

AGENDA FOR THE
CITY OF KERRVILLE, TEXAS.
HEALTH FACILITIES DEVELOPMENT CORPORATION
TUESDAY, SEPTEMBER 22, 2015, 6:00 P.M.
CITY HALL COUNCIL CHAMBERS
701 MAIN STREET, KERRVILLE, TEXAS

1. **Call To Order**
2. **Appoint Officers**
3. **Approve refinancing by the Peterson Regional Medical Center of the Hospital Revenue Bonds by the City of Kerrville, Texas Health Facilities Development Corporation Hospital Revenue Bonds (Sid Peterson Memorial Hospital Project) Series 2005**
4. **Adjournment**

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the City hall of the City of Kerrville, Texas, and said notice was posted on the following date and time: September 18, 2015 at 4:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Todd Parton
City Manager, City of Kerrville, Texas

**TO BE CONSIDERED BY THE
HEALTH FACILITIES DEVELOPMENT CORPORATION
CITY OF KERRVILLE, TEXAS**

SUBJECT: Consider refinancing by the Peterson Regional Medical Center of the Hospital Revenue Bonds by the City of Kerrville, Texas Health Facilities Development Corporation Hospital Revenue Bonds (SID Peterson Regional Memorial Hospital Project) Series 2005

FOR AGENDA OF: Sep. 22, 2015 **DATE SUBMITTED:** Sep. 16, 2015

SUBMITTED BY: Todd Parton **CLEARANCES:** Todd Parton
City Manager City Manager

EXHIBITS: Articles of Incorporation for the HFDC
McCall, Parkhurst & Horton L.L.P. Letter – Dated 9/29/2005

AGENDA MAILED TO:

APPROVED FOR SUBMITTAL BY CITY MANAGER: 

Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$0	\$0	\$0	

PAYMENT TO BE MADE TO:

REVIEWED BY THE FINANCE DEPARTMENT:

SUMMARY STATEMENT

On July 29, 2005, the City of Kerrville created the Health Facilities Development Corporation (HFDC). The corporation was created exclusively to issue bonds on behalf of the City of Kerrville to acquire, construct, provide, improve, finance, and refinance health facilities to assist the maintenance of the public health. This entity is authorized to issue tax exempt bonds for qualifying health projects pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

On October 3, 2005, the HFDC authorized the tax exempt sale of approximately \$83 million in revenue bonds to fund the construction of the new Peterson Regional Medical Center. Pursuant to a loan agreement between the HFDC and the hospital, the Sid Peterson Memorial Hospital is obligated to make the debt service payments. Please see the letter attached letter from McCall, Parkhurst & Horton L.L.P., dated September 29, 2005.

As of April 2005, the original bond issue is eligible to be refinanced. PRMC desires to refinance the outstanding balance in order to take advantage of the current rate environment. PRMC would remain fully responsible for the debt service and the debt issuance would not have a financial impact on the city. Additionally, PRMC would be responsible for the fees/costs associated with the refinancing.

The refinancing process would be scheduled to commence in October 2015. PRMC is scheduled to have the bond sale complete and be funded by December 31, 2015.

RECOMMENDED ACTION

City staff recommends that the Health Facilities Development Corporation approve the request to refinance the 2005 Series with the following condition that all fees related to this issuance are paid by PRMC and that city staff be directed to coordinate with PRMC to initiate the refinancing process.



Office of the Secretary of State

CERTIFICATE OF INCORPORATION
OF

CITY OF KERRVILLE, TEXAS HEALTH FACILITIES DEVELOPMENT
CORPORATION
Filing Number: 800526090

The undersigned, as Secretary of State of Texas, hereby certifies that Articles of Incorporation for the above corporation, pursuant to the provisions of the Health Facilities Development Act have been received in this office and have been found to conform to law.

ACCORDINGLY, the undersigned, as such Secretary of State, and by virtue of the authority vested in the Secretary by law, hereby issues this Certificate of Incorporation.

Dated: 08/02/2005

Effective: 08/02/2005



A handwritten signature in black ink that reads "Roger Williams".

