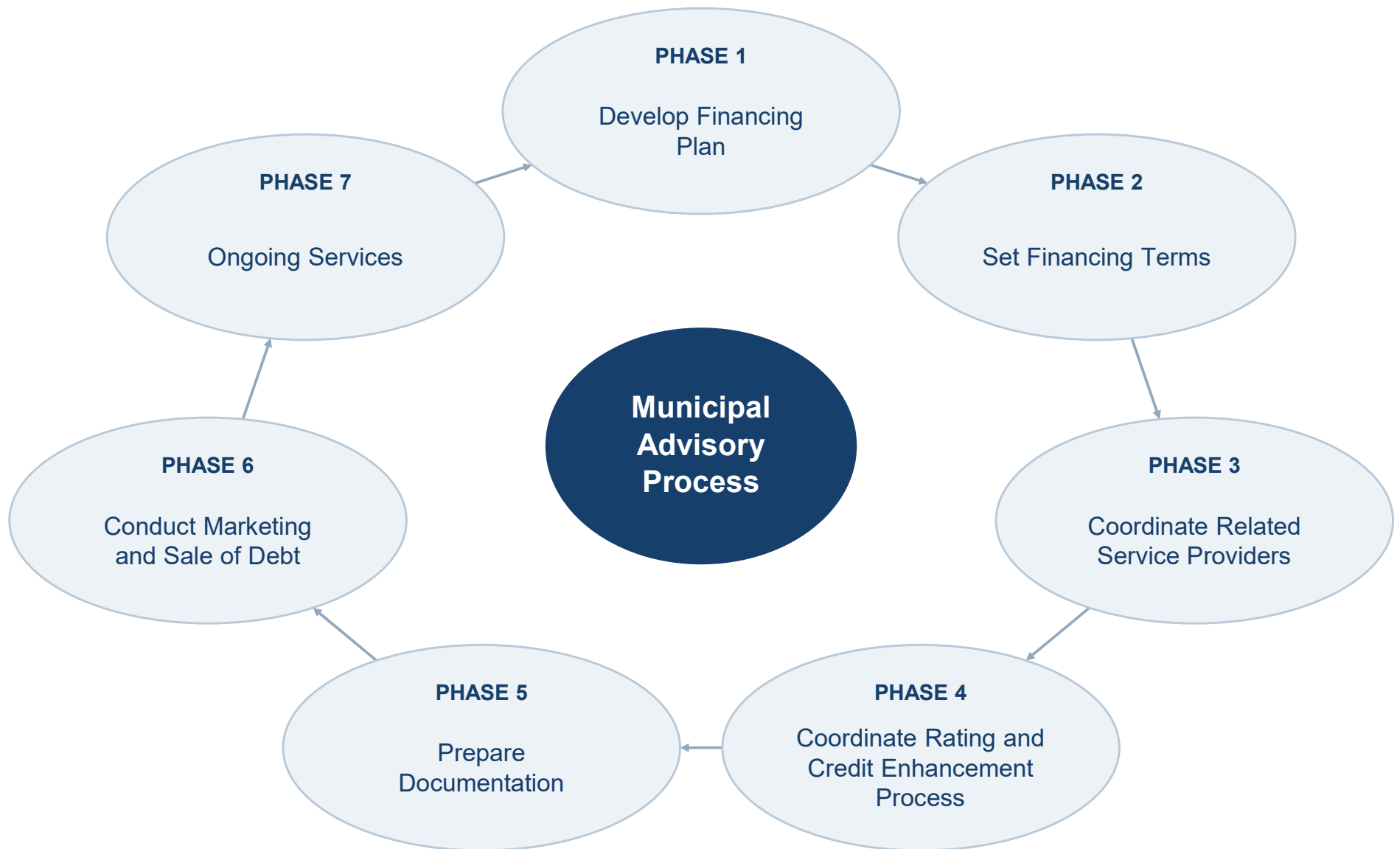
▪ **Underwriter's Counsel**

- Hired by the Senior Managing Underwriter to represent the underwriter(s) in the transaction
- Prepares Bond Purchase Agreement
- Absent Disclosure Counsel, often prepares the Preliminary Official Statement, Official Statement and Continuing Disclosure Agreement

ISSUANCE PROCESS

TAB 4

ISSUANCE PROCESS – OVERVIEW



ISSUANCE PROCESS – DETAILS

Phase 1: Develop Long-Range Financing Program	Phase 2: Determine Financing Terms	Phase 3: Coordinate Related Service
<ul style="list-style-type: none"> • Conduct Survey of Financial Needs & Resources • Review Existing Debt Structure • Analyze Full-Range of Financing Alternatives • Develop Financial Objectives & Plan of Finance • Bond Election Planning, if Applicable 	<ul style="list-style-type: none"> • Determine Appropriate Size and Structure of the Financing • Design Issue Features & Terms • Evaluate Market Innovations • Determine Method of Sale and Financing Schedule 	<ul style="list-style-type: none"> • Coordinate with Bond Counsel to Meet Legal Requirements • Arrange Balance of Service Providers, including underwriters for a negotiated sale of bonds
Phase 4: Prepare Documentation	Phase 5: Coordinate Rating & Credit Enhancement Process	Phase 6: Conduct Marketing and Sale of Debt
<ul style="list-style-type: none"> • Prepare Offering Documents, if applicable • Assure Full and fair disclosure • Assure Full Compliance with Continuing Disclosure Requirements - Rule 15c2-12 	<ul style="list-style-type: none"> • Develop Rating Strategy & Presentation • Evaluate benefits of, and if appropriate solicit Letter of Credit or Bond Insurance 	<ul style="list-style-type: none"> • Determine the timing of Sale • Coordinate Pre-sale and Pricing, and assure Optimum Marketing Plan and Effort • Manage Transaction Process and Conduct Sale of Debt • Close Transaction • Conduct Post-Sale Analysis of Pricing and Performance

GATES BEFORE ISSUANCE

PREREQUISITES

1

Constitutional

Public purpose; no lending of credit; no unauthorized mortgage; limits on extraterritorial powers.

2

Statutory

Confirm enabling statutes for the issuer and financing structure.

3

Local law

Check charter provisions and ordinances for added requirements or restrictions.

4

Contracts & Policies

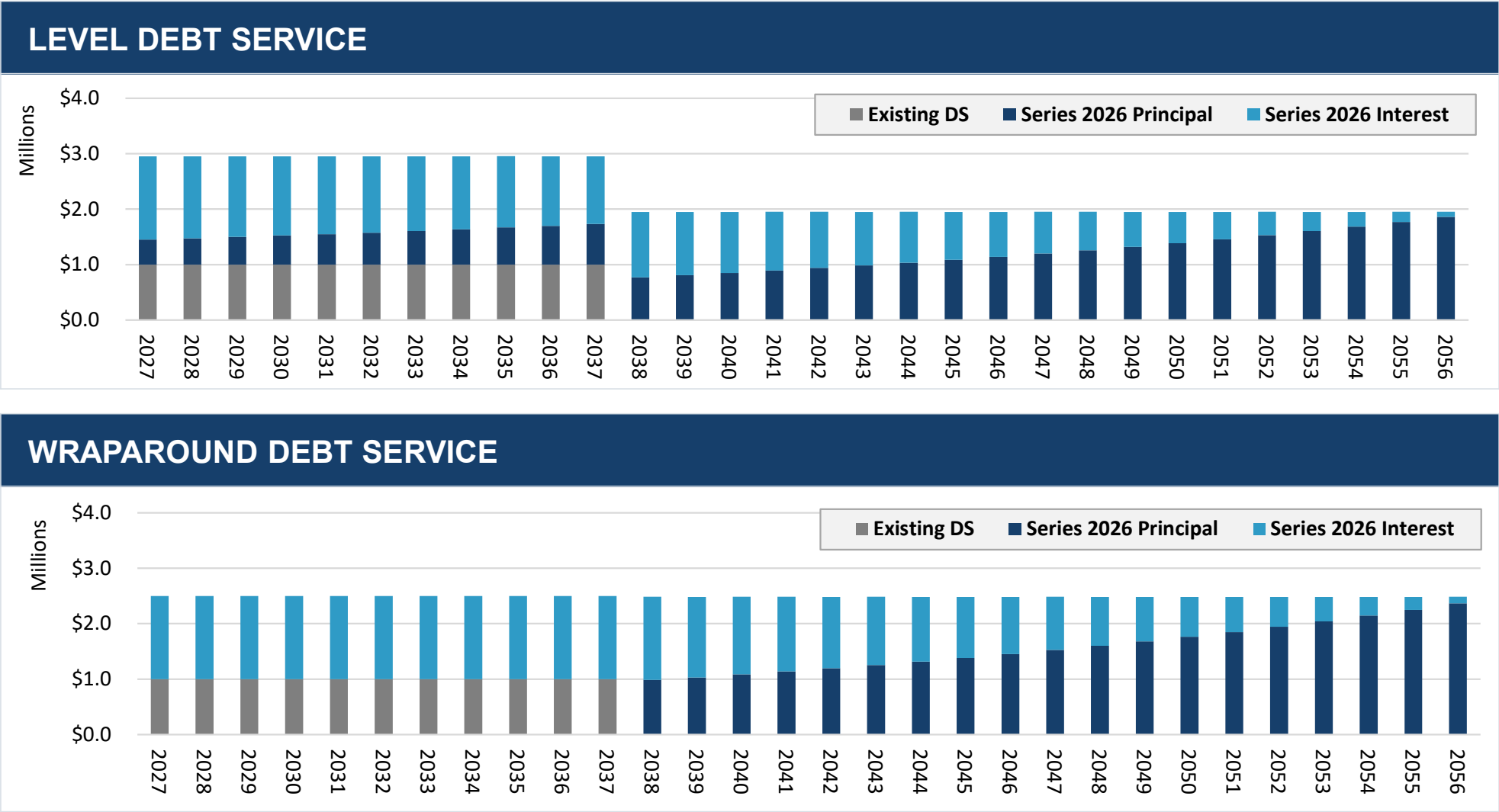
Review parity tests, anti-dilution tests, revenue-use restrictions and consent rights, and debt management policies.

