

**PRELIMINARY LIMITED OFFERING MEMORANDUM DATED AUGUST 24, 2018**

**NEW ISSUE**

**NOT RATED**

PROSPECTIVE PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED MEMORANDUM ARE BEING OFFERED TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT IN RELIANCE UPON THE EXEMPTION PROVIDED BY SECTION 3(A)(2) THEREIN. NO ACTION HAS BEEN TAKEN TO QUALIFY THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY STATE. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN.

*In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds." See "TAX MATTERS" herein. The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions.*

**\$5,410,000\***



**CITY OF MESQUITE, TEXAS,  
(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)**

**Dated Date: September 1, 2018**

**Due: September 1, as shown on the inside cover**

**Interest to Accrue from Date of Delivery**

The City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project) (the "Bonds"), are being issued by the City of Mesquite, Texas (the "City"). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal amount and any integral multiple of \$5,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 1 and September 1, commencing March 1, 2019, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance expected to be adopted by the City Council of the City (the "City Council") on September 4, 2018, and an Indenture of Trust, dated as of September 1, 2018 (the "Indenture"), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of certain public improvements, which consist of (a) Phase #1's proportionate share of the costs of certain public improvements that will benefit the entire Heartland Town Center Public Improvement District (the "District") and (b) the costs of the specific infrastructure benefitting only Phase #1 (as defined herein) of the District (together, the "Phase #1 Improvements"), (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Phase #1 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) funding a portion of a Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds. See "THE PHASE #1 IMPROVEMENTS" and "APPENDIX A — Form of Indenture." Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds, when issued and delivered, will constitute valid and binding special obligations of the City payable solely from and secured by the Pledged Revenues, consisting primarily of Assessments (as defined herein) levied against assessable properties in Phase #1 of the District in accordance with a Service and Assessment Plan, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. See "SECURITY FOR THE BONDS."

The Bonds are subject to redemption at the times, in the amounts, and at the redemption prices more fully described herein under the subcaption "DESCRIPTION OF THE BONDS — Redemption Provisions."

**The Bonds involve a significant degree of risk, are speculative in nature and are not suitable for all investors. See "BONDHOLDERS RISKS" and "SUITABILITY FOR INVESTMENT." Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds.**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE "SECURITY FOR THE BONDS."

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Bracewell LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX C — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, and for the Developer by its counsel, Coats Rose, P.C.. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2018.

**FMSbonds, Inc.**

\*Preliminary, subject to change.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS, AND CUSIP NUMBERS

CUSIP Prefix: \_\_\_\_\_ <sup>(a)</sup>

\$5,410,000\*  
CITY OF MESQUITE, TEXAS,  
(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_\_\_, Priced to Yield \_\_\_\_\_%; CUSIP \_\_\_\_\_ <sup>(a)(b)(c)</sup>

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_\_\_, Priced to Yield \_\_\_\_\_%; CUSIP \_\_\_\_\_ <sup>(a)(b)(c)</sup>

\* *Preliminary; subject to change.*

- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- (b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 1, 20\_\_\_\_, at a Redemption Price equal to the principal amount of Bonds to be called for redemption plus accrued and unpaid interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- (c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

**CITY OF MESQUITE, TEXAS  
CITY COUNCIL**

<u>Name</u>	<u>Position</u>
Stan Pickett	Mayor
Dan Aleman	Mayor Pro-Tem
Tandy Boroughs	Deputy Mayor Pro-Tem
Robert Miklos	Councilmember
Bruce Archer	Councilmember
Greg Noschese	Councilmember
Jeff Casper	Councilmember

**CITY MANAGER**

Cliff Keheley

**CITY SECRETARY**

Sonja Land

**DIRECTOR OF FINANCE**

Debbie Mol

**ASSESSMENT CONSULTANT AND ADMINISTRATOR**

David Taussig & Associates, Inc.

**FINANCIAL ADVISOR TO THE CITY**

Hilltop Securities Inc.

**BOND COUNSEL**

Bracewell LLP

**UNDERWRITER'S COUNSEL**

Winstead PC

For additional information regarding the City, please contact:

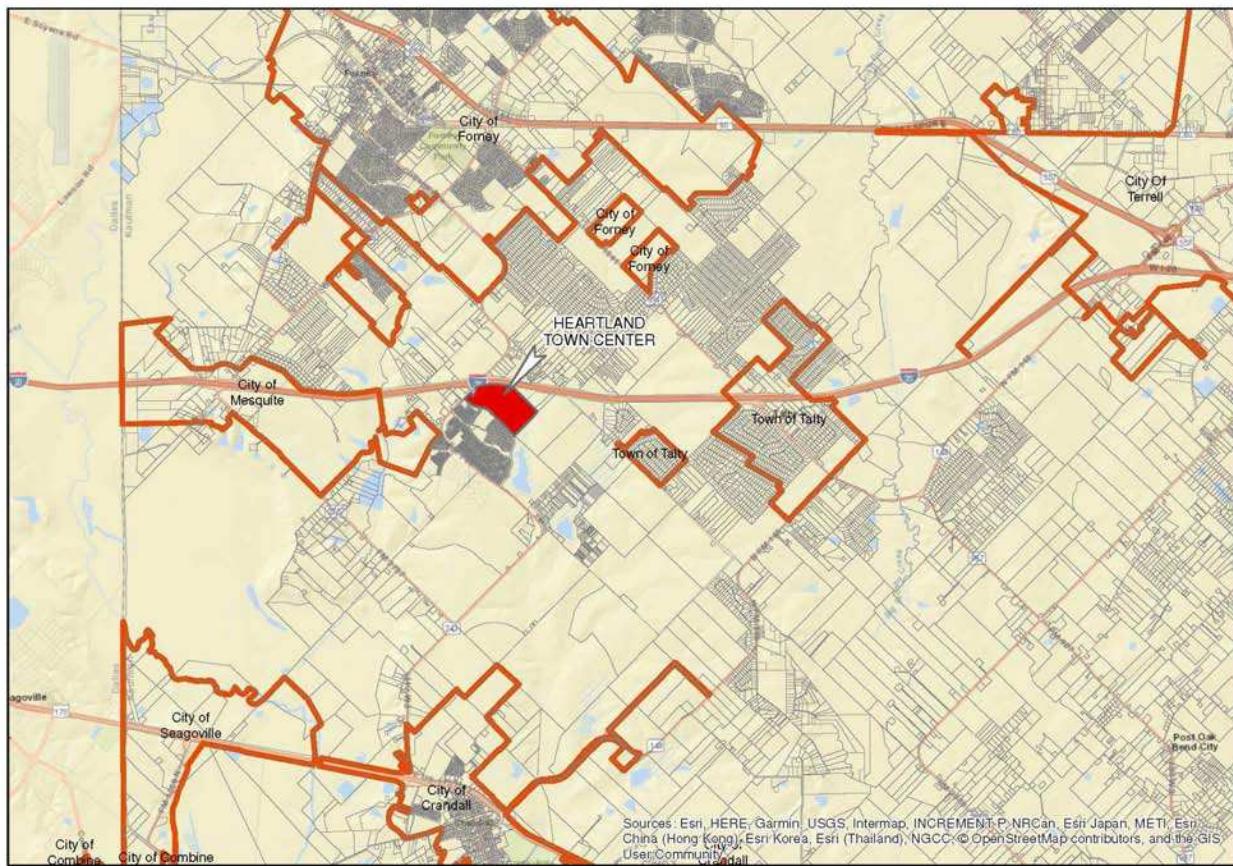
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Jason.Hughes@hilltopsecurities.com

## REGIONAL LOCATION MAP OF THE DISTRICT



## AREA LOCATION MAP OF DISTRICT



## MAP SHOWING BOUNDARIES OF OF THE DISTRICT AND PHASES



FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES A PRELIMINARY OFFICIAL STATEMENT OF THE CITY WITH RESPECT TO THE BONDS THAT HAS BEEN DEEMED "FINAL" BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.

THE INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THE LIMITED OFFERING MEMORANDUM ARE BEING OFFERED AND SOLD ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT OF 1933") AND "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS, MUST BE ABLE TO BEAR THE ECONOMIC AND FINANCIAL RISK OF SUCH INVESTMENT IN THE BONDS, AND MUST BE ABLE TO AFFORD A COMPLETE LOSS OF SUCH INVESTMENT. CERTAIN RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS ARE SET FORTH UNDER "RISK FACTORS" HEREIN. EACH PURCHASER, BY ACCEPTING THE BONDS, AGREES THAT IT WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS AND REPRESENTATIONS DESCRIBED UNDER THE HEADING "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS."

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE DEVELOPER, WHICH ARE BELIEVED BY THE CITY AND THE UNDERWRITER TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE DEVELOPER SINCE THE DATE HEREOF.

NEITHER THE CITY, THE CITY'S FINANCIAL ADVISOR NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT OF 1933. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS

EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

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## PRELIMINARY LIMITED OFFERING MEMORANDUM

**\$5,410,000\***

**CITY OF MESQUITE, TEXAS,**

**(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)**

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018**

**(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)**

### INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Mesquite, Texas (the “City”), of its \$5,410,000\* aggregate principal amount of Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project) (the “Bonds”).

PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” and “BONDHOLDERS’ RISKS.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be enacted by the City Council of the City (the “City Council”) on September 4, 2018 (the “Bond Ordinance”), and an Indenture of Trust, dated as of September 1, 2018 (the “Indenture”), entered into by and between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as trustee (the “Trustee”). The Bonds will be secured by assessments levied against Assessed Property located in Phase #1 (the “Assessments”) of the Heartland Town Center Public Improvement District (the “District”) for the Phase #1 Improvements (as defined herein) pursuant to a separate ordinance expected to be enacted by the City Council on September 4, 2018 (the “Assessment Ordinance”). The City created the District pursuant to a resolution adopted by the City Council on December 18, 2017 (the “Creation Resolution”).

Reference is made to the Indenture for a full statement of the authority for, and the terms and provisions of, the Bonds. All capitalized terms used in this Limited Offering Memorandum that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX A — Form of Indenture.”

Set forth herein are brief descriptions of the City, the District, the Administrator (as defined herein), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the TIRZ Creation Ordinance (as defined herein), the Heartland Town Center Development Agreement among the City and CADG Kaufman 146, LLC dated April 12, 2018, as amended pursuant to that First Amendment to Town Center Development Agreement effective as of July 25, 2018 (as so amended, the “Development Agreement”), the Reimbursement Agreement (as defined herein), D.R. Horton-Texas, Ltd., a Texas limited partnership (the “Developer”), an affiliate of D.R. Horton, Inc., a Delaware corporation (“D.R. Horton”), Dieciseis, LLC, a Texas limited liability company (“Dieciseis”) and David Taussig & Associates, Inc. (the “Assessment Consultant”), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 100 Crescent Court, Suite 700, Dallas, Texas, 75201, Phone: (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

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\* Preliminary; subject to change.

## PLAN OF FINANCE

### **The District**

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries and extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for public improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Phase #1 Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the District.

### **Development Plan and Plan of Finance**

The District is composed of approximately 121.282 acres which are being developed in two phases as a master-planned residential development. The Developer's plans consist of the development of the District in phases beginning with the concurrent development of the major infrastructure to serve the entire District, as well as specific infrastructure to serve the initial phase ("Phase #1") of the District, followed by a subsequent phase ("Phase #2") of development of specific infrastructure to serve Phase #2. See "THE DEVELOPMENT — Development Plan". The boundaries of the District and Phases #1 and #2 are shown in the "MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES" on page v. The District is located entirely within the extraterritorial jurisdiction of the City. After delivery of the Bonds, the City intends to annex the land within the District into the corporate limits of the City. See "THE DISTRICT — Powers and Authority," "THE DEVELOPMENT AGREEMENT" and "THE DEVELOPER – History and Financing of the District".

The Developer purchased approximately 41.50 of the 121.282 acres comprising the District (the "Developer Tract") on August 3, 2018 for \$3,600,000. Dieciseis purchased approximately 69.47 of the 121.282 acres comprising the District (the "Dieciseis Tract") on August 3, 2018 for \$4,000,000. See "THE DEVELOPER – History and Financing of the District." Other than a 10.312 acre tract held by CADG Kaufman 146, LLC, which is not developable and is designated as non-benefitted property and will not be subject to assessments for improvements in the District, the Developer and Dieciseis are the current owners of all property in the District. The Developer Tract is located in Phase #1 of the District and the Dieciseis Tract is located in Phase #2 of the District. The rights under the Development Agreement relating to the Developer Tract were assigned to the Developer pursuant a Partial Assignment and Assumption of Heartland Town Center Development Agreement dated as of August 3, 2018 (the "Developer Development Agreement Assignment"). The rights under the Development Agreement relating to the Dieciseis Tract were assigned to Dieciseis pursuant to a Partial Assignment and Assumption of Heartland Town Center Development Agreement dated as of August 3, 2018 (the "Dieciseis Development Agreement Assignment"). Simultaneous with execution and closing of the District Land Purchase Contracts, the Developer and Dieciseis entered into a confidential contract for Developer to purchase the Dieciseis Tract ("Phase 2 Contract"). The Phase 2 Contract requires the Developer to purchase the Dieciseis Tract within 24 months of August 3, 2018. Dieciseis and the Developer have executed an additional Partial Assignment and Assumption of Development Agreement (the "Phase #2 Assignment"), the effective date of which is upon the closing of the property pursuant to the Phase #2 Contract (the "Phase #2 Assignment Effective Date"). Under the Phase #2 Assignment, the rights of Dieciseis under the Dieciseis Development Agreement Assignment will be transferred to the Developer on the Phase #2 Assignment Effective Date. See "THE DEVELOPER – History and Financing of the District."

Notwithstanding the assignment of certain development rights under the Development Agreement to Dieciseis under the Dieciseis Development Agreement Assignment, the Developer expects serve as Developer of all property in the District, including the Dieciseis Tract. The Developer expects to fund the development within the District with cash. See "THE DEVELOPER – History and Financing of the District." See "THE DEVELOPER – History and Financing of the District." The Developer expects to construct public improvements consisting of (i) certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that will benefit only Phase #1 of the District (the "Phase #1 Specific Improvements") and (ii) certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements benefitting the entire District (the "Major Improvements"). The Phase #1 Specific Improvements and the portion of the Major Improvements benefitting Phase #1 are collectively referred to herein as the "Phase #1 Improvements."

Construction of the Phase #1 Improvements is expected to begin in fourth quarter 2018 and be completed by second quarter 2020. The remaining portion of the Major Improvements benefitting Phase #2 is referred to herein as the “Phase #2 Major Improvements.” Construction of the Phases #2 Major Improvements is expected to begin in fourth quarter 2018 and be completed by second quarter 2020.

The City will pay a portion of the project costs for the Phase #1 Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements and be reimbursed in accordance with the Indenture and the Development Agreement. See “THE PHASE #1 IMPROVEMENTS – General,” “THE DEVELOPMENT AGREEMENT” and “THE DEVELOPMENT – Development Plan”. A portion of such costs in the amount of \$ \_\_\_\_\_ \* is expected to be paid with proceeds of the Bonds. At delivery of the Bonds, the Developer expects to advance funds in the approximate amount of \$448,486\* (the “Developer Deposit”) in order to pay for a portion of the costs of the Phase #1 Improvements, a portion of which shall be reimbursed to the Developer in the future pursuant to the Reimbursement Agreement (as defined below). See “SOURCES AND USES OF FUNDS”.

The City will enter into a reimbursement agreement with the Developer (the “Reimbursement Agreement”) to reimburse the Developer for a portion of the costs of the Phase #1 Improvements not paid with proceeds of the Bonds. The Bonds and the Reimbursement Agreement are both secured by the Assessments; however, the payment of debt service on the Bonds from the Assessments is superior in right to payment of obligations under the Reimbursement Agreement. See “SECURITY FOR THE BONDS – Pledged Revenue Fund.”

Concurrently with the issuance of the Bonds, the City will issue its \$1,835,000\* City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #2 Major Improvement Project) (the “Phase #2 Major Improvement Bonds”) to finance a portion of Phase #2’s proportionate share of the costs of the Major Improvements. The Phase #2 Major Improvement Bonds will be secured by assessments on property in Phase #2 of the District only (the “Phase #2 Major Improvement Assessments”). See “MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES” on page v. The Phase #2 Major Improvement Assessments are separate and distinct from the Assessments and are levied only on land within Phase #2 of the District. Such Phase #2 Major Improvement Assessments are not pledged to and will not be available for payment of the Bonds. While the Bonds and the Phase #2 Major Improvements Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders.

The City expects to issue one or more series of bonds (collectively, the “Phase #2 Specific Improvement Bonds”) to finance the cost of specific improvements benefitting only Phase #2 of the District. The estimated costs of the specific improvements benefitting Phase #2 will be determined as such phase is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phase #2 and financed by each new series of Phase #2 Specific Improvement Bonds. Such Phase #2 Specific Improvement Bonds will be secured by separate assessments levied pursuant to the PID Act on Assessed Property within Phase #2. The Developer anticipates that Phase #2 Specific Improvement Bonds will be issued within three years. See “THE DEVELOPMENT – Phase #2 Specific Improvement Bonds”.

## **The Bonds**

Proceeds of the Bonds will be used primarily to finance (i) a portion of the costs of the Phase #1 Improvements, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Phase #1 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) funding a portion of a Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount shall be transferred to the Principal and Interest

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\* Preliminary; subject to change.

Account of the Bond Fund (as defined herein) to pay interest on the Bonds. See “THE PHASE #1 IMPROVEMENTS,” “APPENDIX A – Form of Indenture” and “SOURCES AND USES OF FUNDS.”

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments to be levied against Assessed Property (as defined in the Service and Assessment Plan) within Phase #1 of the District, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES,” “APPENDIX A - Form of Indenture” and “APPENDIX B - Form of Service and Assessment Plan.”

**The Bonds, the Phase #2 Major Improvement Bonds, and any Phase #2 Specific Improvement Bonds shall never constitute an indebtedness or general obligation of the City, the State or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds. The Phase #2 Major Improvement Bonds or any Phase #2 Specific Improvement Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.**

## DESCRIPTION OF THE BONDS

### General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 1 and September 1, commencing March 1, 2019 (each an “Interest Payment Date”), until maturity or prior redemption. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal and any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”). No physical delivery of the Bonds will be made to the beneficial owners thereof. Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to beneficial owners of the Bonds. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

### Redemption Provisions

*Optional Redemption.* The City reserves the right and option to redeem the Bonds before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20\_\_, such date or dates to be fixed by the City, at a Redemption Price equal to the principal amount of Bonds to be called for redemption plus accrued and unpaid interest to the date of redemption.

*Extraordinary Optional Redemption.* The Bonds are subject to extraordinary optional redemption by the City prior to their scheduled maturity on any date after the required notice of redemption at a redemption price equal to 100% of the principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of (i) Prepayments, including related transfers to the Redemption Fund, (ii) unexpended proceeds transferred from the Project Fund to the Redemption Fund pursuant to the Indenture, (iii) Foreclosure Proceeds to the extent that such proceeds are not needed to restore deficiencies in the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Property (as defined in the Service and Assessment Plan) to which Foreclosure Proceeds relate, (iv) transfers of Assessment Revenue to the Redemption Fund as directed by the City pursuant to the Indenture, (v) transfers to the Redemption Fund from the Delinquency and Prepayment Reserve Account pursuant to the Indenture in the event

that the Delinquency and Prepayment Reserve Account contains the Delinquency and Prepayment Reserve Requirement, and (vi) transfers to the Redemption Fund made pursuant to the Indenture in the event that the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Principal and Interest Account of the Bond Fund and Redemption Fund is sufficient to pay the principal amount and of accrued interest on all Outstanding Bonds, or (vii) any other transfers to the Redemption Fund under the terms of the Indenture. Upon completion and payment in full of the Phase #1 Improvements, unexpended proceeds from the Phase #1 Improvement Account of the Project Fund shall be transferred first to the Reimbursement Fund to reimburse the Developer for costs of the Phase #1 Improvements up to the Reimbursement Maximum and second, either to (i) the Principal and Interest Account of the Bond Fund or (ii) upon City direction, to the Redemption Fund in the event that the City Representative determines that all Phase #1 Improvements have been completed or that the amounts then on deposit in the Phase #1 Improvement Account of the Project Fund are not expected to be expended for the purpose of the Project Fund due to the abandonment, or constructive abandonment, of the Authorized Improvements such that, in the opinion of the City Representative, it is unlikely that the amounts in the Project Fund will ever be expended for the purposes of the Phase #1 Improvement Account of the Project Fund, then excess amounts on deposit in the Phase #1 Improvement Account shall be transferred to the Redemption Fund. Bonds redeemed pursuant to extraordinary optional redemption shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding Maturities of the Bonds. See "ASSESSMENT PROCEDURES — Prepayment of Special Assessments" for the definition and description of Prepayments.

*Mandatory Sinking Fund Redemption.* The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a price of 100% of the Sinking Fund Installment thereof, plus accrued and unpaid interest to the redemption date, from monies available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the principal amounts as set forth in the following schedules:

**\$ Term Bonds Maturing September 1, 20**

<u><b>Redemption Date</b></u>	<u><b>Amount</b></u>
September 1, 20	
September 1, 20	†

**\$ Term Bonds Maturing September 1, 20**

<u><b>Redemption Date</b></u>	<u><b>Amount</b></u>
September 1, 20	
September 1, 20	†

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† Stated maturity.

At least forty-five (45) days prior to each mandatory sinking fund redemption date, the Trustee will select a principal amount of Bonds equal to the Sinking Fund Installment amount for such date of such maturity of Bonds to be redeemed, will call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least 45 days prior to the sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the

optional redemption or extraordinary optional redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption. Notice of any redemption shall be given by the Trustee at least thirty (30) days prior to the redemption date by giving written notice to the Owner of each Bond to be redeemed in whole or in part at the address shown in the Register by first class mail, postage prepaid. Any such notice shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such bonds, or portions thereof, shall no longer be regarded as Outstanding for the purposes of receiving payment from the funds provided for redemption, and the right of the Owners to collect interest on such Bonds or portions thereof which would otherwise accrue after the redemption date shall be terminated.

In the Indenture, the City reserves the right in the case of a redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Additional Provisions with Respect to Redemption. A portion of a single Bonds of a denomination less \$100,000 may be redeemed but only in a principal amount of at least \$5,000 or any integral of \$5,000 in excess thereof. After giving effect to a partial redemption as described in the Indenture, a Bond in the principal amount equal to the unredeemed portion but not less than \$5,000 may be issued. If less than all of the Bonds are to be redeemed pursuant to Extraordinary Optional Redemption or Mandatory Sinking Fund Redemption, the Bonds shall be redeemed by any method selected by the Trustee subject to DTC requirements, if applicable, that results in a pro rata reduction of the Outstanding Maturities of the Bonds. If less than all the Bonds within a maturity are to be redeemed, such Bonds shall be called by random selection. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the smallest Authorized Denomination for such Bonds. A portion of a single Bond of a denomination equal to or greater than \$100,000 may be redeemed but only in a principal amount of \$100,000 or any integral \$5,000 in excess thereof; provided, however, that the Trustee shall treat each \$5,000 portion of such Bond in excess of \$100,000 as though it were a single bond for purposes of selection for redemption. A portion of a single Bond of a denomination less than \$100,000 may be redeemed but only in a principal amount of at least \$5,000 or any integral of \$5,000 in excess thereof. After giving effect to a partial redemption as described herein, a Bond in the principal amount equal to the unredeemed portion, but not less than \$5,000 may be issued.

Upon surrender of any Bond in part, the Trustee, in accordance with the provisions of the Indenture, shall authenticate and deliver in exchange thereof a Bond or Bonds of like tenor, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond or Bonds so surrendered.

## **BOOK-ENTRY ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter takes responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all Bonds of the same maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and all other payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. Thereafter, Bond certificates may be transferred and exchanged as described in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City's Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE CITY, THE TRUSTEE, THE PAYING AGENT, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

## **LIMITATIONS APPLICABLE TO INITIAL PURCHASERS**

Each initial purchaser is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to “accredited investors” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 and “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933. Each initial purchaser of the Bonds (each, an “Investor”) will be deemed to have acknowledged, represented and warranted to the City as follows:

1. The Investor has authority and is duly authorized to purchase the Bonds.
2. The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act or a “qualified institutional buyer” under Rule 144A of the Securities Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
3. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the investor may sell at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
4. The Investor understands that the Bonds are not registered under the Securities Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.
5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Authorized Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for fraud or willful misconduct, to the extent provided by law. For the avoidance of doubt, it is acknowledged that underwriter is not deemed an officer or employee of the City.
6. The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid to the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the District (which has no taxing power), the State of Texas (the “State”) or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.
7. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.

8. The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

## **SECURITY FOR THE BONDS**

### **General**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

NOTWITHSTANDING THE FOREGOING, THE CITY HAS CREATED "REINVESTMENT ZONE NUMBER ELEVEN, CITY OF MESQUITE, TEXAS" (THE "TIRZ") WITHIN THE DISTRICT WHICH INCLUDES THE LAND WITHIN THE DISTRICT AND INTENDS TO USE ANNUAL TIRZ REVENUES COLLECTED, WHICH TAX INCREMENT WILL CONSIST OF AN AMOUNT EQUAL TO 62.5% OF ALL REAL PROPERTY TAXES LEVIED, ASSESSED AND COLLECTED WITHIN THE TIRZ RESIDENTIAL TRACT ON ALL REAL PROPERTY IN THE TIRZ RESIDENTIAL TRACT, TAXABLE BY THE CITY THEREIN, TO PAY THAT PORTION OF THE COSTS OF THE INFRASTRUCTURE BENEFITTING THE DISTRICT ON A PARCEL-BY-PARCEL BASIS. SUCH TAX INCREMENT REVENUE, TO THE EXTENT AVAILABLE, IS EXPECTED TO BE USED BY THE CITY TO OFFSET ASSESSMENTS USED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS, THE PHASE #2 MAJOR IMPROVEMENT BONDS, AND ANY PHASE #2 SPECIFIC IMPROVEMENT BONDS (COLLECTIVELY, THE "ISSUED PID BONDS") ON A PRO-RATA BASIS. ANY AMOUNT OF SUCH TAX INCREMENT REVENUE USED TO PAY PRINCIPAL OF AND INTEREST ON THE ISSUED PID BONDS WILL RESULT IN A REDUCTION IN ANNUAL INSTALLMENTS OF ASSESSMENTS RELATED TO SUCH ISSUED PID BONDS BY A CORRESPONDING AMOUNT. SUCH TAX INCREMENT REVENUE IS NOT PLEDGED TO THE BONDS UNDER THE INDENTURE, NOR WILL SUCH TAX INCREMENT BE PLEDGED PURSUANT TO ANY INDENTURE RELATING TO THE BONDS, THE PHASE #2 MAJOR IMPROVEMENT BONDS, AND ANY PHASE #2 SPECIFIC IMPROVEMENT BONDS. SEE "TIRZ REVENUES MAY OFFSET ASSESSMENTS" BELOW.

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenues (the "Pledged Revenues"), consisting primarily of Assessments levied against the Assessed Property within Phase #1 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. Phase #1 of the District contains approximately 41.5 acres. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (as amended and supplemented, the "Service and Assessment Plan"), which describes the special benefit received by the property within the District, including Phase #1 of the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX B — Form of Service and Assessment Plan."

## **Pledged Revenues**

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Phase #1 Improvements by levying Assessments upon properties in Phase #1 of the District benefitted thereby. For a description of the assessment methodology and the amounts of Assessments anticipated to be levied in Phase #1 of the District, see “ASSESSMENT PROCEDURES” and “APPENDIX B — Form of Service and Assessment Plan .”

Pursuant to the Indenture, Pledged Revenues are the sum of (i) the Annual Installments, excluding the portion of the Annual Installments collected for the payment of Administrative Expenses (as defined herein) and Delinquent Collection Costs; (ii) the monies held in any of the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund and the Redemption Fund; and (iii) any additional revenues that the City may pledge to the payment of Bonds. “Annual Installments” means, with respect to each Assessed Property, each annual payment of (i) the Assessments as shown on the Assessment Roll for Phase #1 attached to the Service and Assessment Plan and related to the Bonds and the Phase #1 Improvements (including principal and interest at the rate of interest on the Bonds), (ii) Administrative Expenses and (iii) the 0.50% additional interest rate (the “Additional Interest”) collected on each annual payment of the Assessments related to the Bonds for the Delinquency and Prepayment Reserve as described in the Indenture and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update. The City will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. See “SECURITY FOR THE BONDS — Pledged Revenue Fund,” “APPENDIX A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the property assessed, superior to all other liens or claims, except liens and claims for State, county, school district, or municipality ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named and runs with the land. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged), and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See “ASSESSMENT PROCEDURES” herein. The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. See “BONDHOLDERS RISKS – Assessment Limitations.”

## **TIRZ Revenues May Reduce Assessments**

The Assessments to be levied by the City according to the Assessment Ordinance and described in the Service and Assessment Plan are set at a level sufficient to fund a portion of the costs of the Phase #1 Improvements.

Pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”), on December 18, 2017, the City held a public hearing on the creation of the TIRZ and the preliminary project and financing plan. Pursuant to Ordinance No. 4532 (the “TIRZ Creation Ordinance”), the City created the TIRZ and was presented with the Reinvestment Zone Number Eleven, City of Mesquite Preliminary Project and Financing Plan (“Preliminary TIRZ Project and Finance Plan”). The TIRZ is composed of approximately 146.746 acres, which includes all of the land within the District. The land within the District is designated as the Residential Tract (the “TIRZ Residential Tract”). The remaining area of the TIRZ is a retail tract (the “Retail Tract”) that is not within the boundaries of the District. The increment revenues from such Retail Tract will not be allocated to the offset of assessments or to offset the cost of Authorized Improvements in the District, including the Phase #1 Improvements.

The City Council approved a final Project and Finance Plan for the TIRZ (the “TIRZ Project and Finance Plan”) on June 18, 2018 with the adoption of an ordinance which authorizes the use of certain TIRZ Revenues (defined below) for project costs under the TIRZ Act, relating to certain Authorized Improvements, which include the Phase #1 Improvements, as provided for in the TIRZ Project and Finance Plan (including amendments or supplements thereto).

Pursuant to the TIRZ Act, the tax increment base of the City is the total taxable value of all real property taxable by the City within the TIRZ Residential Tract, determined as of January 1 the year in which the TIRZ was designated as a reinvestment zone (the “Tax Increment Base”). As described in the TIRZ Project and Finance Plan, the “Tax Increment” for a year includes 62.5% of property taxes (based on the ad valorem tax rate in effect on the date of establishment of the TIRZ), levied and collected by the City within the TIRZ Residential Tract on the Captured Appraised Value (which amount is expected to be used to reduce Assessments within the District, as described below). Consistent with Section 311.012(b) of the TIRZ Act, the “Captured Appraised Value” of real property taxable by the City for a year is the total appraised value of all real property taxable by the City and located in the TIRZ Residential Tract for that year less the Tax Increment Base.

Pursuant to the TIRZ Project and Finance Plan, the Development Agreement and the Service and Assessment Plan, the City intends to hold the annual TIRZ Revenues collected from the TIRZ Residential Tract (the “TIRZ Revenues”) in a “Residential TIF Fund” and to dedicate all City ad valorem tax revenue in the Residential TIF Fund to pay a portion of the costs of the Authorized Improvements in the following manner: (1) the first costs to be paid from the Residential TIF Fund will be those costs required to administer the TIRZ; (2) the second costs to be paid from the Residential TIF Fund will be an offset or credit against the Assessments (the “TIRZ Annual Credit Amount,” as defined in “ASSESSMENT PROCEDURES – Assessment Amounts – TIRZ Annual Credit Amount” herein) applicable to residential development within the District.

The City shall determine the TIRZ Annual Credit Amount each year and shall transfer such amount to the Pledged Revenue Funds for the Bonds, the Phase #2 Major improvement Bonds, and to the Pledged Revenue Fund for the Phase #2 Specific Improvement Bonds (when and if issued). Such Annual Credit Amount shall reduce the Annual Installments for that year, and shall correspondingly reduce the Assessments.

In the Service and Assessment Plan, the City has established a maximum annual credit for each Lot Type, \$1,094 for 50’ lots and \$923 for 40’ lots. Further, the Service and Assessment Plan establishes that, until construction of the Phase #2 Specific Improvements begins in Phase #2 and assessments are levied therfor, lots in Phase #2 will receive only 25% of the TIRZ Annual Credit Amount applicable to such lot, equal to \$274 per year for a 50’ lot and \$231 per year for a 40’ lot. See “ASSESSMENT PROCEDURES – Assessment Amounts – TIRZ Annual Credit Amount”. If the application of the TIRZ Annual Credit Amount results in excess TIRZ Revenues available from the Residential Account of the TIRZ Fund, such excess TIRZ Revenues shall be held in a segregated account by the City and shall be used either (i) to prepay a portion of all Assessments on the Assessed Property, on a pro rata basis, and to redeem bonds pursuant to the extraordinary redemptions provisions of the Indenture, (ii) to optionally redeem the outstanding PID Bonds on a pro rata basis pursuant to the provisions of the Indenture, or (iii) to be applied in future years in an effort to maintain a level Annual Installment schedule. See “DESCRIPTION OF THE BONDS – Redemption Provisions”.

The deposit of the TIRZ Revenues collected from the TIRZ Residential Tract shall continue until the earlier of: (i) December 31, 2049; (ii) the total of the TIRZ Revenues deposited to the Residential TIF Fund equals \$14,827,784; or (iii) at such time that any obligations related to the District have been satisfied.

**THE TIRZ REVENUES, IF AVAILABLE, WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT THERE WILL EVER BE SUFFICIENT TIRZ REVENUES TO GENERATE A TIRZ ANNUAL CREDIT AMOUNT (AS DEFINED HEREIN). THE TIRZ ANNUAL CREDIT AMOUNT WILL NOT BE APPLIED IN ANY MANNER THAT WOULD AFFECT THE COLLECTION AND CONTINUOUS ENFORCEMENT OF ASSESSMENTS COLLECTED FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND ADMINISTRATIVE EXPENSES AND THE FUNDING OF THE DELINQUENCY AND PREPAYMENT RESERVE ACCOUNT REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. SUCH TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE AVAILABLE TO REDUCE THE ANNUAL INSTALLMENT FOR ANY ASSESSED PROPERTY UNTIL THE SECOND YEAR THAT A HOME ON SUCH LOT IS ASSESSED. TIRZ REVENUES GENERATED FROM THE CAPTURED APPRAISED VALUE FOR EACH LOT IN THE DISTRICT DURING THE DEVELOPMENT OF SUCH LOTS WILL NOT BE SUFFICIENT TO ACHIEVE THE TARGETED NET AVERAGE ANNUAL INSTALLMENT (AS SHOWN IN THE TABLES “OVERLAPPING TAX RATES (BEFORE ANNEXATION)” AND AS SHOWN IN THE TABLES “OVERLAPPING TAX RATES (AFTER ANNEXATION)” UNDER THE HEADING “OVERLAPPING TAXES**

AND DEBT," THE "TARGETED NET AVERAGE ANNUAL INSTALLMENT"). THE TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE SUFFICIENT TO PROVIDE FOR THE TARGETED NET AVERAGE ANNUAL INSTALLMENT UNTIL THE SECOND YEAR THAT A HOME ON SUCH LOT IS ASSESSED. SEE "OVERLAPPING TAXES AND DEBT."

### **Collection and Deposit of Assessments**

The Assessments shown on the Assessment Roll, together with the interest thereon, shall be applied to, and are set at a sufficient level to fund (i) the payment of the principal of and interest on the Bonds, including Additional Interest (ii) the reserve funds related to the Bonds, as set forth in the Indenture, and (iii) payment of Administrative Expenses, all as and to the extent provided in the Service and Assessment Plan and the Indenture.

The Assessments assessed to pay debt service on the Bonds and amounts owed under the Reimbursement Agreement, together with interest thereon, are payable in Annual Installments established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds and amounts owed under the Reimbursement Agreement. An Annual Installment of an Assessment has been made payable in the Assessment Ordinance in each fiscal year of the City preceding the date of final maturity of the Bonds which, if collected, will be sufficient to first pay debt service requirements attributable to Assessments in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

A record of the Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds is shown on the Assessment Roll. Sums received from the collection of the Assessments to pay the debt service requirements (including delinquent installments, Foreclosure Proceeds and penalties) and of the interest thereon shall be deposited into the Pledged Revenue Fund. Notwithstanding the foregoing, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Any portion of the Foreclosure Proceeds attributable to Administrative Expenses shall be deposited in the Administrative Fund. Any portion of the Foreclosure Proceeds attributable to Delinquent Penalties and Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund. The Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund. See "SECURITY FOR THE BONDS — Pledged Revenue Fund" and APPENDIX A — Form of Indenture.

The portions of the Annual Installments of Assessments collected to pay Administrative Expenses and Delinquent Collection Costs shall be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

### **Unconditional Levy of Assessments**

The City will impose Assessments on the property within Phase #1 of the District to pay the principal of and interest on the Bonds and the Reimbursement Agreement as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid in full at any time or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments, Additional Interest and Administrative Expenses. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds plus the Additional Interest with respect to the Bonds (0.50%), calculated on the basis of a 360-day year of twelve 30-day months. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be invoiced by the City or the County Tax Assessor/Collector or another collection entity engaged by the City at approximately the same time as the County's annual property tax bill and shall be billed each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments will be delinquent if not paid prior to February 1, 2019.

As authorized by Section 372.018(b) of the PID Act, the City will calculate and collect each year while the Bonds are Outstanding and unpaid, commencing with bills mailed on or about October 1, 2019, a portion of each Annual Installment to pay the annual costs incurred by the City in the administration and operation of the District. The portion of each Annual Installment used to pay such annual costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount of the levy after an annual review in any year pursuant to Section 372.013 of the PID Act. The portion of each Annual Installment to pay Administrative Expenses shall be due in the manner set forth in the Assessment Ordinance and Service and Assessment Plan and shall be delinquent if not paid by February 1 of the following year. Such portion of each Annual Installment to pay Administrative Expenses does not secure repayment of the Bonds.

There will be no discount for the early payment of Assessments.

Assessments, together with interest, penalties, and expense of collection and reasonable attorneys' fees, as permitted by the Texas Tax Code, shall be a first and prior lien against the property assessed, superior to all other liens and claims, except liens or claims for State, county, school district or municipality ad valorem taxes and shall be a personal liability of and charge against the owner of the property regardless of whether the owners are named and runs with the land. The lien for Assessments and penalties and interest begins on the effective date of the Assessment Ordinance and continues until the Assessments are paid or until all Bonds are finally paid.

Failure to pay an Annual Installment when due will not accelerate the payment of the remaining Annual Installments of the Assessments and such remaining Annual Installments (including interest) shall continue to be due and payable at the same time and in the same amount and manner as if such default had not occurred.

### **Perfected Security Interest**

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues, and such pledge is valid, effective and perfected from and after the Closing Date, without physical delivery or transfer of control of the Pledged Revenues, the filing of the Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the City under the Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City has agreed to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur. See "APPENDIX A — Form of Indenture."

### **Pledged Revenue Fund**

On or before February 1 of each year while the Bonds are Outstanding, beginning February 1, 2019, the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited separately pursuant to the Indenture) into the Pledged Revenue Fund which deposit shall be directed by the City to the Trustee pursuant to a City Certificate. Specifically, except as set forth in the Indenture, the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund amounts sufficient to pay debt service on the Bonds coming due in the next Bond Year, as described in the Indenture, (ii) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement as described in the Indenture, (iii) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account of the Reserve Fund in an amount equal to the Delinquency and Prepayment Reserve Requirement, (iv) fourth, to the Developer Pledged Revenue Account of the Pledged Revenue Fund for deposit to the Reimbursement Fund to reimburse the Developer for the costs of the Phase #1 Improvements that have been paid from the Developer Improvement Account of the Project Fund up to the Reimbursement Maximum, pursuant to the Reimbursement Agreement, provided that such sums deposited to the Developer Pledged Revenue Account shall not include Additional Interest, and (v) fifth, in accordance with the written direction of the City, to pay other costs permitted by the PID Act. Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (i) through (iv) above are made, the City shall have

the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in the Indenture. The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to the Indenture as Additional Interest, Prepayments or Foreclosure Proceeds. Moneys transferred to the Developer Pledged Revenue Account shall not be part of the Trust Estate and are not pledged to the payment of the Bonds. For the avoidance of doubt, all portions of the Annual Installment collected as Additional Interest shall be deposited pursuant only to (i), (ii) and (iii) above. No Additional Interest shall be deposited to the Developer Pledged Revenue Account of the Pledged Revenue Fund.

Notwithstanding the foregoing:

(1) the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer such Additional Interest to the Delinquency and Prepayment Reserve Account as set forth in the paragraph above or as otherwise directed by the Indenture; and

(2) the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund;

(3) the Trustee shall deposit Foreclosure Proceeds (excluding Delinquent Collection Costs) to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Administrative Expenses (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund and transfer to the Principal and Interest Account, an amount, taking into account any amounts then on deposit in such Principal and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account to be deposited pursuant to the Indenture, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

Subject to the provisions of the Reimbursement Agreement, from time to time as needed to reimburse the obligations relating to costs of the Phase #1 Improvements that are paid with funds withdrawn from the Developer Improvement Account of the Project Fund, the Trustee shall, pursuant to a completed Reimbursement Payment Request, withdraw from the Developer Pledged Revenue Account and transfer to the Reimbursement Fund such amount needed to reimburse the Developer for funds withdrawn from the Developer Improvement Account of the Project Fund used to fund costs of the Phase #1 Improvements.

If, after the foregoing transfers and any transfer from the Reserve Fund (as described under the subcaption "Bond Reserve Account of the Reserve Fund" below), there are insufficient funds to make the payments to the Principal and Interest Account of the Bond Fund described above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds.

Notwithstanding the provisions above:

(1) the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer such Additional Interest to the Delinquency and Prepayment Reserve Account as set forth in above and as otherwise directed by the Indenture; and

(2) the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund;

(3) the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Phase #1 Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Administrative Expenses (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

After satisfaction of the requirements to (i) provide for the payment of the principal and interest on the Bonds, (ii) to fund any deficiency that may exist in the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account) and (iii) fund obligations due pursuant to the terms of the Reimbursement Agreement, the City may direct the Trustee by City Certificate to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid.

Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

Any Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Assessments may be used under the PID Act and such payments shall be applied in accordance with written direction from a City Representative to the Trustee

### **Bond Fund**

No later than on the Business Day preceding each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account as provided in the Indenture.

### **Project Fund**

The Project Fund under the Indenture contains the Phase #1 Improvement Account, the Developer Improvement Account and the Costs of Issuance Account. Money on deposit in the Phase #1 Improvement Account and the Developer Improvement Account of the Project Fund shall be used for the payment of the costs of the Phase #1 Improvements.

Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates (as defined in the Indenture). Disbursements from all other accounts of the Project Fund to pay the costs of the Phase #1 Improvements shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certificate for Payment (as defined in the Indenture).

Except as otherwise provided in the Indenture, money on deposit in the Developer Improvement Account, and the Phase #1 Improvement Account of the Project Fund, shall be used solely to pay the costs of the Phase #1 Improvements. Upon receipt of a reviewed and approved Certificate for Payment for any Phase #1 Improvement Costs, the Trustee shall make payment from the following accounts in the following priority, until monies are no longer available therein: (1) first, from the Phase #1 Improvement Account of the Project Fund and (2) second, from the Developer Improvement account of the Project Fund. Except as provided in the next succeeding paragraphs below, money on deposit in the Phase #1 Improvement Account shall be used solely to pay the Phase #1 Improvement Costs. Except as otherwise provided in the Indenture, money on deposit in the Developer Improvement Account shall be used solely to pay Phase #1 Improvement Costs.

If the City Representative determines in his or her sole discretion that amounts then on deposit in the Phase #1 Improvement Account are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Phase #1 Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Phase #1 Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Phase #1 Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate currently on deposit in the Phase #1 Improvement Account shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

Upon the filing of a City Certificate stating that all Phase #1 Improvements have been completed and that all Phase #1 Improvements Costs have been paid, or that any such costs are not required to be paid from the Phase #1 Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer, (i) first, to the extent that the Developer has not been reimbursed in an amount equal to the Reimbursement Maximum, shall transfer the amount, if any, remaining in the Phase #1 Improvement Account to the Reimbursement Fund to reimburse the Developer for Phase #1 Improvement Costs paid from the Developer Improvement Account of the Project Fund, up to the Reimbursement Maximum, (ii) second, shall transfer the amount, if any, remaining within the Phase #1 Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee, and (iii) provided that amounts on deposit in the Developer Improvement Account have been transferred as provided in the Indenture, the Trustee shall close the Project Fund.

If the City Representative determines in his or her sole discretion that amounts then on deposit in the Developer Improvement Account of the Project Fund are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Phase #1 Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Developer Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Developer Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate on deposit in the Developer Improvement Account shall be transferred and released to the Developer pursuant to the Indenture.

#### **Bond Reserve Account of the Reserve Fund**

Pursuant to the Indenture, a Bond Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Reserve Fund Requirement. Pursuant to the Indenture, the "Bond Reserve Account Requirement" for the Bonds shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds as of their date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of their date of issuance, and (iii) 10% of the proceeds of the Bonds; provided, however, that such Bond Reserve Account Requirement shall be tested for compliance with the above upon (a) any transfers made pursuant to the Indenture, (b) a mandatory sinking fund redemption, (c) an optional redemption or (d) an extraordinary optional redemption. As of the date of delivery of the Bonds, the Bond Reserve Account Requirement is \$ \_\_\_\_\_, which is an amount equal to Maximum Annual Debt Service on the Bonds as of the date of issuance.

If, on any Maturity Date or Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

If, after a Bond Reserve Account withdrawal, the amount on deposit in the Bond Reserve Account is less than the Bond Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Bond Reserve Account the amount of such deficiency, in accordance with the Indenture, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments.

Whenever Bonds are to be redeemed with the proceeds of Prepayments, a proportionate amount in the Bond Reserve Account shall be transferred on the Business Day prior to the redemption date by the Trustee to the

Redemption Fund to be applied to the redemption of the Bonds as detailed in a City Certificate. The amount so transferred from the Bond Reserve Account shall be a proportional amount equal to a percentage of the amount of the Bonds redeemed with such percentage equal to the lesser of: (i) the amount required to be in the Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest on the Bonds, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund, Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Bonds as of such Interest Payment Date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

### **Delinquency and Prepayment Reserve Account of the Reserve Fund**

Pursuant to the Indenture, a Delinquency and Prepayment Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. A portion of the Delinquency and Prepayment Reserve shall be funded with bond proceeds and, each year, Additional Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to the provisions of the Indenture such that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement, (ii) the Administrative Fund for payment of Administrative Expenses, or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to the Indenture. In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Administrative Fund and provide the City with written notification of the transfer.

Moneys deposited in the Delinquency and Prepayment Reserve Account will be used and withdrawn by the Trustee for the purpose of making transfers to the Redemption Fund, pursuant to, and at the times specified in, the Indenture to pay a portion of the accrued interest on Bonds being redeemed pursuant to an extraordinary optional redemption for Prepayments. Whenever Bonds are to be redeemed with the proceeds of Prepayments, if there are insufficient funds in the Redemption Fund from such Prepayments to redeem the Bonds on their redemption date, the Trustee shall transfer funds from the Delinquency and Prepayment Reserve Account to the Redemption Fund in the amount of the deficiency and such funds shall be used to redeem Bonds. .

### **Reimbursement Fund**

The City has created under the Indenture a Reimbursement Fund held by the Trustee. Assessment Revenues deposited to the Reimbursement Fund as described under the heading “— Pledged Revenue Fund” above shall be disbursed to the Developer to reimburse the Actual Costs of the Phase #1 Improvement paid from the Developer Improvement Account of the Project Fund. Disbursements shall be made pursuant to this section and the Reimbursement Agreement, based upon the approval of a Reimbursement Payment Request by the City. Disbursements from the Reimbursement Fund shall be made until the earlier of (i) Maturity of the Bonds, (ii) the Reimbursement Maximum has been reached, (iii) termination of the Reimbursement Agreement or (iv) upon a determination by the City Representative as described below.

If the City Representative determines in his or her sole discretion that amounts then on deposit in the Reimbursement Fund are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Phase #1 Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Reimbursement Fund will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Reimbursement Fund that are not expected to be used for purposes thereof and such amounts shall be transferred to the Redemption Fund and shall be used to redeem Bonds.

Upon the occurrence of (i), (ii) or (iii) in subsection (a) above, the City shall file a City Certificate with the Trustee as to such occurrence and then the Trustee shall (i) transfer the amounts remaining in the Reimbursement Fund, if any, to the Redemption Fund, and (ii) shall close the Reimbursement Fund.

#### **Administrative Fund**

The City has created under the Indenture an Administrative Fund held by the Trustee. The City shall deposit or cause to be deposited to the Administrative Fund the amounts collected each year to pay Administrative Expenses and Delinquent Collection Costs. The City or the Administrator on behalf of the City shall direct the Trustee pursuant to the City Certificate with respect to the portions of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs to be deposited pursuant to the Indenture.

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Administrative Expenses and Delinquent Collection Costs. See "APPENDIX B — Form of Service and Assessment Plan."

#### **THE ADMINISTRATIVE FUND IS NOT PART OF THE TRUST ESTATE AND IS NOT SECURITY FOR THE BONDS.**

#### **Defeasance**

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then rating the Bonds that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that that no adverse federal tax consequences will result from reinvesting such cash. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. “Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”); and provided further such investments and are, at the time made, included in and authorized by the City’s official investment policy as approved by the City Council from time to time. Under current State law, Investment Securities that are authorized for the investment of funds to defease public securities are (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Indenture does not contractually limit such investments, Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

### **Events of Default**

Each of the following occurrences or events constitutes an “Event of Default” under the Indenture:

1. The failure of the City to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;
2. The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
3. The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; and
4. Default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture and the continuation thereof for a period of ninety (90) days after written notice to the City by the Trustee, or by the Owners of at least 25% of the aggregate outstanding principal of the Bonds with a copy to the Trustee, specifying such default by the Owners of at least 25% of the Bonds at the time Outstanding requesting that the failure be remedied.

### **Remedies in Event of Default**

Upon the happening and continuance of any Event of Default, the Owners of at least 25% the aggregate outstanding principal of the Bonds, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

**THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.**

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and

application. In the event that the City shall fail to deliver to the Trustee such City Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

### **Restriction on Owner's Actions**

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to certain liabilities of the City, nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued thereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed therein and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

### **Application of Revenues and Other Moneys After Event of Default**

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee and the fees of the

Trustee in carrying out the Indenture, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or redemption price then due on Bonds, as follows:

**FIRST:** To the payment to the registered owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference; and

**SECOND:** To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the registered owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners.

In the event funds are not adequate to cure any of the Events of Default described in above, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of the Indenture.

The restoration of the City to its prior position after any and all defaults have been cured, as provided above, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

### **Investment or Deposit of Funds**

Money in any Fund established pursuant to the Indenture shall be invested by the Trustee as directed by the City pursuant to a City Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the PFIA, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times as set forth in the Indenture.

Obligations purchased as an investment of moneys in any Fund shall be deemed to be part of such Fund or Account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in the Indenture any moneys are required to be transferred by the City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

### **Against Encumbrances**

Other than bonds issued to refund all or a portion of the Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds or refunding bonds, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

So long as Bonds are Outstanding under the Indenture, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds or refunding bonds secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

## **SOURCES AND USES OF FUNDS\***

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and contributions of funds from the Developer:

### Sources of Funds:

Principal Amount
Developer Advancement of Funds <sup>(1)</sup>
Total Sources

### Uses of Funds:

Deposit to the Phase #1 Improvement Account of the Project Fund
Deposit to Developer Improvement Account of Project Fund <sup>(1)</sup>
Deposit to Capitalized Interest Account of Bond Fund
Deposit to Reserve Account of the Reserve Fund
Deposit to Delinquency and Prepayment Reserve Account of the Reserve Fund
Deposit to Administrative Account of Administrative Fund
Costs of Issuance
Underwriter's Discount <sup>(2)</sup>
Total Uses

*\* Preliminary; subject to change.*

<sup>(1)</sup> Represents approximate amount of Developer's advancement of funds at delivery of the Bonds, if any, to pay for a portion of the costs of the Phase #1 Improvements, a portion of such amount is to be reimbursed to the Developer or the Developer's assigns in the future pursuant to the Reimbursement Agreement.

<sup>(2)</sup> Underwriter's discount of \$ \_\_\_\_\_ includes Underwriter's Counsel's fee of \$ \_\_\_\_\_.

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### **DEBT SERVICE REQUIREMENTS\***

The following table sets forth the anticipated debt service requirements for the Bonds:

<b><u>Year Ending (September 1)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
<b>Total</b>			

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\* Preliminary; subject to change.

## OVERLAPPING TAXES AND DEBT

The land within Phase #1 of the District has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments levied by the City.

In addition to the Assessments described above, the Developer anticipates that each lot owner in Phase #1 of the District will pay a maintenance and operation fee and/or a property owner's association fee to a homeowner's association (the "HOA"), which is expected to be formed by the Developer after delivery of the Bonds. In addition to the City, Kaufman County, Texas, Kaufman Emergency Services District #6 and the Forney Independent School District may each levy ad valorem taxes upon land in Phase #1 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. The following table reflects the overlapping ad valorem tax rates currently levied on property located in Phase #1 of the District. The District is currently located within extraterritorial jurisdiction of the City, and primarily within the Forney Independent School District, and within Kaufman County, Texas.

### OVERLAPPING TAX RATES (PRIOR TO ANNEXATION)

<u>Taxing Entity<sup>(4)</sup></u>	<u>Tax Year 2017</u>	<u>Ad Valorem Tax Rate<sup>(1)</sup></u>
Kaufman County, Texas <sup>(3)</sup>		0.588700
Kaufman Emergency Services District #6		0.030000
Forney Independent School District		<u>1.540000</u>
Total Existing Tax Rate		<u>\$2.158700</u>
Estimated Average Annual Assessment in Phase #1 of the District as tax rate equivalent per Equivalent Unit <sup>(2)</sup>		<u>\$0.949060</u>
Less Maximum TIRZ Annual Credit Amount per Equivalent Unit as tax rate equivalent		<u>\$(0.429375)</u>
<b>"Targeted Net Average Annual Installment" [as tax rate equivalent]<sup>(2)</sup></b>		<b><u>\$0.519685</u></b>
<b>Net Estimated Total Tax Rate and Average Annual Installment in Phase #1 of the District as tax rate equivalent per Equivalent Unit</b>		<b><u>\$2.678385</u></b>

<sup>(1)</sup> As reported by the taxing entities. Per \$100 in taxable assessed value.

<sup>(2)</sup> Source: David Taussig & Associates. Derived from information presented in Table V-D of the Service and Assessment Plan. See "APPENDIX B — Service and Assessment Plan". Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. See "SECURITY FOR THE BONDS — TIRZ Revenues May Reduce Assessments." Preliminary, subject to change.

<sup>(3)</sup> Includes \$0.1000 tax rate for Kaufman County Road and Bridge projects.

<sup>(4)</sup> Based on the current concept plan, one full lot and varying portions of six other lots in Phase #1 (less than one total acre and approximately 0.5 acres of total assessable land) are currently within the boundaries of the Crandall Independent School District, Kaufman Emergency Services District #7, and the Trinity Valley Community College District. The 2017 tax rates for such entities are as follows: Crandall Independent School District — \$1.54 per \$100 in assessed value; Kaufman Emergency Services District #7 — \$0.08 per \$100 in assessed value; Trinity Valley Community College District — \$0.138544. The total 2017 ad valorem tax rate on such parcels is \$2.347244.

Source: Kaufman Central Appraisal District and the City.

As noted above, Phase #1 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Phase #1 of the District, as of June 15, 2018, and City debt secured by the Assessments:

**OVERLAPPING DEBT (PRIOR TO ANNEXATION)**

Taxing or Assessing Entity	Gross Outstanding Debt <u>as of 6/15/2018</u>	Estimated Percentage <u>Applicable<sup>(1)</sup></u>	Direct and Estimated Overlapping Debt <sup>(2)</sup>
The City (Assessments - The Bonds)	\$ 5,410,000 <sup>(2)</sup>	100.000%	\$5,410,000
The City (Assessments - Reimbursement Agreement)	647,000 <sup>(2)</sup>	100.000%	647,000
Kaufman County, Texas	62,054,016	0.134%	83,398
Forney Independent School District	<u>267,313,708</u>	0.322%	<u>861,449</u>
<b>TOTAL</b>	<b><u>\$335,424,724</u></b>		<b><u>\$7,001,847</u></b>

<sup>(1)</sup> Based on the Appraisal for Phase #1 of the District and on the Tax Year 2017 Net Taxable Assessed Valuations for the taxing entities.

<sup>(2)</sup> Preliminary, subject to change.

After delivery of the Bonds, the City intends to annex the land within the District into the corporate limits of the City. "THE DISTRICT — Powers and Authority," "THE DEVELOPMENT AGREEMENT" and "THE DEVELOPER — History and Financing of the District". The following tables reflects the estimated overlapping ad valorem tax rates and overlapping indebtedness payable from ad valorem taxes with respect to property within the District, as well as City debt secured by the Assessments, after delivery of the Bonds and the City's annexation of the land within the District.

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### OVERLAPPING TAX RATES (AFTER ANNEXATION)

<u>Taxing Entity</u>	Tax Year 2017 <u>Ad Valorem Tax Rate<sup>(1)</sup></u>
The City	\$ 0.687000
Kaufman County, Texas <sup>(3)</sup>	0.588700
Forney Independent School District	<u>1.540000</u>
Total Existing Tax Rate	<u>\$2.815700</u>
Estimated Average Annual Assessment in Phase #1 of the District as tax rate equivalent per Lot <sup>(2)</sup>	<u>\$0.949060</u>
Less Maximum TIRZ Annual Credit Amount per lot as tax rate equivalent	<u>\$(0.429375)</u>
<b>“Targeted Net Average Annual Installment” [as tax rate equivalent]<sup>(2)</sup></b>	<b><u>\$0.519685</u></b>
<b>Net Estimated Total Tax Rate and Average Annual Installment in Phase #1 of the District as tax rate equivalent per Equivalent Unit</b>	<b><u>\$3.335385</u></b>

<sup>(1)</sup> As reported by the taxing entities. Per \$100 in taxable assessed value.

<sup>(2)</sup> Source: David Taussig & Associates. Derived from information presented in Table V-D of the Service and Assessment Plan. See “APPENDIX B — Service and Assessment Plan” Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. See “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount.” Preliminary, subject to change.

<sup>(3)</sup> Includes \$0.1000 tax rate for Kaufman County Road and Bridge projects.

<sup>(4)</sup> Based on the current concept plan, one full lot and varying portions of six other lots in Phase #1 (less than one total acre and approximately 0.5 acres of total assessable land) are currently within the boundaries of the Crandall Independent School District, Kaufman Emergency Services District #7, and the Trinity Valley Community College District. The 2017 tax rates for such entities are as follows: Crandall Independent School District – \$1.54 per \$100 in assessed value; Kaufman Emergency Services District #7 – \$0.08 per \$100 in assessed value; Trinity Valley Community College District – \$0.138544. The total 2017 ad valorem tax rate on such parcels is \$2.347244.

### OVERLAPPING DEBT (AFTER ANNEXATION)

Taxing or Assessing Entity	Gross Outstanding Debt as of 6/15/2018	Estimated Percentage Applicable <sup>(1)</sup>	Direct and Estimated Overlapping Debt <sup>(2)</sup>
The City (Assessments - The Bonds)	\$ 5,410,000 <sup>(2)</sup>	100.000%	\$5,410,000
The City (Assessments - Reimbursement Agreement)	647,000 <sup>(2)</sup>	100.000%	647,000
The City (Ad Valorem Taxes)	185,140,000	0.152%	281,787
Kaufman County, Texas	62,054,016	0.137%	83,398
Forney Independent School District	<u>267,313,708</u>	0.322%	<u>861,449</u>
<b>TOTAL</b>	<b><u>\$520,564,724</u></b>		<b><u>\$7,283,634</u></b>

<sup>(1)</sup> Based on the Appraisal for Phase #1 of the District and on the Tax Year 2017 Net Taxable Assessed Valuations for the taxing entities.

<sup>(2)</sup> Preliminary, subject to change.

Sources: Kaufman Central Appraisal District and Municipal Advisory Council of Texas

If land is devoted principally to agricultural use, a landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land's agricultural value. All of the property in the District is currently subject to an agricultural use valuation with respect to its ad valorem taxes. Agricultural use includes

production of crops or livestock. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. The property in the District is subject to hay and/or grazing leases. These leases and lessees' operations on the property allow the property to maintain its agricultural valuation. The Developer expects to terminate these leases as construction of improvements commences. The Developer expects to terminate the agricultural valuation in Phase #1 of the District in 2018.

If land qualified for an agricultural valuation but the land use changes to a non-agricultural use, "rollback taxes" are assessed for each of the previous 5 years in which the land received the lower agricultural valuation. The rollback tax is the difference between taxes paid on land's agricultural value and the taxes that the land owner would have paid if the land had been taxed on a higher market value plus interest charged for each year from the date on which taxes would have been due.

If the land use changes to a non-agricultural use on only a portion of a larger tract, the land owner can fence off the remaining land and maintain the agricultural valuation on the remaining land. In this scenario, the land owner would only be responsible for rollback taxes on that portion of the land for which use changed and not for the entire tract.

It is expected that rollback taxes will be paid by the Developer or purchasers from the Developer during development of the District and prior to purchase of lots by homeowners.

## **ASSESSMENT PROCEDURES**

### **General**

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Phase #1 Improvements through Assessments, it must adopt a resolution generally describing the Phase #1 Improvements and the land within Phase #1 of the District to be subject to Assessments to pay the cost therefor. The City has caused an assessment roll to be prepared (the "Assessment Roll"), which Assessment Roll will show the land within Phase #1 of the District to be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of Annual Installments in which the Assessment is divided. The Assessment Roll will be filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Phase #1 Improvements and funding a portion of the same with Assessments. The City expects to levy the Assessments and adopt the Assessment Ordinance immediately prior to adopting the Bond Ordinance. After such adoption, the Assessments will become legal, valid and binding liens upon the property against which the Assessments are made.

Under the PID Act, the Costs of the Phase #1 Improvements may be assessed by the City against the Assessed Property in Phase #1 of the District so long as the special benefit conferred upon the assessed property in Phase #1 (the "Assessed Property") by the Phase #1 Improvements equals or exceeds the Assessments. The costs of the Phase #1 Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on Assessed Property similarly benefited. The allocation of benefits and assessments to the benefitted land within the District, including land in Phase #1, is set forth in the Service and Assessment Plan, which should be read in its entirety. See "APPENDIX B — Form of Service and Assessment Plan."

### **Assessment Methodology**

The Service and Assessment Plan describes the special benefit to be received by each lot of Assessed Property as a result of the Phase #1 Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Phase #1 Improvements to lots in a manner that results in equal shares of costs being apportioned to lots similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Phase #1 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment

Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Phase #1 Improvements will be allocated to the Assessed Property against which the Assessments are levied (the “Assessed Property”) based on the ratio of total Equivalent Units estimated for such Assessed Property. The costs of the Phase #1 Improvements are allocated to each Lot based on the size of the Lot (40’ or 50’).

The following table provides additional analysis with respect to special assessment methodology, including the value to assessment burden ratio per unit (lot), equivalent tax rate per unit, and leverage per unit. The information in the tables was obtained from and calculated using information provided in the Service and Assessment Plan and the Appraisal. See “APPENDIX B — Service and Assessment Plan” and “APPENDIX E — Appraisal.”

Pursuant to the TIRZ Project and Finance Plan, the City has agreed to use TIRZ Revenues derived from the City’s ad valorem taxes (62.5% of the City’s real property ad valorem taxes) generated from Assessed Property within the TIRZ Residential Tract of the District to offset a portion of the Annual Installment attributable to the costs of the Authorized Improvements (the “TIRZ Annual Credit Amount”). In the Service and Assessment Plan, the City has established a maximum annual credit in for each Lot Type, \$1,094 for 50’ lots and \$923 for 40’ lots. Further, the Service and Assessment Plan establishes that, until construction of the Phase #2 Specific Improvements begins in Phase #2 and assessments are levied therfor, lots in Phase #2 will receive only 25% of the TIRZ Annual Credit Amount applicable to such lot, equal to \$274 per year for a 50’ lot and \$231 per year for a 40’ lot. See “ASSESSMENT PROCEDURES – Assessment Amounts – *TIRZ Annual Credit Amount*”. The Annual Installment for each Assessed Property shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Assessed Property. The TIRZ Annual Credit Amount for any Parcel shall be credited to all obligations of the District on a pro rata basis, including the Bonds, the Phase #2 Major Improvement Bonds and the Phase #2 Specific Improvement Bonds. See “SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments”.

For further explanation of the Assessment methodology, see “APPENDIX B — Form of Service and Assessment Plan.”