Roger Williams
Secretary of State

FILED
In the Office of the
Secretary of State of Texas
AUG 02 2005

**ARTICLES OF INCORPORATION
OF THE
CITY OF KERRVILLE, TEXAS
HEALTH FACILITIES DEVELOPMENT CORPORATION**

Corporations Section

THE STATE OF TEXAS :
COUNTY OF KERR :
CITY OF KERRVILLE :

WE, THE UNDERSIGNED natural persons, not less than three in number, each of whom is at least 18 years of age, and each of whom is a resident of the **CITY OF KERRVILLE, TEXAS** (the "City"), acting as incorporators of a nonprofit health facilities development corporation under *Chapter 221, Texas Health and Safety Code*, as amended (the "Act"), with the approval of the governing body of the City, as evidenced by the Resolution attached hereto and made a part hereof for all purposes, do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE ONE

NAME OF CORPORATION

The name of the Corporation is the **CITY OF KERRVILLE, TEXAS HEALTH FACILITIES DEVELOPMENT CORPORATION** (the "*Corporation*").

ARTICLE TWO

TYPE OF CORPORATION

The Corporation is a nonprofit health facilities development corporation under the Act.

ARTICLE THREE

PERIOD OF DURATION

The period of duration of the Corporation is perpetual.

ARTICLE FOUR

PURPOSE

The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City, and the specific purpose for which the Corporation is organized and may issue bonds on behalf of the City is to acquire, construct, provide, improve, finance, and refinance health facilities to assist the maintenance of the public health pursuant to the Act.

The Corporation is a constituted authority and a public instrumentality within the meaning of the regulations of the United States Treasury Department and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, and the Corporation is authorized to act on behalf of the City as provided in these Articles of Incorporation. However, the Corporation is not a political subdivision or political corporation of the State of Texas within the meaning of its constitution and laws, including without limitation Article III, Section 52 of said constitution, and no agreements, bonds, debts or obligations of the Corporation are or shall ever be deemed to be the agreements, bonds, debts or obligations, or the lending of credit, or a grant of public money or thing of value, of or by the City, or any other political corporation, subdivision or agency of the State of Texas, or a pledge of the faith and credit of any of them.

ARTICLE FIVE

MEMBERSHIP

The Corporation has no members and is a nonstock corporation.

ARTICLE SIX

INITIAL REGISTERED OFFICE AND AGENT

The street address of the initial registered office of the Corporation is 800 Junction Highway, Kerrville, Texas 78028 and the name of its initial registered agent at such address is Brenda Craig, City Clerk, City of Kerrville, Texas.

ARTICLE SEVEN

BOARD OF DIRECTORS

The affairs of the Corporation shall be managed by a five (5) member board of directors [or such greater or lesser number (but, pursuant to Section 221.024(a) of the Act, in no event less than three) to be equivalent at all times with the total number of positions constituting the City Council of the City] which shall be composed in its entirety of persons who are members of the

City Council of the City, and whose terms of office shall be fixed by, and run coterminous with, their respective terms of office as members of the City Council of the City; provided, however, in accordance with Section 221.024(b) of the Act, in no event shall a single term of office run for more than six years. A director shall hold office for the term to which the director is qualified and until a successor is qualified. A director serves without compensation but shall be entitled to reimbursement for actual expenses incurred in the performance of duties under the Act. The Corporation and the directors shall be subject to both the *Texas Open Meetings Act* and the *Texas Open Records Act* (Chapters 551 and 552, Texas Government Code, as amended).

The names and street addresses of the persons who are to serve as the initial directors (which is composed of the current members of the City Council of the City) and the date of expiration of their initial terms as directors (which terms shall commence on the date these Articles of Incorporation are filed with the Secretary of State's office and end on the last day of their respective terms of office as members of the City Council of the City) are as follows:

<u>NAME/POSITION</u>	<u>ADDRESS</u>	<u>EXPIRATION DATE OF INITIAL TERM</u>
Stephen P. Fine (Mayor)	800 Junction Highway Kerrville, Texas 78028	May 23, 2006
Todd A. Bock (Place 1)	800 Junction Highway Kerrville, Texas 78028	May 22, 2007
Carl Meek (Place 2)	800 Junction Highway Kerrville, Texas 78028	May 22, 2007
David Wampler (Place 3)	800 Junction Highway Kerrville, Texas 78028	May 23, 2006
Eugene C. Smith (Place 4)	800 Junction Highway Kerrville, Texas 78028	May 23, 2006