DEBT STRUCTURING

- **Financial Policies:** Review financial policies, including a debt management policy if applicable
- **Pledge:** Determine the type of bonds or financing (e.g. General Obligation or Revenue) and the details of the security pledge
- **Structure:** Determine term or maturity, payment structure, and type of debt issued including bonds, notes, bank loans, etc.
 - Evaluate market conditions to determine optimal financing approach
 - Evaluate timing considerations
 - Determine financing capacity
- **Debt Service Reserve Fund:** Determine whether a debt service reserve or other reserves will be necessary as part of the financing
- **Cost of Financing:** Evaluate the estimated upfront and total cost of alternative options
- **Redemption or Prepayment Provisions:** Optional and mandatory redemption provisions
 - 10-year optional redemption provision is standard in the fixed rate municipal bond market.
 - An optional redemption date of less than 10-years can be utilized, but investors may require a premium relative to the pricing of a 10-year optional redemption provision.
 - Variable rate bonds and bank loans often contain shorter optional redemption or prepayment provisions

SAMPLE DEBT SERVICE PAYMENT STRUCTURES

LEVEL DEBT SERVICE VS. WRAPPED LEVEL DEBT SERVICE STRUCTURES



Note: Graphs shown for illustrative purposes only.

DRAFTING OF DOCUMENTS

Typical documents for bond issuance	Typical documents for a bank loan or private placement
<ul style="list-style-type: none">• Bond Resolution• Trust Indenture (for some issues)• Preliminary Official Statement• Final Official Statement• Continuing Disclosure Agreement• Bond Purchase Agreement (for negotiated sales)• Notice of Sale (for competitive sales)• Consultant reports (for some issues)• Closing Documents	<ul style="list-style-type: none">• Authorizing Resolution• Loan Agreement (many loans)• Private Placement Memorandum (some private placements)• Closing Documents

OFFICIAL STATEMENT (OFFERING DOCUMENT)

■ Official Statement (OS)

- A document prepared by or on behalf of the Issuer that discloses material information about a primary offering of municipal securities.
- Typically covers the issue's purpose, repayment sources, and financial and economic characteristics of the Issuer, conduit borrower or other obligated person.
- Investors and market intermediaries use the information to evaluate credit quality and potential offering risks.

■ Importance of disclosure

- Disclosure must be full and accurate.
- The Issuer and its governing body bear responsibility for disclosure.
- Subject to securities anti-fraud provisions

NEW ISSUE - BOOK-ENTRY ONLY See "RATING" herein

In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Series 2026 Bonds.

**\$25,800,000**
CITY OF NAPLES, FLORIDA
PUBLIC UTILITIES REVENUE BONDS,
SERIES 2026

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

The Public Utilities Revenue Bonds, Series 2026 (the "Series 2026 Bonds") are being issued by the City of Naples, Florida (the "City") as fully registered bonds without coupons, and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), acting as securities depository for the Series 2026 Bonds. Individual purchases of the beneficial interests in the Series 2026 Bonds will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers of the beneficial interests in the Series 2026 Bonds will not receive physical delivery of certificates representing their beneficial ownership in the Series 2026 Bonds. So long as any purchaser is the Beneficial Owner (as defined herein) of a Series 2026 Bond, such Beneficial Owner must maintain an account with a broker or dealer who is, or acts through, a DTC participant (as described herein). So long as Cede & Co. is the registered owner of the Series 2026 Bonds, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2026 Bonds. Interest on the Series 2026 Bonds is payable semi-annually on each March 1 and September 1, commencing March 1, 2027. Principal of the Series 2026 Bonds shall be payable on September 1 of the years and in the amounts set forth on the inside cover hereof. So long as DTC or its nominee is the registered owner of the Series 2026 Bonds, payments of the principal and interest on such Series 2026 Bonds will be made directly to DTC by U.S. Bank Trust Company, National Association, Jacksonville, Florida, as Registrar and Paying Agent, and such payments will in turn be disbursed to the Beneficial Owners through their nominees. See "Book-Entry Only System" under "DESCRIPTION OF THE SERIES 2026 BONDS" herein.

The Series 2026 Bonds are subject to redemption prior to their stated maturities, as more particularly described herein. See "DESCRIPTION OF THE SERIES 2026 BONDS - Redemption Provisions" herein.

The Series 2026 Bonds are being issued pursuant to Resolution No. 97-11868 adopted by the City Council of the City of Naples, Florida (the "City Council") on December 5, 2007, as amended by Resolution No. 13-13247 adopted by the City Council on February 20, 2013, and particularly as supplemented by Resolution No. 26-15928 adopted by the City Council on August 19, 2026 (collectively, the "Bond Resolution") for the purposes of (i) financing the costs of various capital improvements to the Utility System which may include but are not limited to the acquisition, construction and erection of additions, improvements, and extensions to the Stormwater System including without limitation the acquisition and construction of trunk mains, pump stations and collection system infrastructure, and removal of stormwater outfall pipes located on the beachfront property of the City, all in accordance with plans on file at the offices of the City, as such plans may be modified from time to time and (ii) paying costs of issuance of the Series 2026 Bonds.

The Series 2026 Bonds are payable solely from and secured by a pledge of the Net Revenues of the System levied and collected by the City, the Sewer System Development Charges, the Water System Development Charges, and the moneys in certain funds and accounts created pursuant to the Bond Resolution (collectively, the "Pledged Revenues") in the manner and to the extent provided in the Bond Resolution. The Series 2026 Bonds are being issued on a parity as to the pledge of, lien on, and source of payment from the Pledged Revenues (as defined herein) with the City's outstanding Public Utilities Refunding Revenue Bond, Series 2012A and Public Utilities Refunding Revenue Bond, Series 2012B and any Additional Parity Obligations (as defined herein) subsequently issued pursuant to the Bond Resolution. See "SECURITY FOR THE SERIES 2026 BONDS" herein.

THE SERIES 2026 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION. NO SERIES 2026 BONDHOLDER SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY TO PAY SUCH SERIES 2026 BONDS OR THE INTEREST THEREON. NO SERIES 2026 BONDHOLDER BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES PLEDGED TO THE PAYMENT OF THE SERIES 2026 BONDS, ALL IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND RESOLUTION.

SEE INSIDE COVER PAGE FOR THE MATURITY SCHEDULE

This cover page and the inside cover page contain certain information for quick reference only. They are not, and are not intended to be, a summary of the transaction. Investors must read the entire Official Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

The Series 2026 Bonds are offered when, as and if issued and received by the Underwriter, subject to the receipt of an opinion as to the validity of the Series 2026 Bonds by Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will also be passed on for the City by Matthew McConnell, Esq., City Attorney, Naples, Florida, and by Nabors, Gilbin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel to the City. Hilltop Securities Inc., Orlando, Florida, is acting as Municipal Advisor to the City. It is expected that settlement for the Series 2026 Bonds will occur through the facilities of DTC on or about September 23, 2026.

Dated: September 2, 2026

CREDIT RATINGS - OVERVIEW

▪ **Bond rating overview**

- Rate bonds according to their relative credit risk.
- Provides investors with an objective evaluation of risk when buying or holding a security.
- Reflects a credit committee's consensus opinion of the Issuer's relative credit risk.

▪ **Rating limitations**

- A rating does not guarantee future performance.
- A rating does not recommend buying, selling or holding a security.

▪ **Use of Ratings**

- A credit rating can improve the marketability of a bond issuance and reduce interest costs.
- A higher credit rating may also reduce the cost of credit enhancement or negate the benefit of credit enhancement
- Bonds in certain sectors may be sold unrated, such as community development district bonds.