The City has determined that the foregoing method of allocation will result in the imposition of equal shares of the Assessments on lots similarly situated within Phase #1 of the District. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers within the District. See “APPENDIX B — Form of Service and Assessment Plan.”

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**LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND ASSESSMENT RATIO PER UNIT IN PHASE #1 OF THE DISTRICT\***

Lot Type	Planned No. of Units	Estimated Finished Lot Value per unit <sup>(1)</sup>	Projected Average Home Value per unit	Assessment per unit	Average Annual Installment per unit	Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value)	Tax Rate Equivalent of Average Annual Installment (per \$100 Home Value) <sup>(2)</sup>	Ratio of Assessment to Lot Value	Ratio of Assessment to Average Home Value
40'	55	\$40,000	\$215,000	\$25,287	\$2,032	\$5.0800	\$0.9455	1.58	8.50
50'	155	\$50,000	\$255,000	\$30,104	\$2,420	\$4.8300	\$0.9491	1.66	8.47

Source: David Taussig & Associates, Inc. and information presented in the Service and Assessment Plan

<sup>(1)</sup> Developer estimate.

\* Preliminary, subject to change.

The estimated aggregate retail value of the Assessed Property in Phase #1 of the District, assuming construction of the Phase #1 Improvements, subject to the limiting conditions therein, is approximately \$10,800,000. See “THE DEVELOPMENT — Development Plan” for further information regarding the expected completion of the development within Phase #1 of the District, and “APPRAISAL OF PROPERTY WITHIN PHASE #1 OF THE DISTRICT.”

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## **Collection and Enforcement of Assessment Amounts**

Under the PID Act, the Annual Installments may be collected in the same manner and at the same time as ad valorem taxes of the City. The Assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced. Delinquent installments of the Assessments incur interest, penalties and attorney's fees in the same manner as delinquent ad valorem taxes. Under the PID Act, the Assessment Lien is a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. See "BONDHOLDERS' RISKS — Assessment Limitations" herein.

In the Indenture, the City will covenant in to collect, or cause to be collected, Assessments as provided in the Assessment Ordinance. No less frequently than annually, City staff or a designee of the City shall prepare, and the City Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Lot. Administrative Expenses shall be allocated among all Lots in proportion to the amount of the Annual Installments for the Lots.

In the Indenture, the City will covenant, agree and warrant that, for so long as any Bonds are Outstanding, and amounts are due the Developer to reimburse it for its funds it has contributed to pay costs of the Phase #1 Improvements pursuant to the Reimbursement Agreement, that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments. Notwithstanding the foregoing, the City shall be permitted to reduce the Assessments by the TIRZ Annual Credit Amount pursuant to the Development Agreement, the TIRZ Project and Finance Plan and the Service and Assessment Plan; provided, however, that no such reduction shall operate to reduce the amounts levied for the payment of the Administrative Expenses.

To the extent permitted by law and to the extent the City is able to do so, notice of the Annual Installments will be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

The City will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property.

The City will implement the basic timeline and procedures for Assessment collections and pursuit of delinquencies set forth in Exhibit C of the City's Continuing Disclosure Agreement set forth in APPENDIX D-1 and to comply therewith to the extent that the City reasonably determines that such compliance is the most appropriate timeline and procedures for enforcing the payment of delinquent Assessments.

The City shall not be required under any circumstances to expend any funds for delinquent collection costs in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Annual Installments will be paid to the City or its agent. Annual Installments are due on October 1 of each year, and become delinquent on February 1 of the following year. In the event Assessments are not timely paid, there are penalties and interest as set forth below:

Date Payment <u>Received</u>	Cumulative <u>Penalty</u>	Cumulative <u>Interest</u>	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, the penalty remains at 12%, and interest accrues at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total penalty and interest charge. In general, property subject to lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. An automatic stay by creditors or other entities, including governmental units, could prevent governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In most cases, post-petition Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Assessment Amounts**

*Assessment Amounts.* The maximum amounts of the Assessments will be established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property consisting of (i) the annual payment allocable to the Bonds, including the Additional Interest, for the Phase #1 Improvements for each Assessed Property; (ii) the annual payment allocable to the Reimbursement Agreement; and (iii) the annual payment allocable to Administrative Expenses. The Annual Installments for the Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the lots comprising the Assessed Property as indicated on the Assessment Roll. Additional Interest will be collected only on the portion of the Assessments allocable to the outstanding principal amount of the Bonds and will not be collected on the portion of the annual payment allocable to the Reimbursement Agreement. See "APPENDIX B — Form of Service and Assessment Plan."

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds (which amount will include Additional Interest of the interest costs) and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances. The Annual Installments shall be further reduced by any offset or credit of applicable TIRZ Annual Credit Amount.

*TIRZ Annual Credit Amount.* The City has agreed to use TIRZ Revenues generated from the TIRZ Residential Tract of the District to offset a portion of each Assessed Property's Assessment and Annual Installment. The Annual Installment for each Assessed Property shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Assessed Property. Pursuant to the Service and Assessment Plan, TIRZ Revenues collected for each tax year will be used to calculate the TIRZ Annual Credit Amount to be applied to the Annual Installment that will be billed in the following year (e.g., TIRZ Revenues collected for the tax year 2018 shall be applied as the TIRZ Annual Credit Amount applicable to Annual Installments to be billed in 2019), and such Annual Credit Amount will be derived only from the City ad valorem property taxes but in no event shall the TIRZ Annual Credit Amount exceed the Maximum TIRZ Annual Credit Amount.

The "Maximum TIRZ Annual Credit Amount" applicable to each Assessed Property was calculated so that the net total of the Assessment and the ad valorem taxes on the Assessed Property did not produce an equivalent tax rate which exceeds the competitive, composite equivalent ad valorem tax rate taking into consideration (i) the tax rates of all applicable taxing units and (ii) the equivalent tax rate of the Annual Installments of the Assessments based on assumed value of a home in the District at the time of the sale of Bonds after application of the Maximum Annual TIRZ Credit Amount (the "Targeted Net Average Annual Installment.") See "APPENDIX C – Form of the Service and Assessment Plan." TIRZ Revenues are not pledged as security for the Bonds under the Indenture. The Maximum TIRZ Annual Credit Amounts are shown in the following table:

### **Maximum TIRZ Annual Credit Amount Per Lot Type in the District**

Lot type	Maximum Annual Credit Amount per Lot
40'	\$923
50'	\$1,094

<sup>(1)</sup> The Maximum Annual Credit Amount for the each Parcel was established based on the Targeted Net Average Annual Installment. See “OVERLAPPING DEBT AND TAXES” and “APPENDIX B — Service and Assessment Plan.”

Lots in Phase #1 of the District are expected to receive the Maximum Annual Credit Amount per lot as soon as TIRZ Revenues are sufficient therefor. The Service and Assessment Plan establishes that, until construction of the Phase #2 Specific Improvements begins in Phase #2 and assessments are levied therfor, lots in Phase #2 will receive only 25% of the TIRZ Annual Credit Amount applicable to such lot, equal to \$274 per year for a 50' lot and \$231 per year for a 40' lot.

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraised value in the TIRZ Residential Tract in any year. Consequently, TIRZ Revenues are generated only if the appraised value of real property in the TIRZ Residential Tract in any year is greater than the base value. Any delay or failure of Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. **TIRZ Revenues generated from the captured appraised value for each lot in the District during the development of such lot will result in a TIRZ Annual Credit Amount which is not sufficient to achieve the Targeted Net Average Annual Installment. The TIRZ Annual Credit Amount is not expected to be sufficient to provide for the Targeted Net Average Annual Installment until the second year that a home on such lot is assessed. See “OVERLAPPING TAXES AND DEBT.” Such TIRZ Revenues, if available, are not pledged as Security for the Bonds under the Indenture.**

If the application of the TIRZ Annual Credit Amount results in excess TIRZ Revenues available from the Residential Account of the TIRZ Fund, such excess TIRZ Revenues shall be held in a segregated account by the City and shall be used either (i) to prepay a portion of all Assessments on the Assessed Property, on a pro rata basis, and to redeem bonds pursuant to the extraordinary redemptions provisions of the Indenture, (ii) to optionally redeem the outstanding PID Bonds on a pro rata basis pursuant to the provisions of the Indenture, or (iii) to be applied in future years in an effort to maintain a level Annual Installment schedule. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

**Method of Apportionment of Assessments.** For purpose of the Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Phase #1 Improvements shall be allocated to the Phase #1 Assessed Property by spreading the entire Assessment across the estimated Lots to be developed based on the lot size based on the use of Equivalent Units as set forth in the Service and Assessment Plan. See “APPENDIX B — Form of Service and Assessment Plan.” See “ASSESSMENT PROCEDURES — Assessment Methodology.”

If Assessed Property or portion thereof is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes Assessed Property or portion thereof to become Non-Benefited Property, the owner of such Assessed Property or portion thereof shall pay to the City the full amount of the Assessment, plus all Prepayment Costs, for such Parcel or portion thereof prior to any such transfer or act (a “Mandatory Prepayment”). Should a Mandatory Prepayment be anticipated, the owner of such Assessed Property or portion thereof shall notify the City and the Administrator no later than thirty (30) days prior to the anticipated date of transfer. The amount of a Mandatory Prepayment of an Assessment shall be calculated in accordance with the terms of the Service and Assessment Plan.

The Assessment per Equivalent Unit with respect to the Bonds and the Reimbursement Agreement is \$30,104\*. Accordingly, the Assessment per 40' lot is \$25,287\* and the Assessment per 50' lot is \$30,104\*. See “ASSESSMENT PROCEDURES — Assessment Methodology.” The Bonds are secured by a first lien on and

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\* Preliminary; subject to change.

pledge of Pledged Revenues, including the Assessments. See “SECURITY FOR THE BONDS” and “APPENDIX B — Form of Service and Assessment Plan.”

### **Prepayment of Assessments**

Pursuant to the PID Act and the Indenture, the owner of any property assessed may voluntarily prepay (a “Prepayment”) all or part of any Assessment levied against any Assessed Property, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

### **Priority of Lien**

The Assessments or any reassessment, the expense of collection, and reasonable attorney’s fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the Assessment Ordinance until the Assessment is paid, and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any property assessed may pay the entire Assessment levied against any lot, together with accrued interest to the date of payment, at any time.

### **Foreclosure Proceedings**

In the event of delinquency in the payment of any Annual Installment, except for unpaid Assessments on homestead property (unless the lien associated with the assessment attached prior to the date the property became a homestead), the City is empowered to order institution of an action in state district court to foreclose the lien of such delinquent Annual Installment. In such action the real property subject to the delinquent Annual Installments may be sold at judicial foreclosure sale for the amount of such delinquent Annual Installments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of an Assessment will be subject to the lien established for remaining unpaid installments of the Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Assessments against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase the property or to pay the delinquent Assessment on the corresponding Assessed Property.

In the Indenture, the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided that the City is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See “APPENDIX A – Form of Indenture.” See also “APPENDIX D – Form of Disclosure Agreement” for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

In the Indenture, the City creates the Delinquency and Prepayment Reserve Account under the Reserve Fund and will fund such account as provided in the Indenture. The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay

foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund,” “APPENDIX A – Form of Indenture” and “APPENDIX B – Form of Service and Assessment Plan.”

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## THE CITY

### Background

The City is located in the eastern portion Dallas County and the northwest portion of Kaufman County, approximately 15 miles east of Dallas. Access to the City is provided by Interstate 30, Interstate 635 and Highway 80. The City covers approximately 46.963 square miles. Some of the services that the City provides are: public safety (police and fire personnel and equipment), health inspection and enforcement, water and sewer facilities, street and drainage facilities and parks and recreational facilities. The 2010 Census population for the City was 139,824, while the 2018 population is estimated at 143,060.

### City Government

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1887, and first adopted its Home Rule Charter in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The Mayor and Councilmembers are elected for two year terms with elections held in November of odd-numbered years. The City Manager is the chief administrative officer for the City.

The current members of the City Council are as follows:

<u>Name</u>	<u>Position</u>
Stan Pickett	Mayor
Dan Aleman	Mayor Pro-Tem
Tandy Boroughs	Deputy Mayor Pro-Tem
Robert Miklos	Councilmember
Bruce Archer	Councilmember
Greg Noschese	Councilmember
Jeff Casper	Councilmember

The principal administrators of the City include the following:

<u>Name</u>	<u>Position</u>
Cliff Keheley	City Manager
Sonja Land	City Secretary
Debbie Mol	Director of Finance

### Major Employers

The major employers in the City are set forth in the table below.

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Mesquite Independent School District	Education	4,000
Town East Mall	Shopping Center	2,750
United Parcel Service Inc.	Postal Carrier	2,300
Dallas Regional Medical Center	Health Care	1,500
City of Mesquite	Public Administration	1,200
Eastfield College	Education	900
Pepsi Beverages Co	Manufacturing	600
Wal-Mart Supercenter	Retail	500
Baker Drywall	Construction	450
OroraVisual	Commercial Painter	420

Source: Texas Workforce Commission

## Historical Employment in Mesquite

	Average Annual <sup>(1)</sup>				
	2017	2016	2015	2014	2013
Civilian Labor Force	75,258	76,114	73,427	73,687	73,614
Total Employed	75,159	73,082	70,257	69,654	68,723
Total Unemployed	3,099	3,032	3,170	4,033	4,891
Unemployment Rate	4.0%	4.0%	4.3%	5.5%	6.6%

<sup>(1)</sup> Source: Texas Workforce Commission.

## Surrounding Economic Activity

The major employers of municipalities surrounding the City are set forth in the table below.

City of Dallas		City of Garland		City of Richardson	
Approximately 11 miles from the City		Approximately 10 miles from the City		Approximately 14 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Wal Mart Stores	25,534	Kraft Foods	650	State Farm Insurance	8,000
American Airlines	25,000	US Food Service	520	AT&T	5,000
Dallas ISD	20,000	Hatco (Resistol)	401	Blue Cross Blue Shield of Texas	3,100
Texas Health Resources	19,131	L3 Communications	400	University of Texas at Dallas	2,674
Baylor Health Care System	16,860	Anderson Windows	400	Richardson ISD	2,500
Bank of America	14,465	KARLEE, Inc.	330	RealPage	2,100
Lockheed Martin Aeronautics	13,700	Atlas Copco	300	GEICO	1,800
Texas Instruments Inc.	13,000	Interceramic	300	Raytheon	1,700
City of Dallas	13,000	Plastipak Packaging	269	United Healthcare	1,700
JPMorgan Chase	12,600	General Dynamics	250	Fujitsu Network Communications	1,500

City of Rockwall	
Approximately 13 miles from the City	
Employer	Employees
Rockwall ISD	1,872
Texas Health Presbyterian Hospital	600
Texas Star Express	484
Wal-Mart Superstore	450
Rockwall County	315
City of Rockwall	277
Special Products	168
L-3 Communications	150
Home Depot	140
Bimbo Bakeries	134

City of Forney	
Approximately 8 miles from the City	
Employer	Employees
Forney ISD	1,394
Wal-Mart	360
Smurfit Kappa	260
Steve Silver Co.	220
Kroger MarketPlace	208
Intex Electrical	175
City of Forney	135
ABOX Packaging	130
Lowe's	120
Ridgecrest Healthcare & Rehab	110

Source: Municipal Advisory Council of Texas

## THE DISTRICT

### General

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the Creation Resolution for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Phase #1 Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the District property being developed. The District is not a separate political subdivision of the State and is governed by the City Council. A map of the property within the District is included on page v hereof.

### Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The District is currently located entirely within the extraterritorial jurisdiction of the City. After delivery of the Bonds, the City intends to annex the land within the District into the corporate limits of the City in accordance with the Development Agreement. See "THE DEVELOPMENT AGREEMENT" and "THE DEVELOPER – History and Financing of the District". The PID Act provides that the City may levy and collect assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Phase #1 Improvements. See "THE PHASE #1 IMPROVEMENTS." Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain road, water, wastewater, sanitary sewer, park and open space, and drainage public improvements that benefit Phase #1 of the District comprising the Phase #1 Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See "ASSESSMENT PROCEDURES" herein and "APPENDIX B — Form of Service and Assessment Plan."

## THE DEVELOPMENT AGREEMENT

CADG Kaufman 146, LLC, Kaufman County Fresh Water Supply District No. 5 and the City entered into the Development Agreement with respect to the property in the District effective as of April 2, 2018, which Development Agreement was amended pursuant to that First Amendment to Town Center Development Agreement effective as of July 25, 2018. The rights under the Development Agreement relating to the Developer Tract were assigned to the Developer pursuant to a Partial Assignment and Assumption of Heartland Town Center Development Agreement dated as of August 3, 2018. The rights under the Development Agreement relating to the Diecieseis Tract were assigned to Diecieseis pursuant to a Partial Assignment and Assumption of Heartland Town Center Development Agreement dated as of August 3, 2018. The Development Agreement sets forth certain rights and responsibilities of the City and the developer with respect to the development of the "Project." Under the Development Agreement, "Project" means "a general retail development and residential community including parkland, open space, and other public and private amenities that will benefit and serve the present and future citizens of the City." The Development Agreement includes, inter alia, (i) certain agreements by the City with respect to the issuance of bonds for development in the District ("PID Bonds"), (ii) certain agreements by the Developer to fund amounts required for the development of Authorized Improvements in excess of those on deposit in the applicable project fund for bonds issued to fund such Authorized Improvements and to fund any "Developer Cash Contribution" required by the City (that portion of the Authorized Improvements Cost that the Developer is contributing to initially fund the Authorized Improvements and for which no reimbursement to Developer is anticipated), (iii) standards of construction for and the ownership and maintenance of the Authorized Improvements, (iv) development standards for the District, including an agreed on concept plan, which standards are expected to be incorporated into a planned development district upon annexation of the land within the District by the City, (v)

agreements regarding the annexation of the District into the City limits after certain events, and (vi) agreements with respect to permit, inspection, plan review, plat review and permit fees. The Development Agreement provides that the aggregate maximum amount of bonds to be issued for development in the District is \$14,000,000. Capitalized terms used under this heading “THE DEVELOPMENT AGREEMENT” and not otherwise defined herein shall have the meanings given to them in the Development Agreement.

The Development Agreement provides that the Developer’s rights to develop the Project shall be temporarily suspended, subject to restoration, if any of the following events occur:

(1) The Developer fails or refuses, on or before the second anniversary of the Effective Date, to make a good-faith effort to provide complete submittal to the City for a preliminary plat for Phase #1 of the Residential Tract (as defined in the Development Agreement) as shown on the Concept Plan in accordance with the City Regulations; or

(2) The Developer fails or refuses, no later than 24 months after the Planning and Zoning Commission approves a preliminary plat, to make a good-faith attempt to file with the City a complete application for a permit necessary to begin the installation of infrastructure facilities designed to serve Phase #1 of the Residential Tract as depicted on the Concept Plan; or

(3) At any time, the Project expires pursuant to City Code Section 1-17, et seq. and Chapter 245 of the Local Government Code, because the Developer fails or refuses to make progress toward completion of the Project as defined by Chapter 245 of the Local Government Code.

Upon the occurrence of any of the events above, the Developer’s rights to further develop the Property shall be temporarily suspended, and parts of the Property that have not been developed in accordance with the Development Agreement may not be used or further developed for any purpose except for agricultural uses unless the Developer’s development rights for those parts of the Property are reinstated as follows:

(1) The Developer may submit a written petition to the Director or the City Manager to reinstate the Developer’s rights to further develop and use the Property in accordance with the last-approved Concept Plan. With the petition, the Developer may, but is not required, to propose a new or modified Concept Plan, along with any proposed changes to the Development Agreement. Within fifteen (15) calendar days of receipt of the petition, the Director or the City Manager shall transmit the Developer’s petition for reinstatement, with recommendation, to the City Council for action at its next meeting.

(2) The City Council may, in its sole discretion, either (i) restore in full the Developer’s rights under the Development Agreement for those parts of the Property that have not been developed, subject only to conditions to ensure timely performance; or (ii) approve or approve with modifications the Developer’s petition that includes a new or modified Concept Plan or any other proposed changes to the Agreement, subject to and with the consent of the Developer to any other conditions that the City Council deems appropriate; or (iii) deny the petition.

If the City Council fails to act upon the petition within one hundred twenty (120) days following the City’s receipt of the petition, the Developer may terminate the Development Agreement. The Parties may extend the time for City Council action by mutual agreement.

In the event the Developer fails or refuses to file a petition for reinstatement of rights within six months after the occurrence of any of the events enumerated in Subsection (a) of this Section and Notice to the Developer that details the specific occurrence of an event enumerated in Subsection (a) of this Section, the City, on its own volition, may notify the Developer in writing that the City Council shall hold a hearing to determine whether, in its sole discretion, the development rights of the Developer shall be restored in accordance with the Development Agreement, and that if such rights are not restored, that the Developer may terminate the Development Agreement.

Each of the following events constitutes an “Event of Default” by the Developer under the Development Agreement:

- (a) The Developer shall fail to pay to the City any monetary sum required of it pursuant to the Development Agreement as and when the same shall become due and payable and shall not cure such default within sixty (60) days after the later of the date on which written notice thereof is given by the City to the Developer notwithstanding any other provision in the Development Agreement that allows greater than sixty (60) days to pay any required monetary sum;
- (b) The Developer shall fail to comply in any material respect with any term, provision or covenant of the Development Agreement (other than the payment of money to the City), and shall not cure such failure within ninety (90) days after written notice thereof is given by the City to the Developer;
- (c) Any Event of Default under the Reimbursement Agreement and the Developer shall not cure such failure within ninety (90) days after written notice thereof is given by the City to the Developer;
- (d) The filing by the Developer of a voluntary proceeding under present or future bankruptcy, insolvency, or other laws respecting debtors, rights;
- (e) The consent by the Developer to an involuntary proceeding under present or future bankruptcy, insolvency, or other laws respecting debtor's rights;
- (f) The entering of an order for relief against the Developer or the appointment of a receiver, trustee, or custodian for all or a substantial part of the property of the Developer in any involuntary proceeding, and the continuation of such order, judgment or decree unstayed for any period of ninety (90) consecutive days;
- (g) The failure by the Developer to pay Assessments on property owned by the Developer within the District if the Developer does not pay such Assessments within thirty (30) days after written notice thereof is given by the City to the Developer; and
- (h) The failure by the Developer to pay Impositions on property owned by the Developer within the District if the Developer does not pay such Impositions within six (6) months after written notice thereof is given by the City to the Developer; and
- (i) Any representation or warranty confirmed or made in the Development Agreement by the Developer was untrue in any material respect as of the Effective Date.

With respect to the occurrence of an Event of Default the City may pursue the following remedies:

- (a) The City may pursue any legal or equitable remedy or remedies, including, without limitation, specific performance, damages, and termination of the Development Agreement; provided, however that the City shall have no right to terminate the Development Agreement unless the City delivers to the Developer a second notice which expressly provides that the City will terminate within thirty (30) days if the default is not addressed as provided in the Development Agreement. Termination or non-termination of the Development Agreement upon an Developer Event of Default shall not prevent the City from suing the Developer for specific performance, damages, actual damages, excluding punitive, special and consequential damages, injunctive relief or other available remedies with respect to obligations that expressly survive termination. Upon termination by the City, the Developer shall assign to the City any of its contracts and agreements related to the Authorized Improvements requested by the City to be so assigned. In the event the Developer fails to pay any of the expenses or amounts or perform any obligation specified in the Development Agreement, then to the extent such failure constitutes an Event of Default hereunder, the City may, but shall not be obligated to do so, pay any such amount or perform any

such obligations and the amount so paid and the reasonable out of pocket costs incurred by the City in said performance shall be due and payable by the Developer to the City within thirty (30) days after the Developer's receipt of an itemized list of such costs.

The Developer may terminate the Development Agreement if the City does not sell PID Bonds or enter into a Reimbursement Agreement by the PID Bond Financing Date (the date on which the City approves the issuance of PID Bonds or approves a reimbursement agreement) subject to notice and cure rights as set forth therein.

The City may terminate the Development Agreement if the Developer does not fund the Developer Cash Contribution or Cost Overruns, subsequent to notice and cure rights as set forth therein.

In the event of termination of the Development Agreement, the City may (i) use remaining PID Bond Proceeds to redeem PID Bonds pursuant to the provisions of the Indenture or (ii) construct or cause to construct the remaining Authorized Improvements, payable from PID Bond Proceeds. Upon termination, the Developer shall have no claim or right to any further payments for Authorized Improvement Costs pursuant to the Development Agreement for any Authorized Improvements that have not reached completion and been accepted by the City.

If the current or a future City Council of the City does not zone the Property as described in the Development Agreement, does not establish or operate the PID or the TIRZ as described in the Development Agreement, does not levy the Assessments, or issue PID Bonds as described in the Development Agreement, then Developer shall have no further obligation to comply with any of the terms of the Development Agreement (except certain deed restriction obligations), until such time as the City Council takes appropriate actions to have the City resume compliance with its obligations under the Development Agreement. If the City resumes its compliance with its obligations under the Development Agreement, the Developer shall have up to 90 days to resume its compliance with the Development Agreement.

## THE PHASE #1 IMPROVEMENTS

### General

The Phase #1 Improvements consist of (a) Phase #1's proportionate share of the costs of the Major Improvements and (b) the costs of the Phase #1 Specific Improvements. The balance of the costs of the Phase #1 Improvements will be paid by the Developer pursuant to the terms of the Reimbursement Agreement and reimbursed from Assessment Revenues as provided in the Indenture. The Phase #1 Improvements consisting of road improvements and storm drainage improvements will be dedicated to the City. The Phase #1 Improvements consisting of water distribution system improvements and sanitary sewer collection system improvements will be dedicated to Kaufman County Municipal Utility District No. 12 ("MUD No. 12"). See "THE DEVELOPMENT – Utilities". The Developer is responsible for the completion of the construction, acquisition or purchase of the Phase #1 Improvements, and the Developer or its designee will act as construction manager. The City will pay project costs for the Phase #1 Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements and be reimbursed in accordance with the Indenture, the Development Agreement and the Reimbursement Agreement. See "THE DEVELOPMENT – Development Plan".

**Phase #1 Specific Improvements.** The Phase #1 Improvements, a portion of which are being financed with proceeds of the Bonds, include road, water, sanitary sewer, and storm drainage collection system improvements benefitting only Phase #1 of the District.

**Roadway improvements:** The roadway improvements are public road improvements including construction, excavations, concrete, reinforcing steel, asphalt, lime, sidewalks, signs, and lighting benefitting Phase #1 of the District. The roadway improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Water distribution system improvements:** The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing benefitting Phase #1 of the District. The water improvements will be designed and constructed in accordance with City and Texas Commission on Environmental Quality (“TCEQ”) standards and specifications and will be owned and operated by MUD No. 12.

**Sanitary sewer collection system improvements:** The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping benefitting Phase #1 of the District. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by MUD No. 12.

**Storm drainage collection system improvements:** The drainage improvements include storm sewer mains, inlets, earthen channels, swales, excavation and embedment, dewatering, trench safety, grade inlets, RCP piping and hoses, headways, concrete flumes, rock rip rap, and concrete outfalls benefitting Phase #1 of the District. The drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

The Phase #1 Improvements will also include Phase #1's allocable share of certain Major Improvements, as described below:

**Water distribution system improvements:** The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing. The water improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by MUD No. 12. Phase #1's share of the water distribution system improvements is \$80,962.

**Sanitary sewer collection system improvements:** The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by MUD No. 12. Phase #1's share of the sanitary sewer collection system improvements is \$25,281.

**Storm drainage collection system improvements:** The drainage improvements include storm sewer mains, inlets, earthen channels, swales, excavation and embedment, dewatering, trench safety, grade inlets, RCP piping and hoses, headways, concrete flumes, rock rip rap, and concrete outfalls. The drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Phase #1's allocable share of the storm drainage collection improvements is \$229,888.

The cost of the Phase #1 Improvements is expected to be approximately \$5,019,196 \*. A portion of such costs in the amount of \$ \_\_\_\_\_ \* is expected to be paid with proceeds of the Bonds. The balance of such costs is expected to be paid by the Developer and reimbursed by the City, according to the terms of the Reimbursement Agreement. At delivery of the Bonds, the Developer expects to advance funds in the approximate amount of \$448,486\* in order to pay for a portion of the costs of the Phase #1 Improvements (the “Developer Deposit”). A portion of the Developer Deposit and additional moneys expended for the development of the Phase #1 Improvements, approximately \$647,000\*, plus interest, shall be reimbursed to the Developer in the future pursuant to and as set forth in the Reimbursement Agreement. See “SOURCES AND USES OF FUNDS”.

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\* Preliminary; subject to change.

The following table reflects the total expected costs of the Phase #1 Improvements.

<u>Type of Improvement</u>	<u>Costs*</u>
Roadway Improvements	\$1,449,234
Water	594,925
Sanitary Sewer	579,453
Storm Drainage	644,718
Soft Costs	560,900
Subtotal	\$3,829,230
Major Improvements allocated to Phase #1	<u>\$1,189,966</u>
Total Cost of Phase #1 Improvements	<u>\$5,019,196</u>

### **Ownership and Maintenance of Phase #1 Improvements**

The Phase #1 Improvements consisting of the roadway improvements and the storm drainage collection system improvements will be dedicated to and accepted by the City and will constitute a portion of the City's infrastructure improvements. The City will provide for the ongoing operation, maintenance and repair of such Phase #1 Improvements constructed and conveyed, as outlined in the Service and Assessment Plan. The Phase #1 Improvements that consist of water distribution system and sanitary sewer collection system improvements will be dedicated to and accepted by MUD No. 12 in accordance with MUD No. 12 standards and specifications. MUD No. 12 will provide for the ongoing operation, maintenance and repair of such Phase #1 Improvements constructed and conveyed, as outlined in the Service and Assessment Plan. The City has entered into an Interlocal Agreement with MUD No. 12 for the transfer of the water and sanitary sewer infrastructure and the provision of water and sewer services to the District by MUD No. 12.

## **THE DEVELOPMENT**

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Developer has reviewed this Limited Offering Memorandum and warrants and represents that neither (i) the information under the caption "THE DEVELOPMENT" nor (ii) the information relating to the Developer's plan for developing the land within the District (the "Development") under the subcaption "BONDHOLDERS' RISKS — Dependence Upon Developer" contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the City and the Underwriter.

### **Overview**

The Development is an approximately 121.282 acre master planned project located within the extraterritorial jurisdiction of the City, near the intersection of Heartland Parkway and FM 471. The City, located in the eastern portion of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (the "DFW MSA"), is poised for significant growth as the overall DFW MSA continues its growth trajectory.

The land within the Development is primarily owned by the Developer, which is an affiliate of D.R. Horton, and Dieciseis. See "THE DEVELOPER — History and Financing of the District". In addition, the Development will include a variety of parks, trails and open space areas for its residents and others to enjoy. This combination will provide its residents a community environment in which to live. Furthermore, the Development is primarily located within the Forney Independent School District.

The Developer develops infrastructure and community improvements (amenities, parks, trails, etc.) and develops residential lots and constructs homes for purchase by end users.

## Expected Build-Out of the District

The Developer expects to complete the Development in two phases over a three year period, with the expected completion of the infrastructure serving the District by second quarter 2022. The following tables provide the Developer's expected build-out schedule of the District, estimated home prices in the District and an absorption schedule for lots in the District.

### EXPECTED BUILD-OUT SCHEDULE

<u>Phase</u>	<u>Single-Family Lots</u>	<u>Expected</u>	<u>Expected</u>	<u>Expected Final Lot</u>
		<u>Infrastructure</u>	<u>Infrastructure</u>	<u>Sale Date</u>
1	210	Start Date	Completion Date	
2	240	2Q 2020	2Q 2022	2Q 2024

### ESTIMATED HOME PRICES

<u>Phase</u>	<u>Lot Size (Width in Ft.)</u>	<u>Quantity</u>	<u>Base Lot Price</u>	<u>Average Base Home Price*</u>
1	40	55	\$40,000	\$215,000
1	50	155	\$50,000	\$255,000
2	40	127	\$40,000	\$215,000
2	50	113	\$50,000	\$255,000

\* Developer estimates

### EXPECTED ABSORPTION OF LOTS IN THE DISTRICT

<u>Phase #1</u>	
<u>Expected Final Sale Date</u>	<u>Total Lots</u>
2020	60
2021	120
2022	<u>30</u>
Total	210

<u>Phase #2</u>	
<u>Expected Final Sale Date</u>	<u>Total Lots</u>
2022	60
2023	120
<u>2024</u>	<u>60</u>
Total	240

### Development Plan

The current development plan is divided into two major stages: (1) concurrent development of the Phase #1 Improvements and the Phase #2 Major Improvements, followed by (2) the Phase #2 Specific Improvements. The Developer plans to commence development of Phase #1 of the District in fourth quarter 2018. The current development plan is to develop the Phase #1 Improvements and the Phase #2 Major Improvements, followed by the development of the Phase #2 Specific Improvements within Phase #2 of the District. Development of Phase #2 of the District is expected to begin approximately 18 months after the start of development in Phase #1 of the District. See THE DEVELOPMENT — Development Plan — Concept Plan,” “THE PHASE #1 IMPROVEMENTS” and “APPENDIX B — Form of Service and Assessment Plan.”

Proceeds of the Bonds will pay for a portion of the costs of the Phase #1 Improvements. The Developer will finance the balance of the Phase #1 Improvements not paid with proceeds of the Bonds through a Developer contribution, a portion of which may be repaid pursuant to the Reimbursement Agreement.

Concept Plan: Below is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City's zoning and subdivision regulations. The area designated as "Retail" is not located within the District but is adjacent to the Development and located within the TIRZ.

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## **Phase #2 Specific Improvement Bonds**

Phase #2 Specific Improvement Bonds to finance the cost of specific improvements benefitting Phase #2 are anticipated to be issued in the future. The estimated costs of the specific improvements benefiting Phase #2 of the District will be determined at the time Phase #2 is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phase #2 of the District and financed by each new series of Phase #2 Specific Improvement Bonds. Such Phase #2 Specific Improvement Bonds will be secured by separate assessments levied pursuant to the PID Act on Assessed Property within Phase #2 of the District. The Developer anticipates that Phase #2 Specific Improvement Bonds will be issued over a two year period.

The Bonds, the Phase #2 Major Improvement Bonds and any Phase #2 Specific Improvement Bonds issued by the City are separate and distinct issues of securities. The City reserves the right to issue Phase #2 Specific Improvement Bonds for any purpose permitted by the PID Act, including those described above.

## **Zoning/Permitting**

Development in the District is currently by the standards set forth in the Development Agreement, which allow certain residential uses and establishes guidelines pertaining to purpose, height, area, setbacks, landscaping and the like. In accordance with the Development Agreement, the City intends, upon annexation of the District, to consider zoning the District as a planned development district in accordance with the concept plan and standards set forth in the Development Agreement. Provisions of the Development Agreement control over any conflict with City Regulations (as defined in the Development Agreement).

## **Amenities**

The Developer will construct certain amenities within the development to serve the District, including open space improvements which may include parks and hike and bike trails.

## **Education**

The Forney Independent School District (“FISD”) serves the District encompasses approximately 84.5 square miles in Kaufman County. FISD enrolls over 9,700 students in two high schools, two middle schools, and nine elementary schools. Students in the District will attend Barbara Walker Elementary (.4 miles) or Hollis T. Dietz Elementary (1.5 miles), Warren Middle School and Forney High School. According to the Texas Education Agency (“TEA”), FISD received a “District Accountability Rating” of “Met Standard” from the TEA.

## **Existing Mineral Rights, Easements and Other Third Party Property Rights**

Third parties hold title to certain rights applicable to real property within and around the District (the “Mineral Owners”), including reservations of mineral rights and royalty interests and easements (collectively, the “Third Party Rights”) pursuant to various instruments in the chain of title for various tracts of land within and immediately adjacent to the District. Some of these reservations of mineral rights include a waiver by the Mineral Owners of their right to enter onto the surface of the property to explore, develop, drill, produce or extract minerals within the District. If the waiver is applicable, such Mineral Owners may only develop such mineral interests by means of wells drilled on land outside of the property of the District.

The Developer is not aware of any ongoing mineral rights development or exploration on or adjacent to the property within the District. The Developer is not aware of any interest in real property (including mineral rights) owned by the Mineral Owners adjacent to the District. Certain rules and regulations of the Texas Railroad Commission may also restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues.

Although the Developer does not expect the above-described Third Party Rights, or the exercise of such rights or any other third party real property rights in or around the District, to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Assessments,

the Developer makes no guarantee as to such expectation. See “BONDHOLDERS’ RISKS — Exercise of Third Party Property Rights.”

## **Environmental**

A Phase One Environmental Site Assessment (a “Phase One ESA”) of an assemblage, which included the land within the District, was completed on December 1, 2015. Based on the information presented in the Phase One ESA, there was no evidence that the Development was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review and historical source review revealed no evidence of recognized environmental conditions involving the site.

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Community Panel Number 48257C0155D, dated July 3, 2012, a 19.5 acre portion of the property, located in the southwest quadrant, is located in Zone A and the remainder of the subject property is located in Zone X. Zone X corresponds to areas outside of the 500-year flood plain. Zone A corresponds Special flood hazard areas subject to inundation by the 100-year flood. Mandatory flood insurance purchase requirements apply in areas designated as Zone A. All areas of the Development located in Zone A will be devoted as open space providing an aesthetic appeal to the development.

According to the website for the United States Fish and Wildlife Service, the whooping crane and least tern are endangered species in Dallas and Kaufman Counties and the golden-cheeked warbler is an endangered species in Dallas County. The Developer is not aware of any endangered species located on District property.

## **Utilities**

MUD No. 12 will provide both water and wastewater service to the District. The City provides wholesale treated water and wholesale wastewater services to MUD No. 12. The City purchases its water wholesale from the North Texas Municipal Water District. MUD No. 12 maintains its own water distribution system and wastewater collection and treatment system and such system currently has sufficient capacity to provide water and wastewater service to the District. The North Texas Municipal Water District performs wastewater treatment services for MUD No. 12.

The Developer expects additional utilities to be provided by: (1) Phone/Data – AT&T; (2) Electric – Trinity Valley Electric Co-Op; (3) Cable – AT&T; and (4) Natural Gas - Atmos Energy.

## **THE DEVELOPER**

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City’s Financial Advisor and the Underwriter, and none of the City, the City’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Developer has reviewed this Limited Offering Memorandum and warrants and represents that neither (i) the information herein under the caption “THE DEVELOPER” nor (ii) the information relating to the Developer under the subcaption “BONDHOLDERS’ RISKS” contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

## **General**

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of the Bonds. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a

development. Furthermore, there is no restriction on the Developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

### **Description of the Developer**

The Developer is a wholly-owned subsidiary of D.R. Horton. D.R. Horton is a public company subject to the information requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Office of the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W. Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

In addition, D.R. Horton makes available on its web site [www.drhorton.com](http://www.drhorton.com) its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports from Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on D.R. Horton's website, available by hyperlink from D.R. Horton's website or on the SEC's website, is not incorporated into this Limited Offering Memorandum.**

### **THE BONDS AND THE ASSESSMENTS DO NOT CONSTITUTE INDEBTEDNESS OF, AND ARE NOT GUARANTEED BY, THE DEVELOPER OR D.R. HORTON.**

### **Biographies of Key Developer Parties**

*Jason Lewis (Land Development Project Manager – Acquisition and Entitlements):* Jason Lewis holds a BBA in Finance from the University of Texas. Lewis has over 20 years' experience in homebuilding industry, having worked for two public builders, one private builder and two private land developers.

*David Booth, CPA (Land Manager – Head of Land Department):* David Booth holds a BBA in Accounting from Texas A&M University and is a Certified Public Accountant. He has over 25 years' experience in homebuilding industry all at D.R. Horton, including five years in corporate accounting and 20 in land acquisition and development.

*Damon Ainsworth (Land Development Project Manager – On-site Development Manager):* Damon Ainsworth holds a bachelor's degree from East Texas State University. He has over 25 years' experience in homebuilding industry having worked for one private builder and one public builder.

### **History and Financing of the District**

*Purchase of Developer Tract and Financing of Development.* The Developer discloses that (i) it purchased the Developer Tract on August 3, 2018 at a price of \$3,600,000, the consideration for which was a swap of property owned by the Developer, and (ii) Dieciseis purchased the Dieciseis Tract on August 3, 2018 for \$4,000,000 using cash. The Developer Tract is located in Phase #1 of the District and the Dieciseis Tract is located in Phase #2 of the District. The purchases of the Developer Tract and the Dieciseis Tract were made pursuant to two separate confidential purchase contracts (the "District Land Purchase Contracts"). Simultaneous with execution and closing of the District Land Purchase Contracts, the Developer and Dieciseis entered into the Phase 2 Contract. The Phase 2 Contract requires the Developer to purchase the Dieciseis Tract within 24 months of August 3, 2018, and pursuant to the Phase 2 Contract, the Developer released \$400,000 of earnest money to Dieciseis on August 7, 2018. Dieciseis has executed an earnest money deed of trust (the "Dieciseis Deed of Trust") in favor of DRHI,

Inc. (D.R. Horton) for the earnest money delivered under the Phase #2 Contract which is secured by the Dieceiseis Contract.

**The Developer has a company policy of not disclosing its real estate contracts to third parties, and as a result, neither the District Land Purchase Contracts nor the Phase 2 Contract were provided or reviewed in connection with the Bonds. The Developer has represented that a) the District Land Purchase Contracts terminated at closing, b) the Phase 2 Contract is in full force and effect and c) Developer is not aware of any matters that could adversely affect its ability to complete its Development in the District. Because neither the District Land Purchase Contracts nor the Phase 2 Contract was provided by Developer, no assurance can be given by the City, the Underwriter, or the Financial Advisor that the District Land Purchase Contracts and/or the Phase 2 Contract do not contain material terms which could adversely affect the ability of the Developer to complete its development in the District and no representations are made by the City, the Underwriter, or the Financial Advisor with respect to the terms of the District Land Purchase Contracts or the Phase 2 Contract.**

Dieceiseis is a special purpose entity created solely for the purpose of holding the land within the District. It has no operating history or assets other than the land within the District. Dieceiseis is expected to hold the land within Phase #2 of the District until the consummation of the purchase by the Developer pursuant to the Phase 2 Contract. Notwithstanding the Dieceiseis Development Agreement Assignment, which assigns Diecieiseis all right, title and interest in the Development Agreement relating to the Dieceiseis Tract to Dieceiseis, Dieceiseis does not expect to perform development activities in the District or on the Dieceiseis Tract.

No third-party financing was used to acquire or is expected to be used to subsequently develop the property within the District. Thus, there are currently no financing liens on the property within the District which were incurred by the Developer or Diecieiseis, and neither the Developer nor Diecieiseis currently anticipate incurring any financing liens on the property within the District for as long as the Developer or Diecieiseis owns such property (with the exception of the liens for the Assessments and the Phase #2 Major Improvement Assessments). The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes.

The remaining 10.312 acres within the District are owned by CADG Kaufman 146, LLC (the “CADG Tract”). The CADG Tract is non-benefitted property and will not be assessed.

**Kaufman County Fresh Water Supply District No. 5.** Kaufman County Fresh Water Supply District No. 5 (“KCFWSD No. 5”) was created and organized by the 269 Kaufman Partners, Ltd. with the consent of the City pursuant to an Order of the Texas Commission on Environmental Quality, as a fresh water supply district under the terms and provisions of the Texas Constitution. KCFWSD No. 5 was formed to provide an alternate mechanism to finance the improvements expected to be financed with the Bonds; however, no such financing has occurred and KCFWSD No. 5 has not issued debt to finance any improvements. Because such improvements will be financed with the Bonds, none of CADG Kaufman 146, LLC, 269 Kaufman Partners, Ltd., or the Developer intends to use KCFWSD No. 5 as a reimbursement vehicle for construction of such projects. Pursuant to the Development Agreement, CADG Kaufman 146, LLC has agreed that KCFWSD No. 5 will be dissolved following (i) the closing of the first bond issue for the District or the execution of a reimbursement agreement relating to the Authorized Improvements, the approval of final documents relating to the TIRZ, delivery of an acknowledgement from KCFWSD No. 5 stating that KCFWSD No. 5 has no debt or obligations that the City will assume via annexation of KCFWSD No. 5 and (ii) the annexation of the District into the City limits. KCFWSD No. 5 is controlled by an independent board of directors that is not controlled by the City and no assurance can be given regarding the dissolution of KCFWSD No. 5 or the timeline associated therewith.

## **THE ASSESSMENT CONSULTANT AND ADMINISTRATOR**

The following information has been provided by the Assessment Consultant and the Administrator. Certain of the following information is beyond the direct knowledge of the City, the City’s Financial Advisor and the Underwriter, and none of the City, the City’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Assessment Consultant and the Administrator have reviewed this Limited

Offering Memorandum and warrant and represent that the information herein under the caption “THE ASSESSMENT CONSULTANT AND ADMINISTRATOR” does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

David Taussig & Associates, Inc. (“Taussig”) is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. Taussig currently acts as the administrator for over 500 special assessment and taxing districts in eight states, including dozens of public improvement districts in Texas (including the District).

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by Taussig as the “Assessment Consultant” and “Administrator” to the City and has been included in reliance upon the authority of such firm as an expert in the field of development planning and finance. As Administrator, Taussig will provide ongoing special services related to the administration of the District and other special services needed to support the issuance of Bonds.

## **APPRAISAL OF PROPERTY WITHIN PHASE #1 OF THE DISTRICT**

### **The Appraisal**

*General.* Integra Realty Resources – DFW (the “Appraiser”), prepared an appraisal report for the City dated June 25, 2018 and effective as of June 2, 2019, based upon a physical inspection of the District (the “Appraisal”). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to Phase #1 of the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX E — Appraisal of the District.”

*Value Estimates.* The Appraiser estimated the aggregate market value of the fee simple interest in various tracts of land comprising the land in Phase #1 of the District under the hypothetical conditions that the Phase #1 Improvements are completed and that Phase #1 of the District is developed into 210 lots, with 55 being 40’ lots and 155 being 50’ lots, which are expected to be completed by June 2019. See “THE PHASE #1 IMPROVEMENTS.” The Appraisal does not reflect the as-is condition of Phase #1 of the District as the Phase #1 Improvements have not yet been constructed. Moreover, the Appraisal does not reflect the value of Phase #1 of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for Phase #1 of the District. See “APPENDIX E — Appraisal of the District.”

The value estimate for the Assessed Property within Phase #1 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of June 2, 2019 is \$10,800,000.

**None of the City, the Developer, Diceciseis, the Financial Advisor, or the Underwriter makes any representation as to the accuracy, completeness assumptions or information contained in the Appraisal. The assumptions and qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized and the City, the Developer, Diceciseis and the Underwriter make no representation as to the reasonableness of such assumptions.**

**Prospective investors should read the complete appraisal in order to make an informed decision regarding any contemplated purchase of the Bonds. The complete Appraisal is attached as APPENDIX E hereto.**

## **BONDHOLDERS’ RISKS**

*Before purchasing any of the Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not be paid when due or that the Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without*

*premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Bonds) should be carefully considered prior to purchasing any of the Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.*

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

The ability of the City to pay debt service on the Bonds as due is subject to various factors that are beyond the City's control. These factors include, among others, (a) the ability or willingness of property owners within the District to pay Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such lots.

The rate of development of the property in the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within the District should proceed more slowly than expected and the Developer is unable to pay the Assessments, only the value of the lands, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or liquidation of the lands within the District. There is no assurance that the value of such lands will be sufficient for that purpose and the liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the City or the City's Financial Advisor that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

The City has not applied for or received a rating on the Bonds. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so.

### **Assessment Limitations**

Annual Installments of Assessments are billed to property owners in the District. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year, the annual payment of the reimbursement obligations due under the Reimbursement Agreement, and the Administrative Expenses for such year. See "ASSESSMENT PROCEDURES" herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Assessment payments in the future.

In order to pay debt service on the Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in the District, the City has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Remedies and Bankruptcy” herein.

Upon an ad valorem tax lien foreclosure event of a property within the District, any Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

Based upon the language of Texas Local Government Code, §372.017(b), case law relating to other types of assessment liens and opinions of the Texas Attorney General, the Assessment Lien as it relates to installment payments that are not yet due should remain in effect following an ad valorem tax lien foreclosure, with future installment payments not being accelerated. Texas Local Government Code § 372.018(d) supports this position, stating that an Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any Pre-existing Homestead Rights were properly claimed prior to the adoption of the Assessment Ordinance for as long as such Pre-existing Homestead Rights are maintained on the property. It is unclear under Texas law whether or not Pre-existing Homestead Rights would prevent the Assessment Lien from attaching to such homestead property or instead cause the Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

Under Texas law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights will have been claimed. Furthermore, the Developer is not eligible to claim homestead rights and the Developer has represented that it owns all property within the District as of the date of the Assessment Ordinance. Consequently, there are and can be no homestead rights on the Assessed Property superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

Failure by owners of the lots to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell lots which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such lots may result in the inability of the City to make full or punctual payments of debt service on the Bonds.

THE ASSESSMENTS WILL CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE PROPERTY ASSESSED, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND WILL BE A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN THE DISTRICT.

### **Risks Related to the Current Real Estate Market**

Within the last ten years, the real estate market experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates,

reduced the availability of mortgages to many potential home buyers, making entry into the real estate market difficult. Such downturns in the real estate market and other factors, including general economic conditions, are beyond the control of the Developer or the City and are impossible to predict, and may impact the timing of lot and home sales within the District.

### **Competition; Real Estate Market**

The successful sale of residential units to end users once homes are built within the District, may be affected by unforeseen changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of the Developer, causing the Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the Development. Neither the Developer nor any other subsequent landowner in the District has any obligation to pay the Assessments. As described herein, the Assessments are an imposition against the land only. Neither the Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein.

The housing industry in the Dallas-Fort Worth area is very competitive, and none of the Developer, the City, the City's Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will ever commence. The competitive position of the Developer in the sale of developed lots or of any other homebuilder in the construction and sale of single-family residential units is affected by most of the factors discussed herein.

### **TIRZ Annual Credit Amount and Marketing of the Development**

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraisal value in the TIRZ Residential Tract in any year. Any delay or failure by the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. TIRZ Revenues generated from the captured appraised value for each parcel in the District during the development of such lot will result in a TIRZ Annual Credit Amount which is not sufficient to achieve the Targeted Net Average Annual Installment. The TIRZ Annual Credit Amount will likely not provide for the Targeted Net Average Annual Installment until the second year that a home on such lot is assessed. See "OVERLAPPING TAXES AND DEBT."

It is uncertain what impact, if any, the TIRZ Annual Credit Amount application to the Annual Installments will have on the underwriting of residential mortgages. If the underwriter of a residential mortgage does not recognize the TIRZ Annual Credit Amount it may make it more difficult for a borrower to qualify for a home mortgage which could have a negative impact on home sales and projected absorption.

### **Loss of Tax Exemption**

The Indenture contains covenants by the City intended to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Bankruptcy**

The payment of Assessments and the ability of the City to foreclose on the lien of a delinquent unpaid Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the

laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent Assessments might not be paid in full.

### **Direct and Overlapping Indebtedness, Assessments and Taxes**

The ability of an owner of property within the District to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of the District currently impose ad valorem taxes on the property within the District and will likely do so in the future. Such entities could also impose assessment liens on the property within the District. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Assessments.

### **Depletion of Reserve Account and Delinquency and Prepayment Reserve of Reserve Fund**

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Delinquency and Prepayment Reserve Account of the Reserve Fund is only partially funded from the proceeds of the Bonds. The Delinquency and Prepayment Reserve Requirement of the Delinquency and Prepayment Reserve Account will accumulate over the course of approximately \_\_\_ years by the mechanism described in "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund." In the event of a withdrawal from the Bond Reserve Account of the Reserve Fund or from the Delinquency and Prepayment Reserve Account of the Reserve Fund, such accounts shall be replenished as described in the captions "SECURITY FOR THE BONDS — Reserve Fund" and, "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund."

### **Hazardous Substance**

While governmental taxes, assessments and charges are a common claim against the value of a lot, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a lot may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well-known and widely applicable of these laws. It is likely that, should any of the lots of land located in the District be affected by a hazardous substance, the marketability and value of such lots would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within the District does not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the lot. The City has not independently verified, and is not aware, that the owner (or operator) of any of the lots within the District has such a current liability with respect to such lot; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the lot of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. The actual occurrence of any of these possibilities could significantly negatively affect the value of a lot that is realizable upon a foreclosure.

See “THE DEVELOPMENT – Environmental” for discussion of the previous Phase I ESA performed on property within the District. .

## **100-Year Flood Plain**

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Community Panel Number 48257C0155D, dated July 3, 2012, a 19.5 acre portion of the property, located in the southwest quadrant, is located in Zone A and the remainder of the subject property is located in Zone X. Zone X corresponds to areas outside of the 500-year flood plain. Zone A corresponds Special flood hazard areas subject to inundation by the 100-year flood. Mandatory flood insurance purchase requirements apply in areas designated as Zone A. All areas of the Development located in Zone A will be devoted as open space providing an aesthetic appeal to the development.

## **Regulation**

Development within the District may be subject to future federal, state and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of development in the District, the nature and extent of public improvements, land use, zoning and other matters. Failure to meet any such regulations or obtain any such approvals in a timely manner could delay or adversely affect development in the District and property values.

## **Bondholders’ Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, and upon the written request of at least 25% the owners of the Bonds, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City’s obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the owners of the Bonds further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “BONDHOLDERS’ RISKS — Bankruptcy Limitation to Bondholders’ Rights” herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the City to collect delinquent Assessments, or delinquent ad valorem taxes, against such property owner.

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

### **No Acceleration**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

### **Bankruptcy Limitation to Bondholders' Rights**

The enforceability of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. The City is authorized under Texas law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The City may proceed under Chapter 9 if it (1) is generally not paying its debts, or unable to meet its debts, as they become due, (2) desires to effect a plan to adjust such debts, and (3) has either obtained the agreement of or negotiated in good faith with its creditors, is unable to negotiate with its creditors because negotiation is impracticable, or reasonably believes that a creditor may attempt to obtain a preferential transfer.

If the City decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the City would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the City is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under Texas law are obtained and (6) the plan is in the best interests of creditors and is feasible. The rights and remedies of the owners of the Bonds would be adjusted in accordance with the confirmed plan of adjustment of the City's debt.

### **Management and Ownership**

The management and ownership of the Developer and related property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such

circumstances, a new developer or new officers in management positions may not have comparable experience in development projects comparable to that of the Development.

### **General Risks of Real Estate Investment and Development**

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Developer, including those derived from the Development, are not within the control of the Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer.

The Development cannot be initiated or completed without the Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction of the Development and to allow the occupancy of residences and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developer.

### **Dependence Upon Developer**

The Developer, as the owner of all of the lots in Phase #1 of the District, currently has the obligation for payment of 100% of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

There can be no assurances given as to the financial ability of the Developer to complete the Development. The source of funding for future land development activities and infrastructure construction necessary for delivery of developed lots and homes is anticipated to be made from cash on hand, but assurance of the future development cannot be made.

Neither the Developer nor Diecieseis will guarantee or otherwise be obligated to pay debt service on the Bonds. However, the completion of the Development is dependent upon the receipt of funds from the Developer in addition to proceeds of the Bonds.

Moreover, the City will pay to the Developer or the Developer's designee costs for a portion of the Phase #1 Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements, and be reimbursed in accordance with the Development Agreement, the Indenture and the Reimbursement Agreement. See "THE PHASE #1 IMPROVEMENTS – General" and "THE DEVELOPMENT – Development Plan". There can be no assurances given as to the financial ability of the Developer to complete such improvements.

### **Agricultural Use Valuation and Redemption Rights**

All of the property within the District is currently entitled to valuation for ad valorem tax purposes based upon its agricultural use. Under Texas law, an owner of land that is entitled to an agricultural valuation has the right to redeem such property after a foreclosure tax sale for a period of two years after the tax sale by paying to the tax

sale purchaser a 25% premium, if redeemed during the first year, or a 50% premium, if redeemed during the second year, over the purchase price paid at the tax sale and certain qualifying costs incurred by the purchaser. Although Assessments are not considered a tax under Texas law, the PID Act provides that the lien for Assessments may be enforced in the same manner as a lien for ad valorem taxes. This shared enforcement mechanism raises a possibility that the right to redeem agricultural valuation property may be available following a foreclosure of a lien for Assessments, though there is no indication in Texas law that such redemption rights would or would not be available in such a case.

The Developer expects that the agricultural use valuations within Phase #1 of the District will terminate in 2018.

### **Potential Future Changes in State Law Regarding Public Improvement Districts**

On February 27, 2017, HB 2435 was introduced into the Texas House of Representatives (the “Texas House”) to modify the PID Act. The legislation’s intent was to clarify and improve the PID Act, and proposed changes included requiring developers to provide more disclosure to home purchasers within public improvement districts, adding improvements that could be financed through public improvement districts and memorializing the procedure under which a local government entity could add land to a public improvement district. The bill passed the Texas House. Upon receipt of HB 2345 from the Texas House, the Intergovernmental Relations Committee of the Texas Senate proposed substitute bill that would have significantly changed the PID Act. The Senate committee proposal would have imposed certain feasibility requirements on certain municipalities and counties prior to issuance of bonds or obligations wholly or partially payable from or secured by special assessments. Specifically, prior to issuance, the governing bodies of municipalities with a population of 250,000 or less and counties with a population of 1,000,000 or less would have been required to find that (i) all underground water, wastewater, and drainage facilities and roadways necessary to serve the district were at least 95% complete and (ii) the houses or other buildings on the real property liable for assessments necessary to support payment of the bonds or obligations were at least 25% complete. Such changes, if enacted, would have fundamentally altered the use of public improvement districts by municipalities and counties as a financing mechanism for public improvements. The Senate committee proposal was not formally introduced, and no further action on HB 2345 occurred during the 2017 legislative session.

In October 2017, the Texas House and the Texas Senate issued interim charges to the Committee on Special Purpose Districts and the Intergovernmental Relations Committee (collectively, the “Interim Committees”), respectively, requesting the study of special purpose districts and potential bond issuance reforms. The charges to the Interim Committees included review, hearings and testimony related to changes to and oversight of bonds secured by special assessments. Prior to the 2019 Texas legislative session, it is expected that the Interim Committees will make recommendations to the legislature on how to regulate special assessment bonds and possibly establish parameters on the use of public improvement districts as financing vehicles. As of the date hereof, the Interim Committees have not made any recommendations pursuant to the interim charges nor has any additional legislation been passed or proposed in the Texas legislature.

It is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

### **Use of Appraisal**

Caution should be exercised in the evaluation and use of valuations included in the Appraisal. The Appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation and specified therein. The estimated market value specified in the Appraisal is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in the Appraisal is based on various assumptions of future expectations and while the appraiser’s forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual

experience in the future. The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analysis, the Appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the Appraiser's, Underwriter's and City's control, as well as certain factual matters. Furthermore, the Appraiser's analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation and date of the Appraisal.

### **Exercise of Third Party Property Rights**

As described herein under "THE DEVELOPMENT — Existing Mineral Rights, Easements and Other Third Party Property Rights", third parties hold title to certain Third Party Rights applicable to real property within and around the District, including reservations of mineral rights and royalty interests and easements, pursuant to various instruments in the chain of title for various tracts of land within and around the District.

The Developer does not expect the existence or exercise of such Third Party Property Rights or other third party real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Assessments. However, none of the District, the City's Financial Advisor, the Underwriter, the Developer or the Administrator provide any assurances as to such Developer expectations.

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Indenture that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Indenture or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond

Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

### **Collateral Tax Consequences**

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

### **Tax Accounting Treatment of Original Issue Premium**

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

### **Tax Accounting Treatment of Original Issue Discount**

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such

owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption,” “– Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Tax Legislative Changes**

Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

### **LEGAL MATTERS**

#### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State, payable from the Trust Estate and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect.

Bracewell LLP serves as Bond Counsel to the City. Winstead PC serves as Underwriter's Counsel. The legal fees paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **Legal Opinions**

The City will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding special obligations of the City. The City will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal thereof and interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the matters described above under the caption "TAX MATTERS.". A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX C—Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds", "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the last paragraph under the subcaption "General"), "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings," "LEGAL MATTERS — Legal Opinions," "CONTINUING DISCLOSURE" (except for the subcaption "The City's Compliance with Prior Undertakings" and "The Developer's Compliance with Prior Undertakings"), "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and APPENDIX A and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance and the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Litigation — The City**

At the time of delivery and payment for the Bonds, the City will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of Assessments securing the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Ordinance, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Pledged Revenues, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any documents relating to the Bonds.

### **Litigation — The Developer**

At the time of delivery and payment for the Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court,

regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Reimbursement Agreement, the Development Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”).

## **SUITABILITY FOR INVESTMENT**

Investment in the Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS”. The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Developer, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Bonds.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — Remedies and Bankruptcy.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

## **NO RATING**

No application for a rating on the Bonds has been made to any rating agency, nor is there any reason to believe that the City would have been successful in obtaining an investment grade rating for the Bonds had application been made.

## **CONTINUING DISCLOSURE**

### **The City**

Pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), the City, the Administrator, and HTS Continuing Disclosure Services, a division of Hilltop Securities, Inc. (in such capacity, the “Dissemination Agent”) have entered into a Continuing Disclosure Agreement (the “City Disclosure Agreement”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the City Disclosure Agreement, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX D-1 — Form of City Disclosure Agreement.” Under certain circumstances, the failure of the City to comply with its obligations under the City Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the City Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The City has agreed to update information and to provide notices of certain specified events only as provided in the City Disclosure Agreement. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the City

Disclosure Agreement. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the City Disclosure Agreement or from any statement made pursuant to the City Disclosure Agreement.

### **The City's Compliance with Prior Undertakings**

During the last five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule.

### **The Developer**

The Developer, the Administrator, and the Dissemination Agent have entered into a Continuing Disclosure Agreement (the "Developer Disclosure Agreement") for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Developer Disclosure Agreement, certain information regarding the Development and the Phase #1 Improvements (collectively, the "Developer Reports"). The specific nature of the information to be contained in the Developer Reports is set forth in "APPENDIX D-2 — Form of Developer Disclosure Agreement." Under certain circumstances, the failure of the Developer or the Administrator to comply with its obligations under the Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance. The Developer Disclosure Agreement is a voluntary agreement made for the benefit of the holders of the Bonds and is not entered into pursuant to the Rule.

The Developer has agreed to provide (i) certain updated information to the Administrator, which consultant will prepare and provide such updated information in report form and (ii) notices of certain specified events, only as provided in the Developer Disclosure Agreement. The Developer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the Developer Disclosure Agreement. The Developer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Developer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Developer Disclosure Agreement or from any statement made pursuant to the Developer Disclosure Agreement.

Pursuant to the Developer Disclosure Agreement, the Developer is only responsible for providing the Developer Reports for so long as the Developer is responsible for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installment of Assessments for any year. In addition, in the event of foreclosure of any mortgage lien deed of trust or bankruptcy foreclosure sale with respect to the Developer's property within the District, the Developer's continuing disclosure obligation pursuant to the Developer Disclosure Agreement may be discharged and no Developer Reports would be filed thereafter.

### **UNDERWRITING**

FMSbonds, Inc. (the "Underwriter") has agreed to purchase the Bonds from the City at a purchase price of \$ \_\_\_\_\_ (the par amount of the Bonds, less a reoffering discount of \$ \_\_\_\_\_ less an underwriting discount of \$ \_\_\_\_\_, which includes Underwriter's Counsel's fee of \$ \_\_\_\_\_). The Underwriter's obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under

the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## **LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provide that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "NO RATING" above. In addition, the PID Act and various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

## **INVESTMENTS**

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both Texas law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule

15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset and fund type invested at the beginning and end of the reporting period by the type of asset and fund type invested, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the officers of the City; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

## **INFORMATION RELATING TO THE TRUSTEE**

The City has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at [www.bnymellon.com](http://www.bnymellon.com). Neither the information on the Trustee's website, nor any links from that website, is a part of this Limited Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the Bonds.

## **SOURCES OF INFORMATION**

### **General**

The information contained in this Limited Offering Memorandum has been obtained primarily from the City's records, the Developer and its representatives and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the City or the Developer described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Source of Certain Information**

The information contained in this Limited Offering Memorandum relating to the description of the Phase #1 Improvements, the Development and the Developer generally and, in particular, the information included in the sections captioned "THE PHASE #1 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Phase #1 Improvements and the Development) and "LEGAL MATTERS — Litigation — The Developer" has been provided by the Developer.

### **Experts**

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by David Taussig & Associates, Inc. and has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by Integra Realty Resources – DFW, and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property.

