

PNC BANK, NATIONAL ASSOCIATION
Preliminary Summary of Terms and Conditions
City of Laredo, Texas
September 12, 2025
DIRECT NOTE PURCHASE FACILITY

This Term Sheet is not a commitment or an offer to provide credit or liquidity support and does not create any obligation on the part of the Bank or any affiliate thereof. Neither the Bank nor any affiliate thereof will be deemed to have extended any commitment to the Borrower unless and until a formal commitment letter is issued and has been executed, delivered and accepted. This outline is only a brief description of the principal terms of suggested facilities and is intended for discussion purposes only.

This Term Sheet is delivered to you on the understanding that any of the terms of substance hereunder shall not be disclosed, directly or indirectly, to any other person except your officers, agents and advisors who are directly involved in the consideration of this matter unless prior written consent has been given by the Bank.

I. PARTIES

BORROWER: City of Laredo (the "*Borrower*" or "*Issuer*" or "*City*").

BANK: PNC Bank, National Association (the "*Bank*").

II. ISSUE, SECURITY AND FINANCING DOCUMENTS

CREDIT FACILITY: PNC will provide up to a \$50,000,000 direct note purchase facility (the "*Credit Facility*") pursuant to which the Bank will make loans to the Borrower (the "*Loans*").

PURPOSE: The proceeds of the Loans under the Credit Facility will be used to fund short term financing needs.

MATURITY: Up to two (2) years from the Closing Date (the "*Maturity Date*").

AMORTIZATION: Each draw will convert into a separate note that will be due at the Borrower's choice of up to 364 days from the draw. Outstanding Loans and all other payment obligations owed to the Bank under the Credit Facility shall be due and payable on the Maturity Date. Each note may be identified as a Taxable note, or a Tax-Exempt note.

SECURITY: The Credit Facility and the payment obligations owed to the Bank under the loan agreement (as defined below) will be secured by a fourth lien on the net revenues of the City of Laredo's Waterworks and Sewer System Revenues on parity with existing fourth lien debt. The fourth lien will be subordinate and inferior to the City's outstanding Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations.

FINANCING DOCUMENTATION: The Credit Facility shall include standard conditions precedent to purchase and closing, representations and warranties, indemnities, covenants, events of default and remedies. The Note Purchase agreement, the notes, and the other documents required for closing are herein collectively referred to as the "*Financing Documents*."

CLOSING DATE: The closing date is expected to occur on or before December 13, 2025 (the "*Closing Date*") and shall be subject to the satisfaction of the conditions precedent set forth in the loan agreement and the conditions precedent described herein.

CITY OF LAREDO, TEXAS



III. INTEREST RATES AND OTHER KEY PROVISIONS

VARIABLE INTEREST RATE:

The Loans under the Credit Facility shall initially bear interest at a per annum rate of interest equal to either the sum of (i) the Daily, One-, Three-, or Six-Month Secured Overnight Financing Rate (SOFR) (the “*Bank Index Rate*”) and (ii) the Initial Applicable Taxable Spread (the “*Variable Interest Rate*”) subject to adjustment as provided below **OR** the sum of (i) the Daily, One-, Three-, or Six-Month Secured Overnight Financing Rate (SOFR) times **80%** (the “*Bank Index Rate*”) and (ii) the Initial Applicable Tax-Exempt Spread (the “*Variable Interest Rate*”).

2-year term

The “*Initial Applicable Taxable Spread*” is outlined below:
45 bps (0.45%)

The “*Initial Applicable Tax-exempt Spread*” is outlined below:
41 bps (0.41%)

INDEX FLOOR:

In the event that SOFR or any successor index at any time would be determined less than 0.0%, such rate shall be deemed to be 0.0%.

CANCELATION:

In the event that there are no outstanding notes, the Facility may be canceled at the request of the Issuer at any time.