RATING AGENCIES – RATING LEVELS

Long Term			Short Term		
Moody's	Fitch / S&P		Moody's	S & P	Fitch
AAA	AAA		MIG 1	SP-1+	F1+ / F1
Aa1	AA+				
Aa2	AA		MIG 2	SP-1	F2
Aa3	AA-				
A1	A+		MIG 3	SP-2	F3
A2	A				
A3	A-				
Baa1	BBB+				
Baa2	BBB				
Baa3	BBB-				
Ba1	BB+				
Ba2	BB				
...	...				
C	D				

Ratings below the line are speculative grade ("junk bonds")

MOODY'S SCORECARD – CITIES & COUNTIES

	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor: Economy (30%)									
Resident Income (Median Household Income / US MHI) ¹	10%	≥ 120%	100% - 120%	80% - 100%	65% - 80%	50% - 65%	35% - 50%	20% - 35%	< 20%
Full Value per Capita (Full Valuation of the Tax Base / Population) ¹	10%	≥ \$180,000	\$100,000 - \$180,000	\$50,000 - \$100,000	\$40,000 - \$50,000	\$25,000 - \$40,000	\$15,000 - \$25,000	\$5,000 - \$15,000	< \$5,000
Economic Growth (Difference between five-year compound annual growth in real GDP and five-year CAGR in real US GDP) ²	10%	≥ 0%	(1)% - 0%	(2.5)% - (1)%	(4.5)% - (2.5)%	(7)% - (4.5)%	(10)% - (7)%	(15)% - (10)%	< (15)%
Factor: Financial Performance (30%)									
Available Fund Balance Ratio (Available Fund Balance + Net Current Assets / Revenue) ³	20%	≥ 35%	25% - 35%	15% - 25%	5% - 15%	0% - 5%	(5)% - 0%	(10)% - (5)%	< (10)%
Liquidity Ratio (Unrestricted Cash / Revenue) ³	10%	≥ 40%	30% - 40%	20% - 30%	12.5% - 20%	5% - 12.5%	0% - 5%	(5)% - 0%	< (5)%
Factor: Institutional Framework (10%)									
	10%	The majority of revenue is not subject to externally imposed caps and the governing body can increase revenue meaningfully without limitation or without approval of voters or other governments. And The ability to meaningfully reduce expenditures is not constrained by externally imposed mandates or restrictions.	The majority of revenue is subject to externally imposed caps but the governing body can increase revenue meaningfully without the approval of voters or other governments. Or The ability to meaningfully reduce expenditures is mildly constrained by externally imposed mandates or restrictions.	The majority of revenue is subject to externally imposed caps but the governing body can increase revenue moderately without the approval of voters or other governments. Or The ability to meaningfully reduce expenditures is moderately constrained by externally imposed mandates or restrictions.	The majority of revenue is subject to externally imposed caps and the governing body can increase revenue only minimally without the approval of voters or other governments. Or The ability to meaningfully reduce expenditures is heavily constrained by externally imposed mandates or restrictions.	The majority of revenue is subject to externally imposed caps and the governing body cannot increase revenue without the approval of voters or other governments. Or The ability to meaningfully reduce expenditures is very heavily constrained by externally imposed mandates or restrictions.	The majority of revenue is subject to externally imposed caps and the governing body cannot increase revenue. Or The ability to meaningfully reduce expenditures is substantially constrained by externally imposed mandates or restrictions.	Not applicable	Not applicable
Factor: Leverage (30%)									
Long-term Liabilities Ratio (Debt + ANPL + Adjusted Net OPEB + Other Long-term Liabilities / Revenue) ⁴	20%	≤ 100%	100% - 200%	200% - 350%	350% - 500%	500% - 700%	700% - 900%	900% - 1,100%	> 1,100%
Fixed-costs Ratio (Adjusted Fixed Costs / Revenue) ⁵	10%	≤ 10%	10% - 15%	15% - 20%	20% - 25%	25% - 35%	35% - 45%	45% - 55%	> 55%
Preliminary outcome									

Source: Moody's Investors Service, Inc.

CREDIT ENHANCEMENT AND LIQUIDITY FACILITIES

- **An Issuer may realize a lower cost of funds or realize other financial objectives through the use of credit enhancement and/or liquidity support for a bond issuance**
- Banks, through the provision of letters of credit, and insurance companies, through the provision of non-cancellable insurance policies provide credit enhancement
 - Under a direct-pay letter of credit, a bank pays investors principal and interest on the related debt and is reimbursed by the Issuer of the related debt
 - Under an insurance policy, an insurance company guarantees the timely payment of principal and interest on the related debt. The Issuer of the related debt makes all payments of principal and interest, with the insurance company only making a payment upon a payment failure by the Issuer of the debt.
 - As a result of the use of credit enhancement, a debt instrument is assigned a credit rating based on such instrument of credit enhancement, typically resulting in a higher rating being assigned to the related debt, resulting in its bearing a reduced interest rate
 - Liquidity facilities (e.g. Standby Bond Purchase Agreements and Revolving Lines of Credit) are typically provided by banks. Their purpose is to provide liquidity for investors in the event of a market disruption. A letter of credit provides credit enhancement and liquidity support.

TYPES OF SALES

- **Competitive Sales**

- Underwriters bid to buy bonds at a specified date and time.
- The bid that results in the lowest cost for the Issuer, pursuant to the notice of sale, is chosen
- Underwriter is not known or involved in the process until the sale

- **Negotiated Sales**

- Interest rates and underwriting spread are determined through negotiation with the underwriter, who has been previously selected to market and sell the bonds
- Underwriter is involved earlier in the process and participates in document review and diligence with the finance team

- **Private Placements and Bank Loans**

- Interest rates are determined through negotiation with one or several investors
- An RFP process can be utilized to obtain multiple bids for a bank loan

COMPETITIVE VS. NEGOTIATED BOND SALE – OVERVIEW

Competitive Bid

- Bonds sold at a certain date and time
- Once announced, time, date, size and structure cannot be changed easily
- Underwriter's discount and insurance cost are imputed in the interest rate
- Cost is likely higher during volatile market periods and for complex credit structures

Negotiated Sale

- Pre-selected syndicate negotiates rates with the Issuer and its Municipal Advisor
- Pricing (setting interest rates) often occurs 1-3 days prior to the award date
- Size and structure can be finalized during pricing; often an iterative process
- Underwriting spreads are generally less compared to competitive sales during volatile markets since there is less uncertainty involved in the sale process

CERTAIN CONSIDERATIONS FOR COMPETITIVE & NEGOTIATED SALES

Consideration	Conditions favoring competitive sale	Conditions favoring negotiated sale
Debt structure Pledge Debt instrument	General obligation Serial or term CIBs	System or project supported revenues Derivatives, discounts, CABs
Credit quality Rating Outlook	Highly rated Stable	Lower rated Weak or negative
Market conditions Interest rates Supply & demand	Stable, predictable Strong investor demand, good liquidity, light forward calendar	Volatile or declining market Oversold market / heavy supply
Policy considerations Participation in sale of bonds Stimulation of investor interest	Broad market participation desired for sale of bonds/notes Broad market participation desired for purchase of bonds/notes	Desire to ensure the participation of MBE/WBE and/or regional and retail firms Desire to make bonds/notes available to regional investors

BOND SALE/PRICING PROCESS – NEGOTIATED SALE

Leading up to the bond sale

- Distribute the finalized Preliminary Official Statement (POS) to potential investors 1–2 weeks before sale. An investor presentation may accompany the POS.
- Place the issue on the national calendar before sale.
- Share the preliminary structure with underwriting sales personnel and potential investors in the days before sale.
- Underwriters begin preliminary pricing discussions with potential investors, typically when the POS is issued.
- Collect investor feedback on structure, coupons, spreads, call features and other terms.

Days before pricing

- Request price views from the senior manager and co-managers.
- The underwriting syndicate continues to gather feedback from potential investors.

Day before pricing

- The underwriter firms up structure and price with the issuer and municipal advisor based on market conditions and investor feedback.
- The underwriting syndicate continues to gather feedback from potential investors.

Day of Pricing

- Finalize structure for the pricing
- Senior Manager releases pricing wire with scale, priority of orders and designation policy
- Run order period (1-2 hours is common) for bonds. During such time orders are received and process monitored by Issuer and Municipal Advisor
- Review results of pricing, and reprice if appropriate
- Senior Manager negotiates the final price with Issuer and Municipal Advisor. At conclusion of discussions, Senior Manager commits to underwrite the transaction on behalf of itself and the underwriting syndicate and receives the verbal award of the bonds.
- Senior Manager allots bonds to investors (and members of the underwriting syndicate and selling group) pursuant to the order priority, subject to review and approval of Issuer and Municipal Advisor.
- Execution of a bond purchase agreement

BOND SALE/PRICING PROCESS – COMPETITIVE SALE

- **Leading up to the bond sale**

- Advertise the sale at least 10-days prior
- Distribute the finalized Preliminary Official Statement (POS) and Official Notice of Sale (NOS) to potential underwriters ~2 weeks before sale.
- Obtain CUSIP numbers for the bonds
- Place the issue on the national calendar before sale.