### **Updating of Limited Offering Memorandum**

If, subsequent to the date of the Limited Offering Memorandum, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the City will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Limited Offering Memorandum

satisfactory to the Underwriter; provided, however, that the obligation of the City to so amend or supplement the Limited Offering Memorandum will terminate when the City delivers the Bonds to the Underwriter, unless the Underwriter notifies the City on or before such date that less than all of the Bonds have been sold to ultimate customers; in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "anticipate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED HEREIN TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

#### **AUTHORIZATION AND APPROVAL**

The City Council has approved by resolution the form and content of this preliminary Limited Offering Memorandum and the City Council has authorized this preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds. In the Bond Ordinance, the City Council will approve the form and content of the final Limited Offering Memorandum.

**APPENDIX A**  
**FORM OF INDENTURE**

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INDENTURE OF TRUST

By and Between

CITY OF MESQUITE, TEXAS

and

The Bank of New York Mellon Trust Company, N.A.

as Trustee

DATED AS OF September 1, 2018

SECURING

\$ \_\_\_\_\_

CITY OF MESQUITE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT  
DISTRICT PHASE #1 PROJECT)

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EXHIBIT A - Form of Bond

EXHIBIT B – Form of Certificate for Payment

EXHIBIT C – Form of Closing Disbursement Request

## INDENTURE OF TRUST

THIS INDENTURE, dated as of September 1, 2018 is by and between the CITY OF MESQUITE, TEXAS (the "City"), and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article 1.

WHEREAS, a petition was submitted by the Petitioner and filed with the City Secretary of the City (the "City Secretary") pursuant to Texas Local Government Code, Chapter 372, as amended (the "PID Act"), requesting the creation of a public improvement district located within the extraterritorial jurisdiction of the City to be known as the Heartland Town Center Public Improvement District (the "District"); and

WHEREAS, the petition contained the signature of the owner of taxable property representing more than fifty percent of the appraised value of taxable real property liable for assessment within the District, as determined by the then current ad valorem tax rolls of the Kaufman Central Appraisal District, and the signature of the record owner of taxable real property that constitutes more than fifty percent of the area of all taxable property that is liable for assessment by the District; and

WHEREAS, on December 18, 2017, after due notice, the City Council of the City (the "City Council") held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the petition as required by Section 372.009 of the PID Act and the City Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 80-2017, adopted by the City Council, authorized the District in accordance with its finding as to the advisability of the improvement projects and services; and

WHEREAS, on January 4, 2018, the City published notice of its authorization of the District in the Dallas Morning News, a newspaper of general circulation in the City and on January 11, 2018 in the Forney Messenger, a newspaper of general circulation in the extraterritorial jurisdiction of the City; and

WHEREAS, no written protests of the District from any owners of record of property within the District were filed with the City Secretary within 20 days after such publications; and

WHEREAS, on July 16, 2018, the City Council, pursuant to Section 372.016 of the PID Act, adopted Resolution No. \_\_\_\_\_ accepting preliminary assessment rolls of the District and\ directing that the City Secretary make the same available for inspection, and directing City staff that notice be mailed to the property owners in the District and published in a newspaper of general circulation within the City and within the extraterritorial jurisdiction of the City; and

WHEREAS, on \_\_\_\_\_, 2018, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice of a public hearing (the "Assessment Hearing") in the \_\_\_\_\_, a newspaper of general circulation in the City and on \_\_\_\_\_, 2018 in the Forney Messenger, a newspaper of general circulation in the extraterritorial jurisdiction of the City, to consider the proposed Phase #1 Assessment Roll and the Service and Assessment Plan and the levy of the Phase #1 Assessments on property in the District; and

WHEREAS, the City Council, pursuant to Section 372.016(c) of the PID Act, mailed notice of the Assessment Hearing to consider the proposed Phase #1 Assessment Roll and the Service and Assessment Plan and the levy of Phase #1 Assessments on property in the District to the last known address of the owners of the property liable for the Phase #1 Assessments; and

WHEREAS, the City Council convened the Assessment Hearing on August 20, 2018, and continued such hearing in open session to September 4, 2018, a time and date certain; and

WHEREAS, at the public hearing on September 4, 2018 all persons who appeared, or requested to appear, in person or through a representative acting on their behalf, were given the opportunity to contend for or contest the proposed Phase #1 Assessment Roll and the Phase #1 Assessments, and to offer testimony pertinent to any issue presented on the amount of the Phase #1 Assessments, the allocation of Phase #1 Improvement Costs, the purposes of the Phase #1 Assessment, the special benefits of the Phase #1 Assessment, and the penalties and interest on annual installments and on delinquent annual installments of the Phase #1 Assessment; and

WHEREAS, at the Assessment Hearing, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of Phase #1 Improvement Costs, the Phase #1 Assessment Roll, and the levy of the Phase #1 Assessments; and

WHEREAS, on September 4, 2018, the City Council closed the Assessment Hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, the City approved and accepted the Service and Assessment Plan in conformity with the requirements of the PID Act and adopted the Assessment Ordinance and therein approved the Phase #1 Assessment Roll and levied the Phase #1 Assessments; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Phase #1 Assessments for the purpose of (i) paying a portion of the Phase #1 Improvement Costs, (ii) paying capitalized interest on the Bonds during and after the period of acquisition and construction of the Phase #1 Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding a portion of the Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying costs of issuance; and

WHEREAS, the City Council now desires to issue revenue bonds, in accordance with the PID Act, such bonds to be entitled "City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project)" (the "Bonds"), such Bonds being payable solely from the Pledged Revenues (defined herein) and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in the preamble of this Indenture; and

WHEREAS, the Trustee has agreed to accept the trusts herein created upon the terms set forth in this Indenture;

NOW, THEREFORE, the City, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds by the

Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN, and DELIVER to the Trustee for the benefit of the Owners, a security interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the "Trust Estate"):

#### FIRST GRANTING CLAUSE

The Pledged Revenues and all moneys and investments held in the Pledged Funds and Accounts including any contract or any evidence of indebtedness related thereto or other rights of the City to receive any of such moneys or investments, whether now existing or hereafter coming into existence, and whether now or hereafter acquired; and,

#### SECOND GRANTING CLAUSE

Any and all other property or money of every name and nature which is, from time to time hereafter by delivery or by writing of any kind, conveyed, pledged, assigned or transferred, to the Trustee as additional security hereunder by the City or by anyone on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property or money at any and all times and to hold and apply the same subject to the terms thereof;

TO HAVE AND TO HOLD the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors or assigns;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the benefit of all present and future Owners of the Bonds from time to time issued under and secured by this Indenture, and for enforcement of the payment of the Bonds in accordance with their terms, and for the performance of and compliance with the obligations, covenants, and conditions of this Indenture;

PROVIDED, HOWEVER, that if and to the extent Phase #1 Assessments have been prepaid, the lien on real property associated with such Phase #1 Assessment prepayment shall be released from the Trust Estate and shall no longer constitute a part of the Trust Estate;

PROVIDED, FURTHER, HOWEVER, if the City or its assigns shall well and truly pay, or cause to be paid, the principal or Redemption Price of and the interest on all the Bonds at the times and in the manner stated in the Bonds, according to the true intent and meaning thereof, then this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and remain in full force and effect;

IN ADDITION, the Bonds are special obligations of the City payable solely from the Pledged Revenues, as and to the extent provided in this Indenture. The Bonds do not give rise to a charge against the general credit or taxing powers of the City and are not payable except as provided in this Indenture. Notwithstanding anything to the contrary herein, the Owners of the Bonds shall never have the right to demand payment thereof out of any funds of the City other than the Pledged Revenues. The City shall have no legal or moral obligation to pay for the Bonds out of any funds of the City other than the Pledged Revenues.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered and the Trust Estate hereby created, assigned, and pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the City has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds as follows:

## ARTICLE 1

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.1 Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise in this Indenture, the following terms shall have the meanings specified below:

“Account” means any of the accounts established pursuant to Section 6.1 of this Indenture.

“Actual Costs” shall have the meaning assigned to it in the Service and Assessment Plan.

“Additional Interest” means the 0.50% additional interest charged on the Phase #1 Assessments pursuant to Section 372.018 of the PID Act and described in Section V of the Service and Assessment Plan.

“Additional Obligations” means any bonds or obligations other than the Phase #2 Major Improvement Bonds, including specifically, any installment contracts, reimbursement agreements, temporary note or time warrant secured in whole or in part by an assessment, other than the Phase #1 Assessments securing the Bonds, levied against property within the District in accordance with the PID Act.

“Administrative Expenses” means the administrative, organizational, maintenance and operation costs and expenses associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs or anticipated costs of (i) direct and contracted costs incurred by the City, including legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (ii) creating and organizing the District and preparing the Phase #1 Assessment Roll, (iii) computing, levying, collecting and transmitting the Phase #1 Assessments or the Annual Installments thereof, and the costs of foreclosing on delinquent Phase #1 Assessments, (iv) maintaining the record of Phase #1 Assessments, including payments, reallocations and/or cancellations of the Phase #1 Assessments or Annual Installments thereof, (v) investing or depositing the Phase #1 Assessments or other monies, (vi) complying with the PID Act, arbitrage rebate requirements and/or securities disclosure requirements, (vii) paying the paying agent/registrar’s and trustee’s fees and expenses (including the fees and expenses of its legal counsel) related to the Bonds, and (viii) City costs of administering the construction of the Phase #1 Improvements. Administrative Expenses shall also include the administrative costs and expenses of issuing, making debt service payments on, and redeeming Bonds; provided, however, that for the avoidance of doubt, Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on

Bonds. Annual Administrative Expenses collected and not expended shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid over collection.

“Administrative Fund” means that Fund established by Section 6.1 and administered pursuant to Section 6.10 hereof.

“Administrator” means an officer or employee of the City or third party designee of the City who is not an officer or employee thereof, who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the City related to the duties and responsibilities of the administration of the District.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of Sinking Fund Installments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any Sinking Fund Installments due in such Bond Year).

“Annual Installment” means, collectively, with respect to each Phase #1 Assessed Property, each annual payment of (i) the Phase #1 Assessments as shown on the Phase #1 Assessment Roll attached to the Service and Assessment Plan as Appendix A and related to the Phase #1 Improvements, including the Additional Interest collected pursuant to Section V of the Service and Assessment Plan and deposited to the Delinquency and Prepayment Reserve Account as described in Section 6.8 herein and (ii) Administrative Expenses.

“Annual Service Plan Update” means the annual review and update of the Service and Assessment Plan required by the PID Act and the Service and Assessment Plan.

“Applicable Laws” means the PID Act, and all other laws or statutes, rules, or regulations, and any amendments thereto, of the State of Texas or of the United States, by which the City and its powers, securities, operations, and procedures are, or may be, governed or from which its powers may be derived.

“Assessment Hearing” has the meaning set forth in the recitals.

“Assessment Ordinance” means Ordinance No. \_\_\_\_\_ adopted by the City Council on September 4, 2018, that levied the Phase #1 Assessments on the Phase #1 Assessed Property.

“Authorized Denomination” means \$100,000 and any integral multiple of \$5,000 in excess of \$100,000, or a smaller denomination, if any, resulting from a partial redemption of Bonds as determined in accordance with Section 4.5 hereof or as a result of any partial defeasance of the Bonds.

“Authorized Improvements” means the improvements authorized by the PID Act which (1) will benefit all property assessed within the District, as set forth in the Service and Assessment Plan, (2) are defined as “Authorized Improvements” in the Service and Assessment Plan, and (3) are more particularly described in Section III of the Service and Assessment Plan.

“Bond” means any of the Bonds.

“Bond Counsel” means, collectively, Bracewell LLP, or any other attorney or firm of attorneys designated by the City that are nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Date” means the date designated as the initial date of the Bonds by Section 3.2(a) of this Indenture.

“Bond Fund” means the Fund established pursuant to Section 6.1 and administered as provided in Section 6.4.

“Bond Ordinance” means Ordinance No. \_\_\_\_\_ adopted by the City Council on September 4, 2018 authorizing the issuance of the Bonds pursuant to this Indenture.

“Bond Pledged Revenue Account” means the Account within the Pledged Revenue Fund established pursuant to Section 6.1.

“Bond Reserve Account” means the Account within the Reserve Fund established pursuant to Section 6.1.

“Bond Reserve Account Requirement” means the least of: (i) Maximum Annual Debt Service on the Bonds as of the date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of the date of issuance, or (iii) 10% of the stated principal amount of the Bonds as of the date of issuance; provided, however that such Bond Reserve Account Requirement shall be recalculated for compliance with the above upon (a) any transfers made pursuant to Section 6.7(c), (b) a mandatory sinking fund redemption pursuant to Section 4.2, (c) an optional redemption pursuant to Section 4.3 or (d) an extraordinary optional redemption pursuant to Section 4.4. As of the Closing Date, the Bond Reserve Account Requirement is \$ \_\_\_\_\_ which is an amount equal to Maximum Annual Debt Service on the Bonds as of the date of issuance.

“Bond Year” or “Fiscal Year” means the one-year period beginning on October 1 in each year and ending on September 30 in the following year.

“Bonds” means the City’s bonds authorized to be issued by Section 3.1 of this Indenture entitled “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project).”

“Business Day” means any day other than a Saturday, Sunday or legal holiday in the State of Texas observed as such by the City or the Trustee, or any national holiday observed by the Trustee.

“Capitalized Interest Account” means the Account within the Bond Fund established pursuant to Section 6.1.

“Certificate for Payment” means a certificate substantially in the form of Exhibit B attached hereto or otherwise approved by the Developer and the City Representative executed by a Person approved by the City Representative, delivered to the City Representative and the Trustee specifying the amount of work performed with respect to the Phase #1 Improvements and the

Actual Costs thereof, and requesting payment for such costs from money on deposit in the Project Fund as further described in Section 6.5 herein.

“City Certificate” means a certificate or written instructions signed by the City Representative and delivered to the Trustee.

“City Representative” means any official or agent of the City authorized by the City Council to undertake the action referenced herein. As of the date hereof, the Director of Finance, the City Manager, and/or designees are the authorized City Representatives.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Closing Disbursement Request” means a certificate substantially in the form of Exhibit B attached hereto, approved by the Developer and the City Representative, delivered to the Trustee specifying the amounts to be paid on the Closing Date for the costs of establishing the District, as further described in Section 6.5 herein.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Costs of Issuance Account” means the Account within the Project Fund established pursuant to Section 6.1.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities.

“Delinquency and Prepayment Reserve Account” means the reserve account established in accordance with Section 6.1.

“Delinquency and Prepayment Reserve Requirement” means an amount equal to 5.5% of the principal amount of the Outstanding Bonds which will be funded partially from proceeds of the Bonds and partially from revenues received from the payment of Phase #1 Assessments deposited to the Pledged Revenue Fund.

“Delinquent Collection Costs” means the costs related to the foreclosure on a Phase #1 Assessed Property and the costs of collection of a delinquent Phase #1 Assessment, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing interest and penalty interest.

“Delinquent Penalties and Interest” means any delinquent interest and delinquent penalty interest collected on a delinquent Phase #1 Assessment.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office located in Dallas, Texas, or such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor

Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

“Developer” means D.R. Horton-Texas Ltd., a Texas limited partnership, and its respective successors and assigns.

“Development Agreement” means the agreement between the City and the Developer (as a result of that certain Partial Assignment and Assumption of Heartland Town Center Development Agreement dated July \_\_\_, 2018) relating to the Bonds, effective as of April 2, 2018, which provides, in part, for the deposit of proceeds from the issuance and sale of the Bonds and the payment of costs of Phase #1 Improvements within the District, the issuance of bonds, the reimbursement of costs to the Developer from the proceeds of the Bonds for funds advanced by the Developer and used to pay costs of Phase #1 Improvements and other matters related thereto.

“Developer Improvement Account” means the Account of such name established pursuant to Section 6.1.

“Developer Pledged Revenue Account” means the Account within the Pledged Revenue Fund established pursuant to Section 6.1.

“DTC” shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Foreclosure Proceeds” means the proceeds, including interest and penalty interest, received by the City from the enforcement of the Phase #1 Assessments against any Phase #1 Assessed Property, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

“Fund” means any of the funds established pursuant to Section 6.1 of this Indenture.

“Indenture” means this Indenture of Trust as originally executed or as it may be from time to time supplemented or amended by one or more indentures supplemental hereto and entered into pursuant to the applicable provisions hereof.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City who, or each of whom: (i) is judged by the City, as the case may be, to have experience in matters relating to the issuance and/or administration of the Bonds; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Initial Bond” means the Initial Bond as set forth in Exhibit A to this Indenture.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on March 1 and September 1 of each year, commencing March 1, 2019.

“Investment Securities” means those authorized investments described in the City’s official investment policy as approved by the City Council from time to time, and eligible for the investment of public funds by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

“Major Improvements” means those Authorized Improvements which will benefit all of the property within the District as are set forth in Section III of the Service and Assessment Plan.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Outstanding” means, as of any particular date when used with reference to Bonds, all Bonds authenticated and delivered under this Indenture except (i) any Bond that has been canceled by the Trustee (or has been delivered to the Trustee for cancellation) at or before such date, (ii) any Bond for which the payment of the principal or Redemption Price of and interest on such Bond shall have been made as provided in Article 4, and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Section 3.10 herein.

“Owner” means the Person who is the registered owner of a Bond or Bonds, as shown in the Register, which shall be Cede & Co., as nominee for DTC, so long as the Bonds are in book-entry only form and held by DTC as securities depository in accordance with Section 3.11 herein.

“Paying Agent/Registrar” means initially the Trustee, or any successor thereto as provided in this Indenture.

“Person” or “Persons” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Petitioner” means CADG Kaufman 146, LLC, a Texas limited liability company.

“Phase #1” means the initial phase of property to be developed within the District, identified as “Phase #1” and depicted in the Service and Assessment Plan.

“Phase #1 Assessed Property” means all property within Phase #1 and shown in the Phase #1 Assessment Roll against which a Phase #1 Assessment relating to the Phase #1 Improvements is levied in accordance with the Service and Assessment Plan.

“Phase #1 Assessment” means the Assessment levied against the Phase #1 Assessed Property for the Phase #1 Improvements.

“Phase #1 Assessment Roll” means the document attached in Appendix A to the Service and Assessment Plan as updated, modified or amended from time to time in accordance with procedures set forth in the Service and Assessment Plan and in the PID Act (including updates

prepared in connection with the issuance of Bonds or in connection with any Annual Service Plan Update) showing the total amount of the Phase #1 Assessment against each Phase #1 Assessed Property.

“Phase #1 Improvements” means (i) the Phase #1 Major Improvements allocable to Phase #1 as described in the Service and Assessment Plan, and (ii) the Authorized Improvements which only benefit the Phase #1 Assessed Property as described in the Service and Assessment Plan.

“Phase #1 Improvement Account” means the Account within the Project Fund established pursuant to Section 6.1.

“Phase #1 Improvements Costs” means the Costs, as defined in the Service and Assessment Plan (excluding Administrative Expenses), of the Phase #1 Improvements.

“Phase #1 Major Improvements” means the pro rata portion of the costs of the Major Improvements allocable to Phase #1, as described in the Service and Assessment Plan.

“Phase #1 Project” means the Phase #1 Improvements.

“Phase #2 Major Improvement Bonds” means the City of Mesquite, Texas Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #2 Major Improvement Project).

“PID Act” means Texas Local Government Code, Chapter 372, Improvement Districts in Municipalities and Counties, Subchapter A, as amended.

“Pledged Funds and Accounts” means the Bond Pledged Revenue Account of the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

“Pledged Revenue Fund” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.3 herein.

“Pledged Revenues” means the sum of (i) Annual Installments (excluding the portion of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs), (ii) the moneys held in any of the Pledged Funds and Accounts, and (iii) any additional revenues that the City may pledge to the payment of Bonds.

“Prepayment” means the payment of all or a portion of a Phase #1 Assessment before the due date thereof.

“Principal and Interest Account” means the Account within the Bond Fund established pursuant to Section 6.1.

“Project Fund” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.5 herein.

“Purchaser” means the initial purchaser of the Bonds.

“Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Rebate Fund” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.9 herein.

“Record Date” means the close of business on the fifteenth calendar day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

“Redemption Fund” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.6 herein.

“Redemption Price” means, as applicable, the price determined in accordance with the provisions of Section 4.2, Section 4.3 or Section 4.4, as applicable.

“Register” means the register specified in Article 3 of this Indenture.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Reimbursement Agreement” means that certain agreement, dated September 4, 2018 between the City and the Developer whereby the City agrees to reimburse the Developer for the Phase #1 Improvement Costs from Phase #1 Assessments up to the Reimbursement Maximum.

“Reimbursement Fund” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.11 herein.

“Reimbursement Maximum” means the maximum principal amount that may be deposited to the Reimbursement Fund and used to reimburse to the Developer for the costs of the Phase #1 Improvements, under the Reimbursement Agreement, plus interest at the true interest rate on the Bonds, calculated on amounts withdrawn from the Developer Improvement Account of the Project Fund pursuant to a Certificate for Payment, such interest commencing on the amounts withdrawn from the Developer Improvement Account as of the date of each withdrawal.

“Reimbursement Payment Request” means a certificate substantially in the form of Exhibit A to the Reimbursement Agreement or otherwise approved by the Developer and the City Representative executed by a Person approved by the City Representative, delivered to the City Representative and the Trustee requesting reimbursement for Phase #1 Improvement Costs from money on deposit in the Reimbursement Fund as further described in Section 6.11 herein.

“Reserve Fund” means that fund established pursuant to Section 6.1 and administered in Section 6.7 and Section 6.8 herein.

“Service and Assessment Plan” means the document, including the Phase #1 Assessment Roll, which is attached as Exhibit A to the Assessment Ordinance, that sets for the Phase #1 Assessment levied on the Phase #1 Assessed Property, as may be updated, amended and supplemented from time to time.

“Sinking Fund Installment” means the amount of money to redeem or pay at maturity the principal of Bonds payable from such installments at the times and in the amounts provided in Section 4.2 herein.

“Stated Maturity” means the date the Bonds, or any portion of the Bonds, as applicable are scheduled to mature without regard to any redemption or prepayment.

“Supplemental Indenture” means an indenture which has been duly executed by the Trustee and the City Representative pursuant to an ordinance adopted by the City Council and which indenture amends or supplements this Indenture, but only if and to the extent that such indenture is specifically authorized hereunder.

“Tax Certificate” means the Federal Tax Certificate delivered by the City on the Closing Date for the Bonds setting forth the facts, estimates and circumstances in existence on the Closing Date relating to the tax-exempt status of the Bonds.

“Trust Estate” means the Trust Estate described in the granting clauses of this Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article 9, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds.

#### Section 1.2 Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Indenture are hereby adopted, restated and made a part of the operative provisions hereof.

#### Section 1.3 Table of Contents, Titles and Headings.

The table of contents, titles, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

#### Section 1.4 Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) Words importing persons include any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(c) Any reference to a particular Article or Section shall be to such Article or Section of this Indenture unless the context shall require otherwise.

(d) This Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Indenture.

## ARTICLE 2

### THE BONDS

#### Section 2.1 Security for the Bonds.

The Bonds, as to both principal and interest, are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Trust Estate.

The lien on and pledge of the Pledged Revenues shall be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Pledged Revenues, the filing of this Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the City under this Indenture, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the City under this Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

#### Section 2.2 Limited Obligations.

The Bonds are special and limited obligations of the City, payable solely from and secured solely by the Trust Estate, including the Pledged Revenues and the Pledged Funds and Accounts; and the Bonds and any other obligations incurred by the City under the terms of this Indenture shall never be payable out of funds raised or to be raised by taxation or from any other revenues, properties or income of the City.

#### Section 2.3 Authorization for Indenture.

The terms and provisions of this Indenture and the execution and delivery hereof by the City to the Trustee have been duly authorized by the Bond Ordinance. The City has ascertained and it is hereby determined and declared that the execution and delivery of this Indenture is necessary to carry out and effectuate the purposes set forth in the preambles of this Indenture and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and is a contract or agreement necessary, useful and convenient to carry out and effectuate the purposes herein described.

Section 2.4 Contract with Owners and Trustee.

(a) The purposes of this Indenture are to establish a lien and the security for, and to prescribe the minimum standards for the authorization, issuance, execution and delivery of, the Bonds and to prescribe the rights of the Owners, and the rights and duties of the City and the Trustee.

(b) In consideration of the purchase and acceptance of any or all of the Bonds by those who shall purchase and hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the City with the Owners, and shall be deemed to be and shall constitute a contract among the City, the Owners, and the Trustee.

ARTICLE 3

AUTHORIZATION; GENERAL TERMS AND  
PROVISIONS REGARDING THE BONDS

Section 3.1 Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act. The Bonds shall be issued in the aggregate principal amount of \$ \_\_\_\_\_ for the purpose of (i) paying a portion of the Phase #1 Improvement Costs, (ii) paying capitalized interest on the Bonds, (iii) funding the Bond Reserve Account of the Reserve Fund, (iv) funding a portion of the Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds.

Section 3.2 Date, Denomination, Maturities, Numbers and Interest.

(a) The Bonds shall be dated \_\_\_\_\_, 2018 (the “Bond Date”) and shall be issued in Authorized Denominations. The Bonds shall be in fully registered form, without coupons, and shall be numbered separately from R-1 upward, except the Initial Bond, which shall be numbered T-1.

(b) Interest shall accrue and be paid on each Bond from the later of the date of initial delivery of the Bonds or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2019 computed on the basis of a 360-day year of twelve 30-day months.

(c) The Bonds shall mature on September 1 in the years and in the principal amounts and shall bear interest as set forth below:

Term Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
20		
20		
20		
20		

(d) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article 4 herein, and shall otherwise have the terms, tenor, denominations, details, and specifications as set forth in the form of Bond set forth in Exhibit A to this Indenture.

**Section 3.3 Conditions Precedent to Delivery of Bonds.**

The Bonds shall be executed by the City and delivered to the Trustee, whereupon the Trustee shall authenticate the Bonds and, upon payment of the purchase price of the Bonds, shall deliver the Bonds upon the order of the City, but only upon delivery to the Trustee of:

- (a) a copy of the executed Assessment Ordinance;
- (b) a copy of the executed Bond Ordinance;
- (c) a copy of the executed Reimbursement Agreement;
- (d) a copy of this Indenture executed by the Trustee and the City;
- (e) a City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the City;
- (f) an executed Signature and No-Litigation Certificate;
- (g) an executed opinion of Bond Counsel; and
- (h) approving opinion of the Attorney General of the State and the State Comptroller's registration certificate.

**Section 3.4 Medium, Method and Place of Payment.**

(a) Principal of and interest on the Bonds shall be paid in lawful money of the United States of America, as provided in this Section.

(b) Interest on the Bonds shall be payable to the Owners thereof as shown in the Register at the close of business on the relevant Record Date; provided, however, that in the event

of nonpayment of interest on a scheduled Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

(c) Interest on the Bonds shall be paid by check, dated as of the Interest Payment Date, and sent, first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each as such appears in the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

(d) The principal of each Bond shall be paid to the Owner of such Bond on the due date thereof, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Indenture.

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for two (2) years after the applicable payment or redemption date shall be applied to the next payment or payments on such Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State of Texas, including the provisions of Title 6 of the Texas Property Code, as amended.

### Section 3.5 Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the City by the Mayor and City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such

facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Indenture unless and until there appears thereon the Certificate of Trustee substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Trustee. It shall not be required that the same officer or authorized signatory of the Trustee sign the Certificate of Trustee on all of the Bonds. In lieu of the executed Certificate of Trustee described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by her duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas, is a valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State of Texas, including the provisions of Title 6 of the Texas Property Code, as amended.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Purchaser, or its designee, executed with the manual or facsimile signatures of the Mayor and the City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Trustee shall cancel the Initial Bond and deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

### Section 3.6 Ownership.

(a) The City, the Trustee, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment as provided herein (except interest shall be paid to the Person in whose name such Bond is registered on the relevant Record Date) and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Trustee, nor the Paying Agent/Registrar, shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of any Bond shall be valid and effectual and shall discharge the liability of the City, the Trustee and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

### Section 3.7 Registration, Transfer and Exchange.

(a) So long as any Bond remains Outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a Register in which, subject to

such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds as is acceptable to the Paying Agent/Registrar, in accordance with this Indenture. The Paying Agent/Registrar represents and warrants that it will maintain a copy of the Register and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

(b) A Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. The Trustee is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) The Trustee is hereby authorized to authenticate and deliver Bonds transferred or exchanged in accordance with this Section. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class, postage prepaid, to the Owner or his designee. Each transferred Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such transferred Bond is delivered.

(e) Each exchange Bond delivered in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(f) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different Authorized Denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Bond.

(g) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond or portion thereof called for redemption prior to maturity within forty-five (45) days prior to the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

### Section 3.8 Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Indenture, shall be cancelled, and proper records shall be made

regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with the records retention requirements of the Trustee.

### Section 3.9 Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the City may execute and, upon the City's request, the Trustee shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denominations, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Indenture.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Trustee the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and the Trustee shall authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the Authorized Denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

### Section 3.10 Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Trustee shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Trustee, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(1) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(2) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the Trustee to save them and the City harmless;

(3) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Trustee and the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(4) satisfies any other reasonable requirements imposed by the City and the Trustee.

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the City, the Paying Agent/Registrar or the Trustee in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

### Section 3.11 Book-Entry Only System.

(a) The Bonds shall initially be issued in book-entry-only form and shall be deposited with DTC, which is hereby appointed to act as the securities depository therefor, in accordance with the letter of representations from the City to DTC. On the Closing Date the definitive Bonds shall be issued in the form of a single typewritten certificate for each maturity thereof registered in the name of Cede & Co., as nominee for DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Indenture to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on Bonds, for the purpose of giving notices of

redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as provided in this Indenture, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks or drafts being mailed to the registered owner at the close of business on the relevant Record Date, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

Section 3.12 Successor Securities Depository: Transfer Outside Book-Entry-Only System.

In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the City to DTC, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds and cause the Paying Agent/Registrar to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 3.13 Payments to Cede & Co.

Notwithstanding any other provision of this Indenture to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the blanket letter of representations from the City to DTC.

## ARTICLE 4

### REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1 Limitation on Redemption.

The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article 4.

## Section 4.2 Mandatory Sinking Fund Redemption.

(a) The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article 6 of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

\$ Term Bond maturing September 1, 20

<u>Redemption Date</u>	<u>Amount</u>
------------------------	---------------

September 1, 20	___
September 1, 20	___*

\*maturity

\$ Term Bond maturing September 1, 20

<u>Redemption Date</u>	<u>Amount</u>
------------------------	---------------

September 1, 20	___
September 1, 20	___*

\*maturity

\$ Term Bond maturing September 1, 20

<u>Redemption Date</u>	<u>Amount</u>
------------------------	---------------

September 1, 20	___
September 1, 20	___*

\*maturity

Term Bond maturing September 1, 20

(a) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.5.

(b) The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional or extraordinary redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

## Section 4.3 Optional Redemption

(a) The City reserves the option to redeem Bonds in whole or any part, before their respective scheduled maturity dates, on September 1, 20\_\_, or on any date thereafter, at a Redemption Price equal to the principal amount of the Bonds called for redemption plus accrued and unpaid interest to the date fixed for redemption.

(b) The City, at least 45 days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

## Section 4.4 Extraordinary Optional Redemption.

Notwithstanding any provision in this Indenture to the contrary, but subject to the provisions of Section 4.6(d), the City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption

Price of 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in Section 6.7(h)) or any other transfers to the Redemption Fund under the terms of this Indenture, including from transfers of Foreclosure Proceeds and transfers pursuant to Section 6.5(d). The City direction for such redemption shall include details with regard to a corresponding reduction in the Bond Reserve Account Requirement, as contemplated by the definition thereof.

#### Section 4.5 Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.2, Bonds shall be redeemed by random selection. If less than all of the Bonds within a maturity are to be redeemed, such Bonds shall be called by random selection. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the smallest Authorized Denomination for such Bond.

(b) If less than all of the Bonds are to be redeemed pursuant to either 4.3 or 4.4, Bonds shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding maturities. If less than all of the Bonds within a maturity are to be redeemed, such Bonds shall be called by random selection. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the smallest Authorized Denomination for such Bond.

(c) A portion of a single Bond of a denomination equal to or greater than \$100,000 may be redeemed, but only in a principal amount of \$100,000 or any integral of \$5,000 in excess thereof; provided, however, that the Trustee shall treat each \$5,000 portion of such Bond in excess of \$100,000 as though it were a single bond for purposes of selection for redemption. A portion of a single Bond of a denomination less than \$100,000 may be redeemed, but only in a principal amount of at least \$5,000 or any integral of \$5,000 in excess thereof. After giving effect to a partial redemption described herein, a Bond in the principal amount equal to the unredeemed portion, but not less than \$5,000, may be issued.

(d) Upon surrender of any Bond for redemption in part, the Trustee in accordance with Section 3.7 of this Indenture, shall authenticate and deliver and exchange the Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

#### Section 4.6 Notice of Redemption to Owners.

(a) The Trustee shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, and subject to Section 4.5 hereof, an identification of the Bonds or portions thereof to

be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

(d) The City reserves the right, in the case of an optional or extraordinary optional redemption pursuant to Sections 4.3 or 4.4 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

#### Section 4.7 Payment Upon Redemption.

(a) The Trustee shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Redemption Fund or otherwise received by the Trustee from the City and shall use such funds solely for the purpose of paying the Redemption Price on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the designated corporate trust office of the Trustee on or after the date fixed for redemption, the Trustee shall pay the Redemption Price on such Bond to the date of redemption from the moneys set aside for such purpose.

#### Section 4.8 Effect of Redemption.

Notice of redemption having been given as provided in, and not otherwise rescinded as provided by, Section 4.6 of this Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the Redemption Price of such Bonds or the principal of and interest on such Bonds, as applicable, to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

## ARTICLE 5

### FORM OF THE BONDS

#### Section 5.1 Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to appear on the Initial Bond, and the Certificate of the Trustee and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in Exhibit A to this Indenture with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Indenture, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

#### Section 5.2 CUSIP Registration.

The City may secure identification numbers through the CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof; and, none of the City, the Trustee, or the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. The City prohibits any Bond to be issued in a denomination of less than an Authorized Denomination and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than an Authorized Denomination and any attempt to accomplish either of the foregoing shall be void and of no effect. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Bonds and that neither the City nor the Trustee shall be liable for any inaccuracies of such numbers.

#### Section 5.3 Legal Opinion.

The approving legal opinion of Bond Counsel may be printed on or attached to each Bond over the certification of the City Secretary of the City, which may be executed in facsimile.

**ARTICLE 6**  
**FUNDS AND ACCOUNTS**

**Section 6.1     Establishment of Funds and Accounts.**

(a)     Creation of Funds. The following Funds are hereby created and established under this Indenture:

- (1)     Pledged Revenue Fund;
- (2)     Bond Fund;
- (3)     Project Fund;
- (4)     Reserve Fund;
- (5)     Redemption Fund;
- (6)     Rebate Fund;
- (7)     Administrative Fund; and
- (8)     Reimbursement Fund.

(b)     Creation of Accounts.

(1)     The following Accounts are hereby created within the Pledged Revenue Fund:

- (A)     Bond Pledged Revenue Account; and
- (B)     Developer Pledged Revenue Account

(2)     The following Accounts are hereby created and established within the Bond Fund:

- (A)     Capitalized Interest Account; and
- (B)     Principal and Interest Account.

(3)     The following Accounts are hereby created and established within the Project Fund:

- (A)     Phase #1 Improvement Account;
- (B)     Developer Improvement Account; and
- (C)     Costs of Issuance Account.

(4) The following Accounts are hereby created and established within the Reserve Fund:

- (A) Bond Reserve Account; and
- (B) Delinquency and Prepayment Reserve Account.

(c) Each Fund and Account created within such Fund shall be only established as needed and maintained by the Trustee separate and apart from all other funds and accounts of the City. The Developer Improvement Account of the Project and the Reimbursement Fund shall constitute separate trust funds that are not pledged to the Bonds and shall be held in trust by the Trustee solely for the benefit of the City. The Pledged Funds and Accounts shall constitute trust funds which shall be held in trust by the Trustee as part of the Trust Estate solely for the benefit of the Owners of the Bonds. Amounts on deposit in the Funds and Accounts shall be used solely for the purposes set forth herein.

(d) Interest earnings and profit on each respective Fund and Account established by this Indenture shall be applied or withdrawn for the purposes of such Fund or Account as specified below.

#### Section 6.2 Initial Deposits to Funds and Accounts.

(a) The proceeds from the sale of the Bonds shall be paid to the Trustee and deposited or transferred by the Trustee as follows:

- (1) to the Capitalized Interest Account: \$ \_\_\_\_\_;
- (2) to the Bond Reserve Account: \$ \_\_\_\_\_;
- (3) to the Costs of Issuance Account: \$ \_\_\_\_\_;
- (4) to the Delinquency and Prepayment Reserve Account: \$ \_\_\_\_\_; and
- (5) To the Phase #1 Improvement Account of the Project Fund: \$ \_\_\_\_\_.

(b) Funds received from the Developer in the amount of \$ \_\_\_\_\_ shall be deposited into the Developer Improvement Account of the Project Fund.

#### Section 6.3 Pledged Revenue Fund.

(a) On or before February 1 of each year while the Bonds are Outstanding, beginning February 1, 2019, the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited pursuant to Section 6.10 hereof) into the Pledged Revenue Fund which deposit shall be directed by the City to the Trustee pursuant to a City Certificate. Specifically, except as set forth in Section 6.3(e), the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue

Fund amounts sufficient to pay debt service on the Bonds coming due in the next Bond Year, as described in Section 6.3(b), (ii) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement as described in Section 6.7(a) and Section 6.7(e), (iii) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account of the Reserve Fund in an amount equal to the Delinquency and Prepayment Reserve Requirement, (iv) fourth, to the Developer Pledged Revenue Account of the Pledged Revenue Fund for deposit to the Reimbursement Fund to reimburse the Developer for the costs of the Phase #1 Improvements that have been paid from the Developer Improvement Account of the Project Fund up to the Reimbursement Maximum, pursuant to the Reimbursement Agreement, provided that such sums deposited to the Developer Pledged Revenue Account shall not include Additional Interest and (v) fifth, in accordance with the written direction of the City, to pay other costs permitted by the PID Act. Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (i) through (iv) above are made, the City shall have the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in Article 4. The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to Section 6.3(e) as Additional Interest, Prepayments or Foreclosure Proceeds. Moneys transferred to the Developer Pledged Revenue Account shall not be part of the Trust Estate and is not pledged to the payment of the Bonds. For the avoidance of doubt, all portions of the Annual Installment collected as Additional Interest shall be deposited pursuant only to (i), (ii) and (iii) above. No Additional Interest shall be deposited to the Developer Pledged Revenue Account of the Pledged Revenue Fund.

(b) From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund and transfer to the Principal and Interest Account, an amount, taking into account any amounts then on deposit in such Principal and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account to be deposited pursuant to Section 6.4(d) hereof, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

(c) Subject to the provisions of the Reimbursement Agreement, from time to time as needed to reimburse the obligations relating to costs of the Phase #1 Improvements that are paid with funds withdrawn from the Developer Improvement Account of the Project Fund, the Trustee shall, pursuant to a completed Reimbursement Payment Request, withdraw from the Developer Pledged Revenue Account and transfer to the Reimbursement Fund such amount needed to reimburse the Developer for funds withdrawn from the Developer Improvement Account of the Project Fund used to fund costs of the Phase #1 Improvements.

(d) If, after the foregoing transfers and any transfer from the Reserve Fund as provided in Section 6.7 herein, there are insufficient funds to make the payments provided in paragraph (b) above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds.

(e) Notwithstanding Section 6.3(a) above:

(1) the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer all or a portion of such Additional Interest to the Delinquency and Prepayment Reserve Account as set forth in 6.3(a) above and as otherwise directed by Section 6.8(a) hereof; and

(2) the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund;

(3) the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Phase #1 Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Administrative Expenses (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

(f) After satisfaction of the requirements to (i) provide for the payment of the principal and interest on the Bonds, (ii) to fund any deficiency that may exist in the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account) and (iii) fund obligations due pursuant to the terms of the Reimbursement Agreement, the City may direct the Trustee by City Certificate to apply Phase #1 Assessments for any lawful purposes permitted by the PID Act for which Phase #1 Assessments may be paid.

(g) Phase #1 Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

(h) Any Phase #1 Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Phase #1 Assessments may be used under the PID Act and such payments shall be applied in accordance with written direction from a City Representative to the Trustee.

#### Section 6.4 Bond Fund.

(a) No later than on each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds (net of any amount transferred to the Principal and Interest Account pursuant to subsection (d) below).

(b) If amounts in the Principal and Interest Account are insufficient for the purposes set forth in paragraph (a) above, the Trustee shall withdraw first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Bond Reserve Account of the Reserve Fund amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

(c) Moneys in the Capitalized Interest Account shall be used for the payment of interest on the Bonds on the following dates and in the following amounts:

Date Amount  
March 1, 20\_\_\_\_ \$ \_\_\_\_\_

(d) Not later than five (5) Business Days before each date identified above, the Trustee shall withdraw funds from the Capitalized Interest Account and transfer to the Principal and Interest Account the amount set forth above.

Any amounts on deposit to the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred, at the direction of the City, to the Phase #1 Improvement Account of the Project Fund, or to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

## Section 6.5 Project Fund.

(a) Money on deposit in the Phase #1 Improvement Account, Developer Improvement Account and Costs of Issuance Account of the Project Fund shall be used for the purposes specified in Section 3.1 hereof.

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Moneys disbursed at closing to pay for the costs of creating the District shall be paid pursuant to a Closing Disbursement Request.

(c) Except as otherwise provided herein, money on deposit in the Developer Improvement Account and the Phase #1 Improvement Account of the Project Fund, shall be used solely to pay the costs of the Phase #1 Improvements. Upon receipt of a reviewed and approved Certificate for Payment for any Phase #1 Improvement Costs, the Trustee shall make payment from the following accounts in the following priority, until monies are no longer available therein: (1) first, from the Phase #1 Improvement Account of the Project Fund, and (2) second, from the Developer Improvement Account of the Project Fund. Except as provided in Section 6.5(d) and Section 6.5(i), money on deposit in the Phase #1 Improvement Account shall be used solely to pay the Phase #1 Improvement Costs. Except as provided in Section 6.5(e) and 6.5(f), money on deposit in the Developer Improvement Account shall be used solely to pay Phase #1 Improvement Costs.

(d) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Phase #1 Improvement Account are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Phase #1 Improvements,

such that, in the opinion of the City Representative, it is unlikely that the amounts in the Phase #1 Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Phase #1 Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate currently on deposit in the Phase #1 Improvement Account shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with this Indenture.

(e) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Developer Improvement Account of the Project Fund are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Phase #1 Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Developer Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit the Developer Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate on deposit in the Developer Improvement Account shall be transferred and released pursuant to Section 6.5(g).

(f) Upon the filing of a City Certificate stating that all Phase #1 Improvements have been completed and that all costs thereof have been paid, or that any such costs are not required to be paid from the Developer Improvement Account pursuant to a Certificate for Payment, the Trustee (i) shall transfer and release the amounts remaining in the Developer Improvement Account pursuant to Section 6.5(g), and (ii) shall close the Developer Improvement Account.

(g) Any amounts in the Developer Improvement Account to be transferred and released pursuant to Section 6.5(e) or Section 6.5(f) shall be irrevocably and unconditionally transferred and released to the Developer, or to the Developer's successors and assigns or designees as identified in a written notice from the Developer to the Trustee and the City. The City and the Trustee shall solely and conclusively rely as to payment of amounts released from the Developer Improvement Account, on any such written notice from the Developer as to its successors and assigns or designees. The City shall provide written notice of the release to the Trustee and Developer, or to the Developer's successors and assigns, and the amount payable to the Developer, or its successors and assigns.

(h) In making any determination pursuant to this Section, the City Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

(i) Upon the filing of a City Certificate stating that all Phase #1 Improvements have been completed and that all Phase #1 Improvements Costs have been paid, or that any such costs are not required to be paid from the Phase #1 Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer, (i) first, to the extent that the Developer has not been reimbursed in an amount equal to the Reimbursement Maximum, the amount, if any, remaining in the Phase #1 Improvement Account to the Reimbursement Fund to reimburse the Developer for Phase #1 Improvement Costs paid from the Developer Improvement Account of the Project Fund, up to the Reimbursement Maximum, (ii) second, the amount, if any, remaining within the Phase

#1 Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee, and (iii) provided that amounts on deposit in the Developer Improvement Account have been transferred pursuant to Section 6.5(f) above, the Trustee shall close the Project Fund.

(j) Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

#### Section 6.6 Redemption Fund.

(a) Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in Article 4.

(b) The Trustee shall cause to be deposited to the Redemption Fund from Prepayments and Foreclosure Proceeds, an amount sufficient to redeem Bonds as provided in Section 4.4 on the dates specified for redemption as provided in Section 4.4. If after such transfer, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

(c) The Trustee shall cause to be deposited to the Redemption Fund from Pledged Revenues and pursuant to any transfers made pursuant to Section 6.7, an amount sufficient to redeem Bonds as provided in Sections 4.2, 4.3 and 4.4 at the direction of the City.

#### Section 6.7 Bond Reserve Account.

(a) The City agrees with the Owners of the Bonds to accumulate, and when accumulated, maintain in the Bond Reserve Account, an amount equal to not less than the Bond Reserve Account Requirement. Subject to subsection (c) below, all amounts deposited in the Bond Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund in the event of any deficiency in such Principal and Interest Account on any Interest Payment Date or any date on which principal of the Bonds is due.

(b) Whenever a transfer is made from the Bond Reserve Account to the Principal and Interest Account of the Bond Fund due to a deficiency in the Principal and Interest Account, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn.

(c) Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the amount in the Bond Reserve Account exceeds the Bond Reserve Account Requirement, the Trustee shall provide written notice to the City Representative and the Administrator of the amount of the excess. Upon receipt of a City Certificate, the Trustee shall transfer such excess to any other Fund or Account as directed and set forth in the City Certificate.

(d) At the final maturity of the Bonds, the amount on deposit in the Bond Reserve Account shall be transferred to the Redemption Fund and applied to the payment of the principal of the Bonds.

(e) If, after a Bond Reserve Account withdrawal, the amount on deposit in the Bond Reserve Account is less than the Bond Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Bond Reserve Account the amount of such deficiency, in accordance with Section 6.3, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments.

(f) At the final maturity of the Bonds, the amount on deposit in the Bond Reserve Account and the Delinquency and Prepayment Reserve Account shall be transferred to the Principal and Interest Account and applied to the payment of the principal of the Bonds.

(g) If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund and the Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Bonds as of such Interest Payment Date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

(h) Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, a proportionate amount in the Bond Reserve Account shall be transferred on the Business Day prior to the redemption date by the Trustee to the Redemption Fund to be applied to the redemption of the Bonds as detailed in a City Certificate. The amount so transferred from the Bond Reserve Account shall be a proportional amount equal to a percentage of the amount of the Bonds redeemed with such percentage equal to the lesser of: (i) the amount required to be in the Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest on the Bonds, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

(i) If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund, Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Bonds as of such Interest Payment Date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

## Section 6.8 Delinquency and Prepayment Reserve Account

(a) In addition to the initial deposit to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to Section 6.2, Additional Interest shall be deposited to the

Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to Section 6.3 herein until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement, (ii) the Administrative Fund for payment of Administrative Expenses, or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.3. In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Administrative Fund and provide the City with written notification of the transfer. The Trustee shall incur no liability for the accuracy or validity of the transfer if compliant with this section.

(b) Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, if there are insufficient funds in the Redemption Fund from such Prepayments to redeem the Bonds on their redemption date, the Trustee shall transfer funds from the Delinquency and Prepayment Reserve Account to the Redemption Fund in the amount of the deficiency and such funds shall be used to redeem Bonds pursuant to Section 4.4.

#### Section 6.9 Rebate Fund.

(a) Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code. The Rebate Fund shall not be part of the Trust Estate and is not security for the Bonds.

(b) In order to assure that the amount required to be rebated to the federal government is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made as directed by the City in a written direction and in accordance with the Code, Tax Certificate and Section 7.10 hereof. The Trustee may conclusively rely on such written instructions as set forth in this section and shall not be responsible for any loss or liability resulting from the investment of funds hereunder as long as the Trustee's actions are pursuant to the City's written direction.

(c) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and Section 7.10 and shall not be liable or responsible if it follows the written instructions of the City and shall not be required to take any action under this Section and Section 7.10 in the absence of written instructions from the City.

(d) If, on the date of each calculation made pursuant to Section 7.10(ii), the amount on deposit in the Rebate Fund exceeds the amount required to be rebated to the federal government, the City may direct the Trustee, pursuant to a City Certificate, to transfer the amount in excess of the amount required to be rebated to the federal government to the Bond Fund.

## Section 6.10 Administrative Fund.

(a) The City shall deposit or cause to be deposited to the Administrative Fund the amounts collected each year to pay Administrative Expenses and Delinquent Collection Costs. The City or the Administrator, on behalf of the City, shall direct the Trustee pursuant to the City Certificate with respect to the portions of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs to be deposited pursuant to this section.

(b) Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Administrative Expenses and Delinquent Collection Costs. The Administrative Fund shall not be part of the Trust Estate and is not security for the Bonds.

(c) In accordance with Section 9.6 hereof, the Trustee shall transfer its authorized fees and expenses from the Administrative Fund to pay the foregoing unless the Trustee receives written objection from the City within 10 Business Days of its delivery of notice of such costs to the City. No City Certificate is necessary for the Trustee to receive compensation for the services rendered hereunder.

## Section 6.11 Reimbursement Fund.

(a) Phase #1 Assessment revenues deposited to the Reimbursement Fund pursuant to Section 6.3 shall be disbursed to the Developer to reimburse the Actual Costs of the Phase #1 Improvements paid from the Developer Improvement Account of the Project Fund. Disbursements shall be made pursuant to this section and the Reimbursement Agreement, based upon the approval of a Reimbursement Payment Request by the City. The Reimbursement Payment Request attached as Exhibit A to the Reimbursement Agreement is hereby incorporated into this Indenture. Disbursements shall be made until the earlier of (i) Maturity of the Bonds, (ii) the Reimbursement Maximum has been reached, (iii) termination of the Reimbursement Agreement or (iv) upon a determination by the City Representative pursuant to subsection (b) herein.

(b) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Reimbursement Fund are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Phase #1 Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Reimbursement Fund will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Reimbursement Fund that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate currently on deposit in the Reimbursement Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with this Indenture.

(c) Upon the occurrence of (i), (ii), (iii) or (iv) in subsection (a) above, the City shall file a City Certificate with the Trustee as to such occurrence and then the Trustee shall (i) transfer the amounts remaining in the Reimbursement Fund, if any, to the Redemption Fund, and (ii) shall close the Reimbursement Fund.

(d) In making any determination pursuant to this Section 6.11, the City Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

#### Section 6.12 Investment of Funds.

(a) Money in any Fund established pursuant to this Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) Business Days in advance of the making of such investment in time deposits, other bank deposit products, or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act Chapter 2256 Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times set forth in this Indenture. Such investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default. In the absence of investment instructions from the City, the Trustee shall hold monies held by it uninvested.

(b) Obligations purchased as an investment of moneys in any Fund shall be deemed to be part of such Fund or Account, subject, however, to the requirements of this Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in this Indenture any moneys are required to be transferred by the City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment and may receive compensation in connection with any investment if authorized by the City Representative in writing. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments and may conclusively rely on the City's written instructions as to the directed investments.

(d) Investments in any and all Funds and Accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular Funds or Accounts of amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture.

(e) The Trustee will furnish the City monthly cash transaction statements which include detail for all investment transactions made by the Trustee hereunder; and, the Trustee is not required to provide brokerage confirmations unless the Trustee receives a written request from the City. No monthly cash transaction statement need to be furnished if no activity occurred during such month.

(f) The Trustee may conclusively rely on City Certificates pursuant to Section 6.12(a) that such an investment will comply with the City's investment policy and with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

#### Section 6.13 Investment Income.

(a) Interest and income derived from investment of the Project Fund shall be deposited to the credit of the Principal and Interest Account of the Bond Fund.

(b) Interest and income derived from investment of the Bond Fund shall be credited to the Principal and Interest Account of the Bond Fund.

(c) Interest and income derived from investment of the Bond Reserve Account and Delinquency and Prepayment Reserve Account of the Reserve Fund shall be credited to such Accounts.

#### Section 6.14 Security of Funds.

All Funds heretofore created or reaffirmed, to the extent not invested as herein permitted, shall be secured in the manner and to the fullest extent required by law for the security of public funds, and such Funds shall be used only for the purposes and in the manner permitted or required by this Indenture.

### ARTICLE 7

#### COVENANTS

##### Section 7.1 Confirmation of Phase #1 Assessments.

The City hereby confirms, covenants, and agrees that, in the Assessment Ordinance, it has levied the Phase #1 Assessments against the respective Phase #1 Assessed Property from which the Pledged Revenues will be collected and received.

##### Section 7.2 Collection and Enforcement of Phase #1 Assessments.

(a) For so long as any Bonds are Outstanding and amounts are due the Developer under the Reimbursement Agreement to reimburse it for its funds it has contributed to pay costs of the Phase #1 Improvements, the City covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Phase #1 Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Phase #1 Assessments.

(b) The City will determine or cause to be determined, no later than April 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Phase #1 Assessment or the corresponding Phase #1 Assessed Property.

**Section 7.3 Against Encumbrances.**

(a) Other than bonds issued to refund all or a portion of the Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

(b) So long as Bonds are Outstanding hereunder, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and bonds issued to refund all or a portion of the Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

**Section 7.4 Records, Accounts, Accounting Reports.**

The City hereby covenants and agrees that so long as any of the Bonds or Outstanding Bonds or any interest thereon remain outstanding and unpaid and the obligation to the Developer to reimburse it for funds it has contributed to pay Phase #1 Improvement Costs remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Phase #1 Assessments. The Trustee and holder or holders of any Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the City by the Trustee or duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds during the City's regular business hours and on a mutually agreeable date not later than thirty (30) days after the City receives such request.

**Section 7.5 Covenants to Maintain Tax-Exempt Status.**

The City intends that the interest on the Bonds be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150, inclusive, of the Code, as amended. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Bonds to be includable in gross income, as defined in Section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or a failure to satisfy any provision of Section 103 or 141 through 150, inclusive, of the Code. In particular, the City covenants and agrees to comply with each requirement of this Section 7.5 and Sections 7.6 through 7.14 of this

Article 7; provided, however, that the City shall not be required to comply with any particular requirement of Sections 7.6 through 7.14 of this Article 7 if the City has received an opinion of Bond Counsel (“Counsel’s Opinion”) that (i) such noncompliance will not adversely affect the exclusivity of interest on the Bonds from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement set forth in such Counsel’s opinion will satisfy the applicable requirements of the Code, in which case compliance with such other requirement shall constitute compliance with the corresponding requirement specified in Sections 7.6 through 7.14 of this Article 7.

**Section 7.6     No Private Use or Payment and No Private Loan Financing.**

The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be “private activity bonds” within the meaning of Section 141 of the Code. The City will certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. The City covenants and agrees that the levied Assessments will meet the requirements for the “tax assessment loan exception” within the meaning of Section 1.141-5(d) of the Regulations on the date the Bonds are delivered and will ensure that the Phase #1 Assessments continue to meet such requirements.

**Section 7.7     No Federal Guaranty.**

The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b)(2) of the Code, except as permitted by Section 149(b)(3) of the Code.

**Section 7.8     No Hedge Bonds.**

The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of Section 149(g) of the Code.

**Section 7.9     No-Arbitrage.**

The City covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of Section 148(a) of the Code. Moreover, the City will certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

### Section 7.10 Arbitrage Rebate.

If the City does not qualify for an exception to the requirements of Section 148(f) of the Code, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the “gross proceeds” of the Bonds (within the meaning of Section 148(f)(6)(B) of the Code) be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys that do not represent gross proceeds of any bonds of the City, (ii) determine at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds that is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any Person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

### Section 7.11 Information Reporting.

The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with Section 149(e) of the Code.

### Section 7.12 Record Retention.

The City will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until three years after the last Bond is redeemed or paid at maturity, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the City to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

### Section 7.13 Registration.

The Bonds will be issued in registered form.

#### Section 7.14 Deliberate Actions.

The City will not take a deliberate action (as defined in Section 1.141-2(d)(3) of the Regulations) that causes the Bonds to fail to meet any requirement of Section 141 of the Code after the issue date of the Bonds unless an appropriate remedial action is permitted by Section 1.141-12 of the Regulations, the City takes such action, and an opinion of Bond Counsel is obtained that such remedial action cures any failure to meet the requirements of Section 141 of the Code.

#### Section 7.15 Continuing Obligation.

(a) Notwithstanding any other provision of this Indenture, the City's obligations under the covenants and provisions of Sections 7.5 through 7.14 of this Article 7 shall survive the defeasance and discharge of the Bonds for so long as such matters are relevant to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

### ARTICLE 8

#### LIABILITY OF CITY

The City shall not incur any responsibility in respect of the Bonds or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own willful default or act of bad faith. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the City may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of this Indenture. The City shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Indenture, the Bonds, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved by the City in connection with the issuance, sale, delivery, or administration of the Bonds (collectively, the "Bond Documents"), shall require the City to expend or risk its own general funds or revenues or other funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, the sole source of payment of obligations incurred by the City under the Bond Documents being limited to the Pledged Revenues.

Neither the Owners nor any other Person shall have any claim against the City or any of its officers, officials, agents, or employees for damages suffered as a result of the City's failure to perform in any respect any covenant, undertaking, or obligation under any Bond Documents or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the City, in accordance with the Bond Documents and the PID Act. Any such claim shall be payable only from Pledged Revenues. Nothing contained in any of the

Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds by mandamus or other proceeding at law or in equity.

The City may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Indenture the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector or City Manager or other person designated by the City Council to so act on behalf of the City, and such certificate shall be full warrant to the City for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations, and directions of such persons or entities.

## ARTICLE 9

### THE TRUSTEE

#### Section 9.1 Trustee as Registrar and Paying Agent.

The Trustee is hereby designated and agrees to act as Paying Agent/Registrar for and with respect to the Bonds.

#### Section 9.2 Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified pursuant to a written instrument by the Owners of the Bonds to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or exercise any such rights and powers as Trustee,

without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund or the Administrative Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

### Section 9.3 Responsibilities of the Trustee.

The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(a) Prior to the occurrence of an Event of Default of which the Trustee has been notified, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(1) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this Indenture, and no duties or obligations shall be implied to the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified in writing, or is deemed to have notice), the Trustee shall exercise those rights and powers vested in it by this Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subparagraph shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(1) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(2) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the controlling Owners relating to the time, method and place of conducting any proceeding for any remedy

available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not therein expressly so provided, every provision of this Indenture or any other Bond Document relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 9.

(d) The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the City and the Trustee assumes no responsibility and undertakes no duty to verify the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Bonds or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of Bonds for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; (iii) the application of any moneys paid to the City or others in accordance with this Indenture, except as to the application of any moneys paid to it in its capacity as Trustee; (iv) any calculation of arbitrage or rebate under the Code, or (v) to undertake any other action unless specifically authorized pursuant to a written direction provided by the City or pursuant to this Indenture.

(e) The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture.

(f) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Phase #1 Improvements.

(g) The Trustee (i) may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees (but shall be answerable therefor only in accordance with the standard specified above), and (ii) shall be entitled to the advice of counsel concerning all matters of trusts hereof and duties hereunder.

(h) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for:

(1) the validity, priority, recording, re-recording, filing or re-filing of this Indenture or any Supplemental Indenture,

(2) any instrument or document of further assurance or collateral assignment,

(3) the filing of any financing statements, amendments thereto or continuation statements,

(4) insurance of the Phase #1 Improvements or collection of insurance money,

(5) the validity of the execution by the City of this Indenture, any Supplemental Indenture or instruments or documents of further assurance, or

(6) the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(i) The Trustee shall not be accountable for the application by any Person of the proceeds of any Bonds authenticated or delivered hereunder.

(j) The Trustee shall be protected, in the absence of bad faith or negligence on its part, in acting upon any notice, request, direction, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the direction, request, authority or consent of any Person who is the Owner of any Bonds at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(k) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default, except Events of Default described in Section 11.1(1), unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the Owners of more than 50% of the aggregate outstanding principal amount of Bonds. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default, except as noted above.

(l) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(m) Any resolution by the City, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

(n) The Trustee shall be entitled to file proofs of claim in bankruptcy. Ordinary trustee and paying agent/registrar fees and expenses and extraordinary fees and expenses of the Trustee and the Paying Agent/Registrar incurred hereunder are intended to constitute administrative expenses in bankruptcy.

(o) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation for

trustee and paying agent/registrar services shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(p) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(q) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(r) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(s) The Trustee shall not be responsible or liable for the environmental condition or any contamination of the Phase #1 Improvements or any real property or improvements related thereto or for any diminution in value of the same as a result of any contamination by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee shall not be liable for any claims by or on behalf of the Owners or any other person or entity arising from contamination by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of the Phase #1 Improvements or any real property or improvements related thereto or with respect to compliance thereof under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

#### Section 9.4 Property Held in Trust.

All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

#### Section 9.5 Trustee Protected in Relying on Certain Documents.

The Trustee may rely upon any order, notice, opinion, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant to be qualified in relation to the subject matter or selected by the City in accordance with this Indenture, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization

and protection in respect of any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a City Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such City Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision hereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by the City Representative.

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture, or otherwise to the giving to any Person of notice of the provisions hereof except as expressly required in Section 9.13 herein.

#### Section 9.6 Compensation.

From time to time, the Trustee shall determine and the Trustee shall provide the City Representative with an invoice setting forth the reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by a specific agreement, if any, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Outstanding. Unless written objection is made invoice received by the City within ten (10) days of its delivery to the City, the Trustee shall transfer from the Administrative Fund the amount set forth thereon. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from lawfully available funds under the Indenture (other than funds designated by the City for arbitrage rebate purposes) in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

#### Section 9.7 Permitted Acts.

The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds and may join in any action that any Owner of Bonds may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the City or any committee formed to protect the rights

of holders of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the holders of a majority in aggregate outstanding principal amount of the Bonds.

Section 9.8 Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than thirty (30) days' written notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall take effect upon the earlier of the appointment of a successor as provided in Section 9.10 or the appointment of a successor trustee by a court of competent jurisdiction pursuant to Section 9.10 hereof and the acceptance of such appointment by such successor.

Section 9.9 Removal of Trustee.

The Trustee may be removed at any time upon at least thirty (30) days prior written notice by (i) the Owners of at least a majority of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City, or (ii) so long as the City is not in default under this Indenture, the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate outstanding principal of the Bonds.

Section 9.10 Successor Trustee.

If the Trustee shall resign, be removed, be dissolved, or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least twenty-five percent (25%) of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor trustee, with notification thereof being given to the predecessor Trustee and the City.

Until such successor trustee shall have been appointed by the Owners of the Bonds, the City shall forthwith appoint a trustee to act hereunder. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds within thirty (30) days after such appointment. Any appointment of a successor trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the requisite Owners of Bonds.

If in a proper case no appointment of a successor trustee shall be made within thirty (30) days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process.

Any successor trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus and undivided profits aggregating at least \$50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture.

Each successor trustee shall mail, in accordance with the provisions of the Bonds, notice of its appointment to the Trustee, any rating agency which, at the time of such appointment, is providing a rating on the Bonds, and each of the Owners of the Bonds.

#### Section 9.11 Transfer of Rights and Property to Successor Trustee.

Any successor trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the City an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the City or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and, upon the receipt of payment of any outstanding charges, shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the City be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

#### Section 9.12 Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking

association qualified to be a successor to such Trustee under the provisions of Section 9.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

**Section 9.13 Trustee to File Continuation Statements.**

If necessary, the Trustee shall file or cause to be filed, such continuation statements as are delivered to the Trustee by the City, or on behalf of the City, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. The Trustee shall only be responsible for making such filings upon direction from the City.

**Section 9.14 Accounts, Periodic Reports and Certificates.**

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less than 10% in aggregate outstanding principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

**Section 9.15 Construction of Indenture.**

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds.

## ARTICLE 10

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

**Section 10.1 Amendments Permitted.**

This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds, or with the written consent without a meeting, of the Owners of at a majority of the aggregate principal amount of the Bonds then Outstanding. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by Applicable Laws or this Indenture), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Trustee without its prior written consent.

This Indenture and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;
- (2) to make modifications not adversely affecting any Outstanding Bonds in any material respect;
- (3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds; and
- (4) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

#### Section 10.2 Owners' Meetings.

The City may at any time call a meeting of the Owners of the Bonds. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

#### Section 10.3 Procedure for Amendment with Written Consent of Owners.

The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 10.1 herein, to take effect when and as provided in this Section. The City shall provide written direction to the Trustee to provide a copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, be mailed by the Trustee first class mail to each Owner of Bonds from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.6 herein. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of ninety (90) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such ninety-day period.