RATING ADJUSTMENT PRICING:

The Initial Applicable Spread is subject to the maintenance of the current ratings assigned to the long term, unenhanced senior lien debt of the Borrower. The Initial Applicable Spread will increase for each rating downgrade of any senior lien debt below its current ratings of “AA- / Aa3 / AA-” by any of Moody’s, Fitch, or S&P (each, a “*Rating Agency*”), as applicable, to the corresponding Initial Applicable Spread set forth below:

PARITY DEBT RATING	INITIAL APPLICABLE TAXABLE SPREAD	INITIAL APPLICABLE TAX-EXEMPT SPREAD
AA- / Aa3 / AA- or above	45 bps (0.45%)	41 bps (0.41%)
A1/A+/A+	45 bps (0.45%)	41 bps (0.41%)
A2/A/A	45 bps (0.45%)	41 bps (0.41%)
A3/A-/A-	60 bps (0.60%)	56 bps (0.56%)
Baa1/BBB+/BBB+	65 bps (0.65%)	61 bps (0.61%)
Baa2/BBB/BBB	70 bps (0.70%)	66 bps (0.66%)
Baa3/BBB-/BBB- or below	Default Rate	Default Rate

In the event of a split rating, the rating shall be based on the lowest rating of any Rating Agency.

COSTS AND EXPENSES:

All expenses incurred by the Bank, including reasonable legal fees (inside and outside), and any other expenses in reference to structuring, documenting, closing, monitoring or enforcing the Financing Documents, shall be for the account of the Borrower and payable at closing and otherwise on demand. The Bank will be utilizing Hoang Vu at Jackson Walker LLP as bank counsel. Legal fees are estimated to be **\$9,000**.

All fees and expenses, including those of Bank Counsel, are subject to increase if the transaction is not closed within 90 days from the date the Bank receives the mandate from the Issuer. In addition, the fees and expenses payable to Bank Counsel may be increased if the security and/or structure of the transaction changes materially once documentation has commenced.

IV. OTHER FEES AND EXPENSES

COMMITMENT/CLOSING FEE:

Waived.

UNUTILIZED FEE:

The Borrower shall pay an unutilized fee to the Bank quarterly in arrears on the last day of each calendar quarter in an amount equal to the product of (i) **0.20% per annum until 50% usage, then 0.15%** and (ii) the difference between the amount of the Credit Facility and the amount advanced by the Bank for each day in the term of the Credit Facility. The Unutilized Fee shall be calculated based upon a year of 360 days and the actual number of days elapsed.

MAC FEE:

If applicable, the Borrower shall be responsible to pay the associated MAC fee with this facility.

PREPAYMENT:

Customary yield protection and prepayment cost recovery provisions will be included in the definitive Financing Documents.

DEFAULT RATE:

The Default Rate equals the greatest of (i) the PNC Prime Rate plus 3.0%; (ii) the Overnight Bank Funding Rate plus 3.5%; and (iii) 9.0%.

RECAPTURE AMOUNTS:

The loan agreement will include customary interest rate recapture language allowing the Bank to recover interest in excess of any maximum interest rate imposed by law.

V. INCREASED COSTS AND
CAPITAL ADEQUACY; TAXES

The Borrower shall pay the Bank under customary yield protection provisions such additional amounts as will compensate the Bank and its holding company in the event that either of them are or become subject to legal, capital or reserve requirements (including without limitation those arising under the Dodd-Frank Wall Street Reform and Consumer Protection Act or Basel III, or any rules, guidelines or directives issued at any time in connection therewith) or taxes (except for taxes on overall net income) which in any case increase the cost or reduce the yield to the Bank or its holding company.

VI. FINANCIAL/NEGATIVE COVENANTS
AND FINANCIAL REPORTING

Affirmative and negative covenants, including the reporting covenants listed below, will be specified by the Bank for inclusion in the Financing Documents.