ARTICLE EIGHT

DIRECTOR LIABILITY

To the fullest extent permitted by Texas statutes, as the same exist or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits broader limitations than permitted prior to such amendment), a director of the Corporation shall not be liable, or shall be liable only to the extent provided in these Articles of Incorporation, to the Corporation for monetary damages for an act or omission in the director's capacity as a director. Any repeal or amendment of this Article shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or amendment.

ARTICLE NINE

INCORPORATORS

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>
Todd A. Bock	800 Junction Highway Kerrville, Texas 78028
Carl Meek	800 Junction Highway Kerrville, Texas 78028
Eugene C. Smith	800 Junction Highway Kerrville, Texas 78028
David Wampler	800 Junction Highway Kerrville, Texas 78028

Each of the incorporators resides in the City of Kerrville, Texas.

ARTICLE TEN

AMENDMENTS TO ARTICLES OF INCORPORATION

These Articles of Incorporation may at any time and from time to time be amended as provided in the Act if the governing body of the City by appropriate resolution finds and determines that such amendment is advisable and authorizes or directs that such amendment be made.

ARTICLE ELEVEN

DIVIDENDS AND EARNINGS

No dividends shall ever be paid by the Corporation and no part of its net earnings remaining after payment of its expenses shall be distributed to or inure to the benefit of its directors or officers or any individual, firm, corporation or association, except that in the event the board of directors shall determine that sufficient provision has been made for the full payment of the expenses, bonds and other obligations of the Corporation, then any net earnings of the Corporation thereafter accruing shall be paid to the City. No part of the Corporation's activities shall be carrying on propaganda, or otherwise attempting to intervene in, (including the publishing or distributing of influence legislation, and it shall not participate in, or statements), any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE TWELVE

DISSOLUTION

If the Corporation ever should be dissolved when it has, or is entitled to, any interest in any funds or property of any kind, real, personal or mixed, such funds or property or rights thereto shall not be transferred to private ownership, but shall be transferred and delivered to the City after satisfaction or provision for satisfaction of debts and claims.

ARTICLE THIRTEEN

AUTHORIZATION AND APPROVAL BY CITY

The City has specifically authorized the Corporation by Resolution to act on its behalf to further the public purposes stated in said Resolution and these Articles of Incorporation, and the City has by said Resolution approved these Articles of Incorporation. A copy of said Resolution is attached to these Articles of Incorporation and made a part hereof for all purposes.

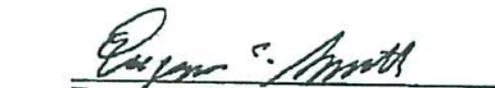
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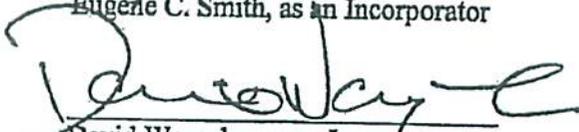
EXECUTED THIS 29TH DAY OF JULY, 2005.

INCORPORATORS


Todd A. Bock, as an Incorporator


Carl Meek, as an Incorporator


Eugene C. Smith, as an Incorporator


David Wampler, as an Incorporator

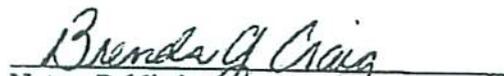
ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF KERR

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I, the undersigned, a Notary Public in and for the State of Texas, do hereby certify that on this 29 day of July, 2005, personally appeared Todd A. Bock, Carl Meek, Eugene C. Smith, and David Wampler, each being by me first duly sworn, severally declared that they are the persons who signed the foregoing Articles of Incorporation as incorporators and in their respective capacities, as shown above and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year above written.