#### Section 10.4 Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article 10, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the City, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

#### Section 10.5 Endorsement or Replacement of Bonds Issued After Amendments.

The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article 10 shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Designated Payment/Transfer Office of the Trustee, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

#### Section 10.6 Amendatory Endorsement of Bonds.

The provisions of this Article 10 shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

#### Section 10.7 Execution of Supplemental Indenture.

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the

Trustee shall receive, and shall be fully protected in relying upon, an opinion of counsel addressed and delivered to the Trustee and the City stating that the execution of such Supplemental Indenture is permitted by and in compliance with this Indenture and any Applicable Laws. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties and immunities under this Indenture or otherwise.

## ARTICLE 11

### DEFAULT AND REMEDIES

#### Section 11.1 Events of Default.

Each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," to wit:

- (1) The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
- (2) The failure of the City to enforce the collection of the Phase #1 Assessments including the prosecution of foreclosure proceedings;
- (3) The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; and
- (4) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture and the continuation thereof for a period of ninety (90) days after written notice to the City by the Trustee, or by the Owners of at least 25% of the aggregate outstanding principal of the Bonds with a copy to the Trustee, specifying such default by the Owners of at least 25% of the aggregate outstanding principal amount of the Bonds at the time Outstanding requesting that the failure be remedied.

#### Section 11.2 Immediate Remedies for Default.

(a) Subject to Article 8, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Owners of at least 25% aggregate outstanding principal amount of the Bonds then Outstanding, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

(b) THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

(c) If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due under this Article, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

(d) Whenever moneys are to be applied pursuant to this Article 11, irrespective of and whether other remedies authorized under this Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms, as the Trustee may deem appropriate, and as may be required by Applicable Laws and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or proper for the purpose which may be designated in such request.

### Section 11.3 Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee written evidence of indemnity as provided in Section 9.2 herein, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall be conditions precedent to the execution of the powers and trusts of this Indenture and

to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article 8, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds.

(c) In case the Trustee or any Owners shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

#### Section 11.4 Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 11.2 hereof, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

**FIRST:** To the payment to the registered owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference; and

**SECOND:** To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the registered owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 11.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of this Indenture.

(c) The restoration of the City to its prior position after any and all defaults have been cured, as provided in Section 11.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

**Section 11.5 Effect of Waiver.**

No delay or omission of the Trustee, or any Owner, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

**Section 11.6 Evidence of Ownership of Bonds.**

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(1) The fact and date of the execution of such instruments by any Owner of Bonds or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guaranteee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guaranteee, certificate, or affidavit shall also constitute sufficient proof of his authority.

(2) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds shall bind all future Owners of the same Bonds in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

**Section 11.7 Waiver of Default.**

With the written consent of at least a majority in aggregate principal amount of the Bonds then Outstanding, the Owners may waive compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

Section 11.8 No Acceleration.

In the event of the occurrence of an Event of Default under Section 11.1 hereof, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 11.9 Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first class postage prepaid, only to each Owner at the address appearing upon the Register.

Section 11.10 Exclusion of Bonds.

Bonds owned or held by or for the account of the City will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture.

## ARTICLE 12

### GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1 Representations as to Pledged Revenues.

(a) The City represents and warrants that Applicable Laws authorize the City to issue the Bonds, to execute and deliver this Indenture and to pledge the Pledged Revenues in the manner and to the extent provided in this Indenture, and that the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

(b) The City shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Owners and the Trustee, under this Indenture against all claims and demands of all Persons whomsoever.

(c) Subject to available funds, the City will take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Phase #1 Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable Laws.

(d) To the extent permitted by law, notice of the Annual Installments shall be sent by, or on behalf of the City to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. Notwithstanding the foregoing, if the City is unable in every year to send notice of the Annual Installment on the same statement as ad valorem taxes, the City shall send or shall cause to be sent, a separate notice of the

Annual Installment in a timely fashion such that the Annual Installment can be collected in the same time frame as ad valorem taxes.

Section 12.2 General.

The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of this Indenture.

ARTICLE 13

SPECIAL COVENANTS

Section 13.1 Further Assurances; Due Performance.

(a) At any and all times the City will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for better conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues, Funds, Accounts and properties constituting the Pledged Revenues, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The City will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

Section 13.2 Additional Obligations; Other Obligations or Other Liens.

(a) The City reserves the right, subject to the provisions contained in this Section 13.2, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

(b) So long as Bonds are Outstanding hereunder, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than (i) a lien or pledge subordinate to the lien and pledge of such property related to the Bonds, and (ii) refunding bonds issued to refund all or a portion of the Bonds.

(c) Other than bonds issued to refund all or a portion of the Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with this Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds and Accounts; provided, however, that nothing in this Section shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or

counsel to the Trustee, the same would adversely affect the ability of the City to timely pay the debt service due and owing on the Bonds.

Section 13.3 Books of Record.

(a) The City shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the City, which relate to the Pledged Revenues, the Pledged Funds and Accounts, and the Bonds.

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

## ARTICLE 14

### PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 14.1 Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds secured hereby are fully paid or provision is made for their payment as provided in this Article 14.

Section 14.2 Satisfaction of Indenture.

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds has been paid so that the City may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 14.3 Bonds Deemed Paid.

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys

deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that that no adverse federal tax consequences will result from reinvesting such cash. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

## ARTICLE 15

### MISCELLANEOUS

#### Section 15.1 Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee.

#### Section 15.2 Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

### Section 15.3 Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number, and date of holding the same shall be proved by the Register.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

### Section 15.4 Waiver of Personal Liability.

No member of the City Council of the City, or any officer, agent, or employee of the City, shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

### Section 15.5 Notices to and Demands on City and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any City Certificate or Certificate for payment shall be in writing and shall be delivered by hand, mailed by first class mail, postage prepaid, or transmitted by facsimile or e-mail and addressed as follows:

If to the City:

City of Mesquite, Texas  
1515 N. Galloway Ave.  
Mesquite, Texas 75149  
Attn: City Manager  
Telephone: (972) 288-7711

With a copy to:

And:

Bracewell LLP  
Attn: Julie Partain  
1445 Ross Ave.  
Suite 3800  
Dallas, Texas 75202  
Email: [julie.partain@bracewell.com](mailto:julie.partain@bracewell.com)  
(214) 758-1606

And:

If to the Trustee, also acting in the capacity of  
Paying Agent/Registrar:

The Bank of New York Mellon Trust  
Company, N.A.  
Attn: Jason Stephens  
2001 Bryan Street, 10<sup>th</sup> Floor  
Dallas, Texas 75201  
Attn: BNY Corporate Trust  
(214) 468-5036

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five (5) Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond notice of (i) any substitution of the Trustee; or (ii) the redemption or defeasance of all Bonds Outstanding.

(c) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized

Officers transmit such Instructions to the Trustee and the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

#### Section 15.6 Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

#### Section 15.7 Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas.

#### Section 15.8 Payment on Business Day.

In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

#### Section 15.9 Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original.

#### Section 15.10 Anti-boycott Verification.

The Trustee represents that, to the extent this Agreement constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2270 of the Texas Government Code, and subject

to applicable Federal law, neither the Trustee nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Trustee (i) boycotts Israel or (ii) will boycott Israel through the term of this Agreement. The terms “boycotts Israel” and “boycott Israel” as used in this paragraph have the meanings assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code, as amended.

**Section 15.11 Iran, Sudan and Foreign Terrorist Organizations.**

The Trustee represents that, as of the date of this Agreement, to the extent this Agreement constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, neither the Trustee nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Trustee is an entity listed by the Texas Comptroller of Public Accounts under Sections 2252.153 or 2270.0201 of the Texas Government Code.

**Section 15.12 Form 1295 Exemption.** The Trustee represents that it is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a publicly traded business entity, and therefore this Agreement is exempt from Section 2252.908, Texas Government Code, as amended.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CITY OF MESQUITE, TEXAS

By: \_\_\_\_\_  
Mayor

ATTEST:

---

City Secretary

[CITY SEAL]

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.

By: \_\_\_\_\_  
Authorized Officer

## EXHIBIT A

(a) Form of Bond.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

THE TRANSFER OF THIS BOND IS SUBJECT TO THE TERMS AND RESTRICTIONS DESCRIBED HEREIN.

REGISTERED

No. \_\_\_\_\_

REGISTERED

\$ \_\_\_\_\_

United States of America  
State of Texas

CITY OF MESQUITE, TEXAS  
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT  
DISTRICT PHASE #1 PROJECT)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER</u>
_____ %	September 1, _____	September __, 2018	_____ -

The City of Mesquite, Texas (the "City"), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually commencing on March 1, 2019, and on each March 1 and September 1 thereafter until maturity or prior redemption.

Capitalized terms appearing herein that are defined terms in the Indenture defined below, have the meanings assigned to them in the Indenture. Reference is made to the Indenture for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the “Designated Payment/Transfer Office”), of The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee and paying agent/registrar (the “Trustee,” which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the “Record Date,” which shall be the fifteenth day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the “Bonds”), dated September 1, 2018 and issued in the aggregate principal amount of \$ \_\_\_\_\_ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of August 1, 2018 (the “Indenture”), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Phase #1 Improvements Costs, (ii) paying capitalized interest on the Bonds during and after the period of acquisition and construction of the Phase #1 Improvements, (iii) funding a debt service reserve fund for payment of principal and interest on the Bonds, (iv) funding a portion of the Delinquency and Prepayment

Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds.

The Bonds are limited obligations of the City payable solely from the Trust Estate as defined in the Indenture. Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the City, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the City to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in denominations of \$100,000, or any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”), subject to the partial redemption provisions of the Indenture authorizing redemptions of less than \$100,000 in denominations of \$5,000 and any multiple of \$5,000 in excess thereof.

The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article 6 of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

**\$ Term Bond maturing September 1, 20**

Redemption Date	Amount
-----------------	--------

September 1, 20  
\*maturity

**\$ Term Bond maturing September 1, 20**

Redemption Date	Amount
-----------------	--------

September 1, 20\_\_  
September 1, 20\_\_  
September 1, 20\_\_  
September 1, 20\_\_\*  
\*maturity

\$ Term Bond maturing September 1, 20

<u>Redemption Date</u>	<u>Amount</u>
------------------------	---------------

Term Bond maturing September 1, 20

<u>Redemption Date</u>	<u>Amount</u>
September 1, 20	
September 1, 20	*
*maturity	

At least forty-five (45) days prior to each sinking fund redemption date, the Trustee shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Bonds of such maturity equal to the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in Section 4.6 of the Indenture.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least forty-five (45) days prior to the sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption and not previously credited to a sinking fund redemption.

The City reserves the right and option to redeem Bonds before their scheduled maturity dates, in whole or in part, on any date, on or after September 1, 20\_\_, such redemption date or dates to be fixed by the City, at a price of par plus accrued and unpaid interest to the date of redemption:

Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on any Business Day, at a Redemption Price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from amounts on deposit in the Redemption Fund as a result of Prepayments, other transfers to the Redemption Fund pursuant to the Indenture, or any other transfers to the Redemption Fund permitted in the Indenture.

The Trustee shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The City reserves the right, in the case of an optional or extraordinary optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the rights of the holders of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the holders of all the Bonds, to waive compliance by the City with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the holder of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such holder and upon all future holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer, and upon delivery to the Trustee of such certifications and/or opinion of counsel as may be required under the Indenture for the transfer of this Bond. Upon satisfaction of such requirements, one or more new fully registered Bonds of the same Stated Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Trustee shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within forty-five (45) calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

The City, the Trustee, and any other Person may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the Person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Trustee shall be affected by notice to the contrary.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF MESQUITE, TEXAS; DALLAS COUNTY, TEXAS ; KAUFMAN COUNTY, TEXAS; THE STATE OF TEXAS; OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the City, including the Bonds, does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City.

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City Secretary, City of Mesquite, Texas

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Mayor, City of Mesquite, Texas

[City Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on each Initial Bond:

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §  
OF PUBLIC ACCOUNTS § REGISTER NO. \_\_\_\_\_  
THE STATE OF TEXAS §

I HEREBY CERTIFY THAT there is on file and of record in my office an opinion to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this

---

## Comptroller of Public Accounts of the State of Texas

[SEAL]

**(c) Form of Certificate of Trustee.**

## CERTIFICATE OF TRUSTEE

It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, as Trustee

DATED:

By: \_\_\_\_\_  
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): \_\_\_\_\_

---

---

(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed By: \_\_\_\_\_

---

---

Authorized Signatory \_\_\_\_\_

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Trustee.

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this section, except for the following alterations:

(i) immediately under the name of the Bond the heading "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As Shown Below," and the reference to the "CUSIP NUMBER" shall be deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on September 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u> "
--------------	-------------------------------	-------------------------

(Information to be inserted from Section 3.2(c) hereof); and

(iii) the Initial Bond shall be numbered T-1.

**EXHIBIT B**  
**FORM OF PAYMENT CERTIFICATE**  
**PAYMENT CERTIFICATE NO. \_\_\_\_\_**

Reference is made to that certain Indenture of Trust by and between the City and the Trustee dated as of \_\_\_\_\_, 2018 (the “Indenture”) relating to the “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project)” (the “Bonds”). Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture.

The undersigned is an agent for D.R. Horton-Texas, Ltd., a Texas limited partnership (the “Developer”) and requests payment to the Developer (or to the person designated by the Developer) from:

\_\_\_\_\_ the Phase #1 Improvement Account of the Project Fund  
\_\_\_\_\_ the Developer Improvement Account of the Project Fund

from The Bank of New York Mellon Trust Company, N.A., (the “Trustee”), in the amount of \_\_\_\_\_ (\$\_\_\_\_\_) for labor, materials, fees, and/or other general costs related to the creation, acquisition, or construction of certain Phase #1 Improvements providing a special benefit to property within the Heartland Town Center Public Improvement District.

In connection with the above referenced payment, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certificate for Payment Form on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The itemized payment requested for the below referenced Phase #1 Improvements has not been the subject of any prior payment request submitted for the same work to the City or, if previously requested, no disbursement was made with respect thereto.
3. The itemized amounts listed for the Phase #1 Improvements below is a true and accurate representation of the Phase #1 Improvements associated with the creation, acquisition, or construction of said Phase #1 Improvements and such costs (i) are in compliance with the Development Agreement, and (ii) are consistent with and within the cost identified for such Phase #1 Improvements as set forth in the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Development Agreement, the Reimbursement Agreement, the Indenture, and the Service and Assessment Plan.

5. The Developer has timely paid all ad valorem taxes and Annual Installments of Phase #1 Assessments it owes or an entity the Developer controls owes, located in the Heartland Town Center Public Improvement District and has no outstanding delinquencies for such Phase #1 Assessments.

6. All conditions set forth in the Indenture and the Development Agreement for the payment hereby requested have been satisfied.

7. The work with respect to Phase #1 Improvements referenced below (or its completed segment) has been completed, and the City has inspected such Phase #1 Improvements (or its completed segment).

8. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

9. No more than ninety percent (90%) of the budgeted or contracted costs for the Phase #1 Improvements identified may be paid until the work with respect to such Phase #1 Improvements (or segment) has been completed and the City has accepted such Phase #1 Improvements (or segment).

**Payments requested are as follows:**

Payee / Description of Phase #1 Improvement	Total Cost of Phase #1 Improvement	Budgeted Cost of Phase #1 Improvement	Amount requested be paid from the Phase #1 Improvement Account	Amount requested to be paid from the Developer Improvement Account

Attached hereto are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments. Also attached hereto are "bills paid" affidavits and supporting documentation in the standard form for City construction projects.

Pursuant to the Development Agreement, after receiving this payment request, the City has inspected the Phase #1 Improvements (or completed segment) and confirmed that said work has been completed in accordance with approved plans and all applicable governmental laws, rules, and regulations.

**Payments requested hereunder shall be made as directed below:**

- a. X amount to Person or Account Y for Z goods or services.
- b. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

**D.R. HORTON-TEXAS, LTD., a Texas  
limited partnership**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## **APPROVAL OF REQUEST**

The City is in receipt of the attached Certificate for Payment, acknowledges the Certificate for Payment, and finds the Certificate for Payment to be in order. After reviewing the Certificate for Payment, the City approves the Certificate for Payment and authorizes and directs payment of the amounts set forth below by Trustee from the Project Fund to the Developer or other person designated by the Developer as listed and directed on such Certificate for Payment. The City's approval of the Certificate for Payment shall not have the effect of estopping or preventing the City from asserting claims under the Development Agreement, the Reimbursement Agreement, the Indenture, the Service and Assessment Plan, or any other agreement between the parties or that there is a defect in the Phase #1 Improvements.

Amount of Payment Certificate Request	Amount to be Paid by Trustee from Phase #1 Improvement Account	Amount to be paid by Trustee from Developer Improvement Account
\$ _____	\$ _____	\$ _____

## **CITY OF MESQUITE, TEXAS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C**

**FORM OF CLOSING DISBURSEMENT REQUEST**

The undersigned is an agent for D.R. Horton-Texas, Ltd, (the “Developer”) and requests payment from:

[the Cost of Issuance Account of the Project Fund][the Phase #1 Improvement Account of the Project Fund] from \_\_\_\_\_, (the “Trustee”) in the amount of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) for costs incurred in the establishment, administration, and operation of the Heartland Town Center Public Improvement District (the “District”), as follows:

<b>Closing Costs Description</b>	<b>Cost</b>	<b>PID Allocated Cost</b>
<b>TOTAL</b>		

In connection to the above referenced payments, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the above referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the City.
3. The amount listed for the below itemized costs is a true and accurate representation of the Actual Costs incurred by Developer with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with and within the costs as set forth in the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Development Agreement, the Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture for the payment hereby requested have been satisfied.
6. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

**Payments requested hereunder shall be made as directed below:**

- c. X amount to Person or Account Y for Z goods or services.
- d. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

**D.R. HORTON-TEXAS, LTD.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPROVAL OF REQUEST**

The City is in receipt of the attached Closing Disbursement Request, acknowledges the Closing Disbursement Request, and finds the Closing Disbursement Request to be in order. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request to the extent set forth below and authorizes and directs payment by Trustee in such amounts and from the accounts listed below, to the Developer or other person designated by the Developer herein.

Closing Costs	Amount to be Paid by Trustee from Cost of Issuance Account	Amount to be paid by Trustee from Phase #1 Improvement Account
\$ _____	\$ _____	\$ _____

**CITY OF MESQUITE, TEXAS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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**APPENDIX B**  
**FORM OF SERVICE AND ASSESSMENT PLAN**

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DAVID  
TAUSSIG  
& ASSOCIATES, INC.

HEARTLAND TOWN CENTER  
PUBLIC IMPROVEMENT DISTRICT



SERVICE AND ASSESSMENT PLAN

SEPTEMBER 4, 2018

Public Finance  
Public Private Partnerships  
Urban Economics  
Clean Energy Bonds

---

Dallas, TX  
Houston, TX  
Newport Beach, CA  
San Jose, CA

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APPENDIX A – ASSESSMENT ROLL

APPENDIX B – ANNUAL INSTALLMENTS – ALL PARCELS, PHASE #1 ASSESSMENT

APPENDIX C – ANNUAL INSTALLMENTS – ALL PARCELS, PHASE #2 MAJOR IMPROVEMENTS ASSESSMENT

APPENDIX D – LEGAL DESCRIPTION OF THE PID BOUNDARIES

APPENDIX E – TIRZ ANNUAL CREDIT HISTORY

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## I. PLAN DESCRIPTION AND DEFINED TERMS

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### A. Introduction

On December 18, 2017 (the “Creation Date”), the City Council of the City of Mesquite, Texas (the “City”) passed Resolution No. 80-2017 approving and authorizing the creation of Heartland Town Center Public Improvement District (the “PID” or “District”) to finance the costs of certain public improvements for the benefit of property in the PID (the “Authorized Improvement(s)”), all of which is currently located within the extraterritorial jurisdiction (“ETJ”) of the City.

Chapter 372 of the Texas Local Government Code, Improvement Districts in Municipalities and Counties (as amended, the “PID Act”), governs the creation of public improvement districts within the State of Texas. This Service and Assessment Plan has been prepared pursuant to the PID Act. According to the PID Act, a Service Plan “must cover a period of five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements.” The Service Plan is described in **Section IV** of this Service and Assessment Plan.

The Assessment Roll for the Public Improvement District is attached hereto as **Appendix A**. The Assessments as shown on the Assessment Roll are based on the method of assessment described in **Section V** of this Service and Assessment Plan.

### B. Definitions

Capitalized terms shall have the meanings ascribed to them as follows:

“**Actual Cost(s)**” means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certificate for Payment that has been reviewed and approved by the City. Actual Cost may include: (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction, and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, as limited below; (b) the costs of preparing the construction plans for such Authorized Improvement; (c) the fees paid for obtaining permits, licenses, or other governmental approvals for such Authorized Improvement; (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting, and similar professional services; (e) the costs of all labor, bonds, and materials incurred by contractors, builders, and material men in connection with the acquisition, construction, or implementation of the Authorized Improvements; and (f) all related permitting, zoning, and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, City permit fees, development fees), insurance premiums, miscellaneous expenses, and all advances and payments for Administrative Expenses.

Actual Costs include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent (5.00%) of the eligible Actual Costs described in a Certificate for

Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

**“Additional Interest”** means the incremental interest rate charged on the Assessments in excess of the interest rate charged on the PID Bonds issued by the City, not to exceed one half of one percent (0.50%) as authorized pursuant to the PID Act and further described in **Section V.G.** Additional Interest is not, however, charged or collected pursuant to the amounts due under the PID Reimbursement Agreement.

**“Administrative Expenses”** means the portion of the Assessment levied for the administrative, organizational, and operation costs and expenses associated with, or incident to, the administration, organization, and operation of the PID. Administrative Expenses include, but are not limited to, the costs of:

- (i) Legal counsel, engineers, accountants, financial advisors, investment bankers, or other consultants and advisors;
- (ii) Creating and organizing the PID (including engineering fees, legal fees, and consultant fees), preparing the Assessment Roll, and preparing the Annual Service Plan Update;
- (iii) Computing, levying, collecting, and transmitting the Assessments or the Annual Installments thereof, including foreclosure and maintaining a record of installments, payments, and reallocations and/or cancellations of the Assessments;
- (iv) Investing or depositing the Assessments or other monies;
- (v) Complying with the PID Act and arbitrage requirements;
- (vi) Paying the paying agent/registrar’s and trustee’s fees and expenses (including the fees and expenses of its legal counsel) related to the PID Bonds;
- (vii) Administering the construction of the Authorized Improvements. Annual Administrative Expenses collected and not budgeted shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid over collection;
- (viii) Issuing and making debt service on the Bonds (excluding annual principal and interest on the Bonds); and
- (ix) Complying with continuing disclosure obligations.

**“Administrator”** means an employee or designee of the City, including a third party whom the City designates by contract who shall have the responsibilities provided for herein. The City has selected David Taussig & Associates, Inc. as the initial Administrator.

**“Annual Installment(s)”** means, with respect to each Assessed Property, each annual payment of: (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest as set forth herein, (iii) with respect to the Assessments levied for the Phase #1 Improvements, amounts due pursuant to the PID Reimbursement Agreement as set forth herein, and (iv) Administrative Expenses.

**“Annual Service Plan Update”** has the meaning set forth in **Section IV** of this Service and Assessment Plan.

**“Assessed Property”** means the property that benefits from the Authorized Improvements to be provided by the PID on which Assessments have been imposed as shown in the Assessment Roll, as the Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes Lots within the PID other than Non-Benefited Property.

**“Assessment”** means an assessment levied against an Assessed Property imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Assessed Property or reduction according to the provisions herein and the PID Act.

**“Assessment Ordinance”** means an Assessment Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

**“Assessment Revenues”** means the revenues actually received by or on behalf of the City from the collection of Assessments.

**“Assessment Roll”** means the Phase #1 Assessment Roll and the Phase #2 Major Assessment Roll attached hereto as **Appendix A**, or any other Assessment Roll as set forth in an amendment or supplement to this Service and Assessment Plan or in an Annual Service Plan Update.

**“Authorized Improvement Costs”** mean the budgeted costs, as applicable, of all or any portion of the Authorized Improvements, as described in **Section III**.

**“Authorized Improvements”** means those improvements (i) listed in **Table III-A** and described in **Section III.B**, authorized by **Section 372.003** of the PID Act, acquired, constructed, or installed in accordance with this SAP, as may be amended pursuant to any Annual Service Plan Updates and/or amended and restated SAP, and (ii) for which Assessments are levied against the Assessed Property receiving a special benefit from such improvements.

**“Certificate for Payment”** means the certificate to be provided by the Owner, or the Owner’s designee, to substantiate the Actual Cost of one or more Authorized Improvements as set forth in the Indenture.

**“City”** means the City of Mesquite, Texas.

**“City Council”** means the duly elected governing body of the City.

**“Delinquency and Prepayment Reserve”** means a reserve amount to be funded from the Additional Interest collected each year as more fully described in **Section V.G** of this Service and Assessment Plan.

**“Delinquent Collection Costs”** means interest, penalties, and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

**“Development Agreement”** means the Heartland Town Center Public Improvement District Financing Agreement by and between the City and Owner dated April 2, 2018, including subsequent amendments.

**“Equivalent Units”** means, as to any Assessed Property the number of dwelling units by Lot Type expected to be built on the Assessed Property multiplied by the factors calculated and shown in **Tables V-B and V-C**.

**“Homeowner Association Property”** means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, a homeowners’ association.

**“Indenture”** means one or more indentures of trust, ordinance, or similar document setting forth the terms and other provisions relating to the PID Bonds, as modified, amended, and/or supplemented from time to time.

**“Kaufman MUD”** means the Kaufman County Municipal Utility District No. 12.

**“Lot”** means a tract of land that is (i) a “lot” in a subdivision plat recorded in the official records of Kaufman County, Texas, (ii) a development/concept plan or (iii) preliminary plat, and such (i), (ii), or (iii) is the basis for the determination of benefit and the levy of Assessments.

**“Lot Type”** means (i) all Lots with a minimum of 40’ or (ii) all Lots with a minimum of 50’. The Administrator’s classification shall be final.

**“Major Improvements” or “MI”** means the Authorized Improvements which benefit all Assessed Property within the PID and are identified in **Table III-D**.

**“Non-Benefited Property”** means the property that accrues no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property, and easements that create an exclusive use for a public utility provider. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in **Section VI.D**.

**“Owner”** means, collectively, D.R. Horton - Texas, LTD and Dieciseis, LLC, or their respective successors and assigns.

**“Parcel” or “Parcels”** means a parcel or parcels within the PID identified by either a tax map identification number assigned by the Kaufman Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Kaufman County.

**“Phase”** means the Assessed Property within the PID that will be developed in the same general time period. The Assessed Property within a Phase will be assessed in connection with the issuance of PID Bonds for Authorized Improvements (or the portion thereof) designated in an update to this Service and Assessment Plan that specially benefit the Assessed Property.

**“Phase #1”** means the initial Phase to be developed, identified as “Phase #1” and generally shown in the map provided in **Section II**.

**“Phase #1 Assessed Property”** means all Assessed Property within Phase #1 and shown in the Phase #1 Assessment Roll against which an Assessment relating to the Phase #1 Improvements is levied.

**“Phase #1 Assessment”** means the Assessment levied on the Phase #1 Assessed Property for the purpose of financing the Phase #1 Improvements.

**“Phase #1 Assessment Revenues”** means the actual revenues received by or on behalf of the City from the collection of Assessments levied against Phase #1 Assessed Property, or the Annual Installments thereof, for the Phase #1 Improvements.

**“Phase #1 Bonds”** means those certain “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project)” that are secured by Phase #1 Assessment Revenues. Phase #1 Bonds will fund a portion of the Phase #1 Improvements.

**“Phase #1 Improvements”** means (i) the pro rata portion of the Major Improvements allocable to Phase #1 and (ii) the Phase #1 Specific Improvements which only benefit Phase #1 Assessed Property and described in **Section III.C.**

**“Phase #1 Major Improvements”** means the pro rata portion of the Major Improvements allocable to Phase #1 and identified in **Table V-A.**

**“Phase #1 Specific Improvements”** means the portion of the Authorized Improvements that are allocated to and benefit only the properties within Phase #1. The Phase #1 Specific Improvements are identified in **Table III-B.**

**“Phase #2”** means the property within the PID excluding Phase #1 which is to be developed subsequent to Phase #1 and generally depicted in the map provided in **Section II** of this Service and Assessment Plan or any Annual Service Plan Update.

**“Phase #2 Assessed Property”** means all Assessed Property within Phase #2 and shown in the Phase #2 Major Improvements Assessment Roll against which an Assessment relating to the Phase #2 Major Improvements is levied.

**“Phase #2 Major Improvements Assessment Revenues”** means the actual revenues received by or on behalf of the City from the collection of Assessments levied against Phase #2 Assessed Property, or the Annual Installments thereof, for the pro rata portion of the Major Improvements allocable to Phase #2.

**“Phase #2 Major Improvement Bonds”** means those certain “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #2 Major Improvement Project)” that are secured by Phase #2 Major Improvements Assessment Revenues. Phase #2 Major Improvement Bonds will fund the Phase #2 Major Improvements.

**“Phase #2 Major Improvements”** means the pro rata portion of the Major Improvements allocable to Phase #2 and identified in **Table V-A.**

**“Phase #2 Major Improvements Assessment”** means the Assessment levied on the Phase #2 Assessed Property for the purpose of financing the Phase #2 Major Improvements.

**“Phase #2 Specific Improvements”** means the portion of the Authorized Improvements that are allocated to and benefit only the properties within Phase #2. The Phase #2 Specific Improvements are identified in **Table III-C**.

**“PID”** has the meaning set forth in **Section I.A** of this Service and Assessment Plan.

**“PID Act”** has the meaning set forth in **Section I.A** of this Service and Assessment Plan.

**“PID Bonds”** means one or more series of bonds issued to fund Authorized Improvements (or a portion thereof) in a Phase. In connection with the issuance of PID Bonds, Assessments will be levied only on Assessed Property, other than Non-Benefitted Property, located within the Phase in question.

**“PID Reimbursement Agreement”** means that certain Heartland Public Improvement District Phase #1 Reimbursement Agreement, dated September 4, 2018, by and between the City and the Owner in which the Owner agrees to fund certain Actual Costs of the Authorized Improvements and the City agrees to reimburse the Owner for a portion of such Actual Costs of such Authorized Improvements funded by the Owner from the Phase #1 Assessment Revenues with interest at the rate set forth in the PID Reimbursement Agreement, as permitted by the Act.

**“Prepayment Costs”** means interest (including Additional Interest), penalties, costs, and Administrative Expenses resulting from the prepayment of an Assessment, including any third-party costs paid or incurred by the City as a result of any prepayment of an Assessment.

**“Public Property”** means property, real property, right-of-way, and easements within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Kaufman County, the City, a school district or any other public agency, whether in fee simple or through an exclusive use easement.

**“Service and Assessment Plan”** or **“SAP”** means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, and as may be updated or amended from time to time.

**“Specific Improvements”** means the Authorized Improvements which confer benefit only upon the properties within a specific Phase.

**“TIRZ Annual Credit Amount”** means, for each Parcel, such Parcel’s allocated amount of TIRZ Revenues calculated pursuant to **Section V** of this Service and Assessment Plan.

**“TIRZ No. 11”** means Reinvestment Zone Number Eleven, City of Mesquite, Texas (Heartland Town Center).

**“TIRZ Ordinance”** means an ordinance adopted by the City Council authorizing the use of TIRZ Revenues for project costs under the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, relating to certain public improvements as provided for in the Tax Increment Reinvestment Zone No. 11 Project Plan and Financing Plan (including amendments or supplements thereto).

**“TIRZ Revenues”** means, for each year, the amounts paid by the City from the Residential Account of the TIRZ No. 11 tax increment fund pursuant to the TIRZ Ordinance to reduce an Annual Installment, as calculated each year, in accordance with **Section VI** of this Service and Assessment Plan.

**“Trustee”** means the fiscal agent or trustee as specified in the Indenture, including a substitute fiscal agent or trustee.

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## II. PROPERTY INCLUDED IN THE PID

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### A. Property Included in the PID

The PID is located within the ETJ of the City and contains approximately 121.282 acres of land. A conceptual map of the property within the PID is shown below. At completion, the PID is expected to consist of approximately 450 single family residential units, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to property within the PID. The estimated number of Lots (450) and the classification of each Lot are based upon the proposed development plan. Legal descriptions of the boundaries of the PID are included in Appendix D.



*Exhibit II-A: PID Conceptual Map*

### B. Property Included in Phase #1 and Phase #2

The PID consists of approximately 121.282 acres of land. Approximately 10 acres, located east of the flood plain, are designated as Non-Benefited Property and receive no special benefit from the Authorized Improvements described herein. The remaining acreage will be used for the development of 450 single family residential units in Phase #1 and Phase #2. Approximately 25 acres of land located west of the PID are designated for retail development, but no portion of such land is located within the boundaries of the PID. It is anticipated that PID Bonds will be issued for the Phase #1 Improvements and Phase #2 Major Improvements in 2018. As PID bonds are issued for the Phase #2 Specific Improvements, this Service and Assessment Plan will be

updated to include additional details for Phase #2. A conceptual map of the PID and depicting the boundaries of each proposed Phase is shown above.

The two Phases are shown for illustrative purposes only and are subject to adjustment. Phase #1 is currently anticipated to include 55 of the 40'x110' lots and 155 of the 50'x110' lots, for a total of 210 lots. Phase #2 is expected to be comprised of 127 of the 40'x110' lots and 113 of the 50'x110' lots, for a total of 240 lots. The grand total across the two phases is 450 lots, consisting of 182 of the 40'x110' lots and 268 of the 50'x110' lots. The current Parcels in the PID are shown on the Assessment Roll included as **Appendix A**.

The estimated number of units at buildout of the PID is based on the land use approvals by the City for the property, the anticipated subdivision of property in the PID, and the Owner's estimate of the highest and best use of the property within the PID.

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### III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

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#### A. Authorized Improvement Overview

**Section 372.003** of the PID Act defines the Authorized Improvements that may be undertaken by the City through the establishment of the PID. Authorized Improvements that may be undertaken pursuant to the PID Act include the following:

- (i) Landscaping;
- (ii) Erection of fountains, distinctive lighting, and signs;
- (iii) Acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- (iv) Construction or improvement of pedestrian mall;
- (v) Acquisition and assessment of pieces of art;
- (vi) Acquisition, construction, or improvement of libraries;
- (vii) Acquisition, construction, or improvement of off-street parking facilities;
- (viii) Acquisition, construction, or improvement of rerouting of mass transportation facilities;
- (ix) Acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (x) The establishment or improvement of parks;
- (xi) Projects similar to those listed in Subdivisions (i)-(x);
- (xii) Acquisition, by purchase or otherwise, of real property in connection with a public improvement;
- (xiii) Special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development recreation, and cultural enhancement;
- (xiv) Payment of expenses incurred in the establishment, administration, and operation of the district; and
- (xv) The development, rehabilitation, or expansion of affordable housing.

After analyzing the public improvement projects authorized by the PID Act, the City has determined that the Authorized Improvements described in Section III.B of this SAP should be undertaken by the City. At this time, however, only the Major Improvements and the Phase #1 Specific Improvements will be financed with PID Bonds issued in 2018 and the PID Reimbursement Agreement between the City and the Owner.

#### B. Descriptions and Estimated Costs of the Authorized Improvements

The costs of the Authorized Improvements, shown in **Table III-A**, include the costs of the Major Improvements which benefit all Phases, the Phase #1 Specific Improvements which only benefit Phase #1, and the Phase #2 Specific Improvements which only benefit Phase #2. These figures are estimates and may be revised in subsequent Annual Service Plan Updates.

The Authorized Improvements are generally described as follows and are constructed in accordance with the Development Agreement, the plans and specifications approved by the City, Kaufman MUD, applicable local ordinances to the extent not modified by the City in writing, applicable state and federal regulations, and good engineering practices.

- **Roadway Improvements** – The roadway improvements are public road improvements including construction, excavations, concrete, reinforcing steel, asphalt, lime, sidewalks, signs, and lightings. The roadway improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. The costs of the roadway improvements are set forth in **Table III-A**, below.
- **Water Improvements** – The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing. The water improvements will be designed and constructed in accordance with City and Texas Commission on Environmental Quality (“TCEQ”) standards and specifications and will be owned and operated by the Kaufman MUD. The costs of the water improvements are set forth in **Table III-A**, below.
- **Sanitary Sewer Improvements** – The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the Kaufman MUD. The costs of the sanitary sewer improvements are set forth in **Table III-A**, below.
- **Storm Drainage Improvements** – The drainage improvements include storm sewer mains, inlets, earthen channels, swales, excavation and embedment, dewatering, trench safety, grade inlets, RCP piping and hoses, headways, concrete flumes, rock rip rap, and concrete outfalls. The drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. The costs of the drainage improvements are set forth in **Table III-A**, below.

Table III-A Authorized Improvements	
All Major and Specific Improvements (a)	
Description	Total
Roadway Improvements	\$2,891,929.00
Water System Improvements	\$1,351,695.00
Sanitary Sewer System Improvements	\$1,189,510.00
Storm Drainage System Improvements	\$1,658,901.00
Professional and Other Soft Costs	\$3,070,642.00
Construction Contingency	\$439,566.00
<b>Total Public Improvements</b>	<b>\$10,602,243.00</b>

**Note:** Costs provided by Petitt Barraza LLC. The amounts shown in Table III-A may be revised in Annual Service Plan Updates.

(a) Major Improvements and Specific Improvements, as defined in Section I this SAP, are Authorized Improvements approved by the PID Act.

As mentioned in **Section II.B**, additional PID Bonds may be issued in future years to finance the Phase #2 Specific Improvements. As PID Bonds are issued for the Phase #2 Specific Improvements, this Service and Assessment Plan will be updated to identify the costs of the Specific Improvements financed by such PID Bonds that benefit Phase #2 (i.e., **Table III-C** will be updated to show the most current cost estimates for the Phase #2 Specific Improvements).

### **C. Descriptions and Costs of Phase #1 Specific Improvements**

The Phase #1 Specific Improvements are the Authorized Improvements that are allocable to and benefit only Phase #1 Assessed Property within the PID. The costs of the Phase #1 Specific Improvements are shown in **Table III-B**. These costs are estimates and may be revised in Annual Service Plan Updates. A portion of the Phase #1 Specific Improvements will be financed with the Phase #1 Bonds, and the remaining portion will be financed with the PID Reimbursement Agreement. Savings from one line item may be applied to a cost increase in another item, as approved by the City, and these savings may only be applied to increases in costs of the Authorized Improvements permitted by the PID Act and identified within this Service and Assessment Plan.

Table III-B Phase #1			
Specific Improvement Costs			
Description	Phase #1 Bond Portion (a)	PID Reimbursement Agreement Portion (a)	Total
Roadway Improvements	\$1,262,420.33	\$186,813.67	\$1,449,234.00
Water System Improvements	\$518,236.13	\$76,688.87	\$594,925.00
Sanitary Sewer System Improvements	\$504,758.55	\$74,694.45	\$579,453.00
Storm Drainage System Improvements	\$561,610.56	\$83,107.44	\$644,718.00
Professional and Other Soft Costs	\$488,597.12	\$72,302.88	\$560,900.00
Construction Contingency	\$0.00	\$0.00	\$0.00
<b>Total Specific Improvements</b>	<b>\$3,335,622.69</b>	<b>\$493,607.31</b>	<b>\$3,829,230.00</b>

**Note:** Costs provided by Pettit Barraza LLC. The amounts shown in Table III-B may be revised in Annual Service Plan Updates.  
**(a)** A portion of the Phase #1 Specific Improvements will be financed with the Phase #1 Bonds and the remaining portion will be financed with the PID Reimbursement Agreement.

#### **D. Descriptions and Costs of Phase #2 Specific Improvements**

The Phase #2 Specific Improvements are the Authorized Improvements that are allocable to and benefit only Phase #2 Assessed Property within the PID. The costs of the Phase #2 Specific Improvements are shown in **Table III-C**. These costs are estimates and may be revised in Annual Service Plan Updates. The Phase #2 Specific Improvements will not be financed with the PID Bonds issued in 2018. Savings from one line item may be applied to a cost increase in another item, as approved by the City, and these savings may only be applied to increases in costs of the Authorized Improvements permitted by the PID Act and identified within this Service and Assessment Plan.

<b>Table III-C</b> <b>Phase #2</b>	
<b>Specific Improvement Costs</b>	
<b>Description</b>	<b>Total</b>
Roadway Improvements	\$1,442,695.00
Water System Improvements	\$587,410.00
Sanitary Sewer System Improvements	\$561,357.00
Storm Drainage System Improvements	\$533,083.00
Professional and Other Soft Costs	\$789,589.00
Construction Contingency	\$369,650.00
<b>Total Specific Improvements</b>	<b>\$4,283,784.00</b>

**Note: Costs provided by Pettitt Barraza LLC. The amounts shown in Table III-C may be revised in Annual Service Plan Updates.**

## **E. Descriptions and Costs of Major Improvements**

Major Improvements are the Authorized Improvements which benefit all Assessed Property within the PID and are identified in **Table III-D**. The allocation of Major Improvement costs will be based on the Equivalent Units within each Phase as a percentage of the total Equivalent Units within the PID. These Major Improvement costs are estimates and may be revised in Annual Service Plan Updates. A portion of the Phase #1 Major Improvements will be financed with the Phase #1 Bonds, and the remaining portion will be financed with the PID Reimbursement Agreement. The Phase #2 Major Improvements will be financed with the Phase #2 Major Improvement Bonds. Savings from one line item may be applied to a cost increase in another item, as approved by the City, and these savings may only be applied to increases in costs of the Authorized Improvements permitted by the PID Act and identified within this Service and Assessment Plan.

<b>Table III-D</b> <b>Major Improvements</b>				
<b>Major Improvement Costs (for all Phases)</b>				
<b>Description</b>	<b>Phase #1 Bond Portion (a)</b>	<b>Phase #1</b>	<b>Phase #2 Major Improvement Bonds</b>	<b>Total</b>
	\$70,625.47	\$10,436.40	\$88,398.13	\$169,360.00
Water System Improvements	\$20,279.82	\$3,001.02	\$25,419.16	\$48,700.00
Sanitary Sewer System Improvements	\$200,341.31	\$29,646.62	\$251,112.07	\$481,100.00
Storm Drainage System Improvements	\$716,312.01	\$106,000.25	\$897,840.74	\$1,720,153.00
Professional and Other Soft Costs	\$29,114.66	\$4,308.40	\$36,492.94	\$69,916.00
<b>Total Major Improvements</b>	<b>\$1,036,573.27</b>	<b>\$153,392.69</b>	<b>\$1,299,263.04</b>	<b>\$2,489,229.00</b>

**Note:** Costs provided by Petitt Barraza LLC. The amounts shown in Table III-D may be revised in Annual Service Plan Updates.  
**(a)** A portion of the Phase #1 Major Improvements will be financed with the Phase #1 Bonds and the remaining portion will be financed with the PID Reimbursement Agreement.

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#### IV. SERVICE PLAN

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The PID Act requires the service plan to cover a period of at least five (5) years and define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during the five-year period. It is anticipated that it will take approximately eighteen (18) months for the Phase #1 Improvements (which include the Phase #1 Specific Improvements and the Phase #1 Major Improvements) to be constructed and eighteen (18) months for the Phase #2 Major Improvements to be constructed. A portion of the costs of construction of the Phase #1 Improvements will be financed with the Phase #1 Bonds (with the remaining portion financed with the PID Reimbursement Agreement), and the costs of construction of the Phase #2 Major Improvements will be financed with the Phase #2 Major Improvement Bonds.

After all or a portion of the Phase #1 Improvements and the Phase #2 Major Improvements are constructed, it is anticipated that the construction of the Phase #2 Specific Improvements will subsequently take place. The costs of construction of the Phase #2 Specific Improvements is expected to be financed with additional PID Bonds.

The estimated costs for the Phase #1 Improvements and the Phase #2 Major Improvements, plus costs related to the issuance of PID Bonds, the PID Reimbursement Agreement, and payment of expenses incurred in the establishment, administration, and operation of the PID is approximately \$8,514,627 as shown in **Table IV-A**, on the following page.

The sources and uses of funds shown in **Table IV-A** shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and changes to Actual Costs. As Phase #2 is developed in connection with the issuance of PID Bonds for the Phase #2 Specific Improvements, this Service and Assessment Plan will be updated.

**Table IV-A**  
**Sources and Uses of Funds**

**(Major and Specific Improvements)**

Sources and Uses of Funds	Phase #1 Bonds	PID Reimbursement Agreement (d)	Phase #2 Major Improvement Bonds	2018 Grand Total
	Phase #1		Phase #2	
<b>Sources of Funds</b>				
Bond Par Amount	\$5,410,000	\$0	\$1,835,000	\$7,245,000
Owner Cash Contribution	\$538,641	\$647,000	\$83,986	\$1,269,627
<b>Total Sources of Funds</b>	<b>\$5,948,641</b>	<b>\$647,000</b>	<b>\$1,918,986</b>	<b>\$8,514,627</b>
<b>Uses of Funds</b>				
<u>Major Improvements (a)</u>				
Water System Improvements	\$70,525	\$10,436	\$88,398	\$169,360
Sanitary Sewer System Improvements	\$20,280	\$3,001	\$25,419	\$48,700
Storm Drainage System Improvements	\$200,341	\$29,647	\$251,112	\$481,100
Professional and Other Soft Costs	\$716,312	\$106,000	\$897,841	\$1,720,153
Construction Contingency	\$29,115	\$4,308	\$36,493	\$69,916
<b>Subtotal Major Improvements</b>	<b>\$1,036,573</b>	<b>\$153,393</b>	<b>\$1,299,263</b>	<b>\$2,489,229</b>
<u>Specific Improvements (a)</u>				
Roadway Improvements	\$1,262,420	\$186,814	\$0	\$1,449,234
Water System Improvements	\$518,236	\$76,689	\$0	\$594,925
Sanitary Sewer System Improvements	\$504,759	\$74,694	\$0	\$579,453
Storm Drainage System Improvements	\$561,611	\$83,107	\$0	\$644,718
Professional and Miscellaneous Fees	\$488,597	\$72,303	\$0	\$560,900
Construction Contingency	\$0	\$0	\$0	\$0
<b>Subtotal Specific Improvements</b>	<b>\$3,335,623</b>	<b>\$493,607</b>	<b>\$0</b>	<b>\$3,829,230</b>
<u>Financing Costs</u>				
Capitalized Interest (b)	\$666,245	\$0	\$247,580	\$913,825
Bond Reserve (c)	\$385,600	\$0	\$140,513	\$526,113
Delinquency and Prepayment Deposit	\$25,000	\$0	\$10,000	\$35,000
Administrative Expenses	\$30,000	\$0	\$35,000	\$65,000
Underwriter's Discount	\$162,300	\$0	\$55,050	\$217,350
Costs of Issuance	\$307,300	\$0	\$131,580	\$438,880
<b>Subtotal Financing Costs</b>	<b>\$1,576,445</b>	<b>\$0</b>	<b>\$619,723</b>	<b>\$2,196,168</b>
<b>Total Uses</b>	<b>\$5,948,641</b>	<b>\$647,000</b>	<b>\$1,918,986</b>	<b>\$8,514,627</b>

(a) See Tables III-B and Table III-D for details. Excludes PID Bond Issuance Costs which are identified separately.

(b) Capitalized interest is 24 months for the Phase #1 Bonds and Phase #2 Major Improvement Bonds.

(c) Each series of PID Bonds will include a debt service reserve fund equal to the Reserve Account Requirement as defined in the Indenture for such PID Bonds.

(d) The PID Reimbursement Agreement will finance a portion of the Phase #1 Improvements as set forth in the PID Reimbursement Agreement. See Tables III-B and III-D for details.

The service plan shall be reviewed and updated at least annually for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement Costs, and updating the Assessment Roll. Any update to this Service and Assessment Plan shall be referred to as an Annual Service Plan Update.

The annual projected debt service and Administrative Expenses for the Phase #1 Improvements and the Phase #2 Major Improvements are shown in **Tables IV-B** and **IV-C**, respectively. The annual projected debt service and Administrative Expenses portion of the Assessments are subject to revision and shall be updated in the Annual Service Plan Update to reflect any changes expected for each year provided, however, that any Administrative Expenses charged as part of the Annual Installment shall not exceed the amount set forth in the Assessment Rolls without compliance with the provisions of **Section 372.016** and **372.017** of the PID Act.

Table IV-B Phase #1 Improvements Five (5) Year Summary Projected Annual Installments (a)							
Bond Year	Interest	Principal	PID Reimbursement Agreement		Delinquency and Prepayment Reserve (b)	Administrative Expenses	Annual Assessment Installment (c)
			Interest	Principal			
2019	\$276,060	\$0	\$35,585	\$0	\$27,050	\$30,000	\$0
2020	\$297,550	\$0	\$35,585	\$9,555	\$27,050	\$30,600	\$102,790
2021	\$297,550	\$85,000	\$35,059	\$10,081	\$27,050	\$31,212	\$485,952
2022	\$292,875	\$90,000	\$34,505	\$10,635	\$26,625	\$31,836	\$486,477
2023	\$287,925	\$95,000	\$33,920	\$11,220	\$26,175	\$32,473	\$486,713
<b>TOTAL</b>	<b>\$1,451,960</b>	<b>\$270,000</b>	<b>\$174,655</b>	<b>\$41,492</b>	<b>\$133,950</b>	<b>\$156,121</b>	<b>\$1,561,932</b>

(a) Numbers may not sum due to rounding.  
 (b) There is an initial deposit at PID Bond closing in the amount of \$25,000.  
 (c) The Projected Annual Installments are based on the interest rate on the Phase #1 Bonds (5.50%), a 30-year term of the Assessments, Additional Interest equal to 0.50% on the outstanding principal portion of the Assessment attributable to the Phase #1 Bonds, amounts due pursuant to and payable in amounts as set forth in the PID Reimbursement Agreement, and annual Administrative Expenses of \$30,000 increasing at 2% per year.  
 Capitalized interest on the Phase #1 Bonds is \$666,245.

Table IV-C Phase #2 Major Improvements Five (5) Year Summary Projected Annual Installments (a)					
Bond Year	Interest	Principal	Delinquency and Prepayment Reserve (b)	Administrative Expenses	Annual Assessment Installment (c)
2019	\$97,892	\$0	\$9,175	\$35,000	\$0
2020	\$105,513	\$0	\$9,175	\$35,700	\$44,875
2021	\$105,513	\$35,000	\$9,175	\$36,414	\$186,102
2022	\$103,500	\$35,000	\$9,000	\$37,142	\$184,642
2023	\$101,488	\$35,000	\$8,825	\$37,885	\$183,198
<b>TOTAL</b>	<b>\$513,905</b>	<b>\$105,000</b>	<b>\$45,350</b>	<b>\$182,141</b>	<b>\$598,816</b>

(a) Numbers may not sum due to rounding.  
 (b) There is an initial deposit at Phase #2 Major Improvement Bonds closing in the amount of \$10,000.  
 (c) The Projected Annual Installments are based on the interest rate on the Phase #2 Major Improvement Bonds (5.75%), a 30-year term of the Assessments, Additional Interest equal to 0.50% on the outstanding principal portion of the Assessment attributable to the Phase #2 Major Improvement Bonds, and annual Administrative Expenses of \$35,000 increasing at 2% per year.  
 Capitalized interest on the Phase #2 Major Improvement Bonds is \$247,580.

The annual projected costs shown in **Table IV-D** are the annual expenditures relating to the Phase #1 Improvements, the Phase #2 Major Improvements, the costs associated with setting up the PID, and the costs of issuance, including reserves, shown in **Table IV-A**.

Table IV-D Annual Projected Costs and Annual Projected Indebtedness		
Bond Year	Projected Annual Costs of Authorized Improvements	Projected Annual Indebtedness
2018	\$1,404,102	\$0
2019	\$4,212,306	\$0
2020	\$702,051	\$147,665
2021	\$0	\$672,054
2022	\$0	\$671,119
2023	\$0	\$669,911
<b>TOTAL</b>	<b>\$6,318,459</b>	<b>\$2,160,749</b>

As Phase #2 is developed, in association with the issuance future PID Bonds, **Tables IV-C and IV-D** will be updated to identify the Authorized Improvements to be financed by the new series of the PID Bonds and the projected indebtedness resulting from the new series of PID Bonds.

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## V. ASSESSMENT PLAN

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### A. Introduction

The PID Act requires the City Council to apportion the costs of the Authorized Improvements on the basis of special benefits conferred upon the property as a result of the Authorized Improvements. The PID Act provides that the costs of the Authorized Improvements may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited.

The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

The proposed bond issuance program entails a series of bond financings that are intended to finance the public infrastructure required for the development. This financing will necessarily be undertaken in phases to coincide with the private investment and development of the Authorized Improvements. Following the initial Phase #1 Bonds and Phase #2 Major Improvement Bonds issued in 2018, subsequent financings (i.e., Phase #2 Specific Improvement Bonds) are to be issued as the single-family units in Phase #2 are constructed.

The purpose of the issuance of bonds in phases is to mirror the actual development of the Authorized Improvements. PID Bonds are most prudently and efficiently utilized when directly coinciding with construction of the public infrastructure needed for the private development that is to occur once the infrastructure is completed; it is most effective to issue the Bonds when the infrastructure is needed, not before.

Additionally, the phased issuance of PID Bonds will maintain a prudent Value-to-Lien (“VTL”) within the financing program. In order to maintain a prudent VTL, the initial issuance of bonds for a specific portion of Authorized Improvements within a Phase may not fund all of the necessary Authorized Improvements because the property value is not high enough to support the entire debt load at the VTL chosen for the development. In that case, the Owner will need to fund the additional infrastructure costs with cash at closing and will be responsible for any cost overruns which exceed the total budget.

For purposes of this Service and Assessment Plan, the City Council has determined that the costs of the Authorized Improvements shall be allocated as described below:

1. The Authorized Improvement costs shall be allocated on the basis of the size of the Lots and their estimated value once such property is developed, and that such method of allocation will result in the imposition of equal shares of the costs of the such improvements to Lots similarly benefited.
2. The City Council has concluded that larger more expensive homes are likely to be built on the larger lots, and that larger more expensive homes are likely to make greater use of

and receive greater benefit from the Authorized Improvements. In determining the relative values of Parcels, the City Council has taken into consideration: (i) the type of development (i.e., residential, commercial, etc.); (ii) single family lot sizes and the size of homes likely to be built on lots of different sizes; (iii) current and projected home prices provided by the Owner; (iv) the Authorized Improvements to be provided and the estimated costs; and (v) the ability of different property types to utilize and benefit from the improvements.

3. The Assessed Property is classified into different Lot Types as detailed in **Tables V-B** and **V-C** (and repeated in **Tables V-D** and **V-E**) based on the type and size of proposed development on each Lot.
4. Equivalent Units have been calculated for each Lot Type based on the relative value of each Lot Type.
5. The Major Improvement costs are proportionally allocated to the Phase #1 Assessed Property and the Phase #2 Assessed Property based on the ratio of total Equivalent Units estimated for the Phase #1 Assessed Property and the Phase #2 Assessed Property. This results in an allocation of 47.80% of the costs of the Major Improvements to Phase #1 and an allocation of 52.20% of the costs of the Major Improvements to Phase #2.
6. The Phase #1 Improvement costs (which include the Phase #1 Specific Improvements and the Phase #1 Major Improvements) are allocated to each Lot within the Phase #1 Assessed Property based on the size of the Lot.

**Table V-A** identifies the allocation of costs for the Major Improvements which benefit all phases.

At this time, Assessed Property will only be assessed for the special benefits conferred upon the property due to the Phase #1 Improvements (which include the Phase #1 Specific Improvements and Phase #1 Major Improvements) and the Phase #2 Major Improvements.

In connection with the issuance of future PID Bonds, this Service and Assessment Plan will be updated to reflect the special benefit each Assessed Property within Phase #2 receives from the Phase #2 Specific Improvements that are allocable only to Phase #2. Prior to assessing Assessed Property located within Phase #2 in connection with issuance of future PID Bonds, each owner of the Assessed Property to be assessed in Phase #2 will acknowledge that the specific Authorized Improvements to be financed confer a special benefit on their Assessed Property and will consent to the imposition of Assessments to pay for the Actual Costs of such Authorized Improvements.

This section of the SAP currently: (i) describes the special benefit received by each Assessed Property within the PID as a result of the Major Improvements and Phase #1 Specific Improvements; (ii) provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments to be levied on the Phase #1 Assessed Property and Phase #2 Assessed Property for such improvements; and (iii) establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Major Improvements and Phase #1 Specific Improvements to Assessed Property in a manner that results in equal shares of the Actual Costs of such improvements being apportioned to Assessed Property similarly benefited.

The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Owner and all future owners and owners of the Assessed Property.

**B. Special Benefit**

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in **Section III.B** of this Service and Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment of the PID, shown in **Table IV-A**, are authorized by the Act. These improvements are provided specifically for the benefit of the Assessed Property.

Each owner of Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the property and has consented to the imposition of Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in his or her best interest in consenting to this apportionment and levying of Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed use of the property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Owner has evaluated the potential use of the property and has determined that the highest and best use of the property is the use intended and the legal use for the property for single family residential units as described in **Section II** of this Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

Each owner of Assessed Property will ratify, confirm, accept, agree to, and approve: (i) the determinations and findings by the City Council and Administrator as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property.

The use of Assessed Property as described in this Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs of the Authorized Improvements through the PID has been determined by the City Council to be the most beneficial and cost-effective means of doing so. The Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

In summary, the Authorized Improvements result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed best use of the property, and provide a special benefit to the Assessed Property;
2. The Authorized Improvements are required for the highest and best use of the Assessed Property, and the highest and best use of the Assessed Property is the construction of single family residential units; and
3. The special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

### C. Allocation of Costs to Assessed Property

The Authorized Improvements will provide a special benefit to property within the PID. Accordingly, the estimated Authorized Improvement Costs must be allocated to Assessed Property in the PID in a reasonable manner (**Section V.A**). **Table V-A**, below, summarizes the allocation of Major Improvements costs. The costs shown in **Table V-A** are estimates and may be revised in Annual Service Plan Updates. The assigned Assessments for Phase #1 Bonds and Phase #2 Major Improvement Bonds, identified in **Tables V-D** and **V-E**, may not, however, be increased without either (i) notice and a public hearing as required under the Act, or (ii) a prepayment, as set forth in **Section VI.D**.

Table V-A Major Improvements					
Allocation of Major Improvements					
Public Improvements	Total Costs (a)	PHASE #1		PHASE #2	
		% Allocation	Share of Costs	% Allocation	Share of Costs
Water System Improvements	\$169,360.00	47.80%	\$80,961.87	52.20%	\$88,398.13
Sanitary Sewer System Improvements	\$48,700.00	47.80%	\$23,280.84	52.20%	\$25,419.16
Storm Drainage System Improvements	\$481,100.00	47.80%	\$229,987.93	52.20%	\$251,112.07
Major Improvements Professional & Miscellaneous Fees	\$1,720,153.00	47.80%	\$822,312.26	52.20%	\$897,840.74
Construction Contingency	\$69,916.00	47.80%	\$33,423.06	52.20%	\$36,492.94
<b>Total Public Improvements</b>	<b>\$2,489,229.00</b>		<b>\$1,189,965.96</b>		<b>\$1,299,263.04</b>

(a) See Table III-D for details.

Phase #1 is projected to contain 210 residential units. As shown in **Table V-B**, the total Equivalent Units for Phase #1 is calculated as 201.20. Phase #2 is projected to contain 240 residential units resulting in a total of 219.68 Equivalent Units as shown in **Table V-C**. The Total projected Equivalent Units in the PID is, therefore, calculated to be 420.88 (i.e., 201.20 + 219.68 = 420.88). As a result, 47.80 percent of the estimated costs of Major Improvements (i.e. 201.20 ÷ 420.88 = 47.80%) are allocated to the Phase #1 Assessed Property and 52.20 percent of the estimated costs of Major Improvements (i.e., 219.68 ÷ 420.88 = 52.20%) are allocated to the Phase #2 Assessed Property. The Phase #1 Bonds and the related PID Reimbursement Agreement will fund the Phase #1 Improvements and the Phase #2 Major Improvement Bonds will fund the Phase #2 Major Improvements. Both the Phase #1 Bonds and the Phase #2 Major Improvement Bonds will be issued in 2018.

### D. Assessment Methodology

The estimated costs of the Authorized Improvements may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the property by the Authorized Improvements equals or exceeds the Assessments. The estimated costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of the costs on Assessed Property similarly benefited.

## 1. Assessment Methodology for Phase #1 Improvements

For purpose of this SAP, the City Council has determined that the estimated costs of the Phase #1 Improvements, which include the Phase #1 Specific Improvements and the Phase #1 Major Improvements, shall be allocated to Phase #1 Assessed Property by spreading the entire Assessment across the Phase #1 Assessed Property based on the estimated Equivalent Units as calculated and shown in **Table V-B** using the types and number of Lots anticipated to be developed on the Phase #1 Assessed Property. The Equivalent Units calculation reflects the expected home price on each Lot according to Lot Type. Phase #1 Improvements are to be financed with the Phase #1 Bonds and the PID Reimbursement Agreement.

Table V-B Phase #1 Improvements Equivalent Unit Calculation				
Lot Type	# of Lots	Estimated Assessed Value Per Home <sup>(1)</sup>	Equivalent Unit Factor	Equivalent Units
50'	155	\$255,000.00	1.00	155.00
40'	55	\$215,000.00	0.84	46.20
<b>Total</b>	<b>210</b>	<b>N/A</b>	<b>N/A</b>	<b>201.20</b>

(a) See Table V-D for details

The Assessment and Annual Installments for Phase #1 Assessed Property are shown on the Assessment Roll, attached as **Appendix A**, and no Assessment shall be changed except as authorized by this SAP or the PID Act.

## 2. Assessment Methodology for the Phase #2 Major Improvements

For purpose of this SAP, the City Council has determined that the estimated costs of the Phase #2 Major Improvements shall be allocated to Phase #2 Assessed Property by spreading the entire Assessment across the Phase #2 Assessed Property based on the estimated Equivalent Units as calculated and shown in **Table V-C** using the types and number of Lots anticipated to be developed on the Phase #2 Assessed Property. The Equivalent Units calculation reflects the expected home price on each Lot according to Lot Type. Phase #2 Major Improvements are to be financed with the Phase #2 Major Improvement Bonds.

Table V-C Phase #2 Major Improvements Equivalent Unit Calculation				
Lot Type	# of Lots	Estimated Assessed Value Per Home <sup>(1)</sup>	Equivalent Unit Factor	Equivalent Units
50'	113	\$255,000.00	1.00	113.00
40'	127	\$215,000.00	0.84	106.68
<b>Total</b>	<b>240</b>	<b>N/A</b>	<b>N/A</b>	<b>219.68</b>

(a) See Table V-E for details

The Assessment and Annual Installments for Phase #2 Assessed Property are shown on the Assessment Roll, attached as **Appendix A**, and no Assessment shall be changed except as authorized by this SAP or the PID Act.

**E. Assessments Allocation**

The Assessments for the Phase #1 Bonds, the PID Reimbursement Agreement, and the Phase #2 Major Improvement Bonds will be levied on the Phase #1 Assessed Property and the Phase #2 Assessed Property according to the Assessment Rolls, attached hereto as **Appendix A**. The Annual Installments for the Phase #1 Bonds, the PID Reimbursement Agreement, and the Phase #2 Major Improvement Bonds will be collected at the time and in the amounts shown on the Assessment Rolls, subject to any revisions made during an Annual Service Plan Update.

The total Assessment per Lot for Phase #1 and Phase #2 are set forth below in **Tables V-D** and **V-E**, respectively.

**Table V-D**  
**Phase #1**  
**Estimated Assessment Per Lot (a)**

Lot Type of Lots	#	Estimated Assessed Value Per Home	Estimated Buildout AV (b)	Equivalent		Phase #1 Bonds	PID Reimbursement Agreement Assessment	Total Assessment (c)	Total Assessment	Installments (d)	Total Assessment	Annual Assessment	Average Instalment Per Lot	Tax Rate Equivalent (per \$100)	
				Unit	Equivalent Factor										
50'	155	\$255,000.00	\$39,525,000.00	1.00	155.00	\$4,167,743.54	\$498,434.39	\$4,666,177.93	\$10,582,397.81	\$68,273.53	\$2,420.09	0.94906%			
40'	55	\$215,000.00	\$11,825,000.00	0.84	46.20	\$1,242,256.46	\$148,565.61	\$1,390,822.07	\$3,154,237.28	\$57,349.77	\$2,032.88	0.94553%			
<b>Total</b>	<b>210</b>	<b>\$244,523.81</b>	<b>\$51,350,000.00</b>		<b>201.20</b>	<b>\$5,410,000.00</b>	<b>\$647,000.00</b>	<b>\$6,057,000.00</b>	<b>\$13,736,635.09</b>						

(a) Numbers may not sum due to rounding.

(b) Estimates based on information available as of July 19, 2018.

(c) Although the actual unit counts and buildout values may vary from the estimates shown above and in the Assessment Roll for Phase #1 Assessed Property, the initial assessment allocation for each Lot Type as set forth above will not change and any adjustments to unit counts or buildout values resulting in an Assessment that exceeds the Assessment for the Lot Type as set forth in this SAP shall require a Mandatory Prepayment as outlined in Section VI.