Financial Covenants:

- Financial covenants to mirror those in the existing master resolution including but not limited to the rate covenant, the additional indebtedness test, and the debt service reserve requirement.

Financial Reporting:

- Annual audited financial statements for the Borrower within 270 days of fiscal year end.
- Such other financial information as requested by the Bank.

Incorporation of Covenants by Reference. The Borrower agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the other Financing Documents (including, without limitation, covenants and agreements in favor of any bond insurer or other credit enhancement provider), which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety.

Most Favored Nation:

In addition, the Bank shall have the benefit of all current and future financial and rating based covenants, events of default and remedies (including with respect to acceleration and the right of repayment of other creditors with respect to Borrower's Debt) which are agreed to by any Member of the Borrower with any other lender, credit or liquidity provider or bond lender with respect to any such Debt, while such debt remains outstanding.

**VII. CONDITIONS
PRECEDENT TO CLOSING**

The loan agreement shall include conditions precedent customary for transactions of this nature including, without limitation, the following: documentation satisfactory to Bank Counsel; delivery of enforceability and approving opinions; authorizing resolutions; financial statements; bring-down of representations and warranties; no default; and receipt of rating letters from at least one Rating Agency (Credit Facility).

VIII. EVENTS OF DEFAULT/REMEDIES

The loan agreement shall include events of default customary for transactions of this nature, including, without limitation: payment default, covenant defaults, breach of representations, invalidity or repudiation of any Financing Document or any material provision thereof, judgment default, bankruptcy or insolvency, ERISA and pension plan defaults.

Upon the occurrence of an Event of Default, in addition to all other customary remedies, all payment obligations shall bear interest at the Default Rate. **In addition, in the event of default, an acceleration clause will be a remedy for the Credit Facility.**

IX. CHOICE OF LAW / JURY TRIAL

GOVERNING LAW:

The loan agreement, and any other documents to which the Bank shall become a party will be governed by the laws of the State of Texas.

USA PATRIOT ACT NOTICE:

Pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. 107 56), the Bank is required to obtain, verify and record information that identifies the Borrower and, potentially, other loan parties, which information may include, without limitation, the name and address of the Borrower and any such loan parties and other information that will allow the Bank to identify the Borrower and other loan parties in accordance with the USA PATRIOT Act.

JURY TRIAL:

To the extent permitted by law, the parties to the loan agreement agree to waive a jury trial in any proceeding including the Bank.

X. ADDITIONAL PROVISIONS

ADDITIONAL TERMS:

The terms and conditions contained in this proposal are not intended to be comprehensive. The definitive Financing Documents may include additional terms and conditions required by the Bank, subject to mutual agreement of the parties, which are not included herein.

**NO ADVISORY OR
FIDUCIARY ROLE:**

The Borrower acknowledges and agrees that: (i) the Bank has not assumed any advisory or fiduciary responsibility to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the Borrower on other matters); (ii) the only obligations the Bank has to the Borrower with respect to the transaction contemplated hereby are expressly set forth in this term sheet; and (iii) the Borrower has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

**COMPLIANCE WITH THE
STATE OF TEXAS GOVERNMENT
CODE:**

The Bank is willing and able to certify its ability to execute contracts with governmental entities. Please see Exhibit A, which is on file with the Office of the Attorney General and the Texas MAC.

AGREEMENT BY THE ISSUER / BORROWER:

The Borrower hereby desires to engage the Bank to issue the Letter of Credit pursuant to the terms and conditions stated herein.

Recognizing that this Term Sheet is non-binding on the Bank unless and until a commitment is issued, please evidence your interest in proceeding on the foregoing terms and conditions by signing and returning a copy of the document to the Bank on or prior to September 26, 2025, at which point the Bank will continue with due diligence and credit underwriting for the foregoing transaction.

ACCEPTED AND AGREED TO:

CITY OF LAREDO

By: _____

Print Name: _____

Title: _____

Date: _____

CITY OF LAREDO, TEXAS