Notary Public in and for the State of Texas
My Commission Expires 12-4-05

(NOTARY SEAL)



[SIGNATURE PAGE FOR THE ARTICLES OF INCORPORATION OF THE
CITY OF KERRVILLE, TEXAS HEALTH FACILITIES DEVELOPMENT CORPORATION]



THE CITY OF

KERRVILLE, TEXAS

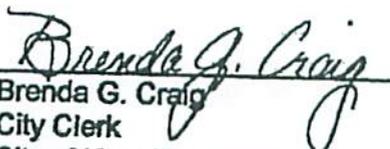


STATE OF TEXAS

COUNTY OF KERR

I, Brenda G. Craig, hereby certify that I am the City Clerk of the City of Kerrville, Kerr County, Texas, and that the minutes, resolutions, ordinances, regulations, codes, and laws of the City of Kerrville are kept under my custody and control, and that the attached is a true and correct copy of Resolution No. 060-2005 as the same appears on file in the City Clerk's Office of the City of Kerrville, Texas.

In Testimony Whereof, I have hereunto set my hand and seal and affixed the official Seal of the City of Kerrville, Texas, this the 29th day of July, 2005.


Brenda G. Craig
City Clerk
City of Kerrville, Texas

CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 060-2005

RESOLUTION AUTHORIZING AND APPROVING THE CREATION OF A
HEALTH FACILITIES DEVELOPMENT CORPORATION TO ACT ON BEHALF
OF THE CITY OF KERRVILLE AND APPROVING ARTICLES OF
INCORPORATION AND BYLAWS FOR THE CORPORATION

WHEREAS, the City of Kerrville, Texas (the "City") is a duly created political subdivision of the State of Texas operating as a home-rule municipality pursuant to the laws of the State of Texas and its City Charter; and

WHEREAS, a written application from three residents of the City, who are citizens of the State of Texas and at least 18 years of age, has been filed with the City Council for the creation of a nonprofit health facilities development corporation in accordance with the provisions of Chapter 221, Texas Health and Safety Code, as amended (the "Act"), to promote and develop new, expanded or improved health facilities in order to assist the maintenance of the public health and public welfare; and

WHEREAS, it is hereby officially found and determined that the formation of a nonprofit health facilities development corporation is wise, expedient, necessary, or advisable and that it is in the public interest and to the benefit of the City's residents and the citizens of the State of Texas that a nonprofit health facilities development corporation be authorized and created pursuant to the provisions of the Act to acquire, construct, provide, improve, finance, and refinance health facilities in order to assist the maintenance of the public health pursuant to the Act; and

WHEREAS, it is hereby further officially found and determined that the meeting at which this Resolution was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:

SECTION ONE. Authorization and Approval for Creation of Health Facilities Development Corporation. The City Council hereby authorizes and approves the creation of a nonprofit health facilities development corporation to act on behalf of the City, with all powers granted to such corporations in the Act, to be known as the "*City of Kerrville, Texas Health Facilities Development Corporation*" (the "Corporation").

SECTION TWO. Approval of Articles of Incorporation and Bylaws. The City Council hereby approves the Articles of Incorporation and the Bylaws proposed to be used in organizing and operating the Corporation (copies of which are attached to this Resolution as Exhibits A and B, respectively, and made a part hereof for all purposes) and hereby grants authority for the incorporation of the Corporation pursuant to Subchapter B of the Act. The initial directors named in said Articles of Incorporation shall be deemed to have been appointed, and are hereby appointed, as the initial directors of the board of directors of the Corporation for the respective terms described therein.

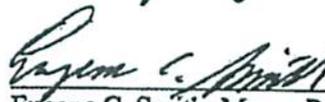
SECTION THREE. Authority to Act on Behalf of City; Appointment of Officers. The City specifically authorizes the Corporation to act on its behalf to further accomplish the governmental purposes stated in this Resolution and in the Articles of Incorporation attached hereto. The City further authorizes the Board of Directors of the Corporation to appoint any officers it deems necessary to conduct its business and operations in accordance with the provisions of the Bylaws attached hereto and approved hereby.

SECTION FOUR. Incorporation of Recitals. The City Council hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and the City Council hereby incorporates such recitals as a part of this Resolution.