(d) Annual Installments include the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest on the outstanding principal amount of the PID Bonds, (iii) amounts due and as paid pursuant to the PID Reimbursement Agreement, and (iv) Administrative Expense portion of the Assessment.

**Table V-E**  
**Phase #2**  
**Estimated Assessment Per Lot (a)**

Lot Type	# of Lots	Estimated Assessed Value Per Home	Estimated Buildout AV (b)	Estimated Equivalent			Phase #2			Total Assessment	Annual Assessment	Tax Rate
				Unit Factor	Equivalent Units	Major Improvement Bonds Assessment	Total Assessment (c)	Installments (d)	Per Lot			
50'	113	\$255,000.00	\$28,815,000.00	1.00	113.00	\$943,895.67	\$943,895.67	\$2,693,430.86	\$23,835.67	\$843.98	0.33097%	
40'	127	\$215,000.00	\$27,305,000.00	0.84	106.68	\$891,104.33	\$891,104.33	\$2,542,789.41	\$20,021.96	\$708.94	0.32974%	
Total	240	\$233,833.33	\$56,120,000.00		219.68	\$1,835,000.00	\$1,835,000.00	\$5,236,220.27				

(a) Numbers may not sum due to rounding.

(b) Estimates based on information available as of July 19, 2018.

(c) Although the actual unit counts and buildout values may vary from the estimates shown above and in the Assessment Roll for Phase #2 Assessed Property, the initial assessment allocation for each Lot Type as set forth above will not change and any adjustments to unit counts or buildout values resulting in an Assessment that exceeds the Assessment for the Lot Type as set forth in this SAP shall require a Mandatory Prepayment as outlined in Section VI.

(d) Annual Installments include the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest, and (iii) Administrative Expense portion of the Assessments.

#### **F. Administrative Expenses**

The Administrative Expense portion of the Assessment shall be paid for on a pro rata basis by each Parcel based on the amount of outstanding Assessment remaining on the Parcel. The benefit to the Assessed Property from administration and operation of the District, reflected in the Administrative Expenses, is at least equal to the portion of the Annual Installment attributable to Administrative Expenses that are assessed against the Assessed Property. The Administrative Expenses shall be collected as part of the Annual Installments in the amounts shown on the Assessment Roll shown on **Appendix A**, which will be revised in Annual Service Plan Updates based on actual costs incurred. Administrative Expenses do not include payment of the actual principal of and interest on the Bonds or any costs which constitute expenses payable as an expense of issuing the Bonds. Administrative Expenses collected and not budgeted for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of Administration Expenses. The amount of Administrative Expenses necessary for the time period commencing on the date the initial Bonds are issued and terminating on the date the first Annual Installment is due will be paid at closing, as shown on **Table IV-A**.

#### **G. Delinquency and Prepayment Reserve**

Pursuant to the PID Act, the interest rate for Assessments may exceed the actual interest rate per annum paid on the related PID Bonds by no more than one half of one percent (0.50%). The interest rate used to determine the Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the PID Bonds (the “Additional Interest”). Additional Interest shall be collected as part of each Annual Installment as set forth on the Assessment Roll. Under the PID Bond Indenture, Additional Interest shall ultimately be deposited into a reserve account pursuant to the Indenture (the “Delinquency and Prepayment Reserve Account”) such that the balance in the Delinquency and Prepayment Reserve Account equals 5.5% of the outstanding principal balance of the PID Bonds (the “Delinquency and Prepayment Reserve Requirement”) and shall then be deposited as set forth in the Indenture. The Delinquency and Prepayment Reserve Account shall be used to pay Prepayment Costs, Delinquent Collection Costs, or to cover any deficiencies in the funds available to pay debt service on the PID Bonds, all as set forth in the Indenture. If the Delinquency and Prepayment Reserve Account contains the Delinquency and Prepayment Reserve Requirement, the Additional Interest will be allocated for the additional purposes set forth in the PID Bond Indenture, which purposes may include: (i) covering deficiencies in funds available to pay debt service on the applicable PID Bonds; paying costs associated with the prepayment of any PID Bonds, paying the costs of Administrative Expenses, and/or the redemption of PID Bonds. An initial deposit to the Delinquency and Prepayment Reserve account in the amount of \$35,000 (\$25,000 for Phase #1 and \$10,000 for Phase #2) will be made from the proceeds of the Phase #1 Bonds and Phase #2 Major Improvement Bonds, respectively, and the remainder of the Delinquency and Prepayment Reserve requirement will accumulate over time with the collection of the Additional Interest as part of each Annual Installment.

#### **H. TIRZ Annual Credit Amount**

The City Council, in accordance with the TIRZ Ordinance and the Development Agreement, has agreed to use a portion of TIRZ Revenues generated (the “TIRZ Annual Credit Amount”) to reduce

the Annual Installment for all Assessed Property based on the desire of the City Council to maintain a competitive, composite equivalent ad valorem tax rate taking into consideration the tax rates of all applicable taxing units and the equivalent tax rate of the Annual Installments of the Assessments based on assumed improvement values.

1. The Annual Installment for a Parcel shall be calculated from the previous tax year's TIRZ Revenues then on deposit in the "Residential Account" of the TIRZ No. 11 Tax Increment Fund, but in no event shall the TIRZ Annual Credit Amount exceed the amounts shown in Paragraph 2 immediately below for each Parcel (i.e., TIRZ Revenues collected in 2019 shall be applied as the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2020).
  2. The TIRZ Annual Credit Amount available to reduce the Annual Installment for a Parcel was calculated based on the TIRZ increment intended to offset a portion of Assessments levied against Residential Property within the PID, as identified in Development Agreement. Sixty-two and one-half percent (62.5%) of the City's collected ad valorem tax increment shall thereby be dedicated to off-set or pay a portion of Assessments levied for the costs of Authorized Improvements, up to the annual amounts specified below and the total amount indicated in the Development Agreement. This is done so that the net total of the Assessment does not produce an equivalent tax rate which exceeds the competitive, composite equivalent ad valorem tax rate taking into consideration the tax rates of all applicable taxing units and the equivalent tax rate of the Annual Installments of the Assessments based on assumed improvement values at the time of the PID Bonds being approved, and this calculation establishes the Final TIRZ Annual Credit Amount for all Lot Types.
    - i. TIRZ Annual Credit Amount for 50' Lot Type: \$1,094
    - ii. TIRZ Annual Credit Amount for 40' Lot Type: \$923
  3. The TIRZ Annual Credit Amount available to reduce the Annual Installment for a Parcel located within Phase #2 shall be limited to the amounts shown below until the Phase #2 Specific Improvements are anticipated to be constructed. This is being done to ensure the equitable application of TIRZ Annual Credit Amounts for all Parcels within the PID. As 100% of the Phase #1 Improvements are expected to be constructed over the next eighteen (18) months, Parcels within Phase #1 will be eligible to receive 100% of their individual TIRZ Annual Credit Amount, as calculated pursuant to this **Section.V.H.** As approximately 25% of the Phase #2 Improvements are expected to be constructed over the next eighteen (18) months (\$1,299,263.04 in Major Improvements / \$1,299,263.04 in Major Improvements + \$4,283,784.00 in Specific Improvements ≈ 25%), Parcels within Phase #2 will be eligible to receive approximately 25% of their individual TIRZ Annual Credit Amount, as calculated pursuant to this **Section.V.H.** As the Phase #2 Specific Improvements begin construction and Assessments are levied for such public improvements, Parcels within Phase #2 will become eligible to receive the TIRZ Annual Credit Amounts shown in Paragraph 2, above.
    - iii. 25% TIRZ Annual Credit Amount for 50' Lot Type: \$274
    - iv. 25% TIRZ Annual Credit Amount for 40' Lot Type: \$231
  4. If the application of the TIRZ Annual Credit Amount results in excess TIRZ Revenues available from the Residential Account of the TIRZ Fund, such excess TIRZ Revenues shall be held in a segregated account by the City and shall be used either (i) to prepay a portion of all Assessments on the Assessed Property, on a pro rata basis, and to redeem bonds pursuant

to the extraordinary redemption provisions of the Indenture, (ii) to optionally redeem the outstanding PID Bonds on a pro rata basis pursuant to the provisions of the Indenture, or (iii) to be applied in future years in an effort to maintain a level Annual Installment schedule.

5. If the debt service on issued and outstanding PID Bonds is reduced as the result of an economic refunding of those PID Bonds or as a result of the prepayment of assessments or the redemption of PID Bonds, then there would be a corresponding reduction in both the TIRZ Annual Credit Amount, the Annual Installment owed on the Assessment, and the Assessment lien on each Assessed Property which shall be reflected in a subsequent Annual Service Plan Update.

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## VI. TERMS OF THE ASSESSMENTS

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### A. Amount of Assessments and Annual Installments for Assessed Property Located within the PID

#### 1. *Assessed Property Located within Phase #1*

The Assessment and Annual Installments for Assessed Property located within Phase #1 of the PID are presented in **Appendix A**. No Assessment shall be changed except as authorized in an Annual Service Plan Update and the PID Act.

The Annual Installments for Phase #1 shall be collected in an amount sufficient to pay the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest with respect to the PID Bonds, (iii) amounts due pursuant to the PID Reimbursement Agreement, (iv) Administrative Expense portion of the Assessment, and (v) to pay any other costs authorized by the PID Act.

The Annual Installment for each Phase #1 Assessed Property shall be calculated by taking into consideration any available capitalized interest and the TIRZ Annual Credit Amount applicable to the relevant Parcel(s) as set forth in **Section V.H** herein.

#### 2. *Assessed Property Located within Phase #2*

The Assessment and Annual Installments for Assessed Property located within Phase #2 of the PID are presented in **Appendix A**, and no Assessment shall be changed except as authorized by an Annual Service Plan update and the PID Act. At this time, Assessed Property in Phase #2 will only be assessed for the special benefits conferred upon the property due to the Phase #2 Major Improvements.

The Annual Installments for Phase #2 shall be collected in an amount sufficient to pay the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest with respect to the PID Bonds, (iii) Administrative Expense portion of the Assessments, and (iv) to pay any other costs authorized by the PID Act.

The Annual Installment for each Phase #2 Assessed Property shall be calculated by taking into consideration any available capitalized interest and the TIRZ Annual Credit Amount applicable to the relevant Parcel(s) as set forth in **Section V.H** herein.

**B. Amount of Assessments and Annual Installments for Assessed Property Located Within Phase #2**

As Phase #2 is developed, this Service and Assessment Plan will be amended to determine the Assessment for the Phase #2 Specific Improvements and the Annual Installments for Phase #2 Assessed Property (i.e., **Appendix A** will be updated) as a result of the special benefit conferred by the Phase #2 Specific Improvements. The Phase #2 Assessments shall not exceed the special benefit received by the Phase #2 Assessed Property.

**C. Reallocation of Assessments for Assessed Property located within the PID**

**1. Apportionment of Assessments Upon Consolidation of Assessed Properties**

Upon the consolidation of two or more Assessed Properties, the Assessment for the consolidated Assessed Property shall be the sum of the Assessments for the Assessed Properties prior to consolidation.

**2. Apportionment of Assessments Upon Division of Assessed Properties**

In general, the sum of the Assessments for all newly subdivided Assessed Property shall equal the Assessment for the subdivided Assessed Property prior to subdivision. The Assessment initially applicable to each Assessed Property is equal to the Assessment that corresponds to the Lot Type for such Assessed Property; if an Assessed Property contains two or more Lots, the Assessment initially applicable is equal to the sum of the Assessments that correspond to the Lot Types for such Assessed Property. Similarly, if an Assessed Property is subsequently platted, subdivided, re-subdivided or re-platted, the Assessment applicable to each resulting new Lot shall be equal to the Assessment that corresponds to the Lot Type for such Assessed Property. However, the reallocation of an Assessment for an Assessed Property may not exceed the Assessment prior to the reallocation without a Mandatory Prepayment made pursuant to **Section VI.D**. Any reallocation pursuant to this section shall be calculated by the Administrator and reflected in an Annual Service Plan Update approved by the City. The reallocation of any Assessments as described herein shall be considered an administrative action and will not require any notice or public hearing, as defined in the PID Act, by the City.

**3. Non-Benefited Property to Assessed Property**

In the case it has been determined that a Non-Benefited Property shall be classified as an Assessed Property (i.e. it has been determined that the property now receives benefit from the Authorized Improvements), an Assessment is hereby levied against such Assessed Property in accordance to the methodology described in this Assessment Plan, and the Assessment Roll shall be amended in the next Annual Service Plan Update.

**D. Mandatory Prepayment of Assessments**

An owner of Assessed Property is required to pay (i) any Assessment excess or shortfall and (ii) any Assessment for Assessed Property transferred to a party that is exempt from the payment of the Assessments under applicable law or for which the owner causes all or portion thereof to become Non-Benefited Property, plus Prepayment Costs, as described below (a “Mandatory Prepayment”).

The Mandatory Prepayments required below shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this SAP, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

**1. Assessment Excess**

If at any time the Assessment on a Lot exceeds the original Assessment calculated for the Lot as set forth in the SAP as a result of any reallocation of an Assessment authorized by this SAP and initiated by the owner of the Lot, then following compliance with the notice and hearing requirement of the PID Act (unless a waiver of such notice and hearing is obtained from the owner of the Lot) such owner shall pay to the City prior to the recordation of the document subdividing or re-subdividing the Lot the amount calculated by the Administrator by which the new Assessment for the Lot exceeds the original Assessment for the Lot.

**2. Assessment Shortfall**

If at any time the Assessment on a Lot is less than the original Assessment calculated for the Lot as a result of any reallocation of an Assessment authorized by this SAP and initiated by the owner of the Lot, then, such owner shall pay to the City prior to the recordation of the document subdividing or re-subdividing the Lot the amount calculated by the Administrator by which the new Assessment for the Lot is less than the original Assessment for the Lot.

**3. Transfer of Assessed Property to Exempt Party and Conversion of Assessed Property to Non-Benefited Property**

If an Assessed Property or portion thereof is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes an Assessed Property or portion thereof to become Non-Benefited Property, the owner of such Assessed Property or portion thereof shall pay to the City the full amount of the Assessment, plus all Prepayment Costs, for such Assessed Property or portion thereof prior to any such transfer or act.

**E. Reduction of Assessments**

If, after all Authorized Improvements to be funded with a series of PID Bonds have been completed, and the Actual Costs for the Authorized Improvements are less than the estimated costs used to calculate the Assessments securing such PID Bonds resulting in excess Assessments, then the City shall, in accordance with the Indenture related to such series of PID Bonds, reduce the Assessments securing the series of PID Bonds for each applicable Assessed Property pro rata such that the sum of the resulting reduction in such Assessments equals the reduced Actual Costs. The Assessments shall not be reduced to an amount less than the amount due on the related outstanding PID Bonds and any related reimbursement agreement.

Similarly, if any of the Authorized Improvements to be funded with a series of PID Bonds are not undertaken resulting in excess PID Bond proceeds, then the City may, in its discretion and in accordance with the applicable Indenture, reduce the Assessment for each Assessed Property securing such PID Bonds pro-rata to reflect only the Actual Costs that were expended and deposit and apply such excess PID Bond proceeds as described in the paragraph above or as authorized in the Indenture.

The Assessments shall not be reduced to an amount less than the amount due on the related outstanding series of PID Bonds and any related reimbursement agreement. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

If all of the Authorized Improvements are not undertaken resulting in excess PID Bond proceeds, then the City shall, at its discretion and in accordance with the applicable Indenture, reduce Assessments and Annual Installments for each applicable Assessed Property on a pro rata basis to reflect only the amounts required to repay the PID Bonds, including interest on the PID Bonds, Additional Interest, Administrative Expenses, and amounts due pursuant to a reimbursement agreement, if any, and such excess PID Bond proceeds shall be applied to redeem PID Bonds as set forth in the applicable Indenture. The assessments shall not, however, be reduced to an amount less than the amount due on the related outstanding PID Bonds and any related reimbursement agreement.

The City Council may reduce the Assessments and the Annual Installments for Assessed Property (i) in an amount that represents the Authorized Improvements provided for each property; (ii) by an equal percentage calculated based on Equivalent Units and Lot size; or (iii) in any other manner determined by the City Council to be the most fair and practical means of reducing the Assessments for Assessed Property, such that the sum of the resulting reduced Assessments equals the amount required to repay the PID Bonds, including interest on the PID Bonds, Additional Interest, the Administrative Expenses portion of the Assessment, and the amount owed under any reimbursement agreement.

#### **F. Payment of Assessments**

##### **1. *Payment in Full***

The Assessment for any Assessed Property may be paid in full at any time. Such payment shall include all Prepayment Costs. If prepayment in full will result in redemption of PID Bonds, the payment amount shall be reduced by the amount, if any, of reserve funds applied to the redemption under the Indenture, net of any other costs applicable to the redemption of PID Bonds as set forth in the applicable Indenture.

If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

If an Assessment is paid in full: (i) the Administrator shall cause the Assessment to be reduced to zero and the Assessment Roll to be revised accordingly; (ii) the Administrator shall cause the revised Assessment Roll to be approved by the City Council as part of the next Annual Service Plan Update; (iii) the obligation to pay the Assessment and corresponding Annual Installments shall terminate; and (iv) the City shall provide the Owner with a recordable notice that the lien on such Assessed Property has been released by the City. If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

If an Assessment is prepaid in part: (i) the Administrator shall cause the Assessment to be reduced by the amount of such partial prepayment in a manner conforming to the provisions of

the Indenture and the Assessment Roll revised accordingly; (ii) the Administrator shall cause the revised Assessment Roll reflecting such partial prepayment to be approved by the City Council as part of the next Annual Service Plan Update; and (iii) the obligation to pay the Assessment and corresponding Annual Installments shall be reduced to the extent the partial payment is made.

## 2. *Payment in Annual Installments*

The PID Act provides that an Assessment for any Assessed Property may be paid in full at any time. If not paid in full, the PID Act authorizes the Assessment to be paid in installments and additionally allows the City to collect principal, interest, Additional Interest, and Administrative Expenses in installments. An Assessment for Assessed Property that is not paid in full will be collected in Annual Installments each year in the amounts shown on the Assessment Roll, as updated and provided for herein. Payment of the Annual Installments shall commence with tax bills mailed in 2019 and shall be delinquent February 1, 2020.

The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property consisting of the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest with respect to the PID Bonds, (iii) amounts due pursuant to the PID Reimbursement Agreement, if applicable, and (iv) Administrative Expense portion of the Assessments. The Annual Installments may not exceed the amounts shown on the Assessment Roll in **Appendix A**.

The Annual Installments shown on the Assessment Roll shall be adjusted to equal the Actual Costs of repaying the Phase #1 Bonds and the Phase #2 Major Improvement Bonds including Additional Interest, the PID Reimbursement Agreement, and Administrative Expenses. In addition, the City may adopt additional Assessment Roll(s) relating to the Authorized Improvements within the PID and the issuance of future PID Bonds.

The City reserves and shall have the right and option to refund PID Bonds in accordance with **Section 372.027** of the PID Act and the Indenture related to such PID Bonds. In the event of issuance of refunding bonds, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installment so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the debt service on the refunding bonds when due and payable as required by and established in the ordinance and/or the Indenture authorizing and securing the refunding bonds plus interest generated from the Additional Interest rate, and such refunding bonds shall constitute "PID Bonds" for purposes of the SAP.

## **G. Collection of Annual Installments**

The Administrator shall, no less frequently than annually, prepare and submit to the City Council for its approval an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Assessed Property. Administrative Expenses shall be allocated among Assessed Properties in proportion to the amount of the Annual Installments for the Assessed Property. Each Annual Installment shall be reduced by any credits applied under the Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available under the applicable Indenture for such purpose,

including any existing deposits for a Delinquency and Prepayment Reserve. Annual Installments may be collected by the City (or such entity to whom the City directs) in the same manner and at the same time as ad valorem taxes. Annual Installments shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as set forth in the PID Act. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Any sale of Assessed Property for nonpayment of the delinquent Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such Assessed Property and such Assessed Property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such Assessed Property as they become due and payable.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be updated annually and each Annual Installment shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments relating to the Phase #1 Bonds, the PID Reimbursement Agreement, and the Phase #2 Major Improvement Bonds shall be due when billed and will be delinquent if not paid prior to February 1, 2020.

The City or County Tax Assessor/Collector or another collection entity engaged by the City will invoice each owner of property for the Annual Installment payment at approximately the same time as the County's annual property tax bill, and the Annual Installments shall be due and payable, and incur penalty and interest for unpaid Annual Installments in the same manner as provided for property taxes. Thereafter, subsequent Annual Installments shall be due in the same manner in each succeeding calendar year until the Assessment, together with interest, Additional Interest, amounts due pursuant to the PID Reimbursement Agreement (if applicable), and Administrative Expenses as provided in this SAP, has been paid in full.

Failure of an owner to receive an invoice for an Annual Installment on the property tax bill shall not relieve the owner of the responsibility for payment of the Assessment. Assessments, or Annual Installments thereof, that are delinquent shall incur Delinquent Collection Costs. The City may provide for other means of collecting the Annual Installments to the extent permitted by the Act.

The Assessments are personal obligations of the person owning the Assessed Property in the year an Annual Installment payment becomes due, and only to the extent of such Annual Installment. Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

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## VII. THE ASSESSMENTS

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### A. Phase #1 Assessment

As described by this SAP, Phase #1 Assessed Property will be assessed for the special benefits conferred upon the property as a result the Phase #1 Improvements, which include the Phase #1 Specific Improvements and the Phase #1 Major Improvements. **Table VII-A** summarizes the \$6,595,641 in special benefit received by Phase #1. Phase #1 Assessed Property includes the Phase #1 Specific Improvements, the Phase #1 Major Improvements, and the PID formation and PID Bond issuance costs allocable to Phase #1.

Table VII-A Phase #1	
Special Benefit Summary	
<b>Public Improvement</b>	<b>Phase #1 Improvement Costs</b>
Major Improvements	\$1,189,966
Specific Improvements	\$3,829,230
 PID Formation/Bond Issuance Costs	
Capitalized Interest	\$666,245
Bond Reserves	\$385,600
Delinquency and Prepayment Reserve Deposit	\$25,000
Costs of Issuance	\$307,300
Underwriter's Discount	\$162,300
Administrative Expenses	\$30,000
 Total PID Formation/Bond Issuance Costs	 \$1,576,445
 Total Special Benefit	 <b>\$6,595,641</b>
Total Assessment	\$6,057,000
Excess Benefit	\$538,641

## **B. Phase #2 Major Improvements Assessment**

At this time Phase #2 Assessed Property will only be assessed for the special benefits conferred upon the property as a result of the Phase #2 Major Improvements. **Table VII-B** summarizes the \$1,918,986 in special benefit received by Phase #2 as a result of the Phase #2 Major Improvements and the PID formation and PID Bond issuance costs allocable to Phase #2.

<b>Table VII-B</b> <b>Phase #2 Major Improvements</b>	
<b>Special Benefit Summary</b>	
<b>Public Improvement</b>	<b>Phase #2 Major Improvement Costs</b>
Major Improvements	\$1,299,263
PID Formation/Bond Issuance Costs	
Capitalized Interest	\$247,580
Bond Reserves	\$140,513
Delinquency and Prepayment Reserve Deposit	\$10,000
Costs of Issuance	\$131,580
Underwriter's Discount	\$55,050
Administrative Expenses	\$35,000
Total PID Formation/Bond Issuance Costs	\$619,723
<b>Total Special Benefit</b>	<b>\$1,918,986</b>
Total Assessment	\$1,835,000
Excess Benefit	\$83,986

As Phase #2 is developed in connection with the issuance of PID Bonds for the Phase #2 Specific Improvements, this Service and Assessment Plan will be updated.

## **C. Annual Assessment Roll Updates**

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel and Lot; (ii) the Assessment for each Lot of Assessed Property, including any adjustments authorized by this Service and Assessment Plan and the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided in **Section V** of this Service and Assessment Plan. The Service and Assessment Plan Update shall reflect the actual interest on the PID Bonds on which the Annual Installments shall be paid plus Additional Interest, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by the PID Bonds and Owner funds.

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## **VIII. MISCELLANEOUS PROVISIONS**

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### **A. Administrative Review**

To the extent consistent with the PID Act, an owner of Assessed Property claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than thirty (30) days after the date the invoice or other bill for the Annual Installment is received. If the Owner fails to give such notice, such Owners shall be deemed to have accepted the calculation of the Assessment Roll (including the Annual Installments) and to have waived any objection to the calculation. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred. The City may elect to designate a third party who is not an officer or employee of the City to serve as administrator of the PID.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Property owner, such change or modification shall be presented to the City Council for approval to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Property owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the City Council, the decision of the City Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

### **B. Termination of Assessments**

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable "Notice of the PID Assessment Termination."

### **C. Amendments**

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The City Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners

of Parcels: (i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Delinquent Collection Costs, and other charges imposed by the Service and Assessment Plan.

**D. Administration and Interpretation of Provisions**

The City Council shall administer the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act, and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Indenture. Such determinations shall be final, binding, and conclusive.

**E. Severability**

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to Assessed Property or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City

**APPENDIX A**

**CITY OF MESQUITE**  
**HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT**

**PHASE #1**  
**ASSESSMENT ROLL**

<b>Appendix A</b>						
Heartland Town Center Public Improvement District						
Phase #1 Assessment Roll						
Assessment by Parcel						
<b>Parcel ID</b>	<b>Owner</b>	<b>Total 40' Lots</b>	<b>Total 50' Lots</b>	<b>Total Lots</b>	<b>Total EDUs</b>	<b>PID</b>
9609	D.R. Horton - Texas, Ltd	42	0	42	35.28	\$1,062,082.31
9711	D.R. Horton - Texas, Ltd	7	155	162	160.88	\$4,843,191.65
76545	D.R. Horton - Texas, Ltd	6	0	6	5.04	\$151,726.04
<b>Totals</b>		<b>55</b>	<b>155</b>	<b>210</b>	<b>201.20</b>	<b>\$6,057,000.00</b>

### Phase #1 Assessment

Parcel ID:  
9609

Assessment Amount:  
\$1,062,082.31

Number of Lots:  
42

40' Lots:  
50' Lots:  
42  
0

Year	Interest	Principal	RA Interest (a)	RA Principal	Capitalized Interest	Delinquency and Prepayment Reserve	Administrative Expenses Portion (b)	Annual Installment (c)	Assessment Balance Remaining
2019	\$48,407	\$0	\$6,240	\$0	(\$64,650)	\$4,743	\$5,260	\$0	\$1,062,082
2020	\$52,175	\$0	\$6,240	\$1,675	(\$52,175)	\$4,743	\$5,366	\$18,024	\$1,060,407
2021	\$52,175	\$14,905	\$6,148	\$1,768	\$0	\$4,743	\$5,473	\$85,211	\$1,043,735
2022	\$51,355	\$15,781	\$6,050	\$1,865	\$0	\$4,669	\$5,582	\$85,303	\$1,026,088
2023	\$50,487	\$16,658	\$5,948	\$1,967	\$0	\$4,590	\$5,694	\$85,344	\$1,007,463
2024	\$49,571	\$17,535	\$5,840	\$2,076	\$0	\$4,506	\$5,808	\$85,335	\$987,852
2025	\$48,606	\$18,412	\$5,725	\$2,190	\$0	\$4,419	\$5,924	\$85,276	\$967,251
2026	\$47,594	\$19,288	\$5,605	\$2,310	\$0	\$4,327	\$6,043	\$85,167	\$945,653
2027	\$46,533	\$21,042	\$5,478	\$2,437	\$0	\$4,230	\$6,163	\$85,884	\$922,174
2028	\$45,376	\$21,918	\$5,344	\$2,571	\$0	\$4,125	\$6,287	\$85,621	\$897,684
2029	\$44,170	\$22,795	\$5,202	\$2,713	\$0	\$4,015	\$6,412	\$85,309	\$872,176
2030	\$42,916	\$24,549	\$5,053	\$2,862	\$0	\$3,901	\$6,541	\$85,823	\$844,765
2031	\$41,566	\$25,425	\$4,896	\$3,019	\$0	\$3,779	\$6,672	\$85,357	\$816,320
2032	\$40,168	\$27,179	\$4,730	\$3,185	\$0	\$3,652	\$6,805	\$85,719	\$785,956
2033	\$38,673	\$28,932	\$4,555	\$3,361	\$0	\$3,516	\$6,941	\$85,977	\$753,663
2034	\$37,082	\$29,809	\$4,370	\$3,546	\$0	\$3,371	\$7,080	\$85,257	\$720,308
2035	\$35,442	\$31,563	\$4,175	\$3,741	\$0	\$3,222	\$7,221	\$85,364	\$685,005
2036	\$33,706	\$33,316	\$3,969	\$3,946	\$0	\$3,064	\$7,366	\$85,368	\$647,743
2037	\$31,874	\$35,070	\$3,752	\$4,163	\$0	\$2,898	\$7,513	\$85,270	\$608,510
2038	\$29,945	\$36,823	\$3,523	\$4,392	\$0	\$2,722	\$7,663	\$85,069	\$567,294
2039	\$27,920	\$39,453	\$3,281	\$4,634	\$0	\$2,538	\$7,817	\$85,643	\$523,207
2040	\$25,750	\$41,207	\$3,027	\$4,889	\$0	\$2,341	\$7,973	\$85,186	\$477,112
2041	\$23,483	\$43,837	\$2,758	\$5,158	\$0	\$2,135	\$8,133	\$85,503	\$428,117
2042	\$21,072	\$46,467	\$2,474	\$5,441	\$0	\$1,916	\$8,295	\$85,666	\$376,209
2043	\$18,517	\$49,097	\$2,175	\$5,741	\$0	\$1,683	\$8,461	\$85,674	\$321,371
2044	\$15,816	\$51,728	\$1,859	\$6,056	\$0	\$1,438	\$8,630	\$85,527	\$263,587
2045	\$12,971	\$54,358	\$1,526	\$6,389	\$0	\$1,179	\$8,803	\$85,227	\$202,840
2046	\$9,982	\$56,988	\$1,175	\$6,741	\$0	\$907	\$8,979	\$84,771	\$139,111
2047	\$6,847	\$60,495	\$804	\$7,111	\$0	\$622	\$9,159	\$85,039	\$71,505
2048	\$3,520	\$64,002	\$413	\$7,503	\$0	\$0	\$9,342	\$84,779	\$0
<b>Total</b>	<b>\$1,033,700</b>	<b>\$948,632</b>	<b>\$122,332</b>	<b>\$113,450</b>	<b>(\$116,825)</b>	<b>\$93,995</b>	<b>\$213,406</b>	<b>\$2,408,690</b>	

- (a) Reimbursement Agreement Interest is charged at the same true interest rate as the Phase #1 Bonds (5.50%) but does not include Additional Interest. Interest will be paid pursuant to the provisions of the PID Reimbursement Agreement and the related Indenture.
- (b) Assumes a 2% annual increase. The administrative charges will be revised in Annual Service Plan Updates based on Actual Costs up to the amounts shown in each year but may not be increased from the amounts shown without compliance with the provisions of Section 372.016 and 372.017 of the PID Act.
- (c) Annual Installments are calculated based on the true interest rate on the Phase #1 Bonds (5.50%) plus an additional 0.50% for purposes of the Delinquency and Prepayment Reserve with respect to the Phase #1 Bonds, amounts due pursuant to the PID Reimbursement Agreement, and Administrative Expenses.

### Phase #1 Assessment

Parcel ID:		Assessment Amount:			Number of Lots:		40' Lots:	50' Lots:	7
9711		\$4,843,191.65			162				155
Year	Interest	Principal	RA Interest (a)	RA Principal	Capitalized Interest	Delinquency and Prepayment Reserve	Administrative Expenses Portion (b)	Annual Installment (c)	Assessment Balance Remaining
2019	\$220,738	\$0	\$28,454	\$0	(\$294,810)	\$21,629	\$23,988	\$0	\$4,843,192
2020	\$237,922	\$0	\$28,454	\$7,640	(\$237,922)	\$30,804	\$24,468	\$82,191	\$4,835,551
2021	\$237,922	\$67,966	\$28,034	\$8,061	\$0	\$30,804	\$24,957	\$388,569	\$4,759,524
2022	\$234,184	\$71,964	\$27,590	\$8,504	\$0	\$30,289	\$25,456	\$388,988	\$4,679,056
2023	\$230,226	\$75,962	\$27,123	\$8,972	\$0	\$29,755	\$25,965	\$389,177	\$4,594,122
2024	\$226,048	\$79,960	\$26,629	\$9,465	\$0	\$29,200	\$26,485	\$389,137	\$4,504,697
2025	\$221,650	\$83,958	\$26,109	\$9,986	\$0	\$28,600	\$27,014	\$388,867	\$4,410,753
2026	\$217,032	\$87,956	\$25,559	\$10,535	\$0	\$27,980	\$27,555	\$388,368	\$4,312,262
2027	\$212,194	\$95,952	\$24,980	\$11,114	\$0	\$27,340	\$28,106	\$391,637	\$4,205,195
2028	\$206,917	\$99,950	\$24,369	\$11,726	\$0	\$26,636	\$28,668	\$390,440	\$4,093,519
2029	\$201,420	\$103,948	\$23,724	\$12,371	\$0	\$25,911	\$29,241	\$389,015	\$3,977,200
2030	\$195,703	\$111,944	\$23,043	\$13,051	\$0	\$25,166	\$29,826	\$391,359	\$3,852,205
2031	\$189,546	\$115,942	\$22,326	\$13,769	\$0	\$24,356	\$30,423	\$389,236	\$3,722,494
2032	\$183,169	\$123,938	\$21,568	\$14,526	\$0	\$23,527	\$31,031	\$390,884	\$3,584,030
2033	\$176,352	\$131,934	\$20,769	\$15,325	\$0	\$22,632	\$31,652	\$392,065	\$3,436,770
2034	\$169,096	\$135,932	\$19,926	\$16,168	\$0	\$21,697	\$32,285	\$388,780	\$3,284,670
2035	\$161,620	\$143,928	\$19,037	\$17,057	\$0	\$20,718	\$32,930	\$389,266	\$3,123,685
2036	\$153,704	\$151,924	\$18,099	\$17,995	\$0	\$19,698	\$33,589	\$389,284	\$2,953,765
2037	\$145,348	\$159,920	\$17,109	\$18,985	\$0	\$18,613	\$34,261	\$388,837	\$2,774,860
2038	\$136,552	\$167,917	\$16,065	\$20,029	\$0	\$17,489	\$34,946	\$387,923	\$2,586,914
2039	\$127,317	\$179,911	\$14,964	\$21,131	\$0	\$16,299	\$35,645	\$390,541	\$2,385,873
2040	\$117,422	\$187,907	\$13,801	\$22,293	\$0	\$15,025	\$36,358	\$388,455	\$2,175,673
2041	\$107,087	\$199,901	\$12,575	\$23,519	\$0	\$13,710	\$37,085	\$389,902	\$1,952,254
2042	\$96,092	\$211,895	\$11,282	\$24,813	\$0	\$12,311	\$37,827	\$390,644	\$1,715,547
2043	\$84,438	\$223,889	\$9,917	\$26,177	\$0	\$10,826	\$38,583	\$390,680	\$1,465,481
2044	\$72,124	\$235,883	\$8,477	\$27,617	\$0	\$9,257	\$39,355	\$390,013	\$1,201,981
2045	\$59,151	\$247,877	\$6,958	\$29,136	\$0	\$7,602	\$40,142	\$388,641	\$924,968
2046	\$45,517	\$259,871	\$5,356	\$30,738	\$0	\$5,863	\$40,945	\$386,565	\$634,359
2047	\$31,224	\$275,863	\$3,665	\$32,429	\$0	\$4,039	\$41,764	\$387,784	\$326,067
2048	\$16,052	\$291,855	\$1,882	\$34,213	\$0	\$0	\$42,599	\$386,600	\$0
<b>Total</b>	<b>\$4,713,764</b>	<b>\$4,325,849</b>	<b>\$557,845</b>	<b>\$517,343</b>	<b>(\$532,731)</b>	<b>\$597,777</b>	<b>\$973,150</b>	<b>\$10,983,846</b>	

(a) Reimbursement Agreement Interest is charged at the same true interest rate as the Phase #1 Bonds (5.50%) but does not include Additional Interest. Interest will be paid pursuant to the provisions of the PID Reimbursement Agreement and the related Indenture.

(b) Assumes a 2% annual increase. The administrative charges will be revised in Annual Service Plan Updates based on Actual Costs up to the amounts shown in each year but may not be increased from the amounts shown without compliance with the provisions of Section 372.016 and 372.017 of the PID Act.

(c) Annual Installments are calculated based on the true interest rate on the Phase #1 Bonds (5.50%) plus an additional 0.50% for purposes of the Delinquency and Prepayment Reserve with respect to the Phase #1 Bonds, amounts due pursuant to the PID Reimbursement Agreement, and Administrative Expenses.

Phase #1 Assessment										
Parcel ID:		Assessment Amount:			Number of Lots:			40' Lots:		6
76545		\$151,726.04			6			50' Lots.		0
Year	Interest	Principal	RA Interest (a)	RA Principal	Capitalized Interest	Delinquency and Prepayment Reserve	Administrative Expenses Portion (b)	Installment (c)	Remaining	Assessment Balance
2019	\$6,915	\$0	\$91	\$0	(\$9,236)	\$678	\$751	\$0	\$151,726	
2020	\$7,454	\$0	\$91	\$239	(\$7,454)	\$678	\$767	\$2,575	\$151,487	
2021	\$7,454	\$2,120	\$878	\$263	\$0	\$678	\$782	\$12,173	\$149,105	
2022	\$7,338	\$2,254	\$864	\$266	\$0	\$667	\$797	\$12,186	\$146,684	
2023	\$7,212	\$2,380	\$850	\$281	\$0	\$656	\$813	\$12,192	\$144,923	
2024	\$7,082	\$2,505	\$831	\$297	\$0	\$644	\$830	\$12,191	\$141,122	
2025	\$6,944	\$2,630	\$818	\$313	\$0	\$631	\$846	\$12,182	\$138,170	
2026	\$6,799	\$2,755	\$801	\$320	\$0	\$618	\$863	\$12,187	\$135,098	
2027	\$6,648	\$3,000	\$783	\$348	\$0	\$604	\$880	\$12,209	\$131,739	
2028	\$6,482	\$3,131	\$763	\$367	\$0	\$589	\$898	\$12,232	\$128,241	
2029	\$6,310	\$3,256	\$743	\$388	\$0	\$574	\$915	\$12,187	\$124,597	
2030	\$6,131	\$3,507	\$722	\$409	\$0	\$557	\$934	\$12,260	\$120,681	
2031	\$5,938	\$3,632	\$699	\$431	\$0	\$540	\$953	\$12,194	\$110,617	
2032	\$5,738	\$3,883	\$676	\$455	\$0	\$522	\$972	\$12,246	\$112,270	
2033	\$5,525	\$4,133	\$651	\$480	\$0	\$502	\$992	\$12,282	\$107,686	
2034	\$5,297	\$4,258	\$624	\$507	\$0	\$482	\$1,011	\$12,180	\$102,901	
2035	\$5,063	\$4,509	\$598	\$534	\$0	\$160	\$1,032	\$12,195	\$97,858	
2036	\$4,815	\$4,750	\$567	\$564	\$0	\$438	\$1,052	\$12,195	\$92,535	
2037	\$4,553	\$5,010	\$536	\$595	\$0	\$414	\$1,073	\$12,181	\$86,930	
2038	\$4,278	\$5,200	\$503	\$627	\$0	\$389	\$1,095	\$12,153	\$81,042	
2039	\$3,989	\$5,636	\$469	\$662	\$0	\$363	\$1,117	\$12,235	\$74,711	
2040	\$3,679	\$5,887	\$432	\$698	\$0	\$334	\$1,139	\$12,160	\$68,150	
2041	\$3,355	\$6,282	\$394	\$737	\$0	\$305	\$1,162	\$12,215	\$61,160	
2042	\$3,010	\$6,638	\$353	\$777	\$0	\$274	\$1,185	\$12,236	\$53,744	
2043	\$2,615	\$7,014	\$311	\$820	\$0	\$240	\$1,209	\$12,239	\$45,910	
2044	\$2,259	\$7,390	\$268	\$866	\$0	\$205	\$1,233	\$12,218	\$37,655	
2045	\$1,851	\$7,785	\$218	\$913	\$0	\$166	\$1,258	\$12,175	\$28,977	
2046	\$1,426	\$8,141	\$168	\$963	\$0	\$130	\$1,283	\$12,110	\$19,873	
2047	\$978	\$8,642	\$115	\$1,016	\$0	\$89	\$1,308	\$12,148	\$10,215	
2048	\$503	\$9,143	\$59	\$1,072	\$0	\$0	\$1,325	\$12,111	\$0	
<b>Total</b>	<b>\$147,671</b>	<b>\$135,519</b>	<b>\$17,476</b>	<b>\$16,207</b>	<b>(\$16,689)</b>	<b>\$13,428</b>	<b>\$30,487</b>	<b>\$344,099</b>		

(a) Reimbursement Agreement Interest is charged at the same true interest rate as the Phase #1 Bonds (5.50%) but does not include Additional Interest. Interest will be paid pursuant to the provisions of the PID Reimbursement Agreement and the related Indenture.

(b) Assumes a 2% annual increase. The administrative charges will be revised in Annual Service Plan Updates based on Actual Costs up to the amounts shown in each year but may not be increased from the amounts shown without compliance with the provisions of Section 372.016 and 372.017 of the PID Act.

(c) Annual Instalments are calculated based on the true interest rate on the Phase #1 Bonds (5.50%) plus an additional 0.50% for purposes of the Delinquency and Prepayment Reserve with respect to the Phase #1 Bonds, amounts due pursuant to the PID Reimbursement Agreement, and Administrative Expenses.

## APPENDIX A

### PHASE #2 MAJOR IMPROVEMENTS ASSESSMENT ROLL

Appendix A						
Heartland Town Center Public Improvement District						
Phase #2 Assessment Roll						
Assessment by Parcel						
Parcel ID	Owner	Total 40' Lots	Total 50' Lots	Total Lots	Total EDUs	PID
9711	Dieciseis, LLC	127	113	240	219.68	\$1,835,000.00
Totals		127	113	240	219.68	\$1,835,000.00

### Phase #2 Major Improvements Assessment

Parcel ID: 9711		Assessment Amount: \$1,835,000.00		Number of Lots: 240		40' Lots: 50' Lots:	127 113
Year	Interest	Principal	Capitalized Interest	Delinquency and Prepayment Reserve	Administrative Expenses Portion (a)	Annual Assessment Installment (b)	Assessment Balance Remaining
2019	\$97,892	\$0	(\$142,067)	\$9,175	\$35,000	\$0	\$1,835,000
2020	\$105,513	\$0	(\$105,513)	\$9,175	\$35,700	\$44,875	\$1,835,000
2021	\$105,513	\$35,000	\$0	\$9,175	\$36,414	\$186,102	\$1,800,000
2022	\$103,500	\$35,000	\$0	\$9,000	\$37,142	\$184,642	\$1,765,000
2023	\$101,488	\$35,000	\$0	\$8,825	\$37,885	\$183,198	\$1,730,000
2024	\$99,475	\$40,000	\$0	\$8,650	\$38,643	\$186,768	\$1,690,000
2025	\$97,175	\$40,000	\$0	\$8,450	\$39,416	\$185,041	\$1,650,000
2026	\$94,875	\$40,000	\$0	\$8,250	\$40,204	\$183,329	\$1,610,000
2027	\$92,575	\$45,000	\$0	\$8,050	\$41,008	\$186,633	\$1,565,000
2028	\$89,988	\$45,000	\$0	\$7,825	\$41,828	\$184,641	\$1,520,000
2029	\$87,400	\$45,000	\$0	\$7,600	\$42,665	\$182,665	\$1,475,000
2030	\$84,813	\$50,000	\$0	\$7,375	\$43,518	\$185,706	\$1,425,000
2031	\$81,938	\$50,000	\$0	\$7,125	\$44,388	\$183,451	\$1,375,000
2032	\$79,063	\$55,000	\$0	\$6,875	\$45,276	\$186,214	\$1,320,000
2033	\$75,900	\$55,000	\$0	\$6,600	\$46,182	\$183,682	\$1,265,000
2034	\$72,738	\$60,000	\$0	\$6,325	\$47,105	\$186,168	\$1,205,000
2035	\$69,288	\$60,000	\$0	\$6,025	\$48,047	\$183,360	\$1,145,000
2036	\$65,838	\$65,000	\$0	\$5,725	\$49,008	\$185,571	\$1,080,000
2037	\$62,100	\$65,000	\$0	\$5,400	\$49,989	\$182,489	\$1,015,000
2038	\$58,363	\$70,000	\$0	\$5,075	\$50,988	\$184,426	\$945,000
2039	\$54,338	\$75,000	\$0	\$4,725	\$52,008	\$186,071	\$870,000
2040	\$50,025	\$75,000	\$0	\$4,350	\$53,048	\$182,423	\$795,000
2041	\$45,713	\$80,000	\$0	\$3,975	\$54,109	\$183,797	\$715,000
2042	\$41,113	\$85,000	\$0	\$3,575	\$55,191	\$184,879	\$630,000
2043	\$36,225	\$90,000	\$0	\$3,150	\$56,295	\$185,670	\$540,000
2044	\$31,050	\$95,000	\$0	\$2,700	\$57,421	\$186,171	\$445,000
2045	\$25,588	\$100,000	\$0	\$2,225	\$58,570	\$186,382	\$345,000
2046	\$19,838	\$105,000	\$0	\$1,725	\$59,741	\$186,304	\$240,000
2047	\$13,800	\$110,000	\$0	\$1,200	\$60,936	\$185,936	\$130,000
2048	\$7,475	\$130,000	\$0	\$0	\$62,155	\$199,630	\$0
<b>Total</b>	<b>\$2,050,592</b>	<b>\$1,835,000</b>	<b>(\$247,580)</b>	<b>\$178,325</b>	<b>\$1,419,883</b>	<b>\$5,236,220</b>	

(a) Assumes a 2% annual increase. The administrative charges will be revised in Annual Service Plan Updates based on Actual Costs up to the amounts shown in each year but may not be increased from the amounts shown without compliance with the provisions of Section 372.016 and 372.017 of the PID Act.

(b) Annual Installments are calculated based on the true interest rate on the Phase #2 Major Improvement Bonds (5.75%) plus an additional 0.50% for purposes of the Delinquency and Prepayment Reserves, and Administrative Expenses.

**APPENDIX B**

**CITY OF MESQUITE  
HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT**

**ANNUAL INSTALLMENTS – ALL PARCELS, PHASE #1 ASSESSMENT**

## Appendix B

### Annual Installments - Phase #1 Assessment - All Parcels

Bond Year	Phase #1 Bonds				PID Reimbursement Agreement			Administrative Expenses(b)	Annual Installment(c)	Assessment Balance			
	Gross Debt Service			Capitalized Interest	Delinquency and Prepayment	Reimbursement Agreement Interest (a)	Reimbursement Agreement Principal						
	Interest	Principal	Total										
2019	\$276,060.28	\$0.00	\$276,060.28	(\$368,695.28)	\$27,050.00	\$35,585.00	\$0.00	\$35,585.00	\$30,000.00	\$0.00	\$6,057,000.00		
2020	\$297,550.00	\$0.00	\$297,550.00	(\$297,550.00)	\$27,050.00	\$35,585.00	\$9,555.27	\$45,140.27	\$30,600.00	\$102,790.27	\$6,047,444.73		
2021	\$297,550.00	\$85,000.00	\$382,550.00	\$0.00	\$27,050.00	\$35,059.46	\$10,080.81	\$45,140.27	\$31,212.00	\$485,952.27	\$5,952,363.93		
2022	\$292,875.00	\$90,000.00	\$382,875.00	\$0.00	\$26,625.00	\$34,505.02	\$10,635.25	\$45,140.27	\$31,836.24	\$486,476.51	\$5,851,728.68		
2023	\$287,925.00	\$95,000.00	\$382,925.00	\$0.00	\$26,175.00	\$33,920.08	\$11,220.19	\$45,140.27	\$32,472.96	\$486,713.23	\$5,745,508.49		
2024	\$282,700.00	\$100,000.00	\$382,700.00	\$0.00	\$25,700.00	\$33,302.97	\$11,837.30	\$45,140.27	\$33,122.42	\$486,662.69	\$5,633,671.19		
2025	\$277,200.00	\$105,000.00	\$382,200.00	\$0.00	\$25,200.00	\$32,651.92	\$12,488.35	\$45,140.27	\$33,784.87	\$486,325.14	\$5,516,182.84		
2026	\$271,425.00	\$110,000.00	\$381,425.00	\$0.00	\$24,675.00	\$31,965.06	\$13,175.21	\$45,140.27	\$34,460.57	\$485,700.84	\$5,393,007.63		
2027	\$265,375.00	\$120,000.00	\$385,375.00	\$0.00	\$24,125.00	\$31,240.42	\$13,899.85	\$45,140.27	\$35,149.78	\$489,790.05	\$5,259,107.78		
2028	\$258,775.00	\$125,000.00	\$383,775.00	\$0.00	\$23,525.00	\$30,475.93	\$14,664.34	\$45,140.27	\$35,852.78	\$488,293.04	\$5,119,443.45		
2029	\$251,900.00	\$130,000.00	\$381,900.00	\$0.00	\$22,900.00	\$29,669.39	\$15,470.88	\$45,140.27	\$36,569.83	\$486,510.10	\$4,973,972.57		
2030	\$244,750.00	\$140,000.00	\$384,750.00	\$0.00	\$22,250.00	\$28,818.49	\$16,321.77	\$45,140.27	\$37,301.23	\$489,441.50	\$4,817,650.79		
2031	\$237,050.00	\$145,000.00	\$382,050.00	\$0.00	\$21,550.00	\$27,920.79	\$17,219.47	\$45,140.27	\$38,047.25	\$486,787.52	\$4,655,431.32		
2032	\$229,075.00	\$155,000.00	\$384,075.00	\$0.00	\$20,825.00	\$26,973.72	\$18,166.54	\$45,140.27	\$38,808.20	\$488,848.46	\$4,482,264.78		
2033	\$220,550.00	\$165,000.00	\$385,550.00	\$0.00	\$20,050.00	\$25,974.56	\$19,165.70	\$45,140.27	\$39,584.36	\$490,324.63	\$4,298,099.07		
2034	\$211,475.00	\$170,000.00	\$381,475.00	\$0.00	\$19,225.00	\$24,920.45	\$20,219.82	\$45,140.27	\$40,376.05	\$486,216.32	\$4,107,879.26		
2035	\$202,125.00	\$180,000.00	\$382,125.00	\$0.00	\$18,375.00	\$23,808.36	\$21,331.91	\$45,140.27	\$41,183.57	\$486,823.84	\$3,906,547.35		
2036	\$192,225.00	\$190,000.00	\$382,225.00	\$0.00	\$17,475.00	\$22,635.10	\$22,505.16	\$45,140.27	\$42,007.24	\$486,847.51	\$3,694,042.19		
2037	\$181,775.00	\$200,000.00	\$381,775.00	\$0.00	\$16,525.00	\$21,397.32	\$23,742.95	\$45,140.27	\$42,847.39	\$486,287.65	\$3,470,299.24		
2038	\$170,775.00	\$210,000.00	\$380,775.00	\$0.00	\$15,525.00	\$20,091.46	\$25,048.81	\$45,140.27	\$43,704.34	\$485,144.60	\$3,235,250.44		
2039	\$159,225.00	\$225,000.00	\$384,225.00	\$0.00	\$14,475.00	\$18,713.77	\$26,426.49	\$45,140.27	\$44,578.42	\$488,418.69	\$2,983,823.94		
2040	\$146,850.00	\$235,000.00	\$381,850.00	\$0.00	\$13,350.00	\$17,260.32	\$27,879.95	\$45,140.27	\$45,469.99	\$485,810.26	\$2,720,943.99		
2041	\$133,925.00	\$250,000.00	\$383,925.00	\$0.00	\$12,175.00	\$15,726.92	\$29,413.35	\$45,140.27	\$46,379.39	\$487,619.66	\$2,441,530.65		
2042	\$120,175.00	\$265,000.00	\$385,175.00	\$0.00	\$10,925.00	\$14,109.19	\$31,031.08	\$45,140.27	\$47,306.98	\$488,547.24	\$2,145,499.57		
2043	\$105,600.00	\$280,000.00	\$385,600.00	\$0.00	\$9,600.00	\$12,402.48	\$32,737.79	\$45,140.27	\$48,253.12	\$488,593.38	\$1,832,761.78		
2044	\$90,200.00	\$295,000.00	\$385,200.00	\$0.00	\$8,200.00	\$10,601.90	\$34,538.37	\$45,140.27	\$49,218.18	\$487,758.45	\$1,503,223.41		
2045	\$73,975.00	\$310,000.00	\$383,975.00	\$0.00	\$6,725.00	\$8,702.29	\$36,437.98	\$45,140.27	\$50,202.54	\$486,042.81	\$1,156,785.43		
2046	\$56,925.00	\$325,000.00	\$381,925.00	\$0.00	\$5,175.00	\$6,698.20	\$38,442.07	\$45,140.27	\$51,206.59	\$483,446.86	\$793,343.36		
2047	\$39,050.00	\$345,000.00	\$384,050.00	\$0.00	\$3,550.00	\$4,583.88	\$40,556.38	\$45,140.27	\$52,230.73	\$484,970.99	\$407,786.98		
2048	\$20,075.00	\$365,000.00	\$385,075.00	\$0.00	\$0.00	\$2,353.28	\$42,786.98	\$45,140.27	\$53,275.34	\$483,490.61	\$0.00		
	\$5,895,135.28	\$5,410,000.00	\$11,305,135.28	(\$666,245.28)	\$536,050.00	\$697,652.72	\$647,000.00	\$1,344,652.72	\$1,217,042.38	\$13,736,635.09			

(a) Reimbursement Agreement Interest is charged at the same true interest rate as the Phase #1 Bonds (5.50%) but does not include Additional Interest.

(b) Assumes a 2% annual increase. The administrative charges will be revised in Annual Service Plan Updates based on Actual Costs up to the amounts shown in each year but may not be increased from the amounts shown without compliance with the provisions of Section 372.016 and 372.017 of the PID Act.

(c) Annual Installments are calculated based on the true interest rate on the Phase #1 Bonds (5.5%), plus an additional 0.50% for purposes of the Delinquency and Prepayment Reserve with respect to the Phase #1 Bonds, amounts due pursuant to the PID Reimbursement Agreement, and Administrative Expenses.

**APPENDIX C**

**CITY OF MESQUITE  
HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT**

**ANNUAL INSTALLMENTS – ALL PARCELS, PHASE #2 MAJOR IMPROVEMENTS  
ASSESSMENT**

**Appendix C**

**Annual Installments - Phase #2 Major Improvements Assessment - All Parcels**

Bond Year	Phase #2 Major Improvement Bonds				Administrative Expenses(a)	Annual Installment(b)	Assessment Balance			
	Gross Debt Service			Capitalized Interest						
	Interest	Principal	Total							
2019	\$97,892.15	\$0.00	\$97,892.15	(\$142,067.15)	\$9,175.00	\$35,000.00	\$0.00	\$1,835,000.00		
2020	\$105,512.50	\$0.00	\$105,512.50	(\$105,512.50)	\$9,175.00	\$35,700.00	\$44,875.00	\$1,835,000.00		
2021	\$105,512.50	\$35,000.00	\$140,512.50	\$0.00	\$9,175.00	\$36,414.00	\$186,101.50	\$1,800,000.00		
2022	\$103,500.00	\$35,000.00	\$138,500.00	\$0.00	\$9,000.00	\$37,142.28	\$184,642.28	\$1,765,000.00		
2023	\$101,487.50	\$35,000.00	\$136,487.50	\$0.00	\$8,825.00	\$37,885.13	\$183,197.63	\$1,730,000.00		
2024	\$99,475.00	\$40,000.00	\$139,475.00	\$0.00	\$8,650.00	\$38,642.83	\$186,767.83	\$1,690,000.00		
2025	\$97,175.00	\$40,000.00	\$137,175.00	\$0.00	\$8,450.00	\$39,415.68	\$185,040.68	\$1,650,000.00		
2026	\$94,875.00	\$40,000.00	\$134,875.00	\$0.00	\$8,250.00	\$40,204.00	\$183,329.00	\$1,610,000.00		
2027	\$92,575.00	\$45,000.00	\$137,575.00	\$0.00	\$8,050.00	\$41,008.08	\$186,633.08	\$1,565,000.00		
2028	\$89,987.50	\$45,000.00	\$134,987.50	\$0.00	\$7,825.00	\$41,828.24	\$184,640.74	\$1,520,000.00		
2029	\$87,400.00	\$45,000.00	\$132,400.00	\$0.00	\$7,600.00	\$42,664.80	\$182,664.80	\$1,475,000.00		
2030	\$84,812.50	\$50,000.00	\$134,812.50	\$0.00	\$7,375.00	\$43,518.10	\$185,705.60	\$1,425,000.00		
2031	\$81,937.50	\$50,000.00	\$131,937.50	\$0.00	\$7,125.00	\$44,388.46	\$183,450.96	\$1,375,000.00		
2032	\$79,062.50	\$55,000.00	\$134,062.50	\$0.00	\$6,875.00	\$45,276.23	\$186,213.73	\$1,320,000.00		
2033	\$75,900.00	\$55,000.00	\$130,900.00	\$0.00	\$6,600.00	\$46,181.76	\$183,681.76	\$1,265,000.00		
2034	\$72,737.50	\$60,000.00	\$132,737.50	\$0.00	\$6,325.00	\$47,105.39	\$186,167.89	\$1,205,000.00		
2035	\$69,287.50	\$60,000.00	\$129,287.50	\$0.00	\$6,025.00	\$48,047.50	\$183,360.00	\$1,145,000.00		
2036	\$65,837.50	\$65,000.00	\$130,837.50	\$0.00	\$5,725.00	\$49,008.45	\$185,570.95	\$1,080,000.00		
2037	\$62,100.00	\$65,000.00	\$127,100.00	\$0.00	\$5,400.00	\$49,988.62	\$182,488.62	\$1,015,000.00		
2038	\$58,362.50	\$70,000.00	\$128,362.50	\$0.00	\$5,075.00	\$50,988.39	\$184,425.89	\$945,000.00		
2039	\$54,337.50	\$75,000.00	\$129,337.50	\$0.00	\$4,725.00	\$52,008.16	\$186,070.66	\$870,000.00		
2040	\$50,025.00	\$75,000.00	\$125,025.00	\$0.00	\$4,350.00	\$53,048.32	\$182,423.32	\$795,000.00		
2041	\$45,712.50	\$80,000.00	\$125,712.50	\$0.00	\$3,975.00	\$54,109.29	\$183,796.79	\$715,000.00		
2042	\$41,112.50	\$85,000.00	\$126,112.50	\$0.00	\$3,575.00	\$55,191.47	\$184,878.97	\$630,000.00		
2043	\$36,225.00	\$90,000.00	\$126,225.00	\$0.00	\$3,150.00	\$56,295.30	\$185,670.30	\$540,000.00		
2044	\$31,050.00	\$95,000.00	\$126,050.00	\$0.00	\$2,700.00	\$57,421.21	\$186,171.21	\$445,000.00		
2045	\$25,587.50	\$100,000.00	\$125,587.50	\$0.00	\$2,225.00	\$58,569.63	\$186,382.13	\$345,000.00		
2046	\$19,837.50	\$105,000.00	\$124,837.50	\$0.00	\$1,725.00	\$59,741.03	\$186,303.53	\$240,000.00		
2047	\$13,800.00	\$110,000.00	\$123,800.00	\$0.00	\$1,200.00	\$60,935.85	\$185,935.85	\$130,000.00		
2048	\$7,475.00	\$130,000.00	\$137,475.00	\$0.00	\$0.00	\$62,154.56	\$199,629.56	\$0.00		
	\$2,050,592.15	\$1,835,000.00	\$3,885,592.15	(\$247,579.65)	\$178,325.00	\$1,419,882.77	\$5,236,220.27			

(a) Assumes a 2% annual increase. The administrative charges will be revised in Annual Service Plan Updates based on actual costs up to the amounts shown in each year but may not be increased from the amounts shown without compliance with the provisions of Section 372.016 and 372.017 of the

(b) Annual Installments are calculated based on the true interest rate on the Phase #2 Bonds (5.75%) plus an additional 0.50% for purposes of the Delinquency and Prepayment Reserves and Administrative Expenses.

**APPENDIX D**

**CITY OF MESQUITE  
HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT**

**LEGAL DESCRIPTION OF THE PID BOUNDARIES**

LEGAL DESCRIPTION  
121.282 ACRES

BEING that certain tract of land situated in the MARTHA MUSIC SURVEY, ABSTRACT NUMBER 312, in Kaufman County, Texas, and being part of that certain called 146.733 acre tract of land described in deed to CADG Kaufman 146, LLC, recorded in Volume 4363, Page 38, of the Deed Records of Kaufman County, Texas (DRKCT), and being more particularly described as follows:

BEGINNING at a 1/2 inch iron rod with cap marked "DAA" found at the southernmost corner of said CADG Kaufman 146, LLC tract, and being located on the northeasterly line of Lot 2X, Block 43, of Heartland Tract A, Phase 1B, an addition to Kaufman County, Texas according to the Amending Plat recorded in Cabinet 3, Slide 20, of the Plat Records of Kaufman County, Texas (PRKCT), said iron rod also being located at the beginning of a non-tangent curve to the left;

THENCE Northwesterly with said northeasterly line of Lot 2X and with said curve to the left which has a central angle of  $21^{\circ}32'00''$ , a radius of 800.00 feet, a chord which bears North  $34^{\circ}55'09''$  West, a chord distance of 298.90 feet, for an arc distance of 300.66 feet to the end of said curve, a 1/2 inch iron rod with cap marked "DAA" found for corner;

THENCE North  $45^{\circ}41'09''$  West, continuing with the northeasterly line of Lot 2X, a distance of 397.34 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner at the northernmost corner of said Lot 2X, Block 43, also being the northernmost corner of said Heartland Tract A, Phase 1B;

THENCE South  $44^{\circ}18'51''$  West, with the northwest line of said Lot 2X, Block 43, a distance of 10.00 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner at the easternmost corner of Heartland Tract A Phase 2B, an addition to Kaufman County, Texas, according to the Final Plat recorded in Cabinet 3, Slide 100, PRKCT, said iron rod also being located on the northeasterly right-of-way line of Heartland Parkway (called 80 foot right-of-way at this point), according to said Final Plat of Heartland Tract A Phase 2B;

THENCE North  $45^{\circ}41'09''$  West, with said northeasterly right-of-way line of Heartland Parkway, a distance of 1324.03 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner at the beginning of a tangent curve to the left;

THENCE Northwesterly, continuing with said northeasterly right-of-way line of Heartland Parkway, and with said curve having a central angle of  $34^{\circ}32'11''$ , a radius of 790.00 feet, a chord which bears North  $62^{\circ}57'14''$  West, a chord distance of 469.01 feet, for an arc distance of 476.19 feet to the end of said curve, a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" found for corner, from which a 1/2 inch iron rod with cap marked "DAA" found is located northwesterly along said curve at an arc distance of 29.78 feet;

THENCE leaving said northeasterly right-of-way line of Heartland Parkway, and over and across said CADG Kaufman 146, LLC tract, the following courses to 5/8 inch iron rods with caps marked "PETITT-RPLS 4087" found for corners:

North  $09^{\circ}46'40''$  East, a distance of 165.00 feet;

South  $78^{\circ}15'28''$  East, a distance of 65.47 feet;

North  $15^{\circ}12'36''$  East, a distance of 235.81 feet;

North  $42^{\circ}35'50''$  East, a distance of 477.61 feet;

North  $07^{\circ}44'02''$  West, a distance of 285.71 feet;

South  $86^{\circ}42'10''$  West, a distance of 198.45 feet;

North  $68^{\circ}43'31''$  West, a distance of 145.05 feet;

And North  $06^{\circ}39'43''$  West, a distance of 222.01 feet, said iron rod being located on the north line of said CADG Kaufman 146, LLC tract;

THENCE North  $83^{\circ}20'17''$  East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 210.14 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner;

THENCE North  $88^{\circ}27'43''$  East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 474.11 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner;

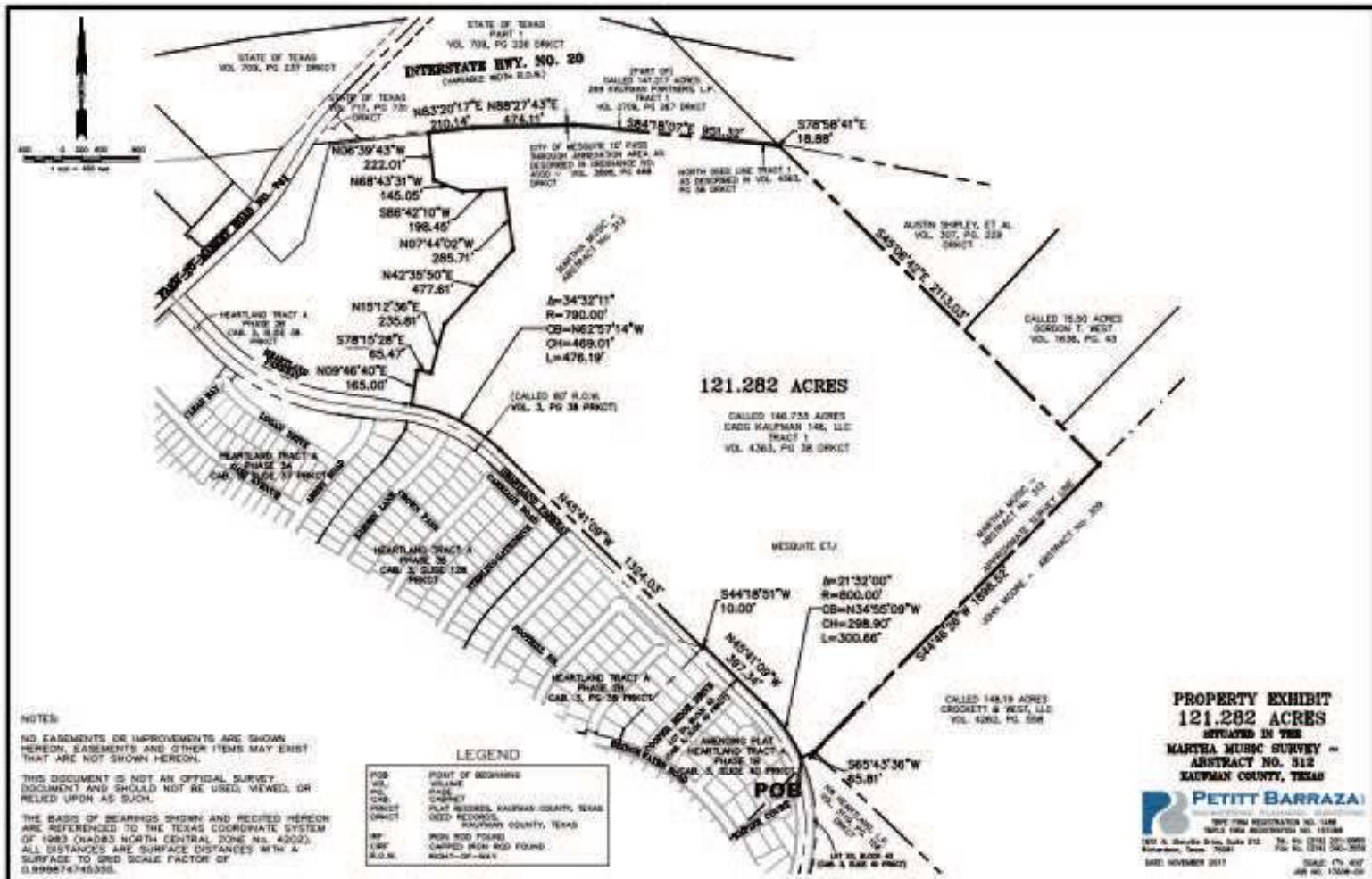
THENCE South  $84^{\circ}18'07''$  East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 951.32 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner;

THENCE South  $78^{\circ}58'41''$  East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 18.88 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner at a northeast corner of said CADG Kaufman 146, LLC tract;

THENCE South  $45^{\circ}06'42''$  East, with the northeasterly line of said CADG Kaufman 146, LLC tract, a distance of 2113.03 feet to a 3/4 inch iron pipe found at the easternmost corner of said CADG Kaufman County 146, LLC tract;

THENCE South  $44^{\circ}46'26''$  West, with a southeasterly line of said CADG Kaufman 146, LLC tract, a distance of 1898.52 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner;

THENCE South  $65^{\circ}43'36''$  West, with a southeasterly line of said CADG Kaufman 146, LLC tract, a distance of 65.81 feet to the POINT OF BEGINNING of herein described tract, containing a calculated area of 121.282 acres of land.