- **Days before pricing**

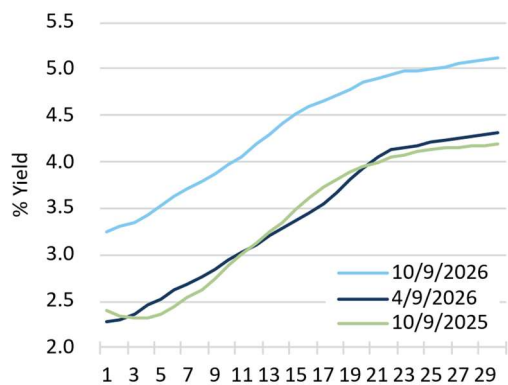
- Determine whether the structure of the bonds or sale date should be adjusted based on market conditions
- If applicable, distribute amendments to the sale date/time and/or maturity structure

- **Day of Pricing**

- Receive underwriter bids for the sale (typically electronic bids are used)
- Verify the bids are conforming to the Official Notice of Sale
- Determine the lowest conforming bidder
- Finalize the numbers and award the sale to the lowest conforming bidder

TAX-EXEMPT MARKET OVERVIEW | MMD

AAA MMD Yield Curve Comparison



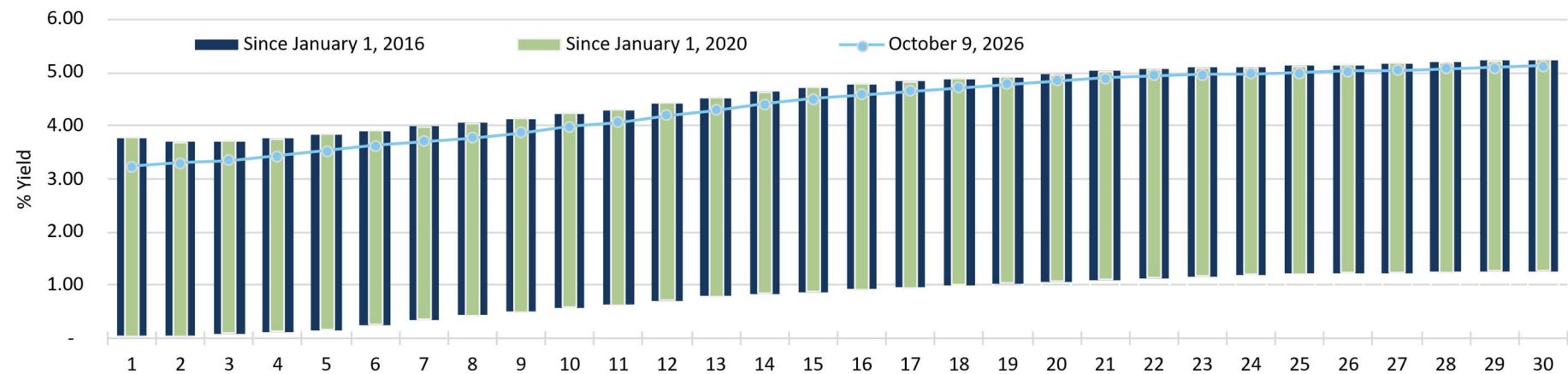
MMD Credit Spreads to AAA



AAA Yield Curve Steepness



Maximum and Minimum AAA MMD Yields



Source: Refinitiv Municipal Market Data

WHAT DOES BOND PRICING LOOK LIKE?

ILLUSTRATIVE EXAMPLE*

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)	Principal Cost
Serial Bonds:										
	10/01/2026	2,205,000	5.000%	2.430%	101.112				24,519.60	2,229,519.60
	10/01/2027	4,255,000	5.000%	2.460%	103.567				151,775.85	4,406,775.85
	10/01/2028	4,470,000	5.000%	2.540%	105.780				258,366.00	4,728,366.00
	10/01/2029	9,430,000	5.000%	2.620%	107.776				733,276.80	10,163,276.80
	10/01/2030	9,905,000	5.000%	2.730%	109.427				933,744.35	10,838,744.35
	10/01/2031	10,400,000	5.000%	2.800%	111.025				1,146,600.00	11,546,600.00
	10/01/2032	10,920,000	5.000%	2.960%	111.877				1,296,968.40	12,216,968.40
	10/01/2033	11,460,000	5.000%	2.970%	113.458				1,542,286.80	13,002,286.80
	10/01/2034	6,450,000	5.000%	3.120%	113.852				893,454.00	7,343,454.00
	10/01/2035	6,770,000	5.000%	3.200%	114.562				985,847.40	7,755,847.40
	10/01/2036	7,110,000	5.000%	3.300%	113.689 C	3.429%	10/01/2035	100.000	973,287.90	8,083,287.90
	10/01/2037	6,745,000	5.000%	3.410%	112.738 C	3.629%	10/01/2035	100.000	859,178.10	7,604,178.10
	10/01/2038	7,080,000	5.000%	3.510%	111.881 C	3.793%	10/01/2035	100.000	841,174.80	7,921,174.80
	10/01/2039	7,435,000	5.000%	3.640%	110.779 C	3.958%	10/01/2035	100.000	801,418.65	8,236,418.65
	10/01/2040	7,805,000	5.000%	3.650%	110.695 C	4.016%	10/01/2035	100.000	834,744.75	8,639,744.75
	10/01/2041	8,200,000	5.000%	3.730%	110.024 C	4.116%	10/01/2035	100.000	821,968.00	9,021,968.00
	10/01/2042	8,605,000	5.000%	3.830%	109.192 C	4.219%	10/01/2035	100.000	790,971.60	9,395,971.60
	10/01/2043	9,040,000	5.000%	3.930%	108.367 C	4.312%	10/01/2035	100.000	756,376.80	9,796,376.80
	10/01/2044	9,490,000	5.000%	4.020%	107.632 C	4.392%	10/01/2035	100.000	724,276.80	10,214,276.80
	10/01/2045	9,965,000	5.000%	4.140%	106.660 C	4.483%	10/01/2035	100.000	663,669.00	10,628,669.00
	10/01/2046	10,465,000	5.000%	4.270%	105.619 C	4.574%	10/01/2035	100.000	588,028.35	11,053,028.35
	10/01/2047	10,985,000	5.000%	4.410%	104.512 C	4.665%	10/01/2035	100.000	495,643.20	11,480,643.20
	10/01/2048	11,535,000	5.000%	4.490%	103.885 C	4.717%	10/01/2035	100.000	448,134.75	11,983,134.75
	10/01/2049	12,110,000	5.000%	4.520%	103.652 C	4.740%	10/01/2035	100.000	442,257.20	12,552,257.20
		202,835,000							18,007,969.10	220,842,969.10
Term Bond due in 2051:										
	10/01/2050	12,715,000	5.000%	4.550%	103.419 C	4.766%	10/01/2035	100.000	434,725.85	13,149,725.85
	10/01/2051	13,355,000	5.000%	4.550%	103.419 C	4.766%	10/01/2035	100.000	456,607.45	13,811,607.45
		26,070,000							891,333.30	26,961,333.30
Term Bond due in 2056:										
	10/01/2052	14,020,000	5.000%	4.680%	102.416 C	4.847%	10/01/2035	100.000	338,723.20	14,358,723.20
	10/01/2053	14,720,000	5.000%	4.680%	102.416 C	4.847%	10/01/2035	100.000	355,635.20	15,075,635.20
	10/01/2054	15,460,000	5.000%	4.680%	102.416 C	4.847%	10/01/2035	100.000	373,513.60	15,833,513.60
	10/01/2055	16,230,000	5.000%	4.680%	102.416 C	4.847%	10/01/2035	100.000	392,116.80	16,622,116.80
	10/01/2056	17,040,000	5.000%	4.680%	102.416 C	4.847%	10/01/2035	100.000	411,686.40	17,451,686.40
		77,470,000							1,871,675.20	79,341,675.20
		306,375,000							20,770,977.60	327,145,977.60

*Illustrative example only. Not reflective of current market conditions

COMPONENTS OF UNDERWRITERS' DISCOUNT

- **Management Fee**

- Compensation for structuring the issue

- **Takedown**

- Sales commission
- Varies, based on market conditions, credit, and other factors
- Proper level assures strong marketing effort
- Negotiated in advance of pricing for a negotiated sale

- **Underwriting Fee**

- Compensates for market risk associated with commitment to underwrite (place capital at risk)

- **Expenses**

- Clearance fees, Day loan charges, DTC, CUSIP, out-of-pocket, etc.
- Underwriters' Counsel for a negotiated sale

TYPES OF ORDERS

- **Priority of orders**
- **Retail**
 - Issuer may give preference to local or in-state retail orders.
 - National retail orders.
- **Group Net or Net Designated (Institutional)**
 - **Group net:** Designations follow a predetermined fixed basis, with takedown split according to syndicate liability percentages.
 - **Net designated:** The buyer determines which firms receive credit for the sale and allocates takedown under issuer policy.
- **Member orders**
 - The selling firm receives 100% of the credit and commission.
 - Usually for inventory (stock), with the lowest priority for fulfillment.
- **Selling group orders**
 - Permission for non-retail orders varies by sale.