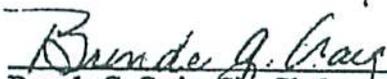
SECTION FIVE. Severability. If any provision of this Resolution or the application thereof to any circumstance shall be held to be invalid, the remainder of this Resolution and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION SIX. Effective Date. This Resolution shall become effective on the tenth day from passage hereof.

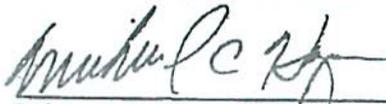
PASSED AND APPROVED ON this the 27th day of July, A.D., 2005.


Eugene C. Smith, Mayor Pro Tem

ATTEST:


Brenda G. Craig, City Clerk

APPROVED AS TO FORM:


Michael C. Hayes, City Attorney

**CITY OF KERRVILLE, TEXAS
HEALTH FACILITIES DEVELOPMENT CORPORATION**

BYLAWS

ARTICLE I

OFFICES

The principal office of CITY OF KERRVILLE, TEXAS HEALTH FACILITIES DEVELOPMENT CORPORATION (the "Corporation") shall be at the administrative offices of the City of Kerrville, Texas (the "City") located at 800 Junction Highway, Kerrville, Texas.

ARTICLE II

DIRECTORS

SECTION 2.01. BOARD OF DIRECTORS. The affairs of the Corporation shall be managed by a five (5) member board of directors (the "Board") which shall be composed in its entirety of persons who are members of the City Council of the City, and whose terms of office shall be fixed by and run coterminous with their respective terms of office on such City Council of the City.

SECTION 2.02. FILLING VACANCIES. Vacancies on the Board, including vacancies to be filled by reason of an increase in the number of directors, shall be filled for the unexpired term by the person qualified to serve the specific unexpired term by virtue of that person's selection, in the manner prescribed by law, to serve the associated respective unexpired term of membership on the City Council of the City.

SECTION 2.03. POWERS OF CORPORATION TO BE EXERCISED BY BOARD. The property and business of the Corporation shall be managed by the Board which may exercise all powers of the Corporation and do all lawful acts.

SECTION 2.04. PLACE OF BOARD MEETINGS. Meetings of the Board may be held at such place or places in the State of Texas as the Board from time to time may determine; provided, however, in the absence of any such determination by the Board of Directors, the meetings shall be held at the City Council Chambers of the City.

SECTION 2.05. REGULAR BOARD MEETINGS. Regular meetings of the Board may be held on such dates and at such time and places as shall from time to time be determined by the Board; provided, however, in the absence of any such determination by the Board, the meetings shall be held at the City Council Chambers of the City. Public notice of such regular meetings shall be provided as required by Section 3.01 herein below, a copy of which notice shall be given to the City Clerk of the City.

SECTION 2.06. SPECIAL BOARD MEETINGS. Special meetings of the Board may be called by the President on three days' notice to each director, and upon public notice as provided in Section 3.01 herein below, and shall be called by the President or Secretary also on three days' notice to each director, and upon public notice as provided in Section 3.01 herein below, on the written request of two directors. Emergency meetings shall be called by the President on two hours notice, but only upon compliance with the public notice requirements as provided in Section 3.01 herein below.

SECTION 2.07. QUORUM. At all meetings of the Board the presence of a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by these Bylaws.

SECTION 2.08. NO COMPENSATION PAID TO DIRECTORS. Directors, as such, shall receive no compensation for services rendered as directors, but shall be reimbursed for all reasonable expenses incurred in performing their duties as directors.

SECTION 2.09. COMMITTEES. The Board may by resolution or resolutions adopted by the Board, establish one or more committees, each committee to consist of two or more of the directors of the Corporation. Such committee or committees shall have such name or names, and such powers, as may be determined from time to time by resolution adopted by the Board.

SECTION 2.10. COMMITTEE MINUTES. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

SECTION 2.11. PUBLIC HEARINGS. Public hearings required under Section 147(f) of the Internal Revenue Code of 1986, as amended, may be called and conducted by any officer or director of the Corporation or the Executive Director of the Corporation, and such person may establish the date, place and time of the hearing and may give notice of the hearing.