**APPENDIX E**

**CITY OF MESQUITE  
HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT**

**TIRZ ANNUAL CREDIT HISTORY**

**Appendix E**  
**TIRZ Annual Credit History (a)**

**All Parcels**

**TIRZ Credits Applied (b)**

Parcel ID	2020	2021	2022	2023	2024	TIRZ Credits Received to Date
9609	\$0.00					\$0.00
9711	\$0.00					\$0.00
76545	\$0.00					\$0.00
<b>Total</b>						

(a) The City Council has agreed to use a portion of TIRZ Revenues generated to reduce the Annual Installment for Assessed Property based on a desire to maintain a competitive, composite equivalent ad valorem tax rate.

(b) The maximum TIRZ Annual Credit Amount shall not exceed the amounts shown in Section V.H of the Service and Assessment Plan.

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

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[Form of Bond Counsel Opinion]

[Date]

\$ \_\_\_\_\_

THE CITY OF MESQUITE, TEXAS

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018

(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)

WE HAVE represented the City of Mesquite, Texas (the "Issuer"), as its bond counsel in connection with an issue of assessment revenue bonds (the "Bonds") described as follows:

THE CITY OF MESQUITE, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT), dated  
August 1, 2018, issued in the principal amount of \$ \_\_\_\_\_.

IN SUCH capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

THE BONDS have been authorized and issued pursuant to Texas Local Government Code, Chapter 372, as amended (the "Act") and an Ordinance adopted by the Issuer on August 20, 2018 (the "Ordinance"). The Bonds are issued pursuant to a Trust Indenture, dated as of [August 1], 2018 (the "Indenture"), by and between the Issuer and the Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee")

Unless the context clearly indicates otherwise, each capitalized term used in this opinion shall have the same meaning as set forth in the Indenture.

WE HAVE represented the Issuer as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described

therein. We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

As to questions of fact material to our opinion, we have relied on representations of the Issuer, the Developer, the Financial Advisor and the Underwriters, the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We do not express any opinion herein concerning any law other than the law of the State of Texas and federal law of the United States of America.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials, and other certified showings relating to the authorization and issuance of the Bonds. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of Treasury regulations, and rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer payable solely from the Pledged Revenues as and to the extent provided in the Indenture.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT, under existing law:

- (2) Interest on the Bonds is excludable from gross income for federal income tax purposes; and
- (3) The Bonds are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

In providing the opinions set forth in (2) and (3) above, we have relied on representations of the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Indenture pertaining to those sections of the Code that affect the includability of interest on the Bonds from gross income of interest for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Indenture, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Indenture not to take action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

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**APPENDIX D-1**  
**FORM OF CITY DISCLOSURE AGREEMENT**

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**CITY OF MESQUITE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1  
PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER**

This Continuing Disclosure Agreement of the Issuer dated as of September 1, 2018 (this "Disclosure Agreement") is executed and delivered by and between the City of Mesquite, Texas (the "Issuer"), David Taussig & Associates, Inc. (the "Administrator") and HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc. (the "Dissemination Agent") with respect to the Issuer's "Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project" (the "Bonds"). The Issuer, the Administrator and the Dissemination Agent covenant and agree as follows:

**Section 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Agreement shall be filed with the MSRB through EMMA (defined below).

**Section 2. Definitions.** In addition to the definitions set forth above and in the Indenture of Trust dated as of September 1, 2018, between the Issuer and the Trustee relating to the Bonds (the "Indenture"), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Administrative Expenses" shall have the meaning assigned to such term in the Indenture.

"Administrator" shall mean David Taussig & Associates, Inc. or an officer or employee of the City or third party designee of the City who is not an officer or employee thereof, identified in any indenture of trust relating to the Bonds, the District's Service and Assessment Plan, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District.

"Affiliate" shall mean an entity that owns property within Phase #1 of the District and is controlled by, controls, or is under common control with the Developer, including any Subsequent Third Party Owner.

"Annual Financial Information" shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

"Annual Installment" shall have the meaning assigned to such term in the Indenture.

“Annual Issuer Report” shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall mean any day other than a Saturday, Sunday or legal holiday in the State of Texas observed as such by the Issuer or the Trustee.

“Developer” shall mean D.R. Horton-Texas, Ltd., a Texas limited partnership, and its successors and assigns, including any Affiliate.

“Disclosure Agreement of the Developer” shall mean the Continuing Disclosure Agreement of the Developer dated as of September 1, 2018 executed and delivered by the Developer, the Administrator and the Dissemination Agent.

“Disclosure Representative” shall mean the Managing Director of Financial Services of the Issuer or his or her designee, or such other officer or employee as the Issuer, may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Heartland Town Center Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the calendar year from October 1 through September 30.

“Foreclosure Proceeds” shall have the meaning assigned to such term in the Indenture.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Outstanding” shall have the meaning given to it in the Indenture.

“Owner” shall mean the registered owner of any Bonds, as shown on the register maintained by the Trustee.

“Participating Underwriter” means FMSbonds, Inc. and its successors and assigns.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A. or any successor trustee pursuant to the Indenture.

Section 3. Provision of Annual Issuer Reports.

(a) The Issuer shall cause and hereby directs the Administrator to compile and prepare the Annual Issuer Report. The Administrator shall provide such Annual Issuer Report to the Issuer and the Dissemination Agent no later than 10 Business Days before the expiration of six months after the end of each Fiscal Year.

(b) The Issuer shall cause and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other form required by the MSRB, commencing with the Fiscal Year ended September 30, 2018, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements of and within the time periods specified in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer, if prepared and available, may be submitted separately from the Annual Issuer Report, and later than the date required in this paragraph for the filing of the Annual Issuer Report if audited financial statements are not available by that date; provided further, however, that the Annual Financial Information must be submitted not later than six months after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ended September 30, 2018. The Issuer is providing the audited financial statements in connection with the requirements of the Rule; notwithstanding such requirements, the Bonds are special obligations of the Issuer payable solely from the Pledged Revenues and other funds comprising the Trust Estate, as and to the extent provided for and defined in the Indenture. The Bonds do not give rise to a charge against the general credit or taxing power of the Issuer and are payable solely from the sources identified in the Indenture.

The Annual Issuer Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a). All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c) The Issuer shall or shall cause the Dissemination Agent to:

(1) determine the filing address or other filing location of the MSRB each year within ten (10) Business Days prior to filing the Annual Issuer Report on the date required in subsection (a);

(2) file the Annual Issuer Report (excluding the audited financial statements of the Issuer, if any, which shall be filed by the Issuer or the Dissemination Agent upon

receipt from the Issuer) containing or incorporating by reference the information set forth in Section 4 hereof;

(3) file audited financial statements of the Issuer pursuant to Section 4(b) herein; and

(4) if the Issuer has provided the Dissemination Agent with the completed Annual Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

Section 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent, the following:

(a) Within six months after the end of each Fiscal Year (any or all of which may be unaudited),

(1) Tables setting forth the following information, as of the end of such Fiscal Year:

(A) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding; and

(B) The amounts in the funds and accounts securing the Bonds.

(2) The principal and interest paid on the Bonds during such Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year.

(3) Updates to the information in the Service and Assessment Plan as most recently amended or supplemented (a “SAP Update”), including any changes to the methodology for levying the Assessments.

(4) Until building permits have been issued for parcels or lots representing, in the aggregate, 95% of the total Assessments levied within Phase #1 of the District, the number of new homes completed in Phase #1 of the District during such Fiscal Year and the aggregate number of new homes completed within the District since the District’s creation. Completion of a home shall be evidenced by the Issuer’s issuance of a certificate of occupancy for any such home.

(5) The individual and aggregate taxable assessed valuation (for both land value and improvement value to the extent such information is available from the Appraisal District) for parcels or lots within Phase #1 of the District, including the owner of each parcel or lot and a summary of lot/parcel count by ownership, based on the most recent certified tax roll available to the Issuer.

(6) The current or delinquent status of the payment of the Assessment for each parcel or lot in Phase #1 of the District as of March 1 of the calendar year immediately succeeding such Fiscal Year.

(7) The total amount of (A) Annual Installments invoiced, (B) Annual Installments collected (as reported by the County Tax Assessor Collector or the Administrator), (C) delinquent Annual Installments, (D) delinquent Assessments collected, (E) Foreclosure Proceeds collected, and (F) prepaid Assessments collected, as of the March 1 of the calendar year immediately succeeding such Fiscal Year, in each case with respect to the most recent billing period (generally, October 1 of the preceding calendar year through January 31 of the current calendar year), each as reported by the Issuer.

(8) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer's audited financial statements during such Fiscal Year.

(b) If not provided with the financial information provided under subsection 4(a) above, if prepared and when available, the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer.

The form for submitting the information set forth in Section 4(a)(1)-(2) is set forth in Exhibit B hereto. The Issuer has designated David Taussig & Associates, Inc. as the initial Administrator. The Administrator, or the Issuer's staff if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

## Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

- (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, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(7) Modifications to rights of Owners, if material.

(8) Bond calls, if material.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the Issuer.

(13) The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall promptly, but in no case more than five (5) Business Days after the occurrence of the event, notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Additionally, the Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide annual audited financial statements or Annual Financial Information as required

under this Disclosure Agreement. The form for submitting such notice is attached hereto as Exhibit A.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. The Issuer acknowledges the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8, 10, 13, or 14 of subsection (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after the occurrence of the event, notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall immediately file a notice of such occurrence with the MSRB (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

Section 6. Termination of Reporting Obligations. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the

Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to such series of Bonds under Section 5(a).

Section 7. Dissemination Agent. The Dissemination Agent agrees to perform the duties set forth in this Agreement. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder is set forth in Section 2.

Section 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Issuer Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Issuer Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the

former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Issuer Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Issuer Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of Developer by the Developer, and a default under the Disclosure Agreement of the Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Assessments collected from the property owners in Phase #1 of the District, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Dissemination Agent for losses, expenses or liabilities arising from information provided to the Dissemination Agent by the Developer or the failure of the Developer to provide information to the Dissemination Agent as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the

Dissemination Agent is an “obligated person” under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

The Administrator shall not have any responsibility for the (1) accuracy of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, or (2) the untimeliness of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, except where such untimeliness is attributable to the actions or inactions of the Administrator. The Administrator shall have only such duties as are specifically set forth in Sections 3 and 4 of this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Assessments collected from the property owners in Phase #1 of the District, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys’ fees) of defending against any claim of liability resulting from information provided to the Administrator by the Issuer, but excluding liabilities due to the Administrator’s negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties or the Developer, or the failure of any third party or the Developer to provide information to the Administrator as and when required under this Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an “obligated person” under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE ADMINISTRATOR OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NEITHER THE DISSEMINATION AGENT NOR THE ADMINISTRATOR ARE UNDER ANY OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments.

Section 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, the Administrator or the Dissemination Agent in other than that person's official capacity.

Section 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 15. Sovereign Immunity. The Dissemination Agent agrees that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

Section 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 17. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from Assessments collected from the property owners in Phase #1 of the District, for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Disclosure Agreement.

Section 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 20. Disclosure Agreement of the Developer. Concurrently with the execution and delivery of this Disclosure Agreement, the Dissemination Agent and Administrator have entered into the Disclosure Agreement of the Developer. Except as provided in Section 6 of the Disclosure Agreement of the Developer, the parties agree that the Issuer has no obligation to assume any of the duties of the Developer under the terms of the Disclosure Agreement of the Developer.

Section 21. Anti-Boycott Verification. The Dissemination Agent and the Administrator each represent that, to the extent this Disclosure Agreement constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2270 of the Texas Government Code, and subject to applicable Federal law, neither the Dissemination Agent, the Administrator nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Dissemination Agent or the Administrator (i) boycotts Israel or (ii) will boycott Israel through the term of this Disclosure Agreement. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Section 22. Iran, Sudan and Foreign Terrorist Organizations. The Dissemination Agent and the Administrator each represent that, as of the date of this Agreement, to the extent this Disclosure Agreement constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, neither the Dissemination Agent, the Administrator nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Dissemination Agent or the Administrator is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" as used in this Section has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

**CITY OF MESQUITE, TEXAS**

By: \_\_\_\_\_  
Mayor

**DISSEMINATION AGENT:**

**HTS CONTINUING DISCLOSURE  
SERVICES, A Division of Hilltop Securities,  
Inc.**

By: \_\_\_\_\_  
Authorized Officer

**ADMINISTRATOR:**

**DAVID TAUSSIG & ASSOCIATES, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT A

### NOTICE TO MSRB OF FAILURE TO FILE ANNUAL ISSUER REPORT

Name of Issuer: City of Mesquite, Texas

Name of Bond Issue: Special Assessment Revenue Bonds, Series 2018  
(Heartland Town Center Public Improvement District Phase #1 Project)

Date of Delivery: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the City of Mesquite, Texas, has not provided [an Annual Issuer Report][annual audited financial statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated \_\_\_\_\_, 2018, between the Issuer and \_\_\_\_\_, as Dissemination Agent. The Issuer anticipates that [the Annual Issuer Report][annual audited financial statements] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

HTS Continuing Disclosure Services, a Division of Hilltop Securities Inc., on behalf of the City of Mesquite, Texas  
(as Dissemination Agent)

By: \_\_\_\_\_  
Title: \_\_\_\_\_

cc: City of Mesquite, Texas

## EXHIBIT B

**CITY OF MESQUITE, TEXAS  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018  
(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1  
PROJECT)**

**ANNUAL ISSUER REPORT\***

Delivery Date: \_\_\_\_\_, 20\_\_\_\_

**DISSEMINATION AGENT**

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Contact Person: \_\_\_\_\_

**BONDS OUTSTANDING**

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount
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**INVESTMENTS**

Fund/Account Name	Investment Description	Par Value	Book Value	Market Value
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\*Excluding Audited Financial Statements of the Issuer

## **ASSETS AND LIABILITIES OF PLEDGED TRUST ESTATE**

Bonds (Principal Balance) \_\_\_\_\_  
Funds and Accounts [list] \_\_\_\_\_  
**TOTAL ASSETS** \_\_\_\_\_

## **LIABILITIES**

Outstanding Bond Principal \_\_\_\_\_  
Outstanding Program Expenses (if any) \_\_\_\_\_  
**TOTAL LIABILITIES** \_\_\_\_\_

## **EQUITY**

Assets Less Liabilities \_\_\_\_\_  
Debt to Value Ratio \_\_\_\_\_

**Form of Accounting**  Cash  Accrual  Modified Accrual

## **ITEMS REQUIRED BY SECTION 4(a)(3)-(8)**

[Insert a line item for each applicable listing]

## EXHIBIT C

### BASIC TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES<sup>1</sup>

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Assessments are due.
February 1	1	Assessments Delinquent if not received
February 15	15	Issuer forwards payment to Trustee for all collections received as of February 15, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.
		Issuer and/or Administrator should be aware of actual and specific delinquencies
		Issuer and/or Administrator should be aware if Reserve Fund needs to be utilized for debt service payment on March 1. <b>If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified.</b>
		Issuer and/or Administrator should also be aware if, based on collections, there will be a shortfall for September payment
		At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency. <b>For properties delinquent by more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of foreclosure.</b>
		<b>If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.</b>
March 1	28/29	Trustee pays bond interest payments to bondholders.
		Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

<sup>1</sup> Illustration of sequencing of events only. Actual actions may differ from this timeline.

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
		Issuer, or the Trustee on behalf of the Issuer, to notify Dissemination Agent of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw or Fund for debt service.
		<b>Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.</b>
		Issuer determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments.
March 20	47/48	<b>Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies.</b>
		<b>If any property owner with ownership of property responsible for more than \$10,000 of the Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the March or September bond payments, the Disclosure Representative shall work with City Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Assessments.</b>
April 15	74/75	<b>Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent of the commencement of preliminary foreclosure activity.</b>
		If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.
May 1	89/90	If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the bondholders under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
May 15	103/104	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those bondholders who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than June 1 (day 120/121).
June 1	120/121	<b>Foreclosure action to be filed with the court.</b>

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
June 15	134/135	<b>Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status.</b> Dissemination Agent notifies bondholders.
July 1	150/151	If bondholders and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

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**APPENDIX D-2**  
**FORM OF DEVELOPER DISCLOSURE AGREEMENT**

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**CITY OF MESQUITE, TEXAS,**  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018**  
**(HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT PHASE #1**  
**PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF THE DEVELOPER**

This Continuing Disclosure Agreement dated as of September 1, 2018 (this "Disclosure Agreement") is executed and delivered by and among D.R. Horton-Texas, Ltd., a Texas limited partnership (the "Developer"), David Taussig & Associates, Inc. (the "Administrator") and HTS Continuing Disclosure Services, a division of Hilltop Securities, Inc. (the "Dissemination Agent") with respect to the "City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2018 (Heartland Town Center Public Improvement District Phase #1 Project) (the "Bonds"). The Developer, Administrator and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator and the Dissemination Agent for the benefit of the Owners (as hereinafter defined) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB or the SEC, all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA.

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of September 1, 2018, relating to the Bonds (the "Indenture"), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Administrative Expenses" shall have the meaning assigned to such term in the Service and Assessment Plan.

"Administrator" shall mean David Taussig & Associates, Inc. or an officer or employee of the City or third party designee of the City who is not an officer or employee thereof, identified in any indenture of trust relating to the Bonds, the District's Service and Assessment Plan, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District.

"Affiliate" shall mean an entity that owns property within Phase #1 of the District and is controlled by, controls, or is under common control with the Developer, including any Subsequent Third Party Owner.

"Annual Installment" shall have the meaning assigned to such term in the Indenture.

"Assessments" shall have the meaning assigned to such term in the Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or legal holiday of the State of Texas observed as such by the Issuer or the Trustee.

“Developer” shall mean D.R. Horton-Texas, Ltd., a Texas limited partnership, its successors and assigns, including any Affiliate of the Developer.

“Development Agreement” means that certain Heartland Town Center Development Agreement between the City and CADG Kaufman 146, LLC dated April 12, 2018, as assigned to the Developer pursuant to that certain Partial Assignment and Assumption of Heartland Town Center Development Agreement dated as of August 3, 2018.

“Dissemination Agent” shall mean HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc. or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Heartland Town Center Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the twelve (12) month period from October 1 through September 30.

“Issuer” shall mean the City of Mesquite, Texas.

“Issuer Disclosure Agreement” shall mean the Continuing Disclosure Agreement of the Issuer dated as of September 1, 2018 executed and delivered by the Issuer, the Administrator and the Dissemination Agent.

“Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Material” shall have the meaning ascribed in 17 CFR Section 270.8b-2: “when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters as to which an average prudent investor ought reasonably to be informed before buying or selling any security of the particular company.”

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Owner” shall mean the registered owner of any Bonds.

“Phase #1 Improvements” shall have the meaning assigned to such term in the Service and Assessment Plan.

“Quarterly Improvement Implementation Report” shall mean any Quarterly Improvement Implementation Report prepared by the Administrator pursuant to, and as described in, Section 3 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Subsequent Third Party Owner” shall have the meaning assigned to such term in Section 3(f) of this Disclosure Agreement.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A. or any successor trustee pursuant to the Indenture.

**Section 3. Quarterly Improvement Implementation Reports.**

(a) The Developer shall provide, or cause to be provided, to the Administrator, at its cost and expense, no more than five (5) Business Days after each calendar quarter ending March 30, June 30, September 30 and December 30 (beginning December 31, 2018), any information in its knowledge or possession or that will enable the Administrator to complete each Quarterly Improvement Implementation Report containing the information described in this Section 3 for the quarter ended within the last (5) Business Days (or cause to be provided by a Subsequent Third Party Owner as set forth in Section 3(f) herein), such information required for the preparation of each Quarterly Improvement Implementation Report during the period from the delivery of the Bonds until such time as the Developer is no longer responsible for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installments of Assessments for any year.

(b) The Administrator shall provide to the Issuer and the Dissemination Agent, no later than ten (10) Business Days after each March 30, June 30, September 30 and December 30 (beginning December 31, 2018), each Quarterly Improvement Implementation Report containing the information described in this Section 3 with respect to the quarter ended within the last (10) Business Days. The Issuer shall review the information and authorize the Dissemination Agent to provide such information to the MSRB within fifteen (15) calendar days of the Dissemination Agent’s receipt thereof pursuant to this subsection 3(b).

(c) Such Quarterly Improvement Implementation Report shall include:

(i) Statement from the Developer as to the status of acquisition loans, development loans and any permanent financing, if any, with respect to any development undertaken by the Developer in Phase #1 of the District not financed with Bond proceeds, including loan balance, existence of deeds of trust or other similar encumbrances against the property in Phase #1 of the District existence of any default and remaining term;

(ii) Statement as to available funds to complete the development in Phase #1 of the District currently under construction (both Bond financed and non-Bond financed development currently under construction by the Developer);

(iii) Status of parcel and/or lot sales from the Developer to any other party by type and average pricing, as well as anticipated future absorption projections;

(iv) A statement as to material changes, if any, in the form, organization or controlling ownership of the Developer;

(v) The status of any governmental approvals (other than customary home building permits required after delivery of a finished lot) required for completion of the Phase #1 Improvements;

(vi) Any information regarding the Phase #1 Improvements or other information as may be reasonably requested by the Issuer relating to the ability of the Developer to fulfill its obligations under the Indenture or the Service and Assessment Plan, or the Development Agreement;

(vii) Written notification of any significant zoning or land use entitlement changes within Phase #1 of the District, or any other changes initiated by the Developer that affect: (1) the development within Phase #1 of the District as described in the Service and Assessment Plan, or (2) or the likelihood of the timely payment of the Assessments levied on land or parcels owned by the Developer; and

(viii) Any changes to the land use designation for the property in Phase #1 of the District initiated by the Developer that affect its development for those purposes identified in the final Service and Assessment Plan, as the same may be amended and supplemented from time to time.

(d) Additionally, the Developer shall provide or cause to be provided the following information to the Administrator for inclusion in each Quarterly Improvement Implementation Report:

(i) The number, dollar amount, and property type (e.g., developed lots, undeveloped pads, parcels, raw land) under contract with wholesale purchasers and the name of each such purchaser;

(ii) A listing of any Subsequent Third Party Owners (defined below) liable for payment of at least twenty percent (20%) of the Assessments, the amount of the levy of Assessments against the property owned by such Subsequent Third Party Owner, and the percentage of such Assessments relative to the entire levy of Assessments;

(iii) For each residential home builder, on a per quarter and running total basis, (A) the number of residential units for which construction has begun, (B) the number of residential units for which construction has been completed, (C) the number of residential units which have been sold to end users and the average sales price therefor and (D) the estimated date of completion for all residential units expected to be constructed in Phase #1 of the District;

(e) With respect to the Phase #1 Improvements, the Developer will establish an accounting and budgeting system and shall provide or cause to be provided the following

information to the Administrator for inclusion in each Quarterly Improvement Implementation Report:

- (i) Total expected costs for design and engineering to be completed after delivery of the Bonds;
- (ii) Total expected construction budget;
- (iii) Construction budget allocated to each progress milestone;
- (iv) Forecast construction milestones by date;
- (v) Forecast completion date; and
- (vi) Forecast Issuer acceptance date.

The Developer shall prepare, within ninety (90) days of the issuance of the Bonds, a schedule reflecting the points listed above for each of the Phase #1 Improvements to be funded by the Bond proceeds. Quarterly progress reports, reflecting the points listed above, will be summarized by the Developer to reflect the progress and conformance with the overall project budget. These quarterly summaries will be filed with the Administrator for assembly into the Quarterly Improvement Implementation Report and delivered to the Issuer and the Dissemination Agent. Budget overruns in excess of \$250,000 per quarter or delays of greater than sixty (60) days will be highlighted and explained and the Developer shall include a plan to remedy the situation. The Developer's filings under this Section 3(e) will terminate after the Issuer has accepted all of the Phase #1 Improvements and Developer provides a final summary report covering the period from the date of its last preceding quarterly progress report to the date of Issuer acceptance of the Phase #1 Improvements.

(f) If the Developer sells, assigns or otherwise transfers ownership of real property in Phase #1 of the District to a third party, which results in such third party, including any Affiliate of such third party, owning property representing at least twenty percent (20%) of the total Annual Installments of the Assessments first coming due after such transfer of ownership (a "Subsequent Third Party Owner"), the Developer shall (i) require such Subsequent Third Party Owner to comply with the Developer's disclosure obligations hereunder with respect to such acquired real property or (ii) obtain a contractual commitment of the Subsequent Third Party Owner to provide such disclosure information to the Developer for use in complying with its disclosure obligations hereunder for so long as such Subsequent Third Party Owner is the owner of property liable for at least twenty percent (20%) of the total of Annual Installments of the Assessments next coming due; provided however, a Subsequent Third Party Owner shall not be required to provide the disclosure information required by Sections 3(c)(i), 3(c)(ii), 3(c)(v), 3(c)(vi), and 3(e) above unless the Subsequent Third Party Owner has assumed the obligation to construct one or more of the Phase #1 Improvements, through an assignment of the obligations, requirements or covenants under the Development Agreement or through any contractual arrangement resulting in the same, in which case the Subsequent Third Party Owner shall include the disclosure information required by Sections 3(c)(i), 3(c)(ii), 3(c)(v), 3(c)(vi), and 3(e) above for the Phase #1 Improvements it is constructing. The Developer shall deliver to the Dissemination Agent and the Issuer a written acknowledgement from each Subsequent Third

Party Owner, acknowledging and assuming its obligations under this Disclosure Agreement. Upon any such transfer to a Subsequent Third Party Owner, and such Subsequent Third Party Owner's assumption of Developer's obligations under this Disclosure Agreement as to the property transferred, Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred. For the avoidance of doubt, the Developer shall include in any transfer documents related to land purchased by any Subsequent Third Party Owner a contractual obligation to comply with the obligations of this Section 3(f) with respect to any subsequent transfers to other Subsequent Third Party Owners by such Subsequent Third Party Owner.

Section 4. Event Reporting Obligations of Developer.

(a) Pursuant to the provisions of this Section 4, each of the following is a Listed Event with respect to the Bonds:

- (i) Failure to pay any real property taxes due or any assessments levied and due within Phase #1 of the District on a parcel owned by the Developer before such taxes and Assessments become delinquent;
- (ii) Material damage to or destruction of any development or improvements, including the Phase #1 Improvements;
- (iii) Material default by the Developer on any loan with respect to the development or permanent financing of the Phase #1 Improvements or development of Phase #1 of the District undertaken by the Developer;
- (iv) Material default by the Developer on any loan secured by property within Phase #1 of the District owned by the Developer;
- (v) The bankruptcy filing of the Developer or any determination that the Developer is unable to pay its debts as they become due;
- (vi) The consummation of a merger, consolidation, or acquisition of the Developer, or the sale of all or substantially all of the assets of the Developer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (vii) The filing of any lawsuit with claim for damage, in excess of \$1,000,000 against the Developer which may adversely affect the completion of development in Phase #1 of the District or litigation which would materially adversely affect the financial condition of the Developer; and
- (viii) Any material change in the legal structure, chief executive officer or controlling ownership of the Developer.

Whenever the Developer obtains actual knowledge of the occurrence of a Listed Event, the Developer shall, within five (5) Business Days, notify the Issuer, the Administrator and the

Dissemination Agent in writing and the Developer shall direct the Dissemination Agent, subject to the Issuer's written approval, to immediately file a notice of such occurrence with the MSRB. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Any notice under the preceding paragraph shall be accompanied with the text of the disclosure that the Developer desires to make, the written authorization of the Developer for the Dissemination Agent to disseminate such information as provided herein, and the date the Developer desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after Developer becomes aware of the occurrence of the Listed Event).

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Issuer and the Developer of such Listed Event. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Developer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If the Dissemination Agent has a report from the Developer of the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within ten (10) Business Days of its receipt of such written report from the Developer.

#### Section 5. Termination of Reporting Obligations.

(a) The obligations of the Developer, any Subsequent Third Party Owner, the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate (i) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) when the Developer, or any Subsequent Third Party Owner, is no longer responsible for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installment of Assessments for any year.

(b) At such time that neither the Developer, or any Subsequent Third Party Owner, is responsible for payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installments of Assessment for any year, the Administrator shall provide written notice to the Developer, any Subsequent Third Party Owner, and the Issuer that no party is responsible for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installment of Assessments for any year (the "Termination Notice"). The Administrator shall immediately provide, or cause to be provided, the Termination Notice to the Dissemination Agent, and the Dissemination Agent shall provide such Termination Notice to the MSRB within ten (10) Business Days of its receipt thereof.

(c) The reporting obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate (i) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) when the Developer and any Subsequent Third Party Owner, if any, are no longer liable for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installment of Assessments for any year and any Termination Notice required by subsection (b) of this Section 5 has been provided to the MSRB and Participating Underwriter.

Section 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out the Developer's obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc.

Section 7. Amendment: Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Developer or Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3 or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent or the Issuer may be made without the respective party's prior written consent (which consent will not be unreasonably withheld or delayed); and

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next related Quarterly Improvement Implementation Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Developer. The Developer shall provide, or cause to be provided, at its cost and expense, an executed copy of any amendment or waiver entered into under this Section 7 to the Issuer.

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or

including any other information in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Quarterly Improvement Implementation Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

**Section 9. Default.** In the event of a failure of the Developer or Administrator to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Developer and/or Administrator to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer or Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by the Developer shall not be deemed a default by the Issuer under the Issuer Disclosure Agreement, and a default by the Issuer under the Issuer Disclosure Agreement shall not be deemed a default by the Developer or Administrator under the Disclosure Agreement.

**Section 10. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.**

(a) The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Developer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a financial advisory relationship with the Issuer in connection with the transaction described in the Indenture shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 4 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement. The Dissemination Agent shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document

delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

(b) Except as otherwise provided herein, the Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Developer agrees to hold harmless the Administrator, its officers, directors, employees and agents, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE DEVELOPER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DEVELOPER, THE DISSEMINATION AGENT OR THE ADMINISTRATOR, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 11. No Personal Liability. No covenant, stipulation, obligation or agreement of the Developer, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Developer, the Administrator or Dissemination Agent in other than that person's official capacity.

Section 12. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Administrator, the Dissemination Agent, the Issuer, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 14. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute an Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Dissemination Agent has entered into a separate agreement with the Issuer, which agreement provides for the payment of the fees and expenses of the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement.

Section 15. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of the District, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

Section 16. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[remainder of page left blank intentionally]*

**DISSEMINATION AGENT:**

**HTS CONTINUING DISCLOSURE  
SERVICES, a Division of Hilltop Securities,  
Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADMINISTRATOR:**

**DAVID TAUSSIG & ASSOCIATES, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**DEVELOPER:**

**D.R. HORTON – TEXAS, LTD.**, a Texas limited partnership

By: D. R. HORTON, INC.,  
a Delaware corporation, its authorized agent

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**APPENDIX E**  
**APPRAISAL OF THE DISTRICT**

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**Integra Realty Resources**

**DFW**

**Appraisal of Real Property**

**Part of Heartland Town Center Public Improvement District**

Proposed Phases 1 and 2 (aka Trailwind Subdivision)

Southeast quadrant of IH-20 and Heartland Parkway

Mesquite ETJ, Kaufman County, Texas 75252

**Prepared For:**

City of Mesquite

FMSbonds, Inc.

**Effective Date of the Appraisal:**

June 2, 2019

**Report Format:**

Appraisal Report – Comprehensive Format

**IRR - DFW**

File Number: 191-2018-0376





**Part of Heartland Town Center Public Improvement District**  
Southeast quadrant of IH-20 and Heartland Parkway  
Mesquite ETJ, Texas

Integra Realty Resources  
DFW

1100 Mira Vista Boulevard  
Suite 300  
Plano, TX, 75093

T 972.732.0051  
F 972.733.1403  
[www.irr.com](http://www.irr.com)



July 16, 2018

Mr. Cliff Keheley  
City Manager  
City of Mesquite  
1515 N. Galloway Avenue  
Mesquite, TX 75149

Mr. R. R. "Tripp" Davenport, III  
Underwriter  
FMSbonds, Inc.  
100 Crescent Court, Suite 700  
Dallas, TX 75201

**SUBJECT:** Market Value Appraisal  
Part of Heartland Town Center Public Improvement District  
Southeast quadrant of IH-20 and Heartland Parkway  
Mesquite ETJ, Kaufman County, Texas 75252  
IRR - DFW File No. 191-2018-0376

Dear Messrs. Keheley and Davenport:

Integra Realty Resources – DFW is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the prospective market value at completion of the fee simple interest in the property (Phase 1 with 210 lots on 41.50 acres as of June 2, 2019). As requested, we also estimate the prospective market value at completion (69.47 acres as a future Phase 2 with 240 lots which is projected for completion by November 2, 2020, as of June 2, 2019). The clients for the assignment are the City of Mesquite and FMSbonds, Inc., and the intended use is for underwriting of a proposed Public Improvement District bond transaction.

The subject represents a tract of land being 110.97 gross acres in size located within the Heartland Town Center Public Improvement District ("PID"). It is noted the "PID" encompasses a total of 121.28 acres; however, we have been requested to provide only the valuation of 110.97 acres which is proposed to be developed with a total of 450 detached, single-family lots within two phases of a subdivision to be known as Trailwind. The subject is located within the Forney Independent School District in the City of Mesquite ETJ, Kaufman County, Texas. Following is a summary of the subject property:

Mr. Cliff Keheley and Mr. R.R. "Tripp" Davenport  
City of Mesquite and FMSbonds, Inc.  
July 16, 2018  
Page 2

**Phase 1** is planned with a total of 210 lots on 41.5 acres (5.1 upa) with 55 lots being 40' x 110' or 4,400 SF and 155 lots being 50' x 110' or 5,500 SF. Phase 1 is projected for completion by June 2, 2019.

**69.47 Acres (Future Phase 2)** is planned with a total of 240 lots on 69.47 acres (3.5 upa) with 127 lots being 40' x 110' or 4,400 SF and 113 lots being 50' x 110' or 5,500. Future Phase 2 is projected for completion by November 2, 2020.

Access will be provided from Heartland Parkway located along the western boundary of the property. All of the lots are designed for front entry. It is assumed this information is correct.

Following is a brief summary of the subject:

Lot Summary - Part of Heartland Town Center Public Improvement District							
Phases	Location	Acres	40' Lots	50' Lots	Total Lots	Percentage	Density/Acre
1	East side of Heartland Parkway, south of IH-20	41.50	55	155	210	47%	5.1
2	South side of IH-20, east of Heartland Parkway	69.47	127	113	240	53%	3.5
Totals		110.97	182	268	450	100%	

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR's available report types.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Prospective Market Value at Completion (Phase 1)	Fee Simple	June 2, 2019	\$10,800,000
Prospective Market Value at Completion (69.47 Acres)	Fee Simple	June 2, 2019	\$6,830,000

Mr. Cliff Keheley and Mr. R.R. "Tripp" Davenport  
City of Mesquite and FMSbonds, Inc.  
July 16, 2018  
Page 3

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#### **Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of June 2, 2019, the effective appraisal date.
2. All information relative to the undeveloped property located within the "Heartland Town Center Public Improvement District" including land areas, lot totals, lot size, and other pertinent data that was provided by Pettit Barraza (engineering/planning/surveying), CADG Kaufman 146 LLC (current owners), D. R. Horton Homes (grantee), the City of Mesquite, and the Kaufman County Appraisal District is assumed to be correct.
3. Our prospective opinion of value will be based upon the following and upon the assumption that all PID improvements are complete by June 2, 2019:  
**Phase 1:** 210 lots on 41.50 acres with 55 lots (40' x 110' or 4,400 SF) and 155 lots (50' x 110' or 5,500 SF)  
**Future Phase 2:** 240 lots on 69.47 acres with 127 lots (40' x 110' or 4,400 SF) and 113 lots (50' x 110' or 5,500 SF)

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

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Mr. Cliff Keheley and Mr. R.R. "Tripp" Davenport  
City of Mesquite and FMSbonds, Inc.  
July 16, 2018  
Page 4

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - DFW**



Ernest Gatewood  
Senior Director  
Certified General Real Estate Appraiser  
Texas Certificate # TX 1324355 G  
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Jimmy H. Jackson, MAI  
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## Summary of Salient Facts and Conclusions

Property Name	Part of Heartland Town Center Public Improvement District		
Address	Southeast quadrant of IH-20 and Heartland Parkway Mesquite, Kaufman County, Texas 75126		
Property Type	Proposed Phases 1 and 2 (aka Trailwind Subdivision) - Residential Subdivision		
Owner of Record	CADG Kaufman 146, LLC		
Tax ID	9711		
Legal Description - 110.97 Acres	Martha Music Survey, Abstract No. 312, Kaufman County, Texas		
Legal Description - Proposed Lots	Not provided		
Land Area	110.97 acres; 4,833,853 SF		
Phase 1 (41.50 Acres)	210 Lots (55 lots: 40' x 110' or 4,400 SF and 155 lots: 50' x 110' or 5,500 SF)		
69.47 Acres (Future Phase 2)	240 Lots (127 lots: 40' x 110' or 4,400 SF and 113 lots: 50' x 110' or 5,500 SF)		
Zoning Designation	Development Agreement, The guidelines are specific for the Heartland Town Center Public Improvement District		
Highest and Best Use	Single-family residential		
Exposure Time; Marketing Period	Up to 12 months; Up to 12 months		
Effective Date of the Appraisal	June 2, 2019		
Date of the Report	July 16, 2018		
Property Interest Appraised	Fee Simple		
<b>Value Conclusions</b>			
<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Conclusion</b>
Prospective Market Value at Completion, Phase 1 (210 Lots)	Fee Simple	June 2, 2019	\$10,800,000
Prospective Market Value at Completion, 69.47 Acres (Future Phase 2)	Fee Simple	June 2, 2019	\$6,830,000
The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Mesquite and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.			

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of June 2, 2019, the effective appraisal date.
2. All information relative to the undeveloped property located within the "Heartland Town Center Public Improvement District" including land areas, lot totals, lot size, and other pertinent data that was provided by Petitt Barraza (engineering/planning/surveying), CADG Kaufman 146 LLC (current owners), D. R. Horton Homes (grantee), the City of Mesquite, and the Kaufman County Appraisal District is assumed to be correct.
3. Our prospective opinion of value will be based upon the following and upon the assumption that all PID improvements are complete by June 2, 2019:
  - Phase 1:** 210 lots on 41.50 acres with 55 lots (40' x 110' or 4,400 SF) and 155 lots (50' x 110' or 5,500 SF)
  - Future Phase 2:** 240 lots on 69.47 acres with 127 lots (40' x 110' or 4,400 SF) and 113 lots (50' x 110' or 5,500 SF)

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

# General Information

## Identification of Subject

The subject represents a tract of land being 110.97 gross acres in size located within the Heartland Town Center Public Improvement District ("PID"). It is noted the "PID" encompasses a total of 121.28 acres; however, we have been requested to provide only the valuation of 110.97 acres which is proposed to be developed with a total of 450 detached, single-family lots within two phases of a subdivision to be known as Trailwind. The subject is located within the Forney Independent School District in the City of Mesquite ETJ, Kaufman County, Texas. Following is a summary of the subject property:

**Phase 1** is planned with a total of 210 lots on 41.5 acres (5.1 upa) with 55 lots being 40' x 110' or 4,400 SF and 155 lots being 50' x 110' or 5,500 SF. Phase 1 is projected for completion by June 2, 2019.

**69.47 Acres (Future Phase 2)** is planned with a total of 240 lots on 69.47 acres (3.5 upa) with 127 lots being 40' x 110' or 4,400 SF and 113 lots being 50' x 110' or 5,500. Future Phase 2 is projected for completion by November 2, 2020.

Access will be provided from Heartland Parkway located along the western boundary of the property. All of the lots are designed for front entry. It is assumed this information is correct.. A legal description of the property is in the addenda.

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## Property Identification

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Property Name	Part of Heartland Town Center Public Improvement District
Address	Southeast quadrant of IH-20 and Heartland Parkway Mesquite, Kaufman County, Texas 75126
Tax ID	9711
Owner of Record	CADG Kaufman 146, LLC

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## Sale History

The subject property has been under current ownership for over three years prior to the effective date of this appraisal.

## Pending Transactions

Currently, the subject's 110.97 acres is under contract to D.R. Horton Homes at a reported purchase price of \$7,600,000 or \$1.57/SF. To our knowledge, there have been no transfers of ownership for over three years prior to the current contract.

The proposed lots within the development are to be developed exclusively by D.R. Horton Homes and are not being marketed to outside builders.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the prospective market value at completion of the fee simple interest in the property as of the effective date of the appraisal, June 2, 2019 (Phase 1 with 210 lots on 41.50 acres). As requested, we also estimate the prospective market value at completion of the fee simple interest, as of June 2, 2019 (69.47 acres as future Phase 2 with 240 lots). The date of the report is July 16, 2018. The appraisal is valid only as of the stated effective date or dates.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: *Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]*; also *Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472*)

## Definition of As Is Market Value

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

(Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015); also *Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471*)

## Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

## Intended Use and User

The intended use of the appraisal is for underwriting of a proposed Public Improvement District bond transaction. The client and intended user is City of Mesquite and FMSbonds, Inc. The appraisal is not intended for any other use or user. No party or parties other than City of Mesquite and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in this report.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal requirements of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), revised June 7, 1994;
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal guidelines of City of Mesquite.

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR's available report types.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

<b>Approaches to Value</b>		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized
Development Approach	Applicable	Utilized

We used the sales comparison approach and the development approach in developing an opinion of value for the subject. Both approaches are applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis.

Neither the cost approach or income approach are applicable in this assignment as the subject is not likely to generate rental income in its current state and represents a completed project.

## Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

## Inspection

Ernest Gatewood and Shelley Sivakumar conducted an on-site inspection of the property on June 2, 2018. Jimmy H. Jackson, MAI, did not personally inspect the property.

## Significant Appraisal Assistance

It is acknowledged that James "Conner" O'Neal, Appraiser Trainee, License TX-1341435 made a significant professional contribution to this appraisal, consisting of conducting research on the subject and transactions involving comparable properties, performing appraisal analyses, and assisting in report writing, under the supervision of the persons signing the report.

## Economic Analysis

### Dallas-Ft. Worth-Arlington MSA Area Analysis

The subject is located in the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area, hereinafter called the Dallas MSA, as defined by the U.S. Office of Management and Budget. The Dallas MSA is 9,278 square miles in size, and is the fourth most populous metropolitan area in the nation.

#### Population

The Dallas MSA has an estimated 2017 population of 7,295,086, which represents an average annual 1.8% increase over the 2010 census of 6,426,214. The Dallas MSA added an average of 124,125 residents per year over the 2010-2017 period, and its annual growth rate exceeded the State of Texas rate of 1.6%.

Looking forward, the Dallas MSA's population is projected to increase at a 1.6% annual rate from 2017-2022, equivalent to the addition of an average of 117,611 residents per year. The Dallas MSA's growth rate is expected to exceed that of Texas, which is projected to be 1.4%.

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2017 Estimate	2022 Projection	2010 - 2017	2017 - 2022
Dallas-Fort Worth-Arlington	6,426,214	7,295,086	7,883,140	1.8%	1.6%
Texas	25,145,561	28,172,387	30,273,125	1.6%	1.4%
USA	308,745,538	325,139,271	337,393,057	0.7%	0.7%

Source: Environics Analytics

#### Employment

Total employment in the Dallas MSA is currently estimated at 3,441,095 jobs. Between year-end 2006 and the present, employment rose by 550,472 jobs, equivalent to a 19.0% increase over the entire period. There were gains in employment in eight out of the past ten years despite the national economic downturn and slow recovery. The Dallas MSA's rate of employment growth over the last decade surpassed that of Texas, which experienced an increase in employment of 17.9% or 1,813,905 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Dallas MSA unemployment rate has been slightly lower than that of Texas, with an average unemployment rate of 5.7% in comparison to a 5.9% rate for Texas. A lower unemployment rate is a positive indicator.

Recent data shows that the Dallas MSA unemployment rate is 3.8% in comparison to a 4.5% rate for Texas, a positive sign that is consistent with the fact that the Dallas MSA has outperformed Texas in the rate of job growth over the past two years.

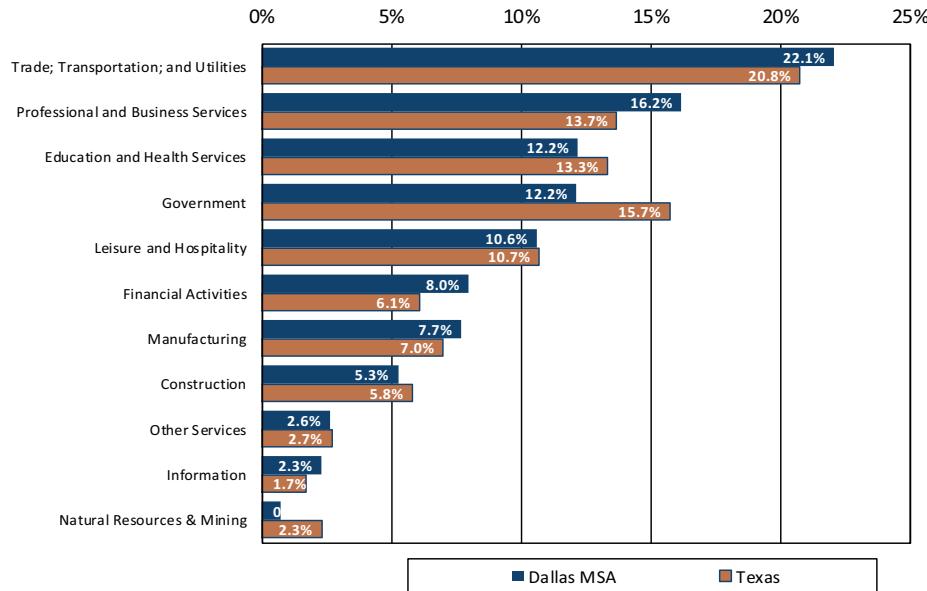
**Employment Trends**

Year	Total Employment (Year End)			Unemployment Rate (Ann. Avg.)		
	Dallas MSA	Change	Texas	Change	Dallas MSA	Texas
2006	2,890,623		10,160,780		4.8%	4.9%
2007	2,963,123	2.5%	10,464,747	3.0%	4.2%	4.3%
2008	2,946,799	-0.6%	10,516,495	0.5%	4.9%	4.8%
2009	2,818,709	-4.3%	10,147,242	-3.5%	7.8%	7.6%
2010	2,876,418	2.0%	10,363,872	2.1%	8.1%	8.2%
2011	2,943,465	2.3%	10,611,631	2.4%	7.6%	7.8%
2012	3,044,114	3.4%	10,964,215	3.3%	6.6%	6.7%
2013	3,127,712	2.7%	11,248,559	2.6%	6.1%	6.2%
2014	3,254,583	4.1%	11,672,985	3.8%	5.0%	5.1%
2015	3,360,668	3.3%	11,831,449	1.4%	4.1%	4.4%
2016	3,441,095	2.4%	11,974,685	1.2%	3.9%	4.6%
Overall Change 2006-2016	550,472	19.0%	1,813,905	17.9%		
Avg Unemp. Rate 2006-2016					5.7%	5.9%
Unemployment Rate - April 2017					3.8%	4.5%

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

**Employment Sectors**

The composition of the Dallas MSA job market is depicted in the following chart, along with that of Texas. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Dallas MSA jobs in each category.

**Employment Sectors - 2016**

Source: Bureau of Labor Statistics and Economy.com

The Dallas MSA has greater concentrations than Texas in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 22.1% of Dallas MSA payroll employment compared to 20.8% for Texas as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Professional and Business Services, representing 16.2% of Dallas MSA payroll employment compared to 13.7% for Texas as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
3. Financial Activities, representing 8.0% of Dallas MSA payroll employment compared to 6.1% for Texas as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.
4. Manufacturing, representing 7.7% of Dallas MSA payroll employment compared to 7.0% for Texas as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

The Dallas MSA is underrepresented in the following sectors:

1. Education and Health Services, representing 12.2% of Dallas MSA payroll employment compared to 13.3% for Texas as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
2. Government, representing 12.2% of Dallas MSA payroll employment compared to 15.7% for Texas as a whole. This sector includes employment in local, state, and federal government agencies.
3. Leisure and Hospitality, representing 10.6% of Dallas MSA payroll employment compared to 10.7% for Texas as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
4. Construction, representing 5.3% of Dallas MSA payroll employment compared to 5.8% for Texas as a whole. This sector includes construction of buildings, roads, and utility systems.

## Major Employers

Major employers in the Dallas MSA are shown in the following table.

### Major Employers - Dallas-Fort Worth-Arlington, TX

	Name	Number of Employees
1	AMR Corporation (American Airlines)	24,700
2	Bank of America Corp.	20,000
3	Texas Health Resources Inc.	19,230
4	Dallas ISD	18,314
5	Baylor Health Care System	17,097
6	AT&T	15,800
7	Lockheed Martin Aeronautics Co.	14,126
8	JP Morgan Chase & Co.	13,500
9	UT-Southwestern Medical Center	13,122
10	City of Dallas	12,836

## Gross Domestic Product

The Dallas MSA is the fifth largest metropolitan area economy in the nation based on Gross Domestic Product (GDP).

Economic growth, as measured by annual changes in GDP, has been somewhat lower in the Dallas MSA than Texas overall during the past eight years. The Dallas MSA has grown at a 3.0% average annual rate while Texas has grown at a 3.7% rate. As the national economy improves, the Dallas MSA continues to underperform Texas. GDP for the Dallas MSA rose by 3.6% in 2015 while Texas's GDP rose by 4.8%.

The Dallas MSA has a per capita GDP of \$63,197, which is 15% greater than Texas's GDP of \$54,964. This means that Dallas MSA industries and employers are adding relatively more value to the economy than their counterparts in Texas.

### Gross Domestic Product

Year	(\$ Mil) Dallas MSA	% Change	(\$ Mil) Texas	% Change
2008	366,099		1,173,697	
2009	357,123	-2.5%	1,166,516	-0.6%
2010	368,466	3.2%	1,197,006	2.6%
2011	382,954	3.9%	1,240,117	3.6%
2012	402,512	5.1%	1,310,522	5.7%
2013	415,918	3.3%	1,373,914	4.8%
2014	433,423	4.2%	1,440,273	4.8%
2015	448,873	3.6%	1,509,819	4.8%
Compound % Chg (2008-2015)		3.0%		3.7%
GDP Per Capita 2015	\$63,197		\$54,964	

Source: Bureau of Economic Analysis and Economy.com; data released September 2016. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

## Household Income

The Dallas MSA has a higher level of household income than Texas. Median household income for the Dallas MSA is \$62,883, which is 11.5% greater than the corresponding figure for Texas.

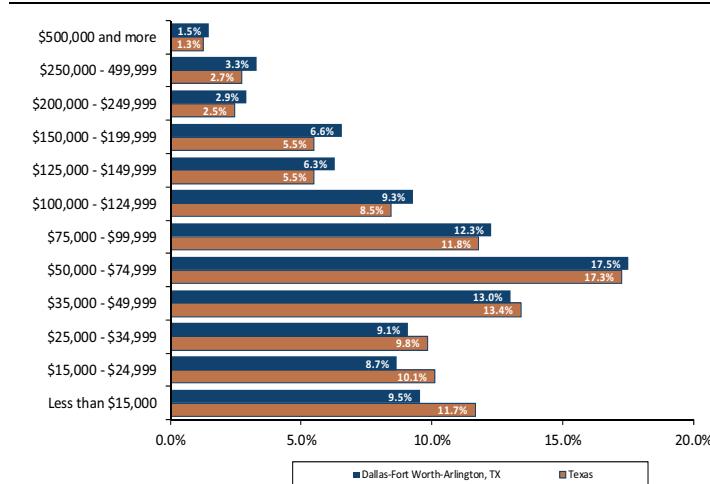
### Median Household Income - 2017

	Median
Dallas-Fort Worth-Arlington, TX	\$62,883
Texas	\$56,399
Comparison of Dallas-Fort Worth-Arlington, TX to Texas	+ 11.5%

Source: Environics Analytics

The following chart shows the distribution of households across twelve income levels. The Dallas MSA has a greater concentration of households in the higher income levels than Texas. Specifically, 42% of Dallas MSA households are at the \$75,000 or greater levels in household income as compared to 38% of Texas households. A lesser concentration of households is apparent in the lower income levels, as 27% of Dallas MSA households are below the \$35,000 level in household income versus 32% of Texas households.

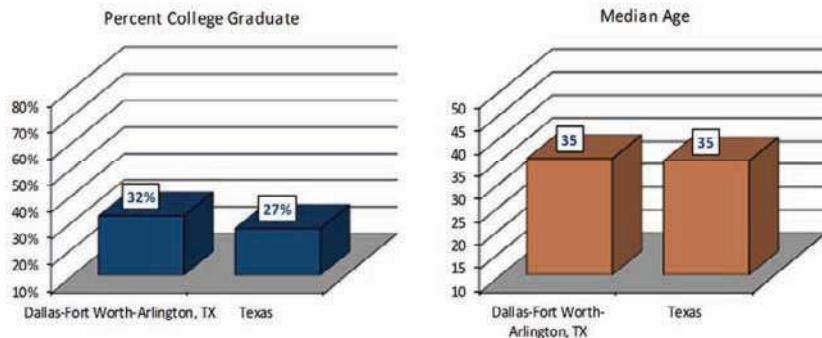
### Household Income Distribution - 2017



Source: Environics Analytics

## Education and Age

Residents of the Dallas MSA have a higher level of educational attainment than those of Texas. An estimated 32% of Dallas MSA residents are college graduates with four-year degrees, versus 27% of Texas residents. People in the Dallas MSA are similar in age to their Texas counterparts. The median age of both the Dallas MSA and Texas is 35 years.

**Education & Age - 2017**

Source: Environics Analytics

**Conclusion**

The Dallas MSA economy will benefit from a growing population base and higher income and education levels. The Dallas MSA experienced growth in the number of jobs and has maintained a slightly lower unemployment rate than Texas over the past decade. Moreover, the Dallas MSA gains strength from being the fourth most populous metropolitan area in the country and generating a higher level of GDP per capita than Texas overall. We anticipate that the Dallas MSA economy will grow, strengthening the demand for real estate.

## Kaufman County Area Analysis

Kaufman County is located in Texas. It is 781 square miles in size and has a population density of 156 persons per square mile. Kaufman County is part of the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area, hereinafter called the Dallas MSA, as defined by the U.S. Office of Management and Budget.

### Population

Kaufman County has an estimated 2017 population of 121,760, which represents an average annual 2.4% increase over the 2010 census of 103,350. Kaufman County added an average of 2,630 residents per year over the 2010-2017 period, and its annual growth rate exceeded the Dallas MSA rate of 2.1%.

Looking forward, Kaufman County's population is projected to increase at a 1.6% annual rate from 2017-2022, equivalent to the addition of an average of 2,060 residents per year. Kaufman County's growth rate is expected to exceed that of the Dallas MSA, which is projected to be 1.5%.

#### Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2017 Estimate	2022 Projection	2010 - 2017	2017 - 2022
Kaufman County, TX	103,350	121,760	132,059	2.4%	1.6%
Dallas-Fort Worth-Arlington	6,426,214	7,418,556	7,992,973	2.1%	1.5%
Texas	25,145,561	28,531,603	30,558,741	1.8%	1.4%
United States	308,745,538	325,139,271	337,393,057	0.7%	0.7%

Source: Environics Analytics

### Employment

Total employment in Kaufman County is currently estimated at 30,694 jobs. Between year-end 2006 and the present, employment rose by 3,828 jobs, equivalent to a 14.2% increase over the entire period. There were gains in employment in seven out of the past ten years despite the national economic downturn and slow recovery. Although Kaufman County's employment rose over the last decade, it underperformed the Dallas MSA, which experienced an increase in employment of 19.0% or 550,472 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Kaufman County unemployment rate has been generally higher than that of the Dallas MSA, with an average unemployment rate of 6.0% in comparison to a 5.7% rate for the Dallas MSA. A higher unemployment rate is a negative indicator.

Recent data shows that Kaufman County has a 4.0% unemployment rate, which is the same as the rate for the Dallas MSA.

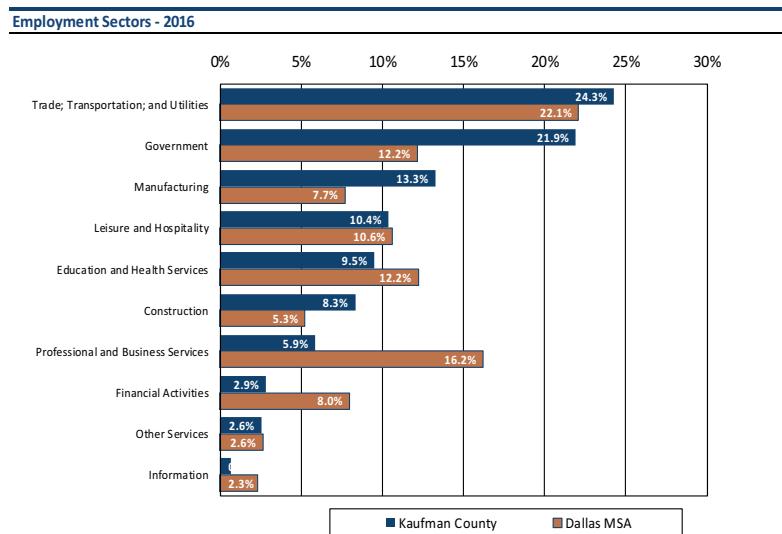
**Employment Trends**

Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Kaufman County	% Change	Dallas MSA	% Change	Kaufman County	Dallas MSA
2006	26,866		2,890,623		5.0%	4.8%
2007	26,172	-2.6%	2,963,123	2.5%	4.6%	4.2%
2008	26,418	0.9%	2,946,799	-0.6%	5.2%	4.9%
2009	25,769	-2.5%	2,818,709	4.3%	8.2%	7.8%
2010	26,427	2.6%	2,876,418	2.0%	8.5%	8.1%
2011	25,973	-1.7%	2,943,465	2.3%	8.0%	7.6%
2012	26,769	3.1%	3,044,114	3.4%	7.0%	6.6%
2013	27,583	3.0%	3,127,712	2.7%	6.3%	6.1%
2014	27,960	1.4%	3,254,583	4.1%	5.1%	5.0%
2015	29,556	5.7%	3,360,668	3.3%	4.1%	4.1%
2016	30,694	3.9%	3,441,095	2.4%	3.8%	3.9%
Overall Change 2006-2016	3,828	14.2%	550,472	19.0%		
Avg Unemp. Rate 2006-2016					6.0%	5.7%
Unemployment Rate - June 2017					4.0%	4.0%

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

**Employment Sectors**

The composition of the Kaufman County job market is depicted in the following chart, along with that of the Dallas MSA. Total employment for both areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Kaufman County jobs in each category.



Source: Bureau of Labor Statistics and Economy.com

Kaufman County has greater concentrations than the Dallas MSA in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 24.3% of Kaufman County payroll employment compared to 22.1% for the Dallas MSA as a whole. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Government, representing 21.9% of Kaufman County payroll employment compared to 12.2% for the Dallas MSA as a whole. This sector includes employment in local, state, and federal government agencies.
3. Manufacturing, representing 13.3% of Kaufman County payroll employment compared to 7.7% for the Dallas MSA as a whole. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.
4. Construction, representing 8.3% of Kaufman County payroll employment compared to 5.3% for the Dallas MSA as a whole. This sector includes construction of buildings, roads, and utility systems.

Kaufman County is underrepresented in the following sectors:

1. Leisure and Hospitality, representing 10.4% of Kaufman County payroll employment compared to 10.6% for the Dallas MSA as a whole. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
2. Education and Health Services, representing 9.5% of Kaufman County payroll employment compared to 12.2% for the Dallas MSA as a whole. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Professional and Business Services, representing 5.9% of Kaufman County payroll employment compared to 16.2% for the Dallas MSA as a whole. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
4. Financial Activities, representing 2.9% of Kaufman County payroll employment compared to 8.0% for the Dallas MSA as a whole. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.

### **Gross Domestic Product**

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Dallas MSA is considered meaningful when compared to the nation overall, as Kaufman County is part of the MSA and subject to its influence.

Economic growth, as measured by annual changes in GDP, has been considerably higher in the Dallas MSA than the United States overall during the past eight years. The Dallas MSA has grown at a 3.0% average annual rate while the United States has grown at a 1.3% rate. As the national economy improves, the Dallas MSA continues to perform better than the United States. GDP for the Dallas MSA rose by 3.6% in 2015 while the United States GDP rose by 2.5%.

The Dallas MSA has a per capita GDP of \$63,197, which is 26% greater than the United States GDP of \$50,155. This means that Dallas MSA industries and employers are adding relatively more value to the economy than their counterparts in the United States overall.