BOND SALE/PRICING PROCESS – POST-PRICING

- **Post-pricing and bond closing activities**

- Complete the final Official Statement with the bonds' final pricing information.
- Distribute the Official Statement within seven business days after sale.
- Bond counsel coordinates the closing transcript, including all closing papers and certificates for the parties to sign.
- At closing, deliver the bonds to the senior managing underwriter's account against receipt of the purchase price by wire to the issuer or trustee.

- **Post-closing activities**

- Continuing disclosure
- Arbitrage rebate compliance
- Retention of records

BANK LOAN PROCESS / GENERAL OVERVIEW

- Preparation and distribution of a bank loan request for proposal, identifying factors such as tax-status, size, term, structure, security for the loan, and other factors
- Receipt of term sheets and evaluation of the proposals received and selection of the recommended lender, considering factors such as rate, prepayment provisions, and other terms and conditions
- Preparation of approving resolution, loan agreement, and related documents
- Approving resolution presented to the Board for approval
- Finalize the debt service / numbers for the loan
- Preparation of closing documentation
- Closing of the loan and disbursement of funds

SAMPLE TIMELINES

Public bond offering

Task / Week	1	2	3	4	5	6	7	8	9	10	11	12	13
Kick-Off Meeting & Plan of Finance Developed													
Distribution List and Financing Schedule													
Preparation of Documents													
Solicitation / Selection of Ancillary Services													
Credit Rating Agency Process													
Board Approval													
Distribution of Offering Document													
Marketing of the Bonds													
Pricing of the Bonds													
Complete Final Documents													
Pre-Closing and Closing of the Bonds													

Bank loan

Task / Week	1	2	3	4	5	6	7	8
Kick-Off Meeting & Plan of Finance Developed								
Prepare Bid Request / RFP								
Distribute Bid Request / RFP								
Solicitation / Selection of Ancillary Services (if necessary)								
Bids Due								
Negotiate / Complete Loan Documents								
Board Approval								
Pre-Closing and Closing of the Loan								

BOND REFUNDING

TAB 5

DEBT REFUNDING (REFINANCING)

Refunding proceeds fund an escrow to redeem outstanding bonds on their optional redemption date or pay debt service through final maturity. The issuer sells the refunding bonds and pays their debt service.



Advance refunding

- Refunding bonds issued more than 90 days before the refunded bonds' call date.
- Escrow yield may not exceed the arbitrage yield on tax-exempt refunding bonds.
- Generally permitted only on a taxable basis, with some exceptions, following the 2018 tax reform (Tax Cuts and Jobs Act).

Current refunding

- Refunding bonds are issued within 90 days of the refunded bonds' call date.
- Escrow yield is generally unrestricted.
- No limit on how often a tax-exempt issue may be current refunded on a tax-exempt basis.

REDEMPTION PROVISIONS

- **Variable rate bonds** can typically be called on any interest payment date or any business day at par with appropriate notice
- **Fixed rate bonds** can be called at a pre-determined date in the future (usually ten years after issuance)
- **Revenue Bonds** may have extraordinary call provisions
- Private placements and bank loans often contain tailored redemption or prepayment features
- **There is a trade-off between the call option and interest rates** – An Issuer may be charged a higher interest rate for additional flexibility to call bonds prior to maturity.
 - In the event an optional redemption provision less than ten years is not exercised, the bonds will have a “kick to maturity” greater relative to a ten year optional redemption provision.
- **Market conditions** may impact the cost of a call option, with the traditional call option for municipal bonds being approximately 10-years from the date of issuance.
 - An optional redemption date less than ten years is referred to as a “short” call

ALTERNATIVE TYPES OF BOND REFUNDINGS

▪ **Forward Delivery or Delayed Delivery Refunding**

- Closing date on refunding bonds is typically more than 30 days after setting of interest rate (pricing)
- Interest rate set in advance to lock in savings on a current refunding to happen on a future date

▪ **Cinderella Refunding**

- Debt bearing a taxable fixed rate of interest are issued to execute an advance refunding, and convert to a pre-determined tax-exempt fixed rate of interest 90 days or less prior to the redemption date of the bonds to be refunded
- Typically executed directly with banks

▪ **Tender Refunding**

- Issuer solicits outstanding bonds for tender; the participation level from investors will vary.
- The issuer can simultaneously issue new refunding bonds to currently refund the bonds that have been tendered by investors or use available cash to fund the purchase of the tendered bonds

REFUNDING: FACTORS TO CONSIDER

ESTABLISH THE GOALS FOR THE REFUNDING.

- **Savings**

- Many issuers require a minimum present value savings threshold (e.g., 3% PV savings).
- Goals may differ for depending on the refunding type.
- Issuers may also consider annual or total debt service savings.

- **Debt restructuring and covenants**

- Improve cash flow by reducing debt service during a critical period.
- Improve the debt service coverage ratio or accelerate debt retirement.
- Eliminate burdensome covenants.

- **Other considerations**

- Remaining term and principal amount of the refunded bonds.
- Execution costs and potential savings from combining the refunding with a new-money issue.
- Refunding savings relative to negative arbitrage in the escrow (escrow efficiency).

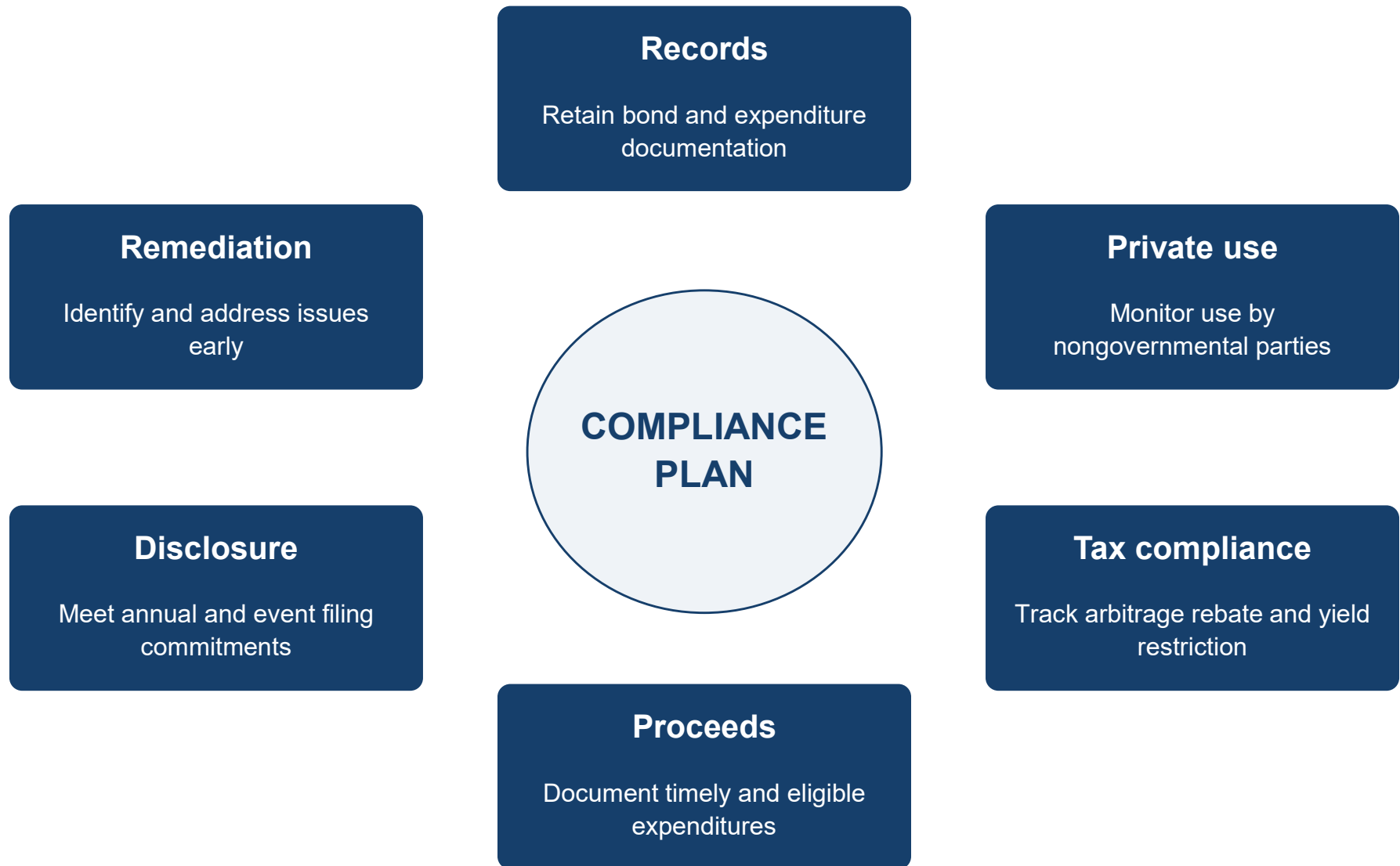
POST ISSUANCE TAB 6



Don't assume, ask.