ARTICLE III

NOTICES

SECTION 3.01. OPEN MEETINGS ACT. The Board, all actions of the Board, all meetings of the Board, whether regular, special, or emergency, and all meetings of committees of the Board shall be subject to the public notice requirements of the Texas Open Meetings Act, Chapter 551, Texas Government Code.

SECTION 3.02. NOTICE TO DIRECTORS. Whenever under the provisions of any statute or these Bylaws, notice is required to be given to any director, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director at such address as appears on the books of the Corporation, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

SECTION 3.03. WAIVER OF NOTICE BY DIRECTORS. Whenever any notice is required to be given to a director under the provisions of any statute or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE IV

OFFICERS

SECTION 4.01. SELECTION OF VARIOUS OFFICERS. The officers of the Corporation shall be chosen by the Board. The Board shall choose from its members a President and a Vice President. The City Clerk of the City shall serve as the Secretary of the Corporation, and the Director of Finance of the City shall serve as the Treasurer of the Corporation.

SECTION 4.02. APPOINTMENT OF OTHER OFFICERS AND AGENTS. The Board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

SECTION 4.03. REMOVAL OF OFFICERS. Any officer elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the whole Board. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board.

SECTION 4.04. EXECUTIVE DIRECTOR OF CORPORATION. The City Manager of the City, or the City Manager's designee, shall serve as Executive Director of the Corporation, who shall be the chief administrative officer of the Corporation and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

THE PRESIDENT

SECTION 4.05. The President shall preside at all meetings of the directors.

SECTION 4.06. The President shall be ex-officio a member of all standing committees, shall have general supervision of the management of the business of the Corporation, and shall see that all resolutions of the Board are carried into effect.

SECTION 4.07. The President shall execute bonds, mortgages and other contracts, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Corporation.

THE VICE PRESIDENT

SECTION 4.08. The Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board shall prescribe.

THE SECRETARY

SECTION 4.09. The Secretary shall attend all sessions of the Board and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the Board and shall perform such other duties as may be prescribed by the Board or the President. The Secretary shall keep in safe custody the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it, and, when so affixed, it shall be attested by the Secretary's signature. When the corporate seal is required as to instruments executed in the course of ordinary business, the Secretary shall attest to the signature of the President or Vice President and shall affix the seal thereto. The Board may appoint one or more persons to serve as an Assistant Secretary, which person may, but need not be, a director. The Assistant Secretary may perform any duty granted to the Secretary in these Bylaws and/or in any resolution approved by the Board.

THE TREASURER

SECTION 4.10. To the extent not otherwise provided by the Board, by rules or regulations, in resolutions relating to the issuance of bonds, or in any financing documents relating to such issuance, the Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in a depository as shall be designated by the Board. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements and shall render to the President and directors, at the regular meetings of the Board, or whenever they may require it, an account of all transactions performed as Treasurer and of the financial condition of the Corporation. The Board may appoint one or more persons to serve as an Assistant Treasurer, which person may, but need not be, a director. The Assistant Treasurer may perform any duty granted to the Treasurer in these Bylaws and/or in any resolution approved by the Board.

SECTION 4.11. SURETY BONDS. The Board may require the President, Vice President, the Secretary, any Assistant Secretary, the Treasurer, and any Assistant Treasurer to give the Corporation bonds in such sums and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of their office and for the restoration to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in such person's possession or under such person's control belonging to the Corporation.

SECTION 4.12. INDEMNIFICATION. The Corporation shall have the power to indemnify any director, officer or former director or officer, or agent thereof, of the Corporation for expenses and costs (including attorneys' fees) actually and necessarily incurred by such director, officer or agent in connection with any claim asserted against such director, officer or agent by action in court or otherwise by reason of such director's or officer's being or having been a director, officer or agent, except in relation to matters as to which such director, officer or agent shall have been guilty of negligence or misconduct in respect of the matter in which indemnity is sought. If the Corporation has not fully indemnified such director, officer or agent, the court in the proceeding in which any claim against such director, officer or agent has been asserted or any court having the requisite jurisdiction of an action instituted by such director, officer or agent on such director's, officer's or agent's claim for indemnity may assess indemnity against the Corporation, its receiver, or trustee for the amount paid by such director, officer or agent (including attorneys' fees) in satisfaction of any judgment or in compromise of any such claim (exclusive in either case of any amount paid to the Corporation), actually and necessarily incurred by such director, officer or agent in connection therewith to the extent that the court shall deem reasonable and equitable; provided, nevertheless, that indemnity may be assessed under this Section 4.12 only if the court finds that the person indemnified was not guilty of negligence or misconduct in respect of the matter in which indemnity is sought.