<b>Gross Domestic Product</b>		(\$ Mil)		(\$ Mil)	
Year	Dallas MSA	% Change	United States	% Change	
2008	366,099		14,718,301		
2009	357,123	-2.5%	14,320,114	-2.7%	
2010	368,466	3.2%	14,628,165	2.2%	
2011	382,954	3.9%	14,833,579	1.4%	
2012	402,512	5.1%	15,126,281	2.0%	
2013	415,918	3.3%	15,348,044	1.5%	
2014	433,423	4.2%	15,691,181	2.2%	
2015	448,873	3.6%	16,088,249	2.5%	
Compound % Chg (2008-2015)		3.0%		1.3%	
GDP Per Capita 2015	\$63,197		\$50,155		

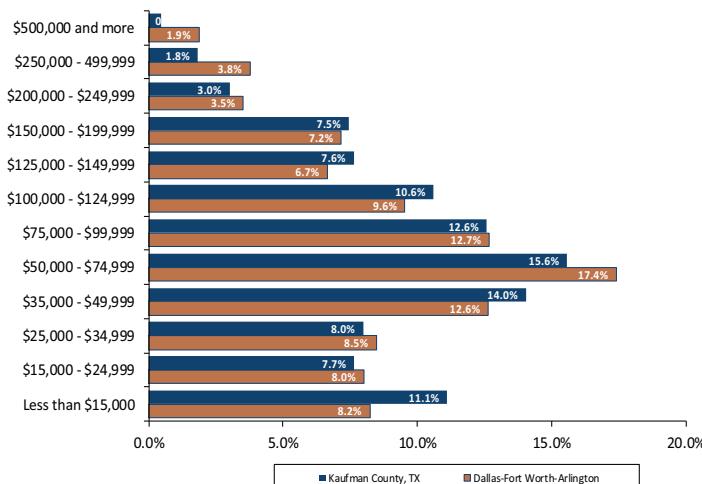
Source: Bureau of Economic Analysis and Economy.com; data released September 2015. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

## Household Income

Kaufman County has a lower level of household income than the Dallas MSA. Median household income for Kaufman County is \$63,593, which is 5.7% less than the corresponding figure for the Dallas MSA.

<b>Median Household Income - 2017</b>		Median
Kaufman County, TX		\$63,593
Dallas-Fort Worth-Arlington		\$67,417
Comparison of Kaufman County, TX to Dallas-Fort Worth-Arlington		- 5.7%
Source: Environics Analytics		

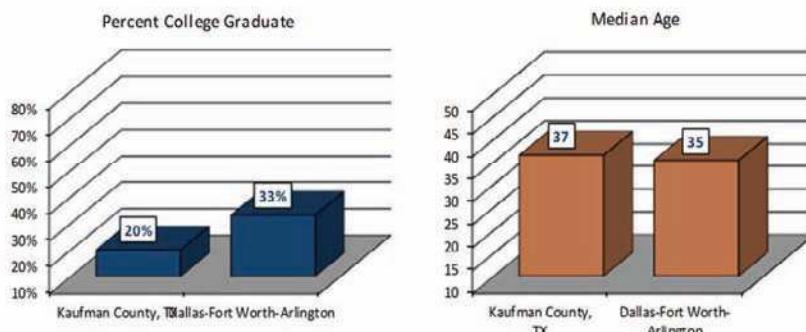
The following chart shows the distribution of households across twelve income levels. Kaufman County has a greater concentration of households in the lower income levels than the Dallas MSA. Specifically, 27% of Kaufman County households are below the \$35,000 level in household income as compared to 25% of Dallas MSA households. A lesser concentration of households is apparent in the higher income levels, as 44% of Kaufman County households are at the \$75,000 or greater levels in household income versus 45% of Dallas MSA households.

**Household Income Distribution - 2017**

Source: Environics Analytics

**Education and Age**

Residents of Kaufman County have a lower level of educational attainment than those of the Dallas MSA. An estimated 20% of Kaufman County residents are college graduates with four-year degrees, versus 33% of Dallas MSA residents. People in Kaufman County are older than their Dallas MSA counterparts. The median age for Kaufman County is 37 years, while the median age for the Dallas MSA is 35 years.

**Education & Age - 2017**

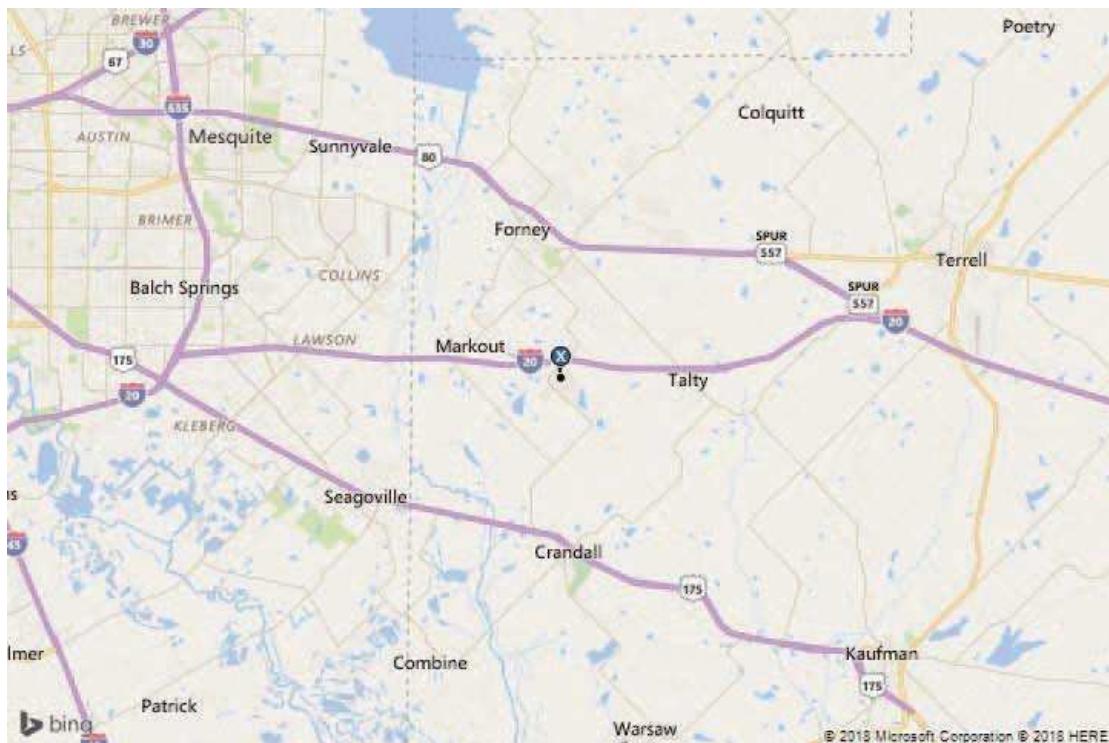
Source: Environics Analytics

**Conclusion**

The Kaufman County economy will be affected by a growing population base and lower income and education levels. Kaufman County experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. Moreover, Kaufman

County benefits from being part of the Dallas MSA, which is the most populous metropolitan area in the country, and exhibits both a higher rate of GDP growth and a higher level of GDP per capita than the nation overall. We anticipate that the Kaufman County economy will grow, strengthening the demand for real estate.

## Area Map



## Surrounding Area Analysis

### Boundaries

The subject is located in the “Heartland Town Center Public Improvement District” in the City of Mesquite ETJ in the central western sector of Kaufman County, Texas. This area is generally delineated as follows:

<b>North</b>	US-80
<b>South</b>	US-175
<b>East</b>	FM-548
<b>West</b>	Kaufman County Boundary Lines

A map identifying the location of the property follows this section.

### Access and Linkages

Primary access to the area is provided by IH-20, a major arterial that crosses the Dallas-Fort Worth area in an east/west direction. Access to the subject from IH-20 is provided by FM-741, and travel time from the major arterial to the subject is about five minutes. Overall, vehicular access is average.

The Dallas-Fort Worth International Airport is located about 53 miles from the property; travel time is about an hour, depending on traffic conditions. The Dallas CBD, the economic and cultural center of the region, is approximately 28 miles from the property.

### Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics					
2018 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Kaufman County	Dallas-Fort Worth-Arlington
Population 2010	3,298	10,378	31,022	103,350	6,426,214
Population 2018	4,543	13,741	40,901	121,760	7,418,556
Population 2023	5,144	15,476	45,369	132,059	7,992,973
Compound % Change 2010-2018	4.1%	3.6%	3.5%	2.1%	1.8%
Compound % Change 2018-2023	2.5%	2.4%	2.1%	1.6%	1.5%
Households 2010	1,044	3,215	9,885	34,964	2,320,283
Households 2018	1,419	4,210	12,839	40,901	2,661,019
Households 2023	1,598	4,717	14,172	44,306	2,863,392
Compound % Change 2010-2018	3.9%	3.4%	3.3%	2.0%	1.7%
Compound % Change 2018-2023	2.4%	2.3%	2.0%	1.6%	1.5%
Median Household Income 2018	\$66,332	\$82,145	\$83,394	\$63,593	\$67,417
Average Household Size	3.2	3.2	3.2	5.9	5.5
College Graduate %	32%	28%	28%	20%	33%
Median Age	32	35	34	37	35
Owner Occupied %	95%	95%	88%	79%	62%
Renter Occupied %	5%	5%	12%	21%	38%
Median Owner Occupied Housing Value	\$165,573	\$189,378	\$178,260	\$160,279	\$190,923
Median Year Structure Built	2006	2005	2005	1999	1989
Avg. Travel Time to Work in Min.	39	39	39	72	62

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 13,741, and the average household size is 3.2. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Kaufman County overall, the population within a 3-mile radius is projected to grow at a faster rate.

Median household income is \$82,145, which is higher than the household income for Kaufman County. Residents within a 3-mile radius have a higher level of educational attainment than those of Kaufman County, while median owner-occupied home values are considerably higher.

### Land Use

In the immediate vicinity of the subject, predominant land use is a mix of single-family residential and agricultural. Other land use characteristics are summarized as follows:

Surrounding Area Land Uses	
Character of Area	Suburban
Predominant Age of Improvements	New to 75 years
Predominant Quality and Condition	Average
Approximate Percent Developed	60%
Infrastructure/Planning	Average

Subject's Immediate Surroundings	
North	Vacant/Undeveloped Land
South	Single-Family Residential
East	Vacant/Undeveloped Land
West	Vacant/Undeveloped Land

### Development Activity and Trends

The subject's neighborhood is predominantly made up of vacant land utilized for residential use, as well as area recreational and agricultural uses. The area is influenced by its close proximity to the Dallas-Fort Worth metropolitan area, as well as to the cities of Rockwall, Fate, Royse City, Heath, and McLendon-Chisholm, Texas. As such, we have provided some recent development trends in the overall area.

**Heartland** is a 2,100-acre Kaufman County master-planned community with over 400 acres of parks and picnic areas, a 35-acre stocked lake with fishing pier, miles of hike/bike trails, junior-Olympic size swimming pool, basketball court, and baseball and soccer fields. A master amenity center is under construction and is slated to be open by the summer 2019. Homebuilders include Bloomfield Homes, Highland Homes, HistoryMaker Homes, Impression Homes, D. R. Horton Homes, and Lennar Homes.

**Historic Downtown Forney** - Forney's Historic Downtown District preserves the past while embracing the future. Downtown Forney includes City Hall, restaurants, professional businesses, unique restaurants, clothing boutiques and the Spellman Museum of Forney History. In addition to businesses, regular events and activities such as Christmas on Main, the Forney Farmer's Market, and Turkey Trax Auto Show take place downtown. The Forney Economic Development Corporation and the City of Forney have provided significant investment in downtown including new sidewalks and revitalization of several downtown properties. Several civic organizations provide support to downtown events and programs. The Forney Downtown Business Association partners with the Forney Arts Council in sponsoring the semi-monthly Forney Artisan Market at the Cotton Gin. Forney Live! Brings regular concerts by musicians to historic homes in the downtown district.

**Forney Business Park** - Over 150 acres surround the Steve Silver Company, a 600,000 square-foot global warehouse/distribution center. Some privately-owned sites located northeast of the park are shovel ready and have access to FM-548 and US-80 by Don T. Cates Road. EDC-owned land and adjacent properties (just west of the master-planned Gateway development) have teamed up for sale for future commercial, professional and light-industrial use, along with some retail frontage along FM-548. EDC land has had Phase I environmental completed with utilities near the site.

**The Villages of Fox Hollow**, as well as Fox Hollow, is a master-planned development located near US-80 at FM-1641 in Forney, Texas. Fox Hollow has been developed with 365 homes/lots, while The Villages of Fox Hollow has been developed with 435 homes/lots with active builders including D.R. Horton Homes, First Texas Homes, and Sumeer Homes.

**Clements Ranch** is a 257.54-acre, master-planned residential subdivision currently under development and located on the north and east sides of Lake Ray Hubbard Drive, west of FM-740 in Kaufman County (City of Dallas ETJ). To date, 191 homes/lots have been constructed in Phases 1 and 2. The development will eventually contain approximately 1,112 homes/lots.

**Mustang Creek** is situated on 54 acres of land containing two separate parks – North and South. Mustang Creek includes 137 buildings totaling over 860,000 square feet and has historically served as the initial business home for many of Forney's leading businesses.

**Gateway** - Forney's new \$23M "Gateway Bridge" over US-80 connects 660 acres of prime property north of the highway with 1,400 acres to its south. Master-planned by Petro-Hunt, LLC, Gateway is available for retail, residential, and commercial development. Just 21 miles east of downtown Dallas, this is marketed as the next epicenter of DFW's ongoing boom.

**Overland Grove** is a new \$300 million, master-planned development being planned on 336 acres in Forney to be located between US-80 and IH-20 on FM-548. At completion, a total of approximately 1,000 homes/lots will be constructed with home prices projected to range from \$275,000 to \$400,000. Developer Wynne/Jackson, Inc. will partner with the real estate investment firm RAM Real Estate Capital. Initial construction is set to begin in April 2019 with 330 homes/lots.

**Forney Marketplace** - Kroger built its premier 124,000 square-foot marketplace in Forney...one of only 10 in the state...and the first in Texas to sell clothing.

**Spellman Amphitheater** - In 2012, Forney Parks and Recreation completed the state-of-the-art, 5,000-seat outdoor amphitheater endowed to the Forney community by lifetime resident Mick Spellman. The Spellman hosts concerts, movies in the park, and other community events throughout the year.

**Heath Golf & Yacht Club** is a  $787\pm$ -acre, lakefront master-planned resort/residential community currently under construction and located in the City of Heath. This development is planned to eventually consist of 1,236 homes, a 27-hole private golf course, private country club, amenity center, hotel, and retail uses.

**"The Harbor Project"** is a \$75 million-dollar project in the City of Rockwall. This development is a public and private joint venture of the City of Rockwall and Whittle Development. Located along the eastern shoreline of Lake Ray Hubbard, south of IH-30, this project was developed with a 12-screen cinema, a 181-room upscale, full-service hotel and civic center, retail, restaurants, and office. Additionally, the City of Rockwall constructed public boardwalks, fountains, plazas, pedestrian walkways, etc.

**Lake Ray Hubbard** is located within Collin, Dallas, Rockwall, and Kaufman counties, abutting the west side of the City of Rockwall and the east side of the City of Rowlett, on the East Fork of the Trinity River. The lake is 22,745 acres in size, with a maximum depth of 40 feet. Lake Ray Hubbard is one of the older lakes in the Dallas area. Like most Texas lakes, it is man-made. The lake is actually owned by the City of Dallas, but the City of Dallas has no land bordering the lake. The water gets murky after a larger rainfall and the water level can get low at certain times of the year, yet the lake reportedly never floods.

**Rockwall County** is the 6th wealthiest county in Texas and includes the cities of Rockwall, Royse City, Fate, McClendon-Chisholm, Mobile City, and a part of Rowlett.

**Travis Ranch** is a 1,700-acre master-planned residential development located along the eastern boundary of Lake Ray Hubbard on the west side of FM-740, north of US-80. The development offers amenities including an in-line hockey rink, three youth pocket parks with playgrounds, a toddler playground, a splash park, and a covered pavilion, as well as a neighborhood school. The community has been developed to date with a total of approximately 1,661 homes/lots (1,557 homes/lots within the Forney Independent School District and 104 homes/lots within the Rockwall Independent School District) and is planned with approximately 3,212 homes eventually.

**Boys and Girls Club of Rockwall County** is located at the northwest corner of IH-30 and William E. Crawford Avenue and the south side of SH-66. This project serves more than 500 kids daily and provides a substantial event space available to the public at large, multiple options for baseball and softball tournaments of all sizes; and establishes sustainable revenue with the leasing and rental of the facilities.

**Walmart Supercenter** opened a 152,000 square-foot store in late 2015 located at the northwest corner of IH-30 and Erby Campbell Boulevard. The store employs approximately 300 full and part-time positions.

**Stone River Golf Club** is located within Royse City and offers an 18-hole public golf course and club house with a pro shop.

**Rockwall Technology Park** is a 400-acre, high-tech business park and is home to a diverse collection of industry, including advanced manufacturing, aerospace and defense, and food processing and packaging.

**Baylor Scott & White Emergency Center**, located on SH-80 in Forney, is a freestanding emergency room providing full-service hospital emergency care.

**Presbyterian Hospital of Rockwall**, located on 33 acres on the west side of Horizon Road, south of Ridge Road, is a 125,000 square-foot hospital recently constructed in the heart of Rockwall. The hospital was developed with 50 inpatient beds and offers advanced medical technology and comprehensive services.

**The Plaza at Rockwall**, located at the southwest quadrant of IH-30 and SH-205, is a 50-acre, 500,000 square-foot retail development anchored by JC Penney and Belk. Other tenants include Staples, Ulta, and Best Buy.

**Rockwall Commons** is a mixed-use project with Class A office, retail, and restaurant space, as well as a significant residential component. Rockwall Commons, a project of T.F. Stone Companies, Inc., is located on the east side of Ridge Road north of IH-30. The mixed-use project is the first of its kind in the growing Rockwall market. In addition to views of Lake Ray Hubbard, the project offers Rockwall's first underground parking garage. Rockwall Commons incorporates 30,000 square feet of office space, 14,000 square feet of retail and restaurant space, and 202 residential units. The project features a number of water features, pools, garden and sitting areas, an amphitheater, a jogging track around the entire development, and on-site management.

**The area between IH-30 and IH-20, east of the metroplex**, has experienced rapid residential growth. Area developments have included subdivisions in Municipal Utility Districts, small ranchettes and large ranches. Development growth is expected to increase once the following proposed highways are in place including the expansion of FM-205 in Rockwall that feeds into SH-276, the future SH-205 Loop around Rockwall that will intersect with SH-276, and the future Rockwall County Loop that will intersect with SH-276. The SH-190 (President George Bush Tollway) was recently extended from Garland to IH-30. These new roadways promote future growth east of Rockwall as residents in Rockwall County, Kaufman County, and Hunt County now have better access to employment centers in North Dallas and the surrounding areas.

**President George Bush Turnpike Extension Update** - The President George Bush Turnpike Eastern Extension is a 9.9-mile segment from SH-78 in Garland, east to IH-30. The six-lane toll road opened December 21, 2011 and passes through the cities of Garland, Sachse, and Rowlett and includes a one-mile bridge over Dallas' Lake Ray Hubbard.

**Collin County Outer Loop** - In its current state the Outer Loop runs 4.6 miles from US-75 in Anna to SH-121 just northeast of Melissa. This section was built at a cost of \$21 million. This section of road runs as a bi-directional two-lane road, which will eventually be the north frontage road. The Outer Loop is planned to run for approximately 50 miles from the future northern extension of the Dallas North Tollway in Celina to IH-30 near Royse City. The loop will be built in five segments (including **Segment 1** which is already open).

**Segment 1** is the section of road already opened, running from US-75 to SH-121. This section will eventually become the north frontage road as tolled main lanes are added.

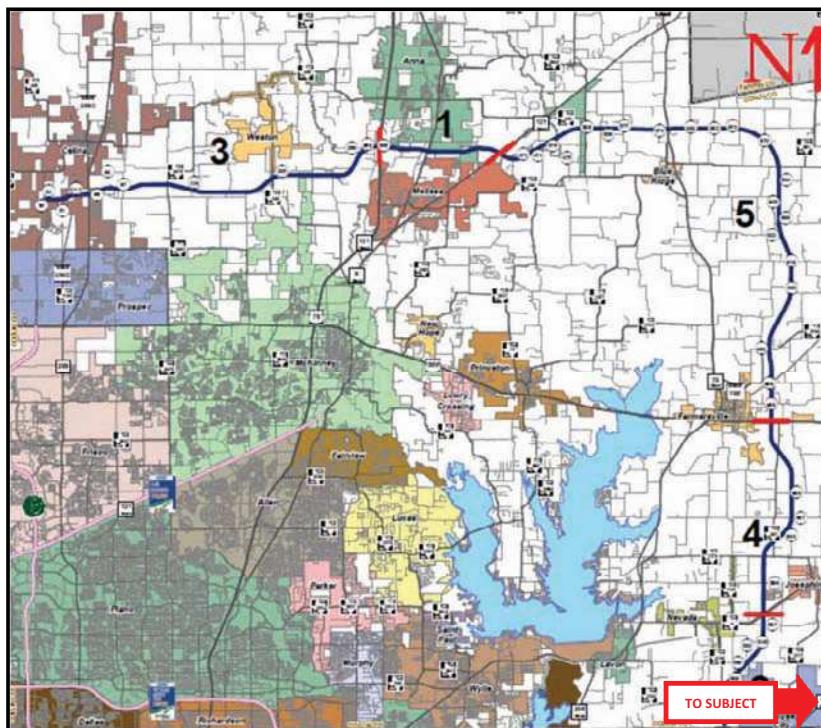
**Segment 2** will run from FM-6, between Nevada and Josephine, to the Rockwall County line near Royse City. This segment could possibly be extended further south past IH-30 through Rockwall, Kaufman, and Dallas counties as part of a much larger outer loop.

**Segment 3** will run past US-75 to the future north extension of the Dallas North Tollway in Celina. This section will run through extreme north McKinney, close to Weston and cross SH-289 (Preston Road) before ending at the Dallas North Tollway. This section could possibly be extended further west through Denton County as part of a larger outer loop.

**Segment 4** will run from US-380 near Farmersville to FM-6 between Nevada and Josephine.

**Segment 5** will connect Segments 1 and 4, running through sparsely populated areas of the county.

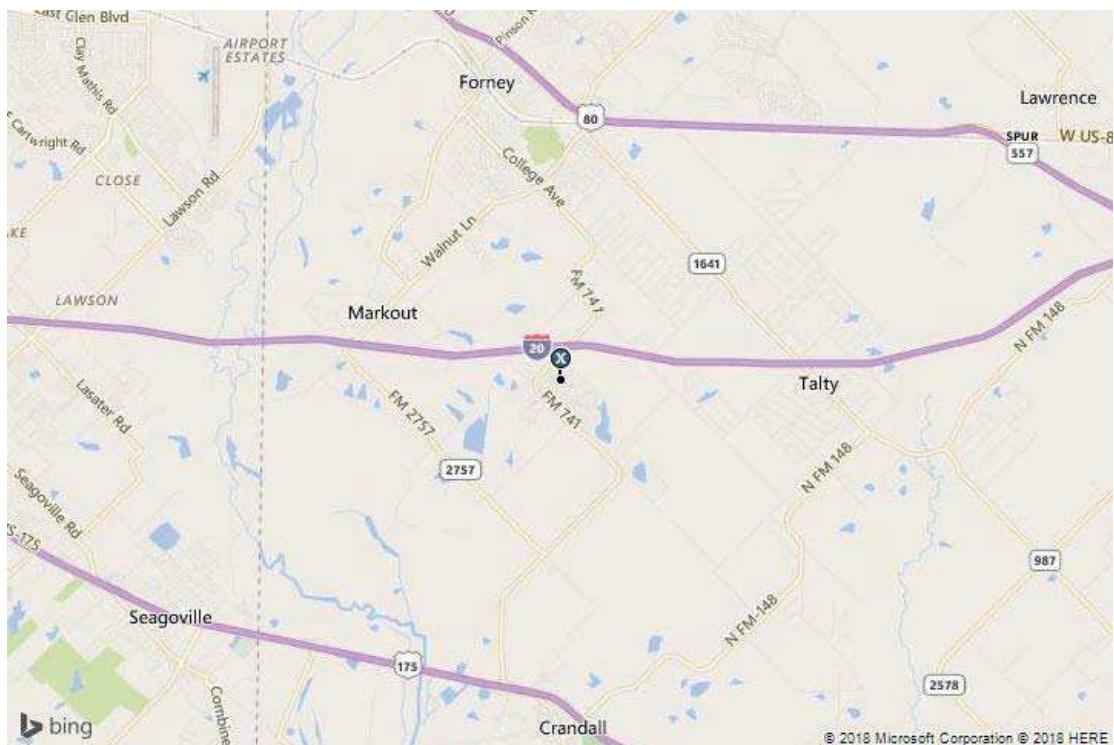
The Forney area will be accessed from **Segment No. 2** and shown in the following exhibit:



### Outlook and Conclusions

The area is in the growth stage of its life cycle. Given the history of the area and the growth trends, it is anticipated that property values will increase in the near future.

## Surrounding Area Map



# Property Analysis

## Land Description and Analysis

### Location

The subject's 110.97 acres is located within the "Heartland Town Center Public Improvement District" in the City of Mesquite ETJ, Kaufman County, Texas. Phase 1 will be located on the east side of Heartland Parkway, south of IH-20. The future Phase 2 will be located on the south side of IH-20, east of Heartland Parkway and on the east side of Phase 1.

### Land Area

The following table summarizes the subject's total land area. It is noted that Phase 1 is platted and planned to be developed with 210 lots on 41.50 acres (5.1 upa). At completion of Phase 1, the remaining 69.47 acres is planned as a future Phase 2 with 240 lots (3.5 upa).

---

#### Land Area Summary

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	SF	Acres
Total Land Area	4,833,897	110.97
Phase 1 (210 lots)	1,807,740	41.50
Future Phase 2 (240 lots)	3,026,113	69.47

Source: Engineering Report

---

### Shape and Dimensions

The overall site is slightly irregular in shape, with site utility based upon shape and dimensions considered to be average or typical for single-family development.

### Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

### Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that there are not any unusual drainage issues that would affect the development of the subject.

### Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

## Flood Hazard Status

The following table provides flood hazard information. According to the engineers, a total of 19.5 acres is located within a flood area (Zone A) and is located at the far southeastern sector of the property. This area will be devoted as open space providing an aesthetic appeal to the development.

<b>Flood Hazard Status</b>	
Community Panel Number	48257C0155D
Date	July 3, 2012
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No
19.5 Acres	Zone A
Description/Insurance	FEMA Zone A: Special flood hazard areas subject to inundation by the 100-year flood. Because detailed hydraulic analyses have not been performed, no base flood elevations or depths are shown. Mandatory flood insurance purchase requirements apply.

## Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

## Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

<b>Streets, Access and Frontage</b>		
<b>Street</b>	<b>IH-20</b>	<b>Heartland Parkway</b>
Frontage Feet	1,654	2,510
Paving	Concrete	Concrete
Curbs	None	Yes
Sidewalks	None	None
Lanes	2 way, 2 lanes each way	2 way, 2 lanes each way
Direction of Traffic	East/West	North/South
Condition	Average	Average
Traffic Levels	High	Low
Signals/Traffic Control	None	None
Access/Curb Cuts	None	None
Visibility	Above average	Average

## Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	Kaufman MUD No. 12
Sewer	Kaufman MUD No. 12
Electricity	Various Providers
Natural Gas	Various Providers
Local Phone	Various Providers

## Zoning

The subject is zoned under a Development Agreement with the City of Mesquite. The guidelines are specific for the Heartland Town Center Public Improvement District by City of Mesquite and permit detached single-family development on the subject's 110.97 acres. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary	
Zoning Jurisdiction	City of Mesquite
Zoning Designation	Development Agreement
Description	The guidelines are specific for the Heartland Town Center Public Improvement District
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Detached single-family residential

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

## Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

## Easements, Encroachments and Restrictions

Based upon a review of the deed and property survey, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

**Conclusion of Site Analysis**

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include detached single-family residential development. We are not aware of any other particular restrictions on development.



Subject



FM-741



Heartland Parkway



Subject



Heartland Parkway



Subject



FM-741 and Heartland Parkway



Heartland Parkway



Subject

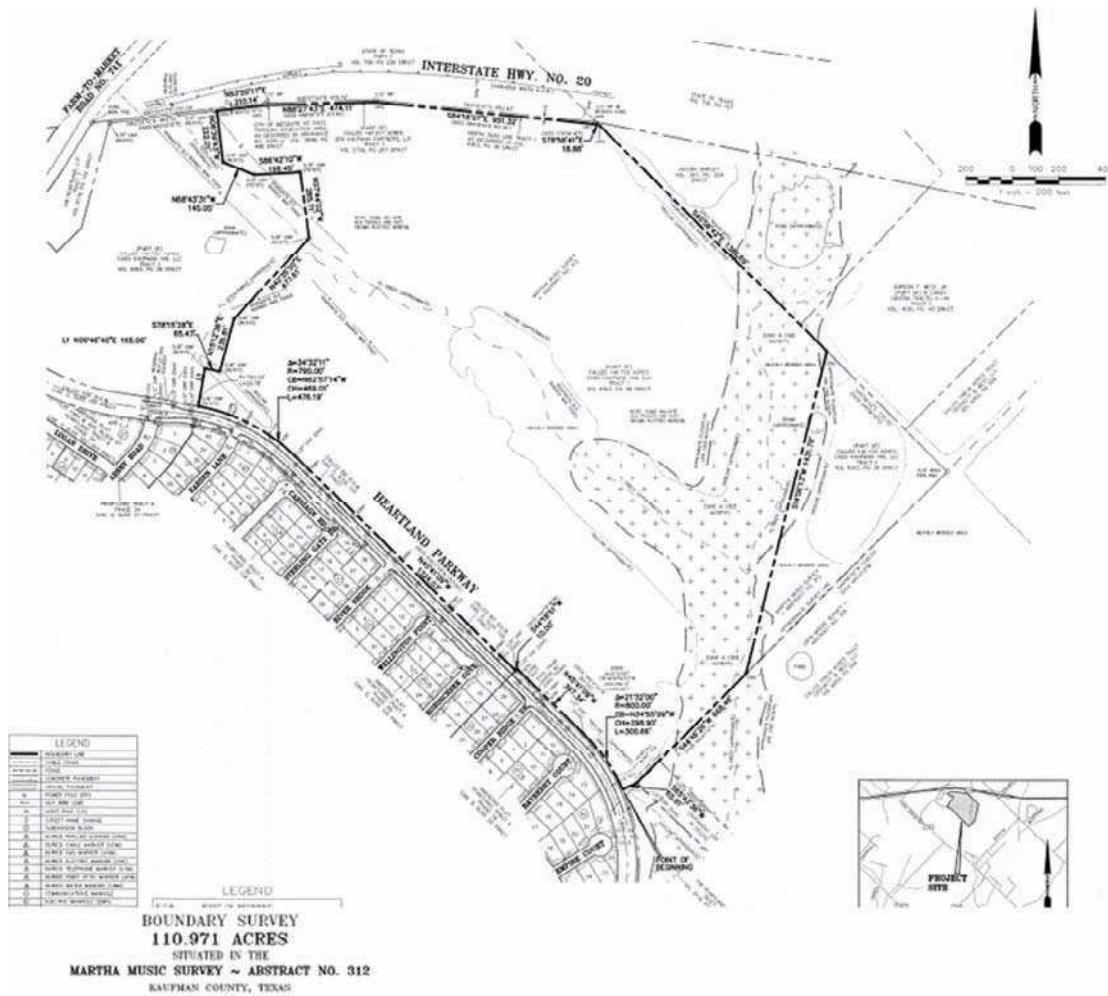


Subject



Subject

## Overall Survey – 110.97 Acres (Future Phases 1 and 2, Trailwind)



## Concept Plan – Heartland Town Center Public Improvement District



Part of Heartland Town Center Public Improvement District



## General Description of Heartland Town Center Public Improvement District

The subject represents part of the Heartland Town Center Public Improvement District which is located within the ETJ of the City of Mesquite and contains approximately 146.74 acres. However, this report encompasses a portion of the PID or 110.97 acres which is proposed to be developed with a total of 450 detached, single-family lots within two phases summarized as follows:

Lot Summary - Part of Heartland Town Center Public Improvement District							
Phases	Location	Acres	40' Lots	50' Lots	Total Lots	Percentage	Density/Acre
1	East side of Heartland Parkway, south of IH-20	41.50	55	155	210	47%	5.1
2	South side of IH-20, east of Heartland Parkway	69.47	127	113	240	53%	3.5
<b>Totals</b>		<b>110.97</b>	<b>182</b>	<b>268</b>	<b>450</b>	<b>100%</b>	

At completion, the PID is expected to consist of approximately 450 single-family residential units, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to property within the PID. The 215 lots in Phase 1 are projected for completion by June 2019 and are comprised of 55 lots with 40' x 110' dimensions (4,400 SF) and 155 lots with 50' x 110' dimensions (5,500 SF). The future Phase 2 (69.47 acres) is projected for completion by November 2020 with 240 lots (127 lots with 40' x 110' dimensions and 113 lots with 50' x 110' dimensions). The grand total of lots within the two phases consists of 182 lots with 40' frontages and 268 lots with 50' frontages.

The Authorized Improvements are generally described as follows and are constructed in accordance with the Development Agreement, the plans and specifications approved by the City, Kaufman MUD, applicable local ordinances to the extent not modified by the City in writing, applicable state and federal regulations, and good engineering practices. The Authorized Improvements are described as follows:

**Road Improvements** – The roadway improvements are public road improvements including construction, excavations, concrete, reinforcing steel, asphalt, lime, sidewalks, signs, and lightings. The roadway improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. The costs of the roadway improvements are set forth in Table III-A on the next page.

**Water Improvements** – The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing. The water distribution system improvements will be constructed according to City and Texas Commission on Environmental Quality ("TCEQ") standards and specifications and will be owned and operated by the Kaufman MUD. The costs of the water improvements are set forth in Table III-A on the next page.

**Sanitary Sewer Improvements** – The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the Kaufman MUD. The costs of the sanitary sewer improvements are set forth in Table III-A below.

**Storm Drainage Improvements** – The drainage improvements include storm sewer mains, inlets, earthen channels, swales, excavation and embedment, dewatering, trench safety, grade inlets, RCP piping and hoses, headways, concrete flumes, rock rip rap, and concrete outfalls. The drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. The costs of the drainage improvements are set forth in Table III-A below.

#### Major and Specific Improvements

**Table III-A**  
**Authorized Improvements**

**All Major and Specific Improvements (a)**

Description	Total
Roadway Improvements	\$2,891,929.00
Water System Improvements	\$1,351,695.00
Sanitary Sewer System Improvements	\$1,189,510.00
Storm Drainage System Improvements	\$1,658,901.00
Professional and Other Soft Costs	\$3,375,908.00
Construction Contingency	\$697,749.00
<b>Total Public Improvements</b>	<b>\$11,165,692.00</b>

Note: Costs provided by Petitt Barraza LLC. The amounts shown in Table III-A may be revised in Annual Service Plan Updates.

(a) Major Improvements and Specific Improvements, as defined in Section I of this SAP, are Authorized Improvements approved by the PID Act.

## Allocation of Authorized Improvements

### Phase 1

Table III-B Phase #1	
Specific Improvement Costs	
Description	Total
Roadway Improvements	\$1,449,234.00
Water System Improvements	\$594,925.00
Sanitary Sewer System Improvements	\$579,453.00
Storm Drainage System Improvements	\$644,718.00
Professional and Other Soft Costs	\$560,900.00
Construction Contingency	\$0.00
<b>Total Specific Improvements</b>	<b>\$3,829,230.00</b>

**Note:** Costs provided by Petitt Barraza LLC. The amounts shown in Table III-B may be revised in Annual Service Plan Updates.

### Phase 2

Table III-C Phase #2	
Specific Improvement Costs	
Description	Total
Roadway Improvements	\$1,442,695.00
Water System Improvements	\$587,410.00
Sanitary Sewer System Improvements	\$561,357.00
Storm Drainage System Improvements	\$533,083.00
Professional and Other Soft Costs	\$789,589.00
Construction Contingency	\$627,833.00
<b>Total Specific Improvements</b>	<b>\$4,541,967.00</b>

**Note:** Costs provided by Petitt Barraza LLC. The amounts shown in Table III-C may be revised in Annual Service Plan Updates.

**Major Improvements (Benefit all property within the PID)**

Table III-D Major Improvements	
Major Improvement Costs (for all Phases)	
Description	Total
Water System Improvements	\$169,360.00
Sanitary Sewer System Improvements	\$48,700.00
Storm Drainage System Improvements	\$481,100.00
Professional and Other Soft Costs	\$2,025,419.00
Construction Contingency	\$69,916.00
<b>Total Major Improvements</b>	<b>\$2,794,495.00</b>

Note: Costs provided by Petitt Barraza LLC. The amounts shown in Table III-D may be revised in Annual Service Plan Updates.

## Real Estate Taxes

Real estate tax assessments are administered by the Kaufman County Appraisal District and are estimated by jurisdiction on a county basis for the subject. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by \$100, then multiplying the estimate by the composite rate. The composite rate is based on a consistent state tax rate throughout the state, in addition to one or more local taxing district rates. Real estate taxes and assessments for the current tax year are shown in the following table. Real estate taxes and assessments for the current tax year are shown in the following table.

### Taxes and Assessments - 2018

Tax ID	Assessed Value			Taxes and Assessments		
	Land	Improvements	Total	Tax Rate	Taxes	Total
9711	\$2,181,340	\$0	\$2,181,340	2.158700%	\$47,089	\$47,089

The subject (110.97 acres) is currently assessed under Account No. 9711 as a tract of land being 109.07 acres in size which is presently taxed under an agricultural exemption with a total assessed value of \$24,540 (total tax of \$530 with ag. exemption). As such, under development the developer of the site is liable for five years of back real estate taxes plus interest annually. This is considered typical of properties located in growth corridors such as the subject and are considered typical for the market. The subject will receive individual assessments upon completion of development.

Texas is a non-disclosure State with a mandate to assess property at 100% of market value. Some Texas County Assessors are more successful at achieving the mandate than others. In Texas Counties with little or no transaction activity, values can lag the market. However, there is no limit on increases in the event of a re-assessment.

Property owners in Texas may protest ad valorem assessments using the one of two tests, 1) Market Value or 2) "Equal Appraisal". Market Value is self-explanatory. "Equal Appraisal" means there is a burden on the District's Assessor to insure mass appraisal methods produce consistent results from property to property. To measure equality, the Appraisal Review Board will consider the assessed values of competing properties in the District. The process involves generation of "ratio study" in which, after appropriate adjustments, the "median value" is the conclusion of "Equal Appraisal".

It is noted that the estimated taxes for the subject's 210 lots proposed within Phase 1 on 41.50 gross acres and the 240 proposed lots within Phase 2 on 69.47 gross acres will be based upon our market value opinions within the discounted cash flow statements within this report.

## **Highest and Best Use**

### **Process**

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### **Highest and Best Use As Vacant**

#### **Physically Possible**

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

#### **Legally Permissible**

The site is zoned Development Agreement, The guidelines are specific for the Heartland Town Center Public Improvement District. Permitted uses include detached single-family residential. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only single-family residential is given further consideration in determining the highest and best use of the site as vacant.

#### **Maximally Productive**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family residential. Accordingly, it is our opinion that single-family residential, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

#### **Financially Feasible**

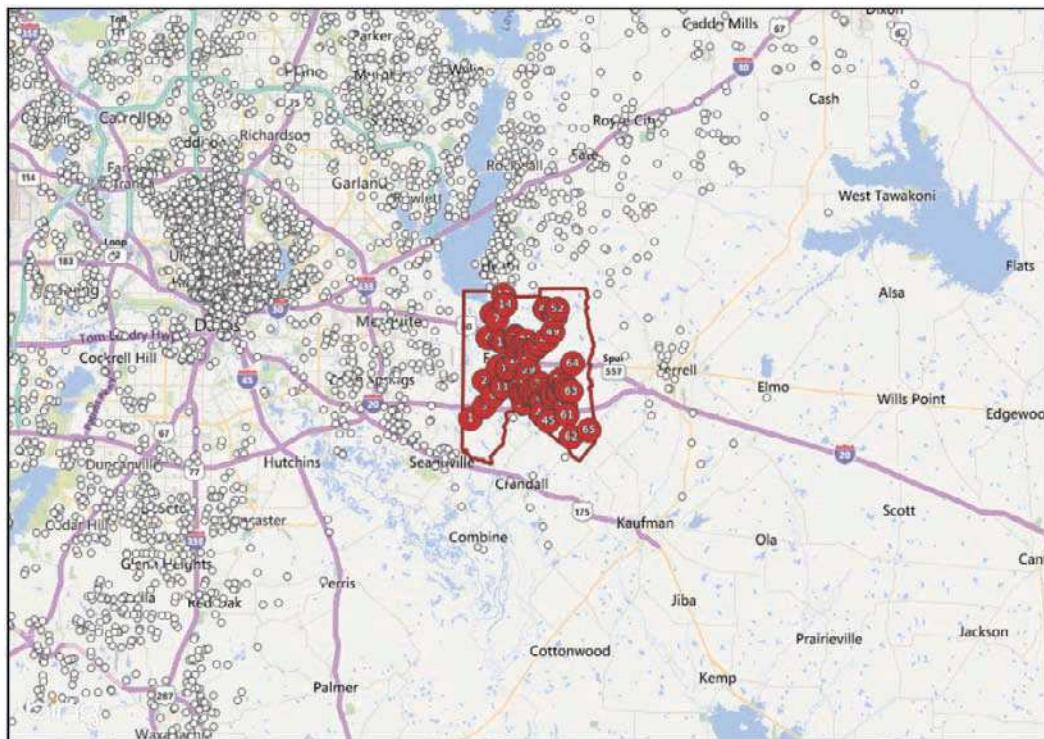
Based on our analysis of the market, there is currently adequate demand for single-family residential in the subject's area. It appears that a newly developed single-family residential on the site would have a value commensurate with its cost. Therefore, single-family residential is considered to be financially feasible.

When analyzing the financially feasible and maximally productive use of the site, all of the uses that are both physically possible and legally permissible must be considered. For the subject, the primary potential use is considered to be single-family residential development. As mentioned, the subject is zoned for residential use and is proposed with single-family lots. Thus, an important factor affecting development of the subject is the surrounding land usage. The neighborhood is predominantly vacant

land that is being developed into single-family residential uses. The immediate area surrounding the subject is residential in nature.

During the past decade, the residential real estate market has seen many positive changes. With the steady increase in multifamily residential rental rates, coupled with the steady decrease in interest rates and the large numbers pertaining to job growth, there has been a trend of individuals choosing to purchase homes rather than to rent apartments and multifamily housing. Furthermore, with the decline in the availability of vacant developable land, population growth has quickly expanded into the suburban areas of the Dallas/Fort Worth area. As such, the proposed absorption of single-family home lots in the subject's neighborhood will be analyzed using historical absorption data provided by Metrostudy, a locally recognized information provider, as well as information obtained from area market participants and developers. It is important to note that our absorption data is based on historical trends. Inasmuch as we are forecasting an economy for this area that is at least equal to recent trends, using these historical trends is felt to be quite justifiable. The subject development is physically located within the City of Mesquite ETJ in Kaufman County in the Forney Independent School District. Therefore, data obtained from Metrostudy as of First Quarter 2018 for the defined area of "Forney ISD", as shown in the following map, will be analyzed with a summary of the details following.

#### Defined Submarket Map Area – Forney ISD



TX | Kaufman Co. (1Q18)  
Copyright Metrostudy

**metrostudy**  
Sales: 1-800-227-8833

**Defined Submarket Area**

According to Metrostudy, the defined submarket area absorbed a total of 692 homes/lots in 2016 increasing dramatically to 1,116 homes/lots absorbed in 2017. As of First Quarter 2018, an additional 316 homes/lots were absorbed in the submarket area. It is important to note that in the previous 12-month period, from April 1, 2017 to March 31, 2018, a total of 1,234 homes/lots were absorbed.

Thus, since 2016 (2.25 years), the annual average of homes/lots absorbed was 944 homes/lots. Utilizing the more recent 12-month absorption of homes/lots (April 1, 2017 to March 31, 2018), the annual average of homes/lots absorbed significantly increases to 1,234 homes/lots in the defined submarket area. Following is a chart provided by Metrostudy summarizing the historical home/lot absorption from the past several years for the defined submarket area:

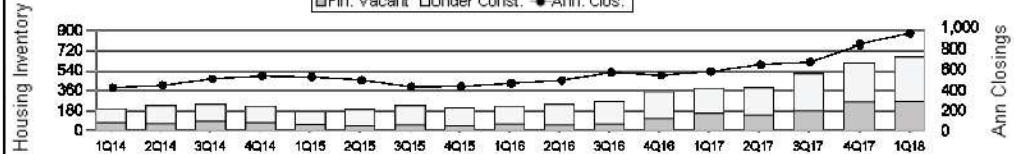
### Historical Housing Activity Summary

#### Current Selections

Qtr	Qtr Clos	Ann Clos	Model	FinVac	UC	Total Inv	Total Supply	Qtr Starts	Ann Starts	VDL	VDL Supply	Fut Lots	Ann Lot Deliv
1Q14	100	427	15	72	128	215	6.0	102	448	1,231	33.0	10,735	-10
2Q14	129	450	14	65	162	241	6.4	155	480	1,083	27.1	10,795	0
3Q14	174	514	12	87	153	252	5.9	184	541	968	21.5	10,769	73
4Q14	138	541	14	73	147	234	5.2	120	561	922	19.7	11,076	148
1Q15	90	531	14	55	115	184	4.2	40	499	890	21.4	11,826	158
2Q15	99	501	16	44	149	209	5.0	124	468	759	19.5	11,809	144
3Q15	109	436	16	54	171	241	6.6	141	425	617	17.4	11,839	74
4Q15	141	439	16	44	164	224	6.1	124	429	785	22.0	14,375	292
1Q16	122	471	15	61	160	236	6.0	134	523	661	15.2	14,430	294
2Q16	127	499	16	52	186	254	6.1	145	544	974	21.5	13,978	759
3Q16	187	577	13	61	201	275	5.7	208	611	816	16.0	13,928	810
4Q16	112	548	15	111	242	368	8.1	205	692	914	15.8	13,655	821
1Q17	161	587	22	157	226	405	8.3	198	756	1,082	17.2	13,519	1,177
2Q17	194	654	28	143	245	416	7.6	205	816	1,643	24.2	13,418	1,485
3Q17	211	678	25	181	331	537	9.5	332	940	1,654	21.1	14,152	1,778
4Q17	280	846	27	258	353	638	9.0	381	1,116	1,510	16.2	14,612	1,712
1Q18	263	948	26	265	400	691	8.7	316	1,234	1,678	16.3	14,207	1,830

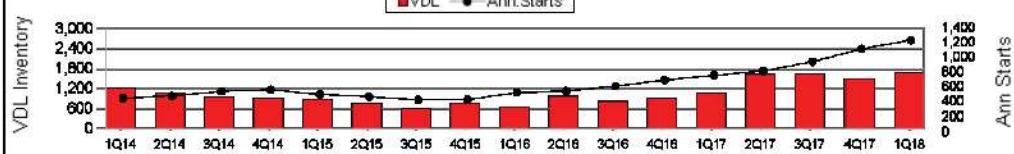
#### Housing Inventory and Closings By Quarter

■ Fin. Vacant ■ Under Const. ● Ann. Clos.



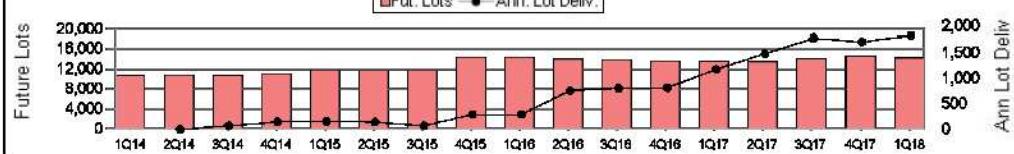
#### Vacant Developed Lots and Starts By Quarter

■ VDL ■ Ann. Starts



#### Future Lots and Deliveries By Quarter

■ Fut. Lots ■ Ann. Lot Deliv.



Dallas/Ft. Worth Residential Survey (1Q18)  
Copyright Metrostudy

**metrostudy**  
Sales: 1-800-227-8839



As shown, the absorption of homes/lots within the defined submarket area was relatively stable from 2014 to early 2016 with steadily increasing absorption thereafter.

According to Metrostudy, the existing supply of available housing is currently below ideal levels in the defined submarket. The number of vacant developed lots in the defined submarket has substantially increased due to increasing demand levels from a low of 617 lots in Third Quarter 2015 to its current level of 1,678 lots in First Quarter 2018.

Based upon the Metrostudy absorption figures of the past 2.25 years, there is currently only a 21±-month (1,678 lots ÷ 944 lots = 1.8±-years) total supply of existing lots available in the defined submarket. This total supply is considered to be below the optimum lot supply levels of 2.0 to 2.5 years per Metrostudy.

Furthermore, when utilizing the more current 12-month absorption average of 1,234 home/lots, the total supply of existing lots available in the subject's defined submarket decreases further to only 16±-months (1,678 lots ÷ 1,234 lots/year = 1.4±-years), which is substantially below the low end of optimum lot supply levels in the defined submarket.

Thus, the total lot supply within the subject's defined submarket is estimated to be between 1.4± to 1.8± years (16± to 21± months). This total lot supply is considered to be below optimum supply levels. Also, taking into consideration that new developments require a typical six to 12-month construction period, with increasing demand and dwindling lot supply, it appears that additional lot product in the defined submarket is feasible at the current time.

We will now narrow our residential analysis to the absorption history of specific competing subdivisions in the subject's market area with similar lot features and amenities relative to the subject to determine the projected absorption and feasibility of the subject's proposed lots as follows.

### **Subject Neighborhood**

The similarities considered to be most important are lot size, home price range, and amenity features. The tables that follow detail the active subdivisions, including the subject's subdivision, that are considered to compete with the subject's lots with 40' and 50' frontages, as proposed, per Metrostudy as of First Quarter 2018.

<b>Competitive Supply</b>					
<b>Subdivisions</b>	<b>School District</b>	<b>Home Prices (000's)</b>	<b>Available Lots</b>	<b>Typical Lot Dimensions</b>	<b>Typical Lot SF</b>
<u>Heartland</u>	Crandall	\$190-\$289	103	40' x 110'/120'	4,400-4,800
Kaufman County, Texas			53	50' x 120'	6,000
<u>Clements Ranch</u>	Forney	\$239-\$301	10	50' x 120'	6,000
Kaufman County, Texas					
<u>Devonshire</u>	Forney	\$239-\$297	255	50' x 120'	6,000
Kaufman County, Texas					
<u>Travis Ranch</u>	Forney	\$280-\$241	148	50' x 110'	5,500
Kaufman County, Texas					
<u>Vintage Meadows Addition</u>	Forney	\$199-\$244	153	50' x 115'	5,750
Kaufman County, Texas					
<b>Total</b>			<b>722</b>		

Subject: Heartland Town Center Public Improvement District (450 Lots: 40'/50' x 110' or 4,400 - 5,500 SF)

Source: Metrostudy as of First Quarter 2018

The competitive supply presented above recognizes five residential developments which are located in the subject's immediate and surrounding vicinity. The lot sizes, home prices, and amenities in the subdivisions shown are generally similar relative to the subject. Thus, the five residential developments are considered to be the immediate competition for the subject's proposed lots and are believed to accurately reflect the potential absorption levels for the subject's lots at this time.

Having addressed the immediate competition, we will determine the approximate absorption time frame for the subject by analyzing absorption trends of the previously shown developments.

### Absorption Analysis

The following table outlines the monthly absorption of the residential developments listed in the competitive supply. It should be noted that all data is as of First Quarter 2018.

<b>Monthly Absorption Performance</b>					
<b>Subdivisions</b>	<b>Available Lots</b>	<b>Building Starts*</b>	<b>No. Months</b>	<b>Units/Month</b>	<b>Months Supply</b>
Heartland (40')	103	137	12	11.4	9.0
Heartland (50')	53	227	15	15.1	3.5
Clements Ranch	10	161	12	13.4	0.7
Devonshire	255	218	15	14.5	17.5
Travis Ranch	148	189	9	21.0	7.0
Vintage Meadows Addition	153	221	18	12.3	12.5
<b>Totals/Averages</b>	<b>722</b>	<b>1,153</b>		<b>87.7</b>	<b>8.2</b>
<b>Average Units/Month</b>				<b>14.6</b>	

Subject: Heartland Town Center Public Improvement District (450 Lots: 40'/50' x 110' or 4,400 - 5,500 SF)

Source: Metrostudy as of First Quarter 2018

Based upon the number of available lots and average absorption per month, the 722 lots remaining within these residential developments indicates only an 8.2±-month supply (0.7± years). This appears to be representative of a severe under-supply of lots within the subject's projected price/lot size range.

Additionally, it is also important to note that at the absorption rates presented, five of the residential developments presented are projected to be sold out within  $12.5\pm$  months. Thus, it is reasonable that the subject, upon completion, may capture a portion of the demand that these projects currently enjoy.

Overall, the residential developments indicate an absorption range of 11.4 units to 21.0 units per month, with an overall average of 14.6 units per month. To summarize, it is important to note the following facts:

- Five of residential developments presented are projected to be sold out within  $12.5\pm$  months, which is near the projected time of completion for the subject's lots ( $12\pm$  months or June 2019)
- The subject's competitive supply is considerably under-supplied with only an  $8.2\pm$  month-supply of developed lots.
- The subject's lots are to be developed exclusively by D.R. Horton Homes.
- The overall lot supply within the defined submarket (Forney ISD) is estimated to be between  $1.4\pm$  to  $1.8\pm$  years, is below optimum lot supply levels. Furthermore, as the subject lots will not be completed for  $12\pm$  months, at the current absorption averages, the lot supply is projected to drop further below equilibrium levels.

### Absorption Projection

Thus, the preceding data supports a projected absorption on a quarterly basis for the subject's lots as follows:

- **40' lots** – 11.0 units per month (33 units per quarter) which is supported by the competitive supply (11.4 upm).
- **50' Lots** – 14.0 units per month (42 units per quarter) which is supported by the competitive supply and the overall average of the competitive supply (14.6 upm).

As such, our absorption projections are considered reasonable based upon the lot supply and demand levels within the subject's submarket area.

### Overall Absorption Summary Projection

Our quarterly absorption projections are summarized as follows for the subject's 210 lots proposed within Phase 1:

Projected Quarterly Absorption Summary - Phase 1 (210 Lots)						
	Jun-19	Sep-19	Dec-19	Mar-20	Lots	Months ( $\pm$ )
<b>40' Lots</b>	33	22	0	0	55	5.0
<b>50' Lots</b>	42	42	42	29	155	11.1
<b>Totals</b>	<b>75</b>	<b>64</b>	<b>42</b>	<b>29</b>	<b>210</b>	

As shown, the overall absorption for the subject lots is estimated to range from  $5.0 \pm$  months to  $11.1 \pm$  months.

### **Conclusion**

Development of the site for single-family residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant.

### **As Improved, As Proposed**

Development of the site, as proposed, with single-family uses is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property, as proposed.

### **Most Probable Buyer**

Taking into account the functional utility of the site and area development trends, the probable buyer is a developer/investor.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized
Development Approach	Applicable	Utilized

## Sales Comparison Approach

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

As discussed previously, the property is divided for valuation purposes as follows:

### Land Area Summary

	SF	Acres
Total Land Area	4,833,897	110.97
Phase 1 (210 lots)	1,807,740	41.50
Future Phase 2 (240 lots)	3,026,113	69.47

Source: Engineering Report

### 40' – 50' Lot Frontages

To apply the sales comparison approach to the subject's 40' and 50' frontage lots, we searched for lot sale transactions within the following parameters:

- Location: Kaufman County, Texas
- Size: 40' to 50' lot frontages
- Use: Single-family residential
- Transaction Date: June 2017 to present

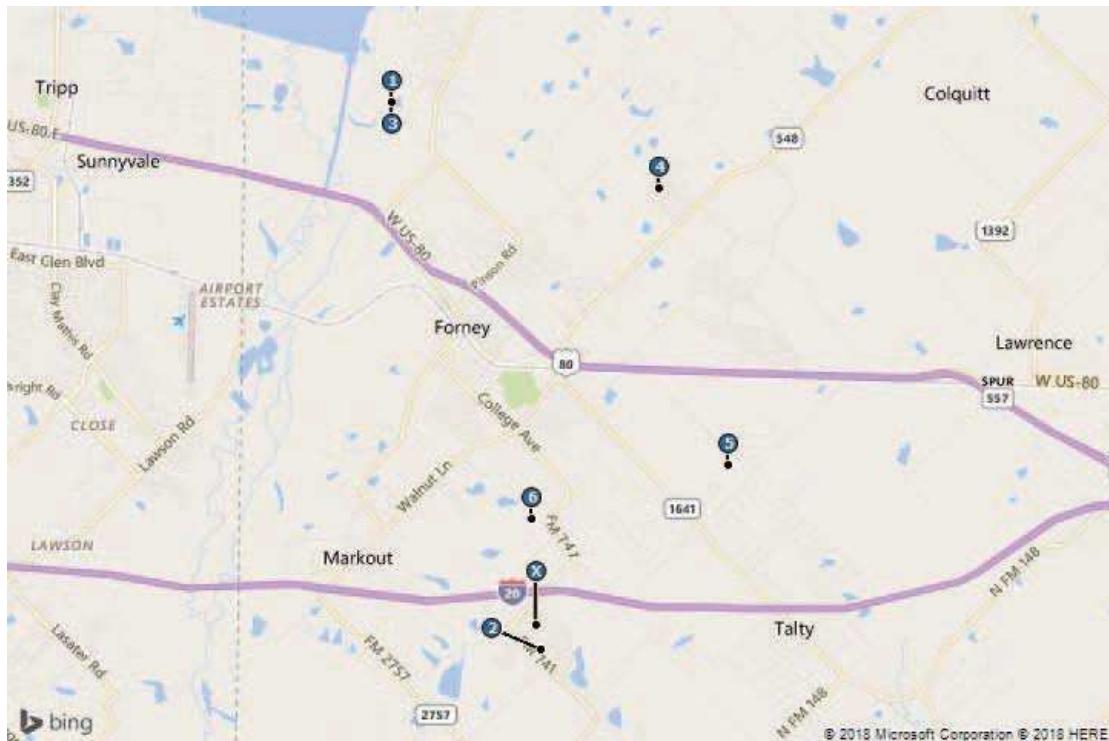
For this analysis, we use price per front foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

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**Summary of Comparable Lot Sales**

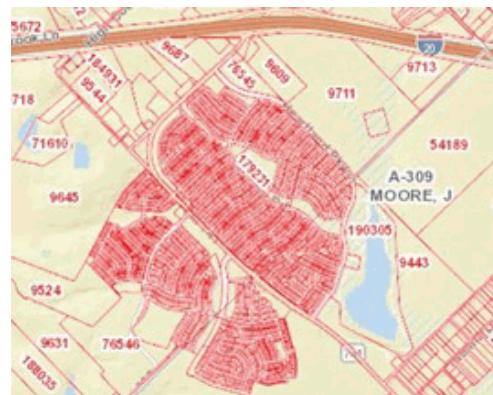

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No.	Name/Address	Sale		SF;	Acres	Zoning	\$/Front Foot
		Status	Date;				
1	Clements Ranch (40' Lots) North and east sides of Lake Ray Hubbard Drive, west of FM-740 Dallas ETJ Kaufman County TX	Jun-17	\$38,000 In-Contract	4,800 0.11		None	\$950
<i>Comments: Lots are located within the Forney ISD. Home prices are projected to range from \$155,000 to \$190,000.</i>							
2	Heartland (40' Lots) East and southwest sides of FM-741, south of IH-20 Forney Kaufman County TX	Feb-18	\$34,547 Closed	4,800 0.11		None	\$864
<i>Comments: Lots are located within the Crandall ISD. Home prices range from \$205,000 to \$279,000.</i>							
3	Clements Ranch (50' Lots) North and east sides of Lake Ray Hubbard Drive, west of FM-740 Dallas ETJ Kaufman County TX	Sep-17	\$46,503 Closed	6,000 0.14		None	\$930
<i>Comments: Lots are located within the Forney ISD. Home prices range from \$239,000 to \$293,000.</i>							
4	Devonshire, Phase 2D (50' Lots) 1430 Darlington Lane Forney Kaufman County TX	May-18	\$54,851 Closed	6,000 0.14		None	\$1,097
<i>Comments: Lots are located within the Forney ISD. Home prices range from \$259,000 to \$309,000.</i>							
5	Gateway Parks Addition, Phases 2A & 2B (50' Lots) 1544 Kessler Drive Forney Texas County TX	May-18	\$57,118 Closed	6,000 0.14		Single-Family Residential	\$1,142
<i>Comments: Lots are located within the Forney ISD. Home prices range from \$251,000 to \$302,000.</i>							
6	Lakewood Trails Addition (50' Lots) West side of FM-741, north of IH-20 Forney ETJ Kaufman County TX	Jun-18	\$54,100 In-Contract	6,000 0.14		None	\$1,082
<i>Comments: Lots in this new development are located within the Forney ISD. Home prices are projected to range from \$220,000 to \$300,000.</i>							
<b>Subject</b>		4,400 - 5,500 Development Agreement					
Heartland Town Center Public Improvement District		Mesquite, TX					

**Comparable Lot Sales Map –**



Sale 1  
Clements Ranch (40' Lots)



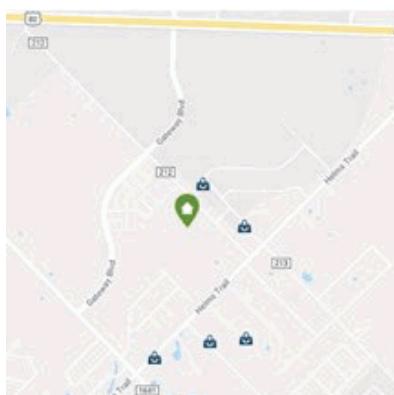
## Sale 2 Heartland (40' Lots)



## Sale 3 Clements Ranch (50' Lots)



## Sale 4 Devonshire, Phase 2D (50' Lots)



## Sale 5 Gateway Parks Addition, Phases 2A & 2B (50' Lots)



## Sale 6 Lakewood Trails Addition (50' Lots)

**Adjustment Factors**

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

<b>Adjustment Factors</b>	
Effective Sale Price	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties' transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on sale price; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Inverse relationship that often exists between parcel size and unit value.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.

When considering market conditions, we note that the sales took place from June 2017 to June 2018, and that market conditions generally have been strengthening over this period through the effective date of value. Accordingly, we apply upward adjustments of 6.0% per year to account for this trend.

**Analysis and Adjustment of Sales**

Our analysis of the comparable sales is described in the following paragraphs.

**Lot Sale 1** is a 4,800 square-foot lot located in Clements Ranch on the north and east sides of Lake Ray Hubbard Drive, west of FM-740, Dallas ETJ, Kaufman County, Texas. The property recently sold in June 2017 for \$38,000, or \$950 per front foot. A 10% upward adjustment was made to this sale for inferior location and inferior access/exposure respectively relative to the subject's easy access and visibility.

**Lot Sale 2** is a 4,800 square-foot lot located in Heartland on the east and southwest sides of FM-741, south of IH-20, Forney, Kaufman County, Texas. The property sold in February 2018 for \$34,547, or \$864 per front foot. A 10% upward adjustment was made to this sale for inferior location and inferior access/exposure respectively relative to the subject's easy access and visibility.

**Lot Sale 3** is a 6,000 square-foot lot located in Clements Ranch on the north and east sides of Lake Ray Hubbard Drive, west of FM-740, Dallas ETJ, Kaufman County, Texas. The property sold in September 2017 for \$46,503, or \$930 per front foot. A 10% upward adjustment was made to this sale for inferior location and inferior access/exposure respectively relative to the subject's easy access and visibility.

**Lot Sale 4** is a 6,000 square-foot lot located in Devonshire, Phase 2D at 1430 Darlington Lane, Forney, Kaufman County, Texas. The property sold in May 2018 for \$54,851, or \$1,097 per front foot. A 10% upward adjustment was made to this sale for inferior access/exposure relative to the subject's easy access and visibility.

**Lot Sale 5** is a 6,000 square-foot lot located in Gateway Parks Addition, Phases 2A & 2B at 1544 Kessler Drive, Forney, Texas County, Texas. The property sold in May 2018 for \$57,118, or \$1,142 per front foot. No adjustments are applied to this sale relative to the subject.

**Lot Sale 6** is a 6,000 square-foot lot located in Lakewood Trails Addition which is currently under construction on the west side of FM-741, north of IH-20, Forney ETJ, Kaufman County, Texas. The property was contracted in June 2018 for \$54,100, or \$1,082 per front foot. No adjustments are applied to this sale relative to the subject.

The following table summarizes the adjustments we make to each sale.