Your outside professionals, including your municipal advisor, can help answer your questions or point you in the right direction

POST-ISSUANCE COMPLIANCE PROTECTS THE FINANCING



DISCLOSURE IS A CONTINUING OBLIGATION

At issuance

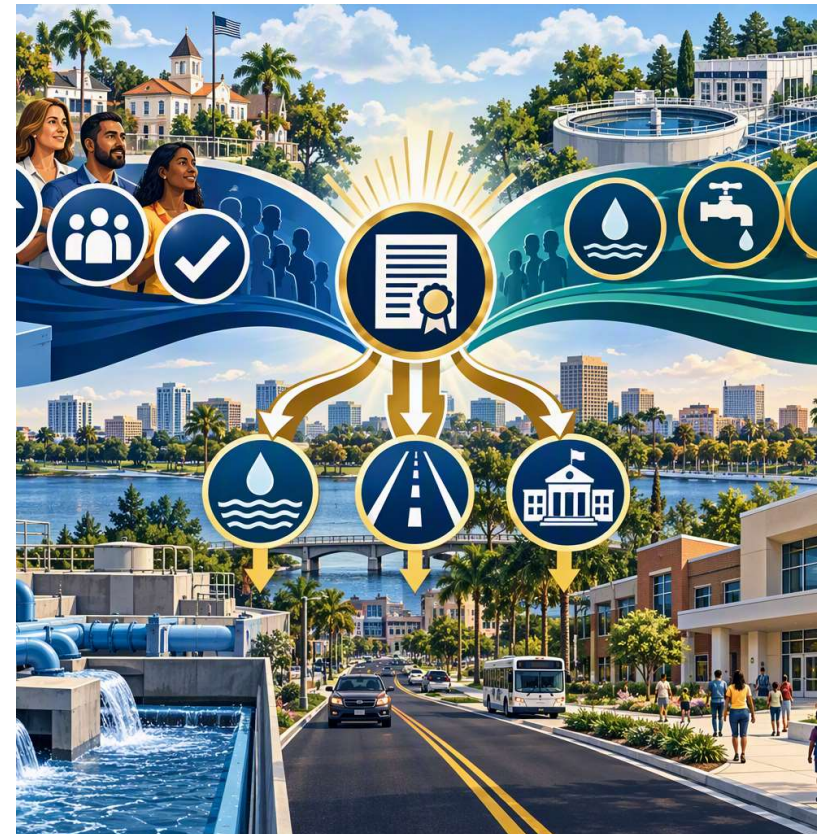
The official statement describes the bonds, security, issuer financial information and payment source. It must be complete and accurate as of its date.

Annual information

The continuing disclosure undertaking identifies required operating data, financial information, accounting principles, obligated persons and annual filing deadline.

Event notices

Specified events require notices through the MSRB's EMMA system. The 2010 amendments established a deadline not exceeding ten business days after an event occurs.



SEC RULE 15C2-12

- Issuers have an obligation to meet specific continuing disclosure standards set forth in continuing disclosure agreements (CDAs, also called continuing disclosure certificates or undertakings).
- Issuers enter into CDAs at the time of bond issuance to enable their underwriters to comply with SEC Rule 15c2-12
- This rule sets forth certain obligations of:
 - underwriters to receive, review and disseminate official statements prepared by issuers of most primary offerings of municipal securities,
 - underwriters to obtain CDAs from issuers and other obligated persons to provide listed event disclosures and annual financial information on a continuing basis, and
 - broker-dealers to have access to such continuing disclosure in order to make recommendations of municipal securities in the secondary market.
- Prohibits an Underwriter from buying or selling bonds without first determining that the Issuer has agreed to provide ongoing disclosure of certain information including:
 - Annual Financial Information (tables)
 - Audited Financial Statements
 - Material Event Notices
- Requires the Issuer to include language in their Official Statements describing any material non-compliance with continuing disclosure requirements in the five years prior to the offering.

IS MY DEBT ISSUE SUBJECT TO 15C2-12 REQUIREMENTS?

Generally, YES...if

- Issue has Underwriter responsible for primary offering
- Issue amount greater than \$1 million
- Issued in denominations less than \$100,000

Generally, NO...if

- If issued in denominations of \$100,000 or more and
 - Sold to no more than 35 persons
 - Have a maturity of 9 months or less, or
 - May be tendered to the issuer at par value or above every 9 months until maturity

CONTINUING DISCLOSURE: REQUIREMENTS AND REPORTING

Required disclosures

- File the annual audit on EMMA. The CDA may also require a budget.
- Report the issuer's financial and operating data required by the Continuing Disclosure Agreement (CDA) in the Official Statement.
- Consolidate the CDA requirements for outstanding bond issues into one annual disclosure report.
- File material event notices on EMMA within 10 business days of occurrence.

Voluntary disclosures

- Issuers may make additional information publicly available on EMMA beyond SEC Rule 15c2-12 requirements.

Reporting process

- Establish an MSRB account for EMMA reporting (www.msrb.org).
- Review each CDA in the Official Statement to identify required financial information, operating data, audit and filing deadline.

Filing deadlines (other than event notices)

- Deadlines are typically 6 to 9 months after fiscal year-end. Some CDAs specify 6 to 12 months, with filing due on the last day of the month.
- Other CDAs specify 180 or 270 days. These differ from 6 or 9 months. Use a date calculator to determine the precise deadline.

Dissemination Agents

- Issuers can utilize third party disseminations agents to assist with continuing disclosure filings

SEC RULE 15C2-12 - MATERIAL EVENT NOTICES

No.	Material event
1	Principal and interest payment delinquencies
2	Non-payment related defaults, if material
3	Unscheduled draws on debt service reserves reflecting financial difficulties
4	Unscheduled draws on credit enhancements reflecting financial difficulties
5	Substitution of credit or liquidity providers, or their failure to perform
6	Adverse tax opinions, IRS notices or material events affecting the tax status of the security
7	Modifications to rights of security holders, if material
8	Bond calls, if material, and tender offers
9	Defeasances
10	Release, substitution or sale of property securing repayment of the securities, if material
11	Rating changes
12	Bankruptcy, insolvency, receivership or similar event of the obligated person
13	Merger, consolidation or acquisition of the obligated person or issuer, if material
14	Appointment of a successor or additional trustee or name change of a trustee, if material
15	Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, any of which affect security holders; and
16	Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties

***Must be filed within 10 business days of their occurrence**

WHY IS COMPLIANCE WITH SEC RULE 15C2-12 IMPORTANT?

- According to the Rule, Underwriters are prohibited from buying or selling municipal securities unless the Issuer has committed to providing ongoing continuing disclosure
- Underwriters may choose to not bid on a transaction if they are unable to confirm that all applicable continuing disclosure has been made
- **Non-compliance language must be included in any public offering documents for the subsequent five years**
- Serious or ongoing non-compliance issues could limit access to the capital markets, which may increase borrowing costs
- Serious non-compliance could also lead to lower bond ratings or negative rating actions
- Inaccurate statements in bond offering documents is considered securities fraud and subject to increased SEC enforcement, including **financial penalties for Issuers and Government Officials**

GENERAL ARBITRAGE REBATE REQUIREMENTS OVERVIEW

WHAT IS ARBITRAGE?