SECTION 4.13. FACSIMILE SIGNATURES. The provisions of the Texas Uniform Facsimile Signature of Public Officials Act shall be applicable to the Corporation, which is a duly constituted instrumentality of the City, a political subdivision of the State of Texas.

ARTICLE V

FISCAL PROVISIONS

SECTION 5.01. RESTRICTIONS ON PAYMENT OF FUNDS. No dividends shall ever be paid by the Corporation and no part of its net earnings remaining after payment of its expenses shall be distributed to or inure to the benefit of its directors or officers or any individual, firm, corporation, or association, except that in the event the board of directors shall determine that sufficient provision has been made for the full payment of the expenses, bonds, and other obligations of the Corporation, then any net earnings of the Corporation thereafter accruing shall be paid to the City. No part of the Corporation's activities shall be carrying on propaganda, or otherwise attempting to influence legislation, and it shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

SECTION 5.02. EXECUTION OF FINANCIAL INSTRUMENTS. All checks, demands for money, withdrawals of money, notes, time and demand deposits and certificates of deposit shall be signed by the Treasurer or his designee or such other person or persons as the Board of Directors from time to time may designate by resolution or other action of the Board of Directors or as may be designated in any financing documents relating to the issuance of bonds or other obligations of the Corporation, provided that in the case of checks at least one of the authorized signatories shall be an officer of the Corporation.

SECTION 5.03. FISCAL YEAR. The fiscal year of the Corporation shall be the same as the fiscal year of the City.

SECTION 5.04. BOOKS AND RECORDS. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board. All books and records of the Corporation shall be kept at the principal office of the Corporation where they shall be available to the public in accordance with the applicable provisions of the Open Records Act (Chapter 552, Tex. Government Code, as amended).

SECTION 5.05. STAFF FUNCTIONS. Staff functions for the Corporation may be performed by the City as directed by the City Council of the City. The Corporation shall pay, to the extent funds of the Corporation are legally available, the amount of costs for such services from fees collected by it, as from time to time shall be billed to the Corporation by the City.

ARTICLE VI

SEAL

The corporate seal shall be circular and shall have inscribed in the outer circle "City of Kerrville, Texas Health Facilities Development Corporation" and shall have inscribed in the inner circle the letters "T-E-X-A-S" and a five pointed star. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. The imprint of this seal thus authorized is affixed opposite to this section.

ARTICLE VII

AMENDMENT AND INTERPRETATION OF BYLAWS

SECTION 7.01. AMENDMENT OF BYLAWS. These Bylaws may be amended at any time and from time to time by majority vote of the Board with approval of the City by resolution of the City Council of the City.

SECTION 7.02. INTERPRETATION OF BYLAWS. These Bylaws and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein. If any word, phrase, clause, sentence, paragraph, section or other part of these Bylaws, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of these Bylaws and the application of such word, phrase, clause, sentence, paragraph, section or other part of these Bylaws to any other person or circumstance shall not be affected thereby.

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ADOPTED AND APPROVED this the ____ day of August, 2005.

/s/
President, Board of Directors
City of Kerrville, Texas
Health Facilities Development Corporation

ATTEST:

/s/
Secretary, Board of Directors
City of Kerrville, Texas
Health Facilities Development Corporation

[SIGNATURE PAGE FOR THE BYLAWS OF THE
CITY OF KERRVILLE, TEXAS HEALTH FACILITIES DEVELOPMENT CORPORATION]

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MEMORANDUM

To: Mayor and Members of the City Council of the City of Kerrville, Texas, and Members of the Board of Directors of the City of Kerrville, Texas Health Facilities Development Corporation

From: Thomas K. Spurgeon (McCall, Parkhurst & Horton L.L.P.)