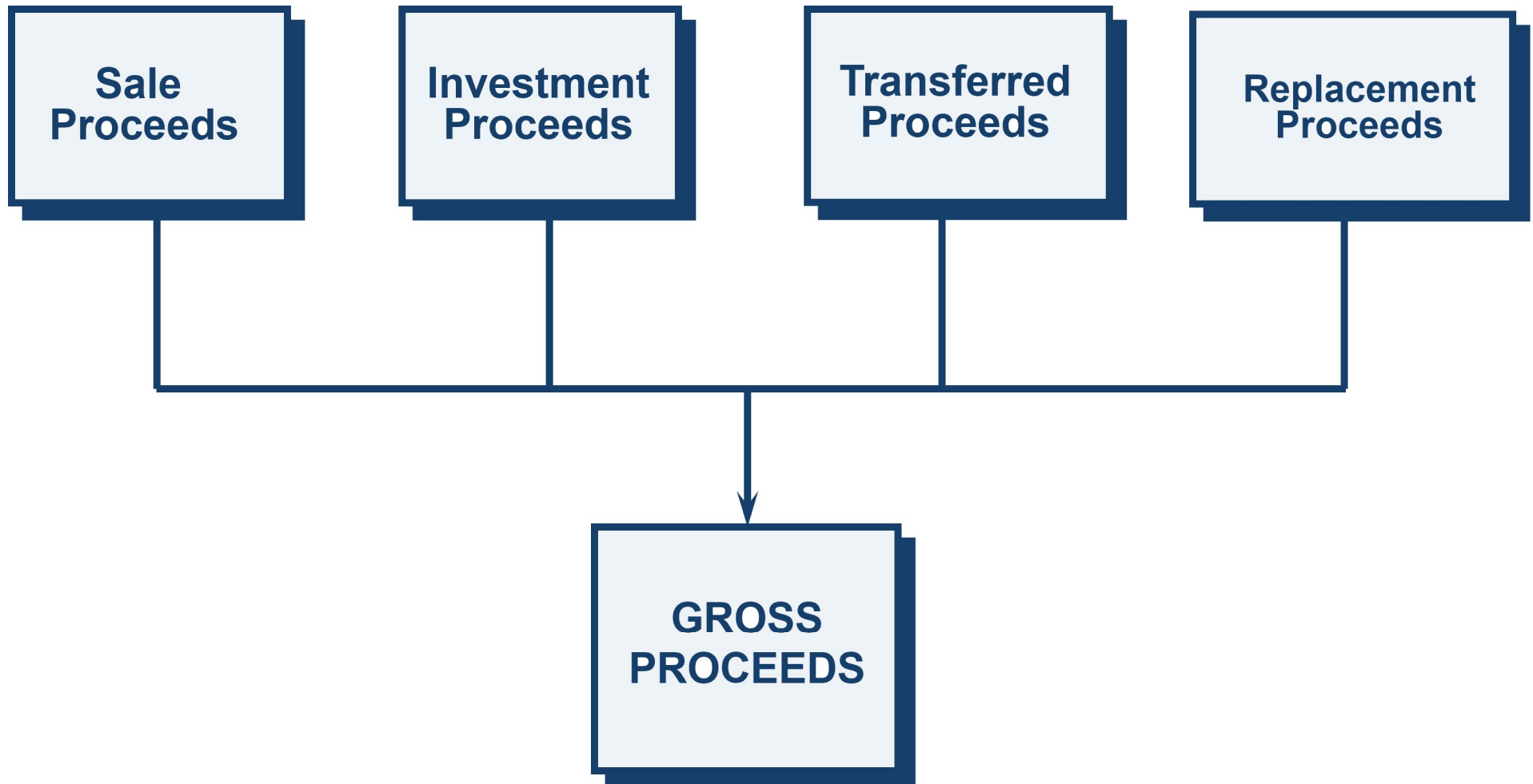
- Arbitrage is profit from buying in one market and selling in another.
- In our case, borrowing in the tax-exempt market and investing in the taxable market.
- Interest rates are generally higher in the taxable market to compensate investors for taxes.
- Arbitrage is the profit from taking advantage of the market differentials.

IN A NUTSHELL

- Present value principal and interest payments (bond yield)
- Future value investment cash flows at bond yield
- If investment yield greater than bond yield, you owe.
- Less than, too bad. no subsidy or offset.

GENERAL REBATE REQUIREMENTS

FUNDS SUBJECT TO ARBITRAGE REQUIREMENTS (“GROSS PROCEEDS”)



REBATE VS. YIELD RESTRICTION

TWO SEPARATE SETS OF RULES

ARBITRAGE REBATE

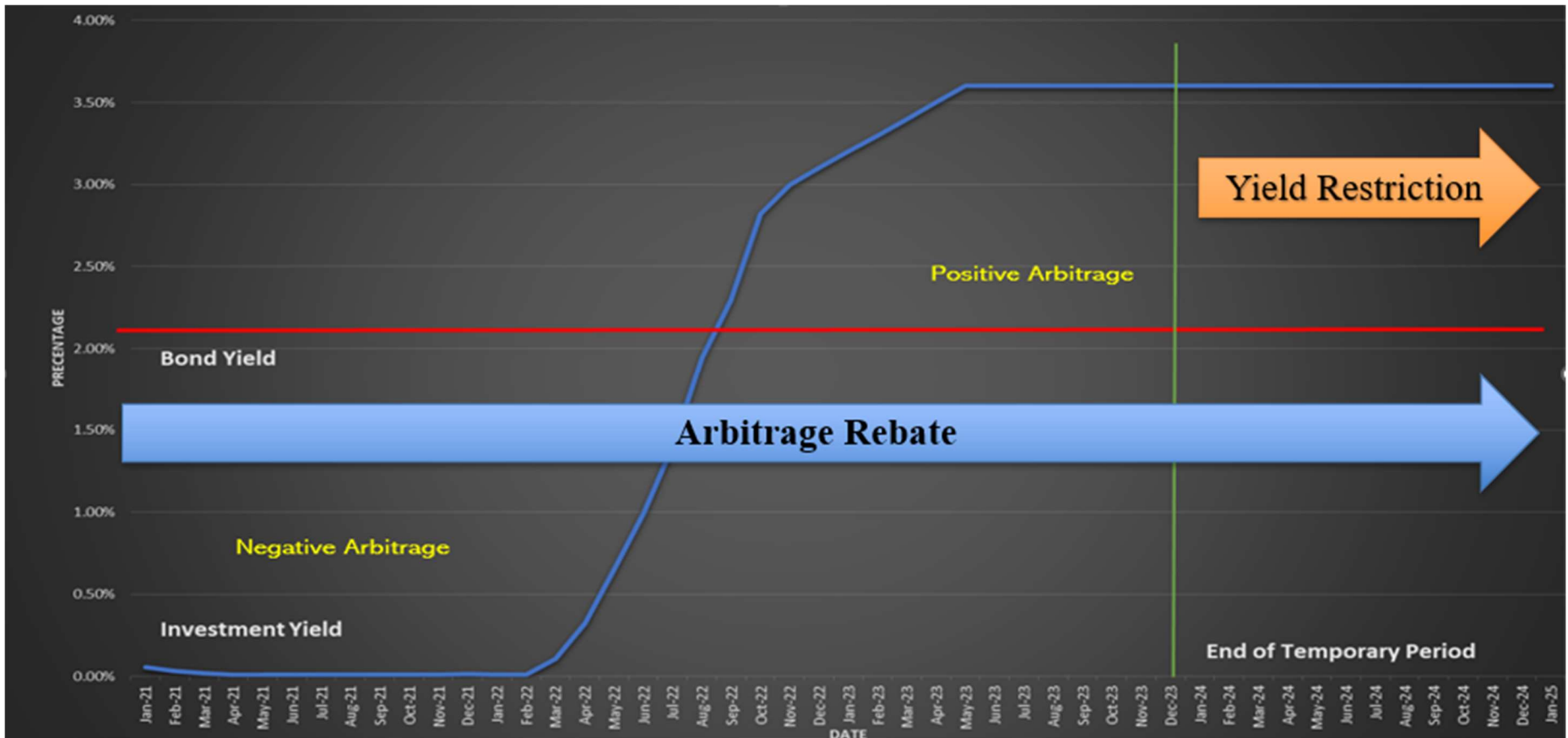
- Rebate is the excess earnings over the bond yield on a cumulative basis from inception of the issue.
- Mandates when you must remit arbitrage (profits) to the IRS

YIELD RESTRICTION

- Yield Restriction starts after a “Temporary Period” or is based on a “Size Limitation” and computed on the excess earning over the “Materially Higher” bond yield.
- Governs when you may legally earn arbitrage without jeopardizing the tax-exempt status of the bonds.
- No Computation Credits for Yield Restriction

YIELD RESTRICTION

ARBITRAGE REBATE VS. YIELD RESTRICTION BIG PICTURE



Source: Texstar Monthly Rate History

YIELD RESTRICTION

TEMPORARY PERIODS

CAPITAL PROJECTS

In general, the net sale and investment proceeds of an issue that are expected to be used for capital projects will qualify for a temporary period of 3-years beginning on the issue date.

Reasonable expectations

- Expenditure test: Spend 85% of sale proceeds within 3 years.
- Time test: Contract to spend at least 5% of sale proceeds within 6 months.
- Due diligence test: Completion of the projects (allocation of net sale proceeds to expenditures) proceed with due diligence.

OTHER TEMPORARY PERIODS

Long-term capital projects

5 years

Pooled financing (loan programs)

6 months

Bona fide debt service funds

13 months

Investment proceeds

1 year

An issuer may elect to waive the temporary period on or before the date of issuance.