Re: Issuance of Hospital Revenue Bonds by the City of Kerrville, Texas Health Facilities Development Corporation for Sid Peterson Memorial Hospital

Date: September 29, 2005

On Monday, October 3, 2005, the Board of Directors (the "Board") of the **CITY OF KERRVILLE, TEXAS HEALTH FACILITIES DEVELOPMENT CORPORATION** (the "Issuer") and the City Council (the "City Council") of the **CITY OF KERRVILLE, TEXAS** (the "City") are scheduled to meet in Special Meetings for the purpose of considering respective Resolutions to authorize the issuance by the Corporation of up to \$90,000,000 in principal amount of the Issuer's "*Hospital Revenue Bonds*" (the "Series 2005 Bonds") to provide a portion of the funds required to finance the construction by Sid Peterson Memorial Hospital (the "Hospital") of a new hospital facility (approximately 275,000 square feet) to be located at the intersection of Wesley Drive and the proposed extension of Hill Country Drive, which, upon completion, will replace the existing hospital. The purpose of this Memorandum is to briefly summarize the transaction, the primary financing documents and the actions that the Board and the City Council will be requested to consider.

BASIC TERMS OF THE SERIES 2005 BONDS:

It is expected that Series 2005 Bonds will be issued in the aggregate principal amount of approximately \$83,000,000, but in no event will such amount exceed \$90,000,000. The Series 2005 Bonds are expected to mature in the years 2008 through 2036 and bear interest at fixed rates that are not expected to exceed a net effective rate of 5.25%. Annual debt service payments are expected to be approximately \$1,270,000 per year. All final terms of the Series 2005 Bonds will be established by the Underwriters during the pricing of the Series 2005 Bonds, which is expected to occur on or about October 13. The President of the Issuer will approve all final terms of the Bonds. Closing is scheduled to occur on or about October 26th.

SECURITY FOR THE SERIES 2005 BONDS:

The Series 2005 Bonds will be payable solely from the revenues derived by the Issuer under the Loan Agreement described below. The Issuer's right to receive payments under the Loan Agreement is evidenced by a Note of the Hospital issued pursuant to and secured by the Master Trust Indenture described below and the First Supplement described below. The Note has been pledged to secure the payment of the Series 2005 Bonds. The obligations of the Hospital under the Master Indenture are also secured by a Deed of Trust from the Hospital granting, among other things, a lien on and security interest in the replacement hospital facility being financed with the Series 2005 Bonds.

Special Limited Obligations:

The Series 2005 Bonds are limited obligations of the Issuer, payable by the Issuer solely out of the revenues derived from or in connection with the Loan Agreement, the Series 2005 Note, the Master Indenture and the Bond Indenture, including all sums deposited pursuant to the Loan Agreement in the funds (other than the Rebate Fund) established under the Bond Indenture, and in certain events out of amounts secured through the exercise of the remedies provided in the Loan Agreement, the Indenture, the Master Indenture and the Deed of Trust upon occurrence of an Event of Default under the Loan Agreement, the Indenture, the Master Indenture and the Deed of Trust.

Neither the State of Texas nor any political subdivision or agency of the State of Texas, including the City of Kerrville, Texas, shall be liable or obligated (generally, specially, morally or otherwise) to pay the principal of this Bond or the premium, if any, or interest hereon, and neither the faith and credit nor the taxing power of the State of Texas, the City of Kerrville, Texas, or any other political subdivision or agency thereof is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Issuer has no taxing power.

No Personal Recourse:

The Series 2005 Bonds provide that no recourse under any obligation, covenant or agreement contained in the Bond Indenture, or in any Bond, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Indenture, shall be had against any past, present or future officer, director, agent or employee of the Issuer, the Trustee, the City of Kerrville, Texas, or the Hospital, as such, either directly or through the Issuer or the Hospital, respectively, for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds and, as a material part of the consideration for the issue of the Bonds, expressly waived and released.