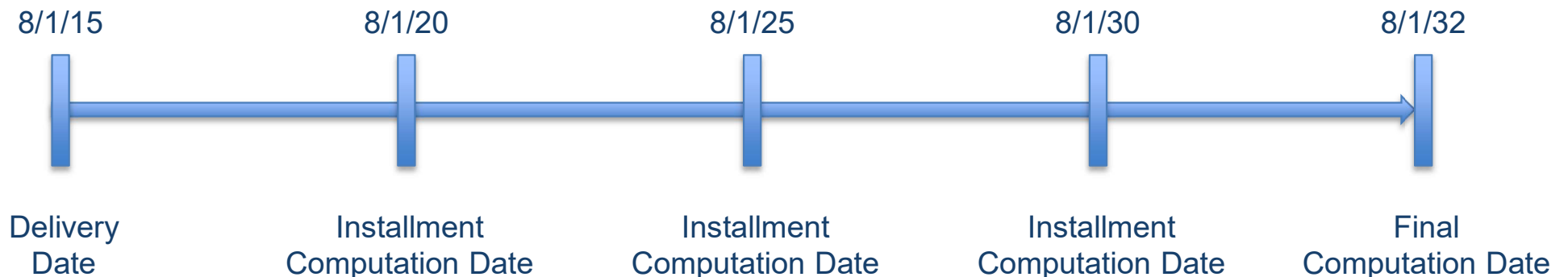
GENERAL REBATE REQUIREMENTS

INSTALLMENT CALCULATION DATES

- Installments must be paid at least every 5th Bond Year (§1.148-3(f)).
- Bond Year is each one-year period ending on the date selected by the Issuer.
- If no date is selected by the Issuer, bond year ends on each anniversary date of the issue.
- Installment payable within 60 days. Installment Date: Amount that when added to future value of previous payments equals at least 90% of rebate amount .

FINAL COMPUTATION DATE

- Date all bonds of an issue have been retired (matured or redeemed early).
- Cash defeasance or refunding may accelerate.
- Payment due within 60 days. 100% of unpaid rebate amount.



GENERAL REBATE REQUIREMENTS

PENALTIES OF NONCOMPLIANCE WITH ARBITRAGE REGULATIONS

- Loss of Tax-Exemption on the issue; or
- Assessment of penalties and interest

FAILURE TO PAY REBATE

Bonds will be declared taxable unless:

- Failure was not due to willful neglect and
- Issuer pays a penalty to the United States

WAIVER OF PENALTY

- May be waived if rebate amount, plus interest, paid within 180 days of the failure's discovery
- Waiver not allowed if IRS determines the failure was due to Willful Neglect or issue is under examination by the IRS

EXCEPTIONS TO REBATE

SPENDING EXCEPTIONS

Exception	Applicability	Spending
6-Month	All Issuers, All Expenditures	6-Months: 100%
18-Month	All Issuers, All Expenditures	6-Months: 15% 12-Months: 60% 18-Months: 100%
24-Month	Governmental and Section 501(c)(3), 75% Brick and Mortar	6-Months: 10% 12-Months: 45% 18-Months: 75% 24-Months: 100%

- Small Issuer Exemption - \$5 million or less in tax-exempt debt during a calendar year. School Districts (K-12) \$15 million or less during a calendar year (no more than \$5 million for non-construction).
- Debt Service Funds: Depleted at least once a year except for a Reasonable Carryover Amount.
- Investment in Tax-Exempt Obligations

REGULATORY DISCLOSURES

APPENDIX A

DISCLOSURE

This communication is intended for issuers for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product or service. Financial transactions may be dependent upon many factors such as, but not limited to, interest rate trends, tax rates, supply, change in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of such changes in such assumptions may be material and could affect the projected results. Any outcome or result HilltopSecurities, or any of its employees, may have achieved on behalf of our clients in previous matters does not necessarily indicate similar results can be obtained in the future for current or potential clients. HilltopSecurities makes no claim the use of this communication will assure a successful outcome. This communication is intended for institutional use only. For additional information, comments or questions, please contact Hilltop Securities Inc.

The general market commentary herein is intended for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this market commentary was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. This market commentary represents historical information only and is not an indication of future performance. This market commentary may not be shared with anyone other than the intended recipient without the explicit written consent of HilltopSecurities.

This information is intended to be a summary of general market information. HilltopSecurities is not recommending an action to you as the municipal entity or obligated person. This commentary does not represent municipal advice pursuant to Section 15B of the Exchange Act. HilltopSecurities is acting for its own interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate. When not already acting as a municipal advisor, HilltopSecurities could seek to serve as an underwriter on a future transaction. The primary role of an underwriter is to purchase securities with a view to distribution in an arms-length, commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the issuer.

MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement (“Conflict Disclosures”) is provided by Hilltop Securities Inc. (“the Firm”) to disclose information regarding conflicts of interest and legal or disciplinary events of the Firm that are required to be disclosed to potential clients pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients’ disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm’s conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to clients, which includes a duty of loyalty to clients in performing all municipal advisory activities for clients. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with client and to act in the client’s best interests without regard to the Firm’s financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm’s municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities. Hilltop Securities Asset Management (HSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm’s arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate Hilltop Securities Asset Management (HSAM), provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer’s annual filings and public notification of material events. The Firm administers government investment pools. These programs offer governmental entities investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned affiliate’s business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client’s business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client’s business activities with the affiliates. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

II. PlainsCapital Bank Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities. Affiliate, PlainsCapital Bank, provides banking services to municipalities including loans and custody. The Firm and the aforementioned affiliate’s business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client’s business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client’s business activities with the affiliates. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

MUNICIPAL ADVISOR DISCLOSURE STATEMENT (CONTINUED)

III. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of other clients. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to all its municipal advisory clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to any specific client.

IV. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of its clients, and therefore the Firm could have interests in conflict with a client with respect to the value of the client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire a municipal advisory client's securities issued in an issue under a municipal advisory agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with the client in that it could create the incentive for the Firm to make recommendations to the client that could result in more advantageous pricing of the client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to any client under a municipal advisory agreement.

V. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of the firm's municipal advisory clients, may be undertaken on behalf of, or as counterparty to, the client, personnel of the client, and current or potential investors in the securities of the client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of the Firm's municipal advisory clients, such as when their buying or selling of the municipal advisory client's securities may have an adverse effect on the market for municipal advisory client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to the municipal advisory client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to its municipal advisory clients.

VI. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to its clients, or to advise clients to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by the client and the Firm of, among other things, the expected duration and complexity of the transaction and the scope of municipal services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

MUNICIPAL ADVISOR DISCLOSURE STATEMENT (CONTINUED)

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if the client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's BrokerCheck webpage.
- From July 2011 to October 2015, Hilltop failed to submit required MSRB Rule G-32 information to EMMA in connection with 122 primary offerings of municipal securities for which the Firm served as placement agent. During the period January 2012 to September 2015, the Firm failed to provide MSRB Rule G-17 letters to issuers in connection with 119 of the 122 offerings referenced above. From October 2014 to September 2015, the Firm failed to report on Form MSRB G-37 that it had engaged in municipal securities business as placement agent for 45 of these 122 offerings. This failure was a result of a misunderstanding by one branch office of Southwest Securities. Hilltop discovered these failures during the merger of FirstSouthwest and Southwest Securities and voluntarily reported them to FINRA. The Firm paid a fine of \$100,000 for these self-reported violations.
- In connection with a settlement on July 9, 2021, the U.S. Securities and Exchange Commission found that, between January 2016 and April 2018, the Firm bought municipal bonds for its own account from another broker-dealer and that, on occasion during that time period, the other broker-dealer mischaracterized the Firm's orders when placing them with the lead underwriter. The SEC found that, among other things, the Firm lacked policies and procedures with respect to how stock orders were submitted for new issues bonds to third parties, including the broker-dealer that mischaracterized the Firm's orders. The SEC found violations of MSRB Rules G-27, G-17, and SEC rule 15B(c)(1) and a failure to reasonably supervise within the meaning of Section 15(b)(4)(E) of the Securities Exchange Act of 1934. The Firm was censured and ordered to pay disgorgement of \$206,606, prejudgment interest of \$48,587 and a penalty of \$85,000.
- On August 14, 2024, the Securities and Exchange Commission ("SEC") entered into a settlement order with Hilltop Securities Inc. ("Hilltop") to settle an administrative action finding that Hilltop failed to (1) maintain and preserve off-channel communications related to Hilltop's broker-dealer business, as well as related to recommendations made or proposed to be made and advice given or proposed to be given with respect to Hilltop's investment advisory business; and (2) reasonably supervise its personnel with a view to preventing or detecting certain of its personnel's aiding and abetting violations of certain provisions of the federal securities laws. Hilltop admitted to the facts in the settlement order, acknowledged its conduct violated the federal securities laws, and agreed to: (a) a cease-and-desist order, (b) a censure, (c) payment of a civil monetary penalty in the amount of \$1,600,000, and (d) certain undertakings related to the retention of electronic communications.

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at Forms MA and MA-I. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org> and the Firm's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

MUNICIPAL ADVISOR DISCLOSURE STATEMENT (CONTINUED)

PART C – MSRB Rule G-10 Disclosure

MSRB Rule G-10 covers Investor and Municipal Advisory Client education and protection. This rule requires that municipal advisors make certain disclosures to all municipal advisory clients. This communication is a disclosure only and does not require any action by the firm's municipal advisory clients. The disclosures are noted below.

Hilltop Securities Inc. is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.

You can access the website for the Municipal Securities Rulemaking Board at www.msrb.org

The Municipal Securities Rulemaking Board has posted a municipal advisory client brochure. A copy of the brochure is attached to the memo. This link will take you to the electronic version MA-Clients-Brochure.

PART D – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Municipal Advisor Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