**Lot Sales Adjustment Grid**

	<b>Subject</b>	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>	<b>Comparable 5</b>
Name	Heartland Town Center Public Improvement District	Clements Ranch (40' Lots)	Heartland (40' Lots)	Clements Ranch (50' Lots)	Devonshire, Phase 2D (50' Lots)	Gateway Parks Addition, Phases 2A & 2B (50' Lots)
Address	Southeast quadrant of IH-20 and Heartland Parkway	North and east sides of Lake Ray Hubbard Drive, west of FM-740	East and southwest sides of FM-741, south of IH-20	North and east sides of Lake Ray Hubbard Drive, west of FM-740	1430 Darlington Lane	1544 Kessler Drive
City	Mesquite	Dallas ETJ	Forney	Dallas ETJ	Forney	Forney
County	Kaufman	Kaufman	Kaufman	Kaufman	Kaufman	Texas
State	Texas	TX	TX	TX	TX	TX
Sale Date		Jun-17	Feb-18	Sep-17	May-18	May-18
Sale Status		In-Contract	Closed	Closed	Closed	Closed
Sale Price	\$38,000	\$34,547	\$46,503	\$54,851	\$57,118	\$57,118
Price Adjustment	—	—	—	—	—	—
Description of Adjustment						
Effective Sale Price	\$38,000	\$34,547	\$46,503	\$54,851	\$57,118	\$57,118
Square Feet	4,400 - 5,500	4,800	4,800	6,000	6,000	6,000
Number of Front Feet	40 and 50	40	40	50	50	50
Price per Front Foot	\$950	\$864	\$930	\$1,097	\$1,142	\$1,142
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment	—	—	—	—	—	—
Financing Terms	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment	—	—	—	—	—	—
Conditions of Sale						
% Adjustment	—	—	—	—	—	—
Market Conditions	6/2/2019	Jun-17	Feb-18	Sep-17	May-18	May-18
Annual % Adjustment	6%	12%	8%	10%	6%	6%
<b>Cumulative Adjusted Price</b>	<b>\$1,064</b>	<b>\$933</b>	<b>\$1,023</b>	<b>\$1,163</b>	<b>\$1,211</b>	
Location	10%	10%	10%	—	—	—
Access/Exposure	10%	10%	10%	10%	10%	—
Size	—	—	—	—	—	—
Shape and Topography	—	—	—	—	—	—
Zoning	—	—	—	—	—	—
Entitlements	—	—	—	—	—	—
Net \$ Adjustment	\$213	\$187	\$205	\$116	\$0	\$0
Net % Adjustment	20%	20%	20%	10%	0%	0%
<b>Final Adjusted Price</b>	<b>\$1,277</b>	<b>\$1,119</b>	<b>\$1,228</b>	<b>\$1,279</b>	<b>\$1,211</b>	
Overall Adjustment	34%	30%	32%	17%	6%	6%
Range of Adjusted Prices	\$1,119 - \$1,279					
Average	\$1,210					
Indicated Value	\$1,200					

### **Lot Value Conclusion – 40' and 50' Frontage Lots**

Prior to adjustments, the sales reflect a range of \$864 - \$1,142 per front foot. After adjustment, the range is narrowed to \$1,119 - \$1,279 per front foot, with an average of \$1,210 per front foot. To arrive at an indication of value, we place primary emphasis on Sales 4, 5, and 6 with support from Sales 1, 2, and 3.

Based on the preceding analysis, we reach a value conclusion as follows for the subject's 40' and 50' frontage lots:

<b>Lot Value Conclusion</b>	<b>40' Lots</b>	<b>50' Lots</b>
Indicated Value per Front Foot	\$1,200	\$1,200
Subject Front Foots	40	50
Indicated Value	\$48,000	\$60,000

### **Cumulative Retail Lot Value – Phase 1**

Following is the calculation for the total cumulative retail lot value for the subject's 215 proposed lots within Phase 1 of the Heartland Town Center Public Improvement District.

<b>Cumulative Retail Lot Value Calculation</b>					
<b>Phase 1</b>	<b>Total Lots</b>	<b>Typical Lot</b>		<b>Price/Front Footage</b>	<b>Total Cumulative Retail Value</b>
		<b>Frontages</b>	<b>Average Price/Lot</b>		
55	40'	\$48,000	\$1,200	\$2,640,000	
155	50'	\$60,000	\$1,200	\$9,300,000	
<b>Totals/Averages</b>	<b>210</b>		<b>\$56,857</b>		<b>\$11,940,000</b>

As shown, the total cumulative retail lot value equates to \$11,940,000,000 or \$56,857 average/lot.

## **Summary of Net/Gross Value Conclusion – Phase 1**

The preceding value was based on a retail sale of small batches of lots (less than 25 lots at a time). However, frequently entire subdivisions are sold to builders, or other investors, at a discount. These builders will then warehouse the land themselves, or the investors will resell the lots to builders over a longer-term takedown schedule. Thus, to determine the appropriate discount for the subject, we have assembled a number of bulk sales of other developed subdivision lots located throughout North Texas. The comparables presented represent the bulk sale of developed lots to homebuilders and/or investors. As shown below, the discount for the sales presented ranged from 7.7% to 53.6% of the retail value from 2010 through 2017. Since late 2012, the discounts for bulk lot sales appear to be decreasing in many submarket areas as the economy recovers. As such, comparable bulk sales are limited in all submarkets in the Dallas /Fort Worth area indicating a strengthening economy and builders willing to pay retail lot prices.

Thus, when consideration is given to the subject's projected shorter marketing periods (5.0± months to 11.1± months), a net to gross sales price ratio (average bulk sale value per lot/average retail sales price per lot) ranging from 90% for the 50' lots to 95% for the 40' lots is deemed appropriate for the subject, as proposed.

Our bulk sale comparables from 2010 - 2017 are listed in the following summary table.

Bulk Lot Sale Summary							
Subdivision	Date of Sale	Total Lots	Lot Dimensions	Total SF	Bulk Price/Lot	Retail Price/Lot	N/G Ratio
<b>Austin Ridge</b>	Apr-10	192	55' x 115'	6,325	\$46,700	\$62,500	74.7%
Frisco			80' x 125'	10,000			
<b>Chase Oaks Village (TH)</b>	Jul-10	92	25' x 100'	2,500	\$18,587	\$30,000	62.0%
Plano							
<b>Stone River Estates</b>	Dec-10	69	65' x 125'	8,125	\$11,594	\$25,000	46.4%
Royse City			75' x 125'	9,375			
<b>Myers Meadows</b>	Sep-10	35	65' x 120'	7,800	\$35,000	\$62,000	56.5%
Garland							
<b>Founders Addition</b>	Jun-11	38	150' x 320'	48,000	\$20,000	\$40,000	50.0%
Kaufman County							
<b>Williamsburg</b>	Nov-11	75	50' x 115'	5,750	\$30,000	\$32,500	92.3%
Fate							
<b>Hidden Creek, Ph. 1</b>	Mar-12	26	70' x 105'	7,350	\$19,000	\$30,141	63.0%
Royse City			80' x 105'	8,400			
<b>Woodland Creek</b>	Jul-12	68	60' x 120'	7,200	\$17,000	\$25,000	68.0%
Royse City							
<b>Ovilla Parc</b>	Dec-12	50	100' x 200'	20,000	\$43,200	\$50,000	86.4%
Ovilla							
<b>Mission Ridge Estates</b>	Jun-12	20	50' x 120'	6,000	\$12,000	\$20,000	60.0%
Fort Worth							
<b>Hunters Field</b>	Jun-12	78	50' x 120'	6,000	\$15,120	\$20,000	75.6%
Fort Worth							
<b>Deer Meadows</b>	Jun-12	75	50' x 120'	6,000	\$20,000	\$25,500	78.4%
Fort Worth							
<b>Prestwyck</b>	Jan-13	90	50'/60' x 110'	5,500-6,600	\$53,000	\$62,500	84.8%
McKinney			50'/60' x 120'	6,000-7,200	\$53,000	\$67,500	78.5%
<b>Pecan Ridge Estates</b>	Feb-13	80	50' x 120'	6,000	\$40,000	\$50,000	80.0%
McKinney							
<b>Verandah</b>	Feb-13	28	40' x 115'	4,600	\$22,857	\$25,974	88.0%
Royse City ETJ			50' x 115'	5,750			
<b>Canyon West</b>	Jul-13	25	200' x 220'	44,000	\$10,750	\$30,000	35.8%
Parker County							
<b>Shiloh Manor</b>	Oct-13	49	150' x 350'	52,500	\$46,857	\$54,000	86.8%
Midlothian ETJ							
<b>Lakeridge Townhomes</b>	Jul-14	79	20' x 75'	1,500	\$26,000	\$45,000	57.8%
Lewisville							
<b>The Gables at Ohio</b>	Aug-16	85	25' x 81'	2,025	\$88,500	\$100,000	88.5%
Frisco							
<b>Bristol Park</b>	Aug-17	24	1.572 acres	68,485	\$115,000	\$165,055	69.7%
Lucas							

Source: Developers 2010-2017

Based upon the preceding, it is our opinion that the net/gross market value for the subject's Phase 1 lots utilizing an overall average retail lot value of \$48,000/lot for the 40' lots and \$60,000/lot for the 50' lots and a net/gross ratio ranging from 90% to 95% was \$10,880,000 (R), or \$50,605 average per developed lot.

Net/Gross Ratio Market Value Summary			
	40' Lots	50' Lots	Total/Average
Average Lot Value	\$48,000	\$60,000	
Total No. of Lots	55	155	
N/G Ratio %	95%	90%	
<b>Total Market Value (R)</b>	<b>\$2,510,000</b>	<b>\$8,370,000</b>	<b>\$10,880,000</b>
<b>Average/Lot</b>	<b>\$45,636</b>	<b>\$54,000</b>	<b>\$50,605</b>

## Development Approach (Subdivision Analysis) – Phase 1

Having completed the retail valuation section of the assignment, we will now provide an opinion of the market value of the property to a single purchaser, as of this date. Obviously, this value will include a provision for compensating the developer/sponsor, i.e., profit for risk and expenditure of time. This value contemplates that the developer/sponsor of the subject would sell the subject property to another developer who would in turn sell the developed lots on a retail basis. This value represents the concept of market value to a single purchaser as of this date, wherein a portion of the overall real property rights or physical asset would typically be sold to its ultimate users over some future time period. Valuations involving such properties must fully reflect all appropriate deductions and discounts as well as the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are considered to be those which reflect all expenses associated with the disposition of the realty, as of the date of completion, as well as the cost of capital and entrepreneurial profit. This latter item of entrepreneurial profit is accounted for herein as part of the discount rate. Based on our experience, profit is not expensed as a line item as it is not realized until the project's expenses (including debt) are paid.

The various assumptions necessary to complete our Discounted Cash Flow Analysis for the developed subject subdivision are discussed in detail in the following paragraphs.

### Absorption – Phase 1

As discussed in detail in the "Single-Family Analysis" section of our analysis, we have projected the overall absorption for the subject's Phase 1 to range from  $5.0\pm$  months to  $11.1\pm$  months (overall absorption average of 11.0 upm for 40' lots and 14.0 upm for 50' lots).

Our quarterly absorption projection is summarized as follows:

Projected Quarterly Absorption Summary - Phase 1 (210 Lots)					
	Jun-19	Sep-19	Dec-19	Mar-20	Lots
40' Lots	33	22	0	0	55
50' Lots	42	42	42	29	155
Totals	75	64	42	29	210

### Price/Value Increases Over the Sellout Period

Despite overall national recessionary effects on real estate in general, price/values for residential and commercial land in the overall Dallas/Fort Worth marketplace have remained reasonably stable. As can be seen from the following table, the past few years have seen a reduction in previous strong inflation rates. This is due in large part to the federal government's efforts to curb inflation, as well as the effect of level or declining prices for agricultural goods, petroleum and related manufactured products.

#### Trends in National Inflation and Interest Rates

Year	U.S. Prime Rate	Increase in U.S. CPI	Real Rate of Return
2010	3.25%	1.50%	1.75%
2011	3.25%	3.00%	0.25%
2012	3.25%	1.70%	1.55%
2013	3.25%	1.50%	1.75%
2014	3.25%	1.30%	1.95%
2015	3.50%	0.70%	2.80%
2016	3.75%	1.40%	2.35%
2017	4.25%	2.11%	2.14%

Source: Federal Reserve Bank of St. Louis, U.S. Financial Data

As shown in the preceding table, CPI increases ranged from 0.70% to 3.00% from 2010 through 2017 with 3.25% to 4.25% prime rates resulting in real annual rates of returns ranging from 0.25% to 2.80% (with the most current real rate of return at 2.14%). Thus, the real rates of return are substantially affected with fluctuations in the prime rates and the increases/decreases in the consumer price index. (The increase is calculated relative to the previous year-to-year December index rates).

Historically, in the sales contracts of the volume lot sales in the marketplace, the lot prices are typically adjusted upward at rates ranging from the prime rate to the prime rate, plus one percent (annually) up to 8%. Thus, as the prime rate is currently 4.25%, for valuation purposes herein, we have estimated an annual appreciation on the sale of the subject units at 6% per year for the 210 proposed lots. This is considered reasonable given the supply of available housing product in the area and the historical collection of interest carry/appreciation by developers within the Dallas/Fort Worth and surrounding market areas.

## Expenses

**Cost of Sales** has been estimated at 2.5% of gross sales proceeds for various closing costs and title policies.

**Taxes** are paid by the developer annually. The estimation of taxes paid per period is based upon the premise that taxes are prorated at closing and are paid in arrears. Therefore, we have deducted taxes based upon the estimated retail market value of the unsold lots. The taxes are prorated in each calendar year based upon the projected sales in each period. Based upon our experience and information gathered from numerous reputable builders/developers and taxing authorities, this methodology and percentage estimate (2.0%) is well founded.

**Marketing expense** is not included in this analysis as the lots will be developed by D. R. Horton Homes who traditionally provides for marketing.

**HOA dues** are not included as these fees belong to the Homeowner's Association and not to the developer.

**Entrepreneurial Coordination/Remuneration:** The last major deduction is that for Entrepreneurial (i.e., the developer/sponsor)/coordination talent expenditure (see Hewitt: Condominium Developed Lot Discounting Concepts...Again; The Real Estate Appraiser and Analyst; SREA, January/February, 1980). Inasmuch as the discount rate will include a provision for return on the equity investment, this deduction will be for actual time and expenses only. Typically, the developer will allow a budgeted line item equal to 0.5% to 2.0%, of sales and/or costs, depending on the size of the project, expertise required and management developmental time involved. Because the site requires planning and development, an expense of 0.5% is deemed appropriate and will be a direct line-item deduction from the gross sales proceeds.

## Discount Rate

According to the Dictionary of Real Estate Appraisal, Sixth Addition, Discount Rate is defined as “an interest rate used to convert future payments or receipts into present value. The discount rate may or may not be the same as the internal rate of return (IRR), or yield rate, depending on how it is extracted from the market and/or used in the analysis.” Furthermore, Internal Rate of Return (IRR) is defined as “the annualized yield rate or rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of ownership. The IRR is the rate of discount that makes the net present value of the investment equal to zero. The IRR discounts all returns from the investment, including returns from its reversion, to equal the original capital outlay. This rate is similar to the equity yield rate. As a measure of investment performance, the IRR is the rate of discount that produces a profitability index of one and a net present value of zero. It may be used to measure profitability after income taxes, i.e., the after-tax equity yield rate.” In other words, it is a rate of profit (or loss) or a measure of performance. It is literally, an interest rate. The effective interest rate on a real estate investment is the equity investor's IRR. The yield to maturity on a bond is the bond holder's IRR, when the bond is held for its full term. The IRR is the rate of return on capital expressed as a ratio per unit of time; for example, 10% per annum. The discount rate utilized herein is essentially an anticipated IRR for the subject property, as estimated from investment performance realized by market participants. Although the investment vehicle being analyzed herein is real property, competition for investment dollars in other investment media is intense, and the prudent investment manager must carefully consider all options. Because of the element of risk involved in real estate investment versus alternative investment vehicles, the prudent investment manager must compare rates of return. The performance of real estate is dependent upon and could fluctuate with the degree of quality of management, unexpected competition, disasters, or economic cycles, particularly in the subject's market area. Therefore, it entails a greater degree of risk than instruments such as government-backed bonds or fixed-rate mortgages.

Following is a summary of yield comparisons as of January 1, 2018 provided by PwC Real Estate Investor Survey, as published by PricewaterhouseCoopers in First Quarter 2018.

YIELD COMPARISONS							
January 1, 2018							
	2013 AVERAGE	2014 AVERAGE	2015 AVERAGE	2016 AVERAGE	2017 AVERAGE	2017 OCTOBER	2018 JANUARY
PwC Yield Indicator (PYI) <sup>a</sup>	8.39%	8.11%	7.82%	7.70%	7.65%	7.63%	7.61%
Long-Term Mortgages <sup>b</sup>	4.16%	4.48%	4.31%	4.18%	4.59%	4.56%	4.97%
10-Year Treasuries <sup>c</sup>	2.22%	2.69%	2.34%	1.81%	2.37%	2.34%	2.46%
Consumer Price Index Change <sup>d</sup>	0.97%	1.66%	0.19%	1.63%	2.03%	3.07%	1.95%
SPREAD TO PYI (Basis Points)							
Long-Term Mortgages	423	363	351	352	306	307	264
10-Year Treasuries	617	542	548	589	528	529	515
Consumer Price Index Change	742	645	763	607	562	456	566

<sup>a</sup> A composite IRR average of all markets surveyed (excluding hotels, development land, and student housing).  
<sup>b</sup> Source: CB Richard Ellis/L.J., Melody Capital Markets, Global Commercial Banc, Commercial Loan Direct; reflects conventional funding, 60% to 80% LTV commercial loans; fixed rates; 6- to 30-year terms.  
<sup>c</sup> Source: Federal Reserve; the annual average change is the mean of the four corresponding quarters.  
<sup>d</sup> Source: U.S. Department of Labor; quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters.

One of the more comprehensive surveys of IRR's for real estate investments is performed within the PwC Real Estate Investor Survey, as published by PricewaterhouseCoopers. In its most recent Fourth Quarter 2017 National Land Yield Study, pretax IRRs for these higher risk properties currently range from 10% to 20%, with an average of 15.4% for mixed-use respondents in regard to vacant land, which has a slightly inferior diminishing return asset as the subject - developed residential lots. Over the next 12 months, all investor participants, foresee development land values to increase. Their expected appreciation rate ranges up to 10.0% and averages 3.5% well below the rate six months (5.6%).

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#### DISCOUNT RATES (IRRS)\*

##### Fourth Quarter 2017

	Current Quarter	Fourth Quarter 2016
<b>FREE &amp; CLEAR</b>		
Range	10.00% - 20.00%	10.00% - 20.00%
Average	15.40%	15.50%
Change		-10

\*Rate on unleveraged, all-cash transactions; including developer's profit

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This is somewhat supported by the IRR rates obtained from actual developments which we have previously appraised. The IRR's found in the chart below have been abstracted from a large number of subdivision developments that are located throughout Texas. These developments have been, or are currently being developed, with the data presented being the projected sales and cost figures at the time of development. Therefore, while these may not represent actual rates of return, they do provide an excellent perspective relative to local developer expectations. The IRR's are summarized below:

## SUMMARY OF INTERNAL RATE RETURN

Subdivision	Home Prices (\$000's)	Total Acres	Total Lots	Density Per Acre	Typical Lot Dimensions	Development Costs	Development Costs/Acre	Total Investment Costs	Average Value/Lot	Absorption (Months)	IRR
McAlpin Manor, Phase 2 Midlothian, Texas (2015)	\$240-\$540	118.640	75	0.6	1.387 Acres	\$1,848,785	\$15,583	\$3,619,706	\$75,427	37.0	29%
Kensington Park, Phase 2 McLendon-Chisholm, Texas (2015)	\$400-\$650	51.014	38	0.7	0.918 Acres	\$1,674,709	\$32,828	\$3,047,192	\$109,079	31.3	24%
Ridge Lakes Heath, Texas (2015)	\$600-\$1,500	67.060	52	0.8	0.932 Acres	\$4,621,524	\$68,916	\$7,564,968	\$200,000	42.7	25%
Dove Creek, Phase 1 Midlothian, Texas (2015)	\$220-\$325	46.381	102	2.2	75'/80'/100' x 100'	\$2,731,452	\$58,892	\$4,035,846	\$60,833	36.0	31%
Millstone Estates, Phs. 1 & 2 Frisco, Texas (2015)	\$500-\$800	48.334	157	3.2	55' x 120'	\$11,536,956	\$238,692	\$19,741,858	\$165,000	31.4	24%
Highland Court Flower Mound, Texas (2015)	\$20-\$775	30.123	96	3.2	50' x 130' 70' x 143'	\$3,867,422	\$128,388	\$9,929,467	\$141,302	13.0	25%
Sabine Park Estates Plano, Texas (2014)	\$650-\$850	12.000	38	3.2	75' x 130'	\$2,416,209	\$201,351	\$4,863,013	\$182,763	18.0	21%
The Preston on Commons Plano, Texas (2014)	\$650-\$850	17.165	65	3.8	50' x 100'	\$2,487,471	\$144,915	\$8,962,781	\$180,000	32.5	22%
The Lawn at Glen Abbey Dallas, Texas (2014)	\$1,200-\$2,200	18.910	77	4.1	45' x 115'	\$7,680,000	\$406,134	\$21,352,800	\$400,000	46.2	21%
Sorrellwood Terrace (Proposed) McKinney, Texas (2014)	\$220-\$300	8.690	40	4.6	25' x 108'	\$1,530,023	\$176,067	\$2,044,824	\$62,500	21.0	24%
Westminster @ Craig Ranch McKinney, Texas (2015)	\$400-\$600	12.099	57	4.7	50' x 125'	\$2,264,608	\$187,173	\$5,819,808	\$120,500	18.0	20%
Village Lakes Frisco, Texas (2015)	\$300-\$650	51.785	256	4.9	35' x 65' 40'50' x 110'	\$8,195,266	\$158,256	\$20,975,458	\$101,281	25.5	22%
Avalon Place Bedford, Texas (2014)	\$250-\$300	3.888	22	5.7	40' x 116'	\$717,435	\$184,525	\$1,237,481	\$62,000	12.0	18%
Hyde Park Garland, Texas (2014)	\$190-\$280	13.757	126	9.2	25' x 90'	\$2,651,625	\$192,747	\$4,101,981	\$45,000	36.0	22%
Bentley Place Dallas, Texas (2014)	\$800-\$1,500	0.860	8	9.3	50' - 67'	\$545,396	\$634,181	\$1,564,551	\$225,000	16.0	20%
Residences at Legacy West Plano, Texas (2015)	\$600-\$800	12.163	126	10.4	35' x 65'	\$5,201,466	\$427,647	\$18,445,554	\$165,000	21.0	15%
Windhaven Crossing, Phs. 1A & 2A Lewisville, Texas (2014)	\$250-\$300	14.600	152	10.4	22' x 70'/80'	\$4,802,057	\$328,908	\$7,198,719	\$63,224	27.0	29%
<b>Totals/Averages</b>		<b>527.469</b>	<b>1,487</b>	<b>2.8</b>		<b>\$64,772,404</b>	<b>\$122,799</b>	<b>\$144,506,007</b>	<b>\$138,759</b>	<b>27.3</b>	<b>23%</b>

Source: IRR 2014-2015

The comparables shown in the preceding chart indicate that a discount rate (IRR) between 15% and 31% (23% average). However, the internal rates presented represent the total expected return on a project from land purchase to the last lot sold. Therefore, the subject's discount rate should be less than a typical land project, as the value to be determined is for a fully developed project that is available for immediate resale and which will ultimately possess less risk than that of the total development process. Therefore, a "risk-adjusted discount rate" is deemed appropriate herein.

The Sixth Edition of the Dictionary of Real Estate Appraisal defines this term as "a discount rate that is adjusted to offset one or more risk factors, i.e., when a future downswing in the business cycle is likely, the risk associated with a project may increase near the end of its term, necessitating a special adjustment to the discount rate. Such discount rates include all of the elements of risk associated with an income stream for a specified period adjusted to offset additional term risk".<sup>1</sup> Thus, it is our opinion that a potential purchaser would expect to receive a much lower return on his investment for a completed project similar to the subject, which has a purchaser of the end product relative to that of a vacant tract of land awaiting eventual development (higher risk of escalating costs to site development and of the eventual timing of completion).

<sup>1</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, the Appraisal Institute, Chicago, Illinois

Based upon the preceding, an IRR that is slightly below the middle of the range as indicated in the National Land Yield Study as of Fourth Quarter 2017 (10% - 20%; 15.4% average) and which is supported by the returns indicated by the comparables presented which ranged from 15% - 31% (23% average) is considered appropriate. Hence, taking into consideration the supply and demand levels within the subject's submarket area, we have selected a discount rate of 15% for the subject which takes into consideration the degree of risk, developer profit, and the liquidity inherent in a project such as the subject, as well as the current market conditions. It should be noted that our cash flow also deducts a straight 0.5% entrepreneurial coordination/remuneration (management cost) from all sales proceeds, which effectively increases the discount rate to approximately 15.5% for the subject's 215 proposed lots in Phase 1. To be consistent with the timing of the cash flows, the annual income stream is discounted quarterly. With each of the required elements now identified, we are able to analyze the subject in the DCF analysis as shown on the following page.

**Development Approach Conclusion – Heartland Town Center Public Improvement District, Phase 1**

Based upon the preceding, and the cash flow presented on the following page, our "as is" opinion of value for the subject's Phase 1 is \$10,765,000, or \$51,262/lot.

Heartland TownCenter PID, Ph. 1 Mesquite, Texas		Prepared By: S. Sivakumar	
Scenario: As Complete		Number of Units: 210	
Periods: Quarterly			
Cash Flows Beginning		Jun-2019	
Inventory		Unit Sales	No.
55 - 40' Lots		\$48,000	33
160 - 50' Lots		\$60,000	42
Appreciation -->		1.50%	
Revenues		\$4,104,000	75
Unit Sales		\$3,629,640	64
Period 3		Dec-2019	
Unit Sales		Unit Sales	No.
55 - 40' Lots		\$49,451	0
160 - 50' Lots		\$61,814	42
Appreciation -->		1.50%	
Period 4		Mar-2020	
Unit Sales		Unit Sales	No.
55 - 40' Lots		\$50,193	0
160 - 50' Lots		\$62,741	29
Appreciation -->		1.50%	
Project Totals			
Unit Sales		Unit Sales	No.
55 - 40' Lots		\$2,655,840	55
160 - 50' Lots		\$9,493,447	155
Appreciation -->		1.50%	
Revenues		\$12,149,287	210
Period 1		Period 2	
Period 3		Period 4	
Expenses			
Taxes - 40' Lots		\$13,200	\$5,359
Taxes - 50' Lots		\$46,500	\$34,409
COST OF SALES		\$102,600	\$90,741
MARKETING		0.0%	\$0
MANAGEMENT FEE		0.5%	\$20,520
Total Expenses		\$182,820	\$148,657
Period 1		Period 2	
Period 2		Period 3	
Period 3		Period 4	
Net Income		\$3,921,180	\$3,480,983
Annual Discount Rate: 15.00%		0.96386	0.92902
Discounted Value		\$3,779,451	\$3,233,893
Period 4			
Net Present Value		\$10,764,043	\$2,235,317
Rounded		\$10,765,000	\$1,515,383
Period 3			
Period 2			
Period 1			
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**Residual Land Valuation Method – Development Approach****Subject's 69.47 Acres (Future Phase 2 with 240 Lots)**

We have also utilized the "Residual Land Valuation" method to determine the land value for the subject's 69.47 acres upon completion of all Phase 1 PID improvements and non-PID improvements. The 69.47 acres is planned to be developed as a future Phase 2 with 240 detached, single-family lots (127 lots with 40' frontages and 113 lots with 50' frontages). Obviously, this value will include a provision for compensating the developer/sponsor, i.e., profit for risk and expenditure of time. This value contemplates that the developer/sponsor of the subject would sell the subject property to another developer who would in turn sell the developed lots on a retail basis. This value represents the concept of market value to a single purchaser as of this date, wherein a portion of the overall real property rights or physical asset would typically be sold to its ultimate users over some future time period. Valuations involving such properties must fully reflect all appropriate deductions and discounts as well as the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are considered to be those that reflect all expenses associated with the disposition of the realty, as of the date of completion, as well as the cost of capital and entrepreneurial profit. This latter item of entrepreneurial profit is accounted for herein as part of the discount rate. Based upon our experience, profit is not expensed as a line item as it is not realized until the project's expenses (including debt) are paid.

The various assumptions necessary to complete our analysis for the subject's 69.47 gross acres as developed with 240 residential lots (3.5 upa) are as follows:

**Substantial Completion Date:** The 69.47 acres is planned to be developed with 240 residential lots by November 2020.

**Absorption:** Utilizing the absorption analysis previously determined, the projected absorption will be based upon quarterly periods at 11.0 upm for the 40' lots and 14.0 upm for the 50' lots.

**Average Retail Lot Value:** Utilizing the retail lot values previously determined, as of June 2019, of \$48,000/lot for the 40' lots and \$60,000/lot for the 50'.

**Development Costs:** Our analysis assumes total development costs for Phase 2 to be approximately \$6,900,000 of which approximately \$4,000,000 will be the developer costs with approximately \$2,900,000 qualified for bond funds. As such, development costs will be deducted at \$1,000,000/quarterly period beginning in December 2019 over four periods. (See Addenda for cost estimate.)

**Discount Rate:** A Discount Rate of 16% will be utilized.

**Interest Escalation:** Interest will be based upon an annual 6.0% appreciation rate.

**Taxes (Vacant Land):** The annual ad valorem tax has been calculated utilizing a per acre assessment of \$20,000 or a total assessment of \$1,389,400 ( $\$20,000 \times 69.47$  acres) which equates to a total annual tax of \$29,993. Thus, a total of \$7,498 will be deducted per quarter for taxes as vacant land. Taxes on the developed lots will be applied at 2.0% over the takedown period based on the retail value of the lots.

**Cost of Sales** is estimated at 2.5%.

**Marketing Expense** will not be deducted as D. R. Horton Homes will be developing the lots and homes and traditionally provided for marketing.

**Management Fee** of 0.5% will be deducted.

### **Residual Land Value Conclusion – 69.47 Gross Acres**

Based upon the preceding, and the cash flow presented on the following page, our “as is” opinion of value for the subject’s 69.47 gross acres which is planned with 240 residential lots as a future Phase 2 is \$6,830,000, or \$2.26/SF or \$98,316/acre (\$28,458/lot).

## Residual Land Valuation Method- 69.47 Acres

Part of Heartland Town Center Public Improvement District

Heartland TownCenter PID, 69.5 Ac		Prepared By:		S. Sivakumar						
Mesquite, Texas		Number of Units:		240						
Scenario:		As Complete		Periods:						
Cash Flows Beginning	Jun-2019	Sep-2019	Dec-2019	Mar-2020	Jun-2020					
Inventory	Unit Sales	No.	Unit Sales	No.	Unit Sales	No.				
127 - 40' Lots	\$48,000	0	\$48,720	0	\$49,451	0				
113 - 50' Lots	\$60,000	0	\$60,900	0	\$61,814	0				
Appreciation -->		1.50%	1.50%	1.50%	1.50%					
Revenues	\$0	0	\$0	0	\$0	0				
Expenses	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Project Totals
Taxes - Vacant Land	\$7,498	\$7,498	\$7,498	\$7,498	\$7,498	\$7,498	\$0	\$0	\$0	\$44,988
Development Costs	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$4,000,000
Taxes - 40' Lots	\$0	\$0	\$0	\$0	\$0	\$32,836	\$24,668	\$16,248	\$7,570	\$81,322
Taxes - 50' Lots	\$0	\$0	\$0	\$0	\$0	\$36,250	\$23,290	\$9,656	\$0	\$69,196
COST OF SALES	2.5%	\$0	\$0	\$0	\$0	\$110,529	\$112,187	\$92,228	\$37,850	\$352,795
MARKETING	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MANAGEMENT FEE	0.5%	\$0	\$0	\$0	\$0	\$22,106	\$22,437	\$18,446	\$7,570	\$70,559
Total Expenses	\$7,498	\$7,498	\$1,007,498	\$1,007,498	\$1,007,498	\$1209,219	\$182,583	\$136,578	\$52,990	\$4,618,860
Net Income	(\$7,498)	(\$7,498)	(\$1,007,498)	(\$1,007,498)	(\$1,007,498)	\$3,211,954	\$4,304,908	\$3,552,547	\$1,461,016	\$9,492,935
Annual Discount Rate:	16.00%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031	0.75992	0.73069	0.70259
Discounted Value	(\$7,210)	(\$6,932)	(\$895,662)	(\$861,214)	(\$828,090)	\$2,538,454	\$3,271,377	\$2,595,811	\$1,026,490	\$6,833,025
Net Present Value	\$6,833,025									
Rounded	\$6,830,000									

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## Reconciliation and Conclusion of Value

In the previous sections, we have provided an opinion of the market value of the fee simple interest in the subject's Phase 1 using two approaches. Following is a summary of the values indicated by these approaches.

### **Summary of Value Indications, Phase 1**

Net/Gross Ratio Market Value	\$10,880,000
Discounted Cash Flow Analysis	\$10,765,000
<b>Final Opinion of Value</b>	<b>\$10,800,000</b>

Thus, we have reconciled our final value for Phase 1 at \$10,800,000 which is also supported by the Net/Gross ratio analysis as well.

## Value Conclusions

<b>Value Conclusions</b>			
<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
Prospective Market Value at Completion (Phase 1)	Fee Simple	June 2, 2019	\$10,800,000
Prospective Market Value at Completion (69.47 Acres)	Fee Simple	June 2, 2019	\$6,830,000

## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Ernest Gatewood and Shelley Sivakumar made a personal inspection of the property that is the subject of this report. Jimmy H. Jackson, MAI, has not personally inspected the subject.
12. Significant real property appraisal assistance was provided by James "Conner" O'Neal, Appraiser Trainee, License TX-1341435 who has not signed this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Jimmy H. Jackson, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Ernest Gatewood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



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## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.

6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – DFW, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – DFW is not a building or environmental inspector. Integra DFW does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – DFW, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of June 2, 2019, the effective appraisal date.
2. All information relative to the undeveloped property located within the "Heartland Town Center Public Improvement District" including land areas, lot totals, lot size, and other pertinent data that was provided by Petitt Barraza (engineering/planning/surveying), CADG Kaufman 146 LLC (current owners), D. R. Horton Homes (grantee), the City of Mesquite, and the Kaufman County Appraisal District is assumed to be correct.
3. Our prospective opinion of value will be based upon the following and upon the assumption that all PID improvements are complete by June 2, 2019:  
**Phase 1:** 210 lots on 41.50 acres with 55 lots (40' x 110' or 4,400 SF) and 155 lots (50' x 110' or 5,500 SF)  
**Future Phase 2:** 240 lots on 69.47 acres with 127 lots (40' x 110' or 4,400 SF) and 113 lots (50' x 110' or 5,500 SF)

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

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## **Addendum A**

### **Appraiser Qualifications**

## Jimmy H. Jackson, MAI

### Experience

Jimmy H. Jackson, MAI has over 33 years of experience as a commercial appraiser as well years of experience as a seasoned real estate investor. Prior to joining Integra Realty Resources, Mr. Jackson was one of the founding partners of JPP Capital Advisors as well as is one of the original two founding partners of Jackson Claborn, Inc. (JCI), a real estate consulting/valuation firm that was established in 1993. JCI grew to have one of the largest staffs of commercial and residential appraisers in the Southwest and has performed valuation and consulting on a vast number of commercial property types across Texas, as well as the United States. Mr. Jackson holds the MAI designation and has been involved in the analysis of virtually all types of commercial and residential properties. Mr. Jackson's experience includes consultation and valuation of a wide array of property types including apartment developments, industrial facilities, retail developments, office buildings, single-family subdivisions, single-family residences, condominiums, hotels, golf courses, mixed-use developments, special-use projects and vacant land. In addition to typical real estate valuations and consultations, Jackson has experience in state and federal courts as an expert witness. Testimony has involved such varied issues as bankruptcy, taxation and condemnation. Mr. Jackson has also been involved in numerous real estate developments and personal real estate investments which includes land acquisition & development, ground-up office build-to-suit development, garden apartment development, student housing development, and single-family lot development.

A major philanthropic achievement for Mr. Jackson was consulting with and influencing family members to provide the start-up expertise, as well as the seed funding in 1994 for the formation of The Parent Project for Muscular Dystrophy/PPMD ([www.parentprojectmd.org](http://www.parentprojectmd.org)). The PPMD organization has developed into a worldwide non-profit centered to provide research funds for children suffering with Duchenne Muscular Dystrophy. Since inception, the PPMD organization has directly funded more than \$50 million in direct research and assisted and helped leverage more than \$500 million of other research related to other genetic disease through government grants and other private funding sources. In 2008, Mr. Jackson received a Humanitarian Award from Texas Gov. Rick Perry for charitable work with National Jewish Hospital in Denver. Mr. Jackson currently serves as a national trustee for the hospital which is the #1 respiratory care hospital in the world.

Mr. Jackson graduated from Texas Tech University in 1984 with a B.B.A. in Finance with a Real Estate Emphasis. He has served on numerous professional boards, including serving on the Ethics and Counseling Panel of the North Texas Chapter of the Appraisal Institute, as well as serving on the Board of Directors, as well as being Chair and Co-Chair of the Public Relations Committee.

As a college student, Mr. Jackson was a member of Phi Delta Theta social fraternity and the Texas Tech Finance Association. He currently serves on the Advisory Board for the Jerry Rawls College of Business Administration (COBA) at Texas Tech University. Mr. Jackson has also served as a guest lecturer on real estate entrepreneurship to upper level COBA students at Texas Tech over the years. Jackson and his wife Cherylon Harman Jackson (1984/Finance COBA/Texas Tech University) reside in Plano, Texas and are active members of Parkway Hills Baptist Church in Plano, Texas.

### Integra Realty Resources

#### Dallas

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F (972) 733-1403

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# Jimmy H. Jackson, MAI

## Experience (Cont'd)

### Basic Core Real Estate Appraisal Services:

Feasibility Studies, Absorption Studies & Demographic Studies  
Highest & Best Use Studies for All Property Types  
3rd Party Appraisal Reviews  
Detrimental Conditions Valuation & Consulting  
Encroachment Analysis  
Land Use Studies & Planning/Zoning Studies  
Litigation/Litigation Support  
In-Depth Market Analysis for All Property Types  
Tax Assessment & Mass Appraisal Analysis  
Fair & Equitable Appraisal Analysis  
Right of Way Analysis Appraisals  
Mediation, Arbitration, & Dispute Resolution  
Portfolio Valuation & Analysis  
Retrospective Valuation Opinions

### Appraisal of All Property Types including The Following:

#### Residential

High-Rise Condominium and Garden-Style Multi-Family and Townhome Projects  
High-End Residential Property  
Historical Residential Property  
All types of Single Family Appraisals (Conventional, Relocation, Unique / Historical Property)

#### Land

Acreage (Commercial Mixed-Use)  
Subdivided Land (Mixed-Use, Commercial and Industrial)  
Standard Single-Family Subdivision Lot development appraisals  
PID/MUD Single-Family Subdivision Lot development appraisals

#### Commercial, Office & Retail

Branch Banks / Financial Building  
Convenience Stores / Service Stations  
Convention Center / Hotel / Resort /Motel  
Office Building (High Rise, over three stories)  
Office Building (Low Rise, three stories or less)  
Parking Facility (Lot or Garage)  
Retail (Single Tenant or Free Standing)  
Shopping Center (Local, Strip, Neighborhood, Community, Etc.)  
Shopping Center (Power Center, Outlet Center, Lifestyle, Etc.)  
Shopping Center (Super Regional, Regional Mall)

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# Jimmy H. Jackson, MAI

## Experience (Cont'd)

### Industrial

Industrial (Heavy (Manufacturing)  
Industrial (Small Office Warehouse / Mfg.)  
Industrial Light (Distribution, Storage)

### Special Purpose

Automobile Dealerships  
Church Facilities  
Collegiate Student Housing  
Self-Serve and Full-Service Car Wash Facilities  
Self-Storage Facilities

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## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute

## Licenses

Texas, Certified General Real Estate Appraiser, TX 1324004 G, Expires November 2018

## Education

Mr. Jackson is a graduate of Texas Tech University where he received a Bachelor of Business Administration in Finance with a Real Estate Emphasis.

## Miscellaneous

Member of Region 8 Ethics and Counseling Regional Panel (1992-1995)  
Chair - Public Relations North Texas Chapter (2003, 2004)  
Co-Chair - Public Relations North Texas Chapter (2005)  
Board Member - North Texas Chapter (2005-2007)

[jhjackson@irr.com](mailto:jhjackson@irr.com) - (972) 725-7724



**Texas Appraiser Licensing and Certification Board**  
P.O. Box 12188 Austin, Texas 78711-2188  
**Certified General Real Estate Appraiser**

Number: **TX 1324004 G**  
Issued: **12/01/2016** Expires: **11/30/2018**  
Appraiser: **JIMMY HUEL JACKSON**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.



*Douglas E. Oldmixon*  
Douglas E. Oldmixon  
Commissioner

# Shelley M. Sivakumar

## Experience

Shelley Sivakumar has over 20 years of experience as a commercial appraiser representing Jackson Claborn, Inc. This extensive experience has formed a knowledge of the Texas real estate market with an understanding of the dynamics of market forces in both increasing, as well as declining markets. After graduating from the University of Texas at Dallas with a Bachelor of Science degree with a double major of Accounting/Finance, Ms. Sivakumar began her career in tax accounting. For the next 20 years, she managed a private multi-million-dollar individual asset portfolio. Since joining Jackson Claborn, Inc. in 1998, she has specialized in appraising master-planned residential developments and subdivisions in the Dallas/Fort Worth metroplex as well as outlying areas in Dallas, Collin, Rockwall, Ellis, Tarrant, Grayson, and Denton Counties. Ms. Sivakumar's appraisal experience also includes single and multi-tenant office/medical buildings, retail developments, industrial facilities, educational centers, religious facilities, townhome developments, right-of-ways (road), as well as vacant land.

In her spare time, Ms. Sivakumar enjoys equestrian riding and working out. She has competed in the 100-mile "Hotter'N Hell Hundred" bike ride, one of the oldest and largest cycling events in the nation held in Wichita Falls, Texas every August.

## Licenses

State Licensed Real Estate Appraiser (Certificate No. TX 1333354-L)

## Education

University of Texas at Dallas, Dallas, Texas: Bachelor of Science 1978

University of North Texas, Denton, Texas 1977

Marshall University, Huntington, West Virginia: A.S. Degree 1974

## Appraisal Institute Courses

A Review of Disciplinary Cases	Market Analysis/STDB
Workfile Documentation for Appraisers	USPAP
Appraisal Math & Statistics	Fair Housing
Owner-Occupied Commercial Properties	Environmental Issues
Residential Report Writing	Texas Real Estate Contracts
Modern Green Building Concepts	Texas Real Estate Agency
Ad Valorem Tax Consultation	Modern Real Estate Practice in Texas
The Dirty Dozen	Appraising Residential Properties
Essential Elements of Disclosure & Disclaimer	Income Property Appraisal
Land & Site Valuation	Real Estate Appraisal
Commercial Clients Want Appraisers to Know	Basic Income Capitalization

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Addenda

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## Addenda

### Ernest Gatewood

#### Experience

Ernie Gatewood has been in the appraisal field for over 30 years. This extensive experience has formed a knowledge of the TX real estate market as well as select areas throughout the entire US. This experience has formed an understanding of the dynamics of market forces in both increasing as well as declining markets. Gatewood began his appraisal career in 1980 at Crosson Dannis, Inc. where he spent 10 years specializing in master-planned communities. Gatewood's appraisals were utilized in the funding of Legacy Business Park in Plano, TX as well as Stonebridge Ranch in McKinney, TX. In 1991, Gatewood joined Heartland (Seattle, WA) as Acquisitions Director for TX. In this role, Gatewood was key to the development of several SF subdivisions, a property type which he still specializes in to this day. For the past 25 years, Gatewood has been represented Jackson Claborn, Inc. as the VP of the Commercial Division where he has helped manage the production of the commercial appraisal practice which has enhanced JCI's strong commitment to client services.

Gatewood has experience appraising commercial, industrial, multifamily, and investment-grade real property and related tangible assets to provide opinions of value for purposes of mortgage lending, sale or purchase, financial reporting, federal tax, capital lease testing, litigation support, allocation of purchase price, estate tax planning/settlement, ad valorem taxation, property exchange, internal planning, and partial taking/just compensation by eminent domain agencies.

Property types include vacant land, agricultural land, rights-of-way (road and pipeline), shopping centers, single-tenant retail buildings, CBD and suburban office projects, air rights, truck terminals, light industrial facilities, heavy manufacturing plants, corporate headquarters, hospitals, surgery centers, medical office buildings, self-storage facilities, religious facilities, hotels, mixed-use developments, apartment projects, convenience stores, and, SF subdivision analyses.

#### Licenses

Licensed Real Estate Salesman in the State of Texas (Number 277705-32)  
State Certified General Real Estate Appraiser (Certificate No. TX 1324355-G)

#### Education

Richland Junior College, Dallas, Texas  
University of North Texas, Denton, Texas

#### Miscellaneous

Affiliate of the Appraisal Institute

#### Integra Realty Resources

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Part of Heartland Town Center Public Improvement District



Addenda

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## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

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## **Addendum B**

### **Definitions**

# Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

## **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

## **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

## **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

## **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

## **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

#### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

#### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

#### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

#### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

#### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

**Addendum C**  
**Property Information**

## Tax Data

### Kaufman CAD Property Search

Property ID: 9711 For Year 2018

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Map



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### Property Details

Account	
Property ID:	9711
Legal Description:	M MUSICK, TRACT 2 PT, AKA TRACT F PT
Geographic ID:	99.0312.0000.0715.00.02.00
Agent Code:	ID:73647
Type:	Real
Location	
Address:	0 S FM RD 741 TX
Map ID:	3-4
Neighborhood CD:	21-001S
Owner	
Owner ID:	193462
Name:	CADG KAUFMAN 146 LLC
Mailing Address:	1800 VALLEY VIEW LN #300 FARMERS BRANCH, TX 75234
% Ownership:	100.0%
Exemptions:	For privacy reasons not all exemptions are shown online.

## Property Values

Improvement Homesite Value:	\$0
Improvement Non-Homesite Value:	\$0
Land Homesite Value:	\$0
Land Non-Homesite Value:	\$0
Agricultural Market Valuation:	\$2,181,340
Market Value:	\$2,181,340
Ag Use Value:	\$24,540
Appraised Value:	\$24,540
Homestead Cap Loss: 	\$0
Assessed Value:	\$24,540

**DISCLAIMER** Information provided for research purposes only. Legal descriptions and acreage amounts are for appraisal district use only and should be verified prior to using for legal purpose and or documents. Please contact the Appraisal District to verify all information for accuracy.

## Property Taxing Jurisdiction

Entity	Description	Tax Rate	Market Value	Taxable Value
6F	KC ESD #6 (FORNEY)	0.030000	\$2,181,340	\$24,540
CAD	KAUFMAN CAD	0.000000	\$2,181,340	\$24,540
KC	KAUFMAN COUNTY	0.488700	\$2,181,340	\$24,540
P2	PRECINCT 2	0.000000	\$2,181,340	\$24,540
RB	ROAD & BRIDGE	0.100000	\$2,181,340	\$24,540
SF	FORNEY ISD	1.540000	\$2,181,340	\$24,540
<b>Total Tax Rate:</b> 2.158700				

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## Property Improvement - Building

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## Property Land

Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
ZA	CROPLAND	109.067	4,750,958.52	0.00	0.00	\$2,181,340	\$24,540

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## Property Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap Loss	Assessed
2018	\$0	\$2,181,340	\$24,540	\$24,540	\$0	\$24,540
2017	\$0	\$2,181,340	\$24,540	\$24,540	\$0	\$24,540
2016	\$0	\$2,181,340	\$24,540	\$24,540	\$0	\$24,540
2015	\$0	\$2,181,340	\$24,540	\$24,540	\$0	\$24,540
2014	\$0	\$1,917,140	\$24,650	\$24,650	\$0	\$24,650
2013	\$0	\$1,917,140	\$24,650	\$24,650	\$0	\$24,650
2012	\$0	\$1,968,140	\$24,650	\$24,650	\$0	\$24,650
2011	\$0	\$2,405,570	\$25,770	\$25,770	\$0	\$25,770

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## Property Deed History

Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Number
5/15/2013	SWD	SPECIAL WARRANTY DEED	269 KAUFMAN PARTNERS LP	CADG KAUFMAN 146 LLC	4363	38	10283
8/24/2005	COR	CORRECTION DEED	KAUFMAN PARTNERS LP	269 KAUFMAN PARTNERS LP	2806	174	1137
8/24/2005	WD	WARRANTY DEED	269 KAUFMAN PARTNERS LP	KAUFMAN PARTNERS LP	2709	267	18208
6/13/2005	WD	WARRANTY DEED	2219 KAUFMAN PARTNERS LP	HEARTLAND 600 DEVELOPMENT LAND LP	2658	510	11908
8/24/2005	WD	WARRANTY DEED	HEARTLAND 1800 INVESTMENT LAND LP	269 KAUFMAN PARTNERS LP	2709	267	18208
6/13/2005	WD	WARRANTY DEED	HEARTLAND 600 DEVELOPMENT LAND LP	HEARTLAND 1800 INVESTMENT LAND LP	2659	164	11920
1/6/2003	Deed	Deed	WEST FOUNDATION	2219 KAUFMAN PARTNERS LP	2127	184	658

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## DISCLAIMER

**DISCLAIMER** Information provided for research purposes only. Legal descriptions and acreage amounts are for appraisal district use only and should be verified prior to using for legal purpose and or documents. Please contact the Appraisal District to verify all information for accuracy.

## Legal Description – 110.97 Acres

BEING that certain tract of land situated in the MARTHA MUSIC SURVEY, ABSTRACT NUMBER 312, in Kaufman County, Texas, and being part of that certain called 146.733 acre tract of land described in deed to CADG Kaufman 146, LLC, recorded in Volume 4363, Page 38, of the Deed Records of Kaufman County, Texas (DRKCT), and being more particularly described as follows:

BEGINNING at a 1/2 inch iron rod with cap marked "DAA" found at the southernmost corner of said CADG Kaufman 146, LLC tract, and being located on the northeasterly line of Lot 2X, Block 43, of Heartland Tract A, Phase 1B, an addition to Kaufman County, Texas according to the Amending Plat recorded in Cabinet 3, Slide 20, of the Plat Records of Kaufman County, Texas (PRKCT), said iron rod also being located at the beginning of a non-tangent curve to the left;

THENCE Northwesterly with said northeasterly line of Lot 2X and with said curve to the left which has a central angle of 21°32'00", a radius of 800.00 feet, a chord which bears North 34°55'09"West, a chord distance of 298.90 feet, for an arc distance of 300.66 feet to the end of said curve, a 1/2 inch iron rod with cap marked "DAA" found for corner;

THENCE North 45°41'09"West, continuing with the northeasterly line of Lot 2X, a distance of 397.34 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner at the northernmost corner of said Lot 2X, Block 43, also being the northernmost corner of said Heartland Tract A, Phase 1B;

THENCE South 44°18'51"West, with the northwest line of said Lot 2X, Block 43, a distance of 10.00 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner at the easternmost corner of Heartland Tract A Phase 2B, an addition to Kaufman County, Texas, according to the Final Plat recorded in Cabinet 3, Slide 100, PRKCT, said iron rod also being located on the northeasterly right-of-way line of Heartland Parkway (called 80 foot right-of-way at this point), according to said Final Plat of Heartland Tract A Phase 2B;

THENCE North 45°41'09"West, with said northeasterly right-of-way line of Heartland Parkway, a distance of 1324.03 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner at the beginning of a tangent curve to the left;

THENCE Northwesterly, continuing with said northeasterly right-of-way line of Heartland Parkway, and with said curve having a central angle of 34°32'11", a radius of 790.00 feet, a chord which bears North 62°57'14"West, a chord distance of 469.01 feet, for an arc distance of 476.19 feet to the end of said curve, a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" found for corner, from which a 1/2 inch iron rod with cap marked "DAA" found is located northwesterly along said curve at an arc distance of 29.78 feet;

THENCE leaving said northeasterly right-of-way line of Heartland Parkway, and over and across said CADG Kaufman 146, LLC tract, the following courses to 5/8 inch iron rods with caps marked "PETITT-RPLS 4087" found for corners:

North 09°46'40"East, a distance of 165.00 feet;

South 78°15'28"East, a distance of 65.47 feet;

North 15°12'36"East, a distance of 235.81 feet;

North 42°35'50"East, a distance of 477.51 feet;

North 07°44'02"West, a distance of 285.71 feet;

South 86°42'10"West, a distance of 198.45 feet;

North 58°43'31"West, a distance of 145.05 feet;

And North 06°39'43"West, a distance of 222.01 feet, said iron rod being located on the north line of said CADG Kaufman 146, LLC tract;

THENCE North 83°20'17"East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 210.14 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner;

THENCE North 88°27'43"East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 474.11 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner;

THENCE South 84°18'07"East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 951.32 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner;

THENCE South 78°58'41"East, with a north line of said CADG Kaufman 146, LLC tract, a distance of 18.88 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner at a northeast corner of said CADG Kaufman 146, LLC tract;

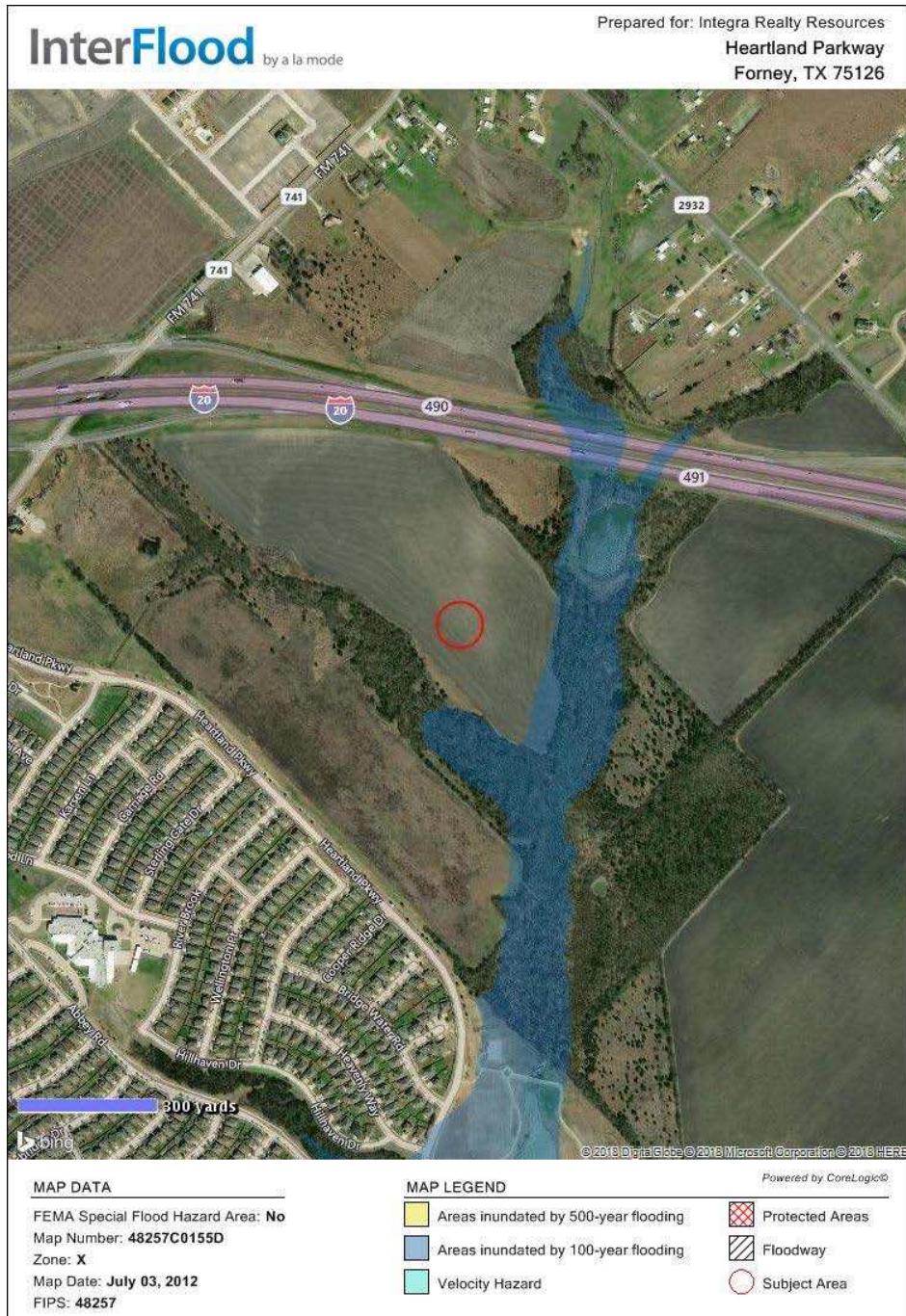
THENCE South 45°06'42"East, with the northeasterly line of said CADG Kaufman 146, LLC tract, a distance of 1382.69 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner, from which a 3/4 inch iron pipe found at the easternmost corner of said CADG Kaufman 146, LLC tract bears South 45°06'42"East, a distance of 730.35 feet;

THENCE South 14°06'13"West, leaving said northeasterly line, and over and across said CADG Kaufman 146, LLC tract, a distance of 1431.78 feet to a 5/8 inch iron rod with cap marked "PETITT-RPLS 4087" set for corner on a common southeast line of said CADG Kaufman 146, LLC and a northwest line of that certain tract of land described in deed to Crockett and West, LLC, recorded in Volume 4262, Page 558, DRKCT;

THENCE South 44°46'26"West, with a southeasterly line of said CADG Kaufman 146, LLC tract, a distance of 668.48 feet to a 1/2 inch iron rod with cap marked "DAA" found for corner;

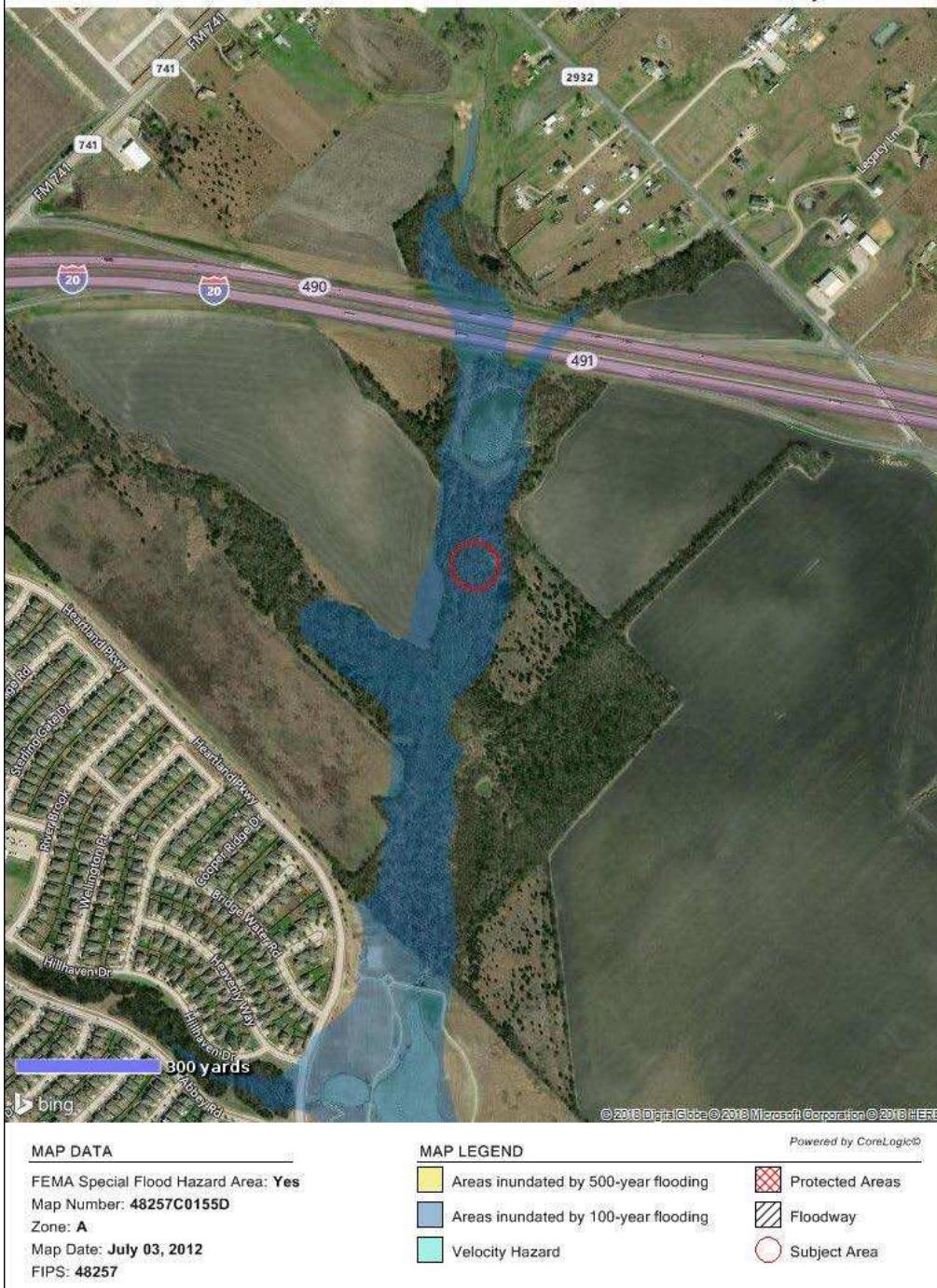
THENCE South 65°43'36"West, with a southeasterly line of said CADG Kaufman 146, LLC tract, a distance of 65.81 feet to the POINT OF BEGINNING of herein described tract, containing a calculated area of 110.971 acres of land.

## Flood Maps



Part of Heartland Town Center Public Improvement District





## Development Costs

### Heartland North

#### Entire Project Cost Estimate

		215 Lots Phase 1	235 Lots Phase 2	Totals
1 Site Preparation	Private	\$1,071,403	\$1,226,443	\$2,297,846
2 Retaining Walls	Private	\$306,400	\$385,000	\$691,400
3 Water Distribution System	Public	\$594,925	\$587,410	\$1,182,335
4 Sanitary Sewer System	Public	\$579,453	\$561,357	\$1,140,810
5 Storm Sewer System	Public	\$644,718	\$533,083	\$1,177,801
6 Roadway Improvements	Public	\$1,049,284	\$1,442,695	\$2,891,929
7 Franchise Utilities / Street Lighting	Private	\$590,250	\$752,750	\$1,443,000
8 Professional / Miscellaneous Fees	BOTH	\$749,402	\$789,589	\$1,538,991
9 Contingencies	Public	\$0	\$627,833	\$627,833
10 Amenity Center	Private	\$0	\$0	\$0
11 MI Water Distribution Systems	Public	\$169,360	\$0	\$169,360
12 MI Sanitary Sewer Systems	Public	\$48,700	\$0	\$48,700
13 MI Storm Drainage System	Public	\$481,100	\$0	\$481,100
14 MI Professional / Miscellaneous Fees	Public	\$118,857	\$0	\$118,857
15 MI Heartland Buy In Part 1	Public	\$799,822	\$0	\$799,822
16 MI Heartland Buy In Part 2	Public	\$749,000	\$0	\$749,000
17 District Creation Costs	Public	\$337,740	\$0	\$337,740
18 MI Contingencies	Public	\$62,916	\$0	\$62,916
19 Totals		\$8,880,280	\$6,906,160	\$15,786,440

Note: Heartland Commercial Tract Buy in to MUD

\$74,900 MM's Tract - Paid in Line 18

5/16/18  
KW  
Jason Lewis

## **Addendum D**

### **Comparable Data**

# Land Sale Profile

Sale No. 1

## Location & Property Identification

Property Name:	Clements Ranch (40' Lots)
Sub-Property Type:	Residential, Single Family Lot
Address:	North and east sides of Lake Ray Hubbard Drive, west of FM-740
City/State/Zip:	Dallas ETJ, TX 75126
County:	Kaufman
Submarket:	Kaufman-Terrell-Forney
Market Orientation:	Suburban
IRR Event ID:	1940166



## Sale Information

Sale Price:	\$38,000
Effective Sale Price:	\$38,000
Sale Date:	06/01/2017
Sale Status:	In-Contract
\$/Acre(Gross):	\$344,828
\$/Land SF(Gross):	\$7.92
\$/Unit:	\$950 /Unit
Grantor/Seller:	Mabrey Partners
Grantee/Buyer:	Gehan Homes
Property Rights:	Fee Simple
Financing:	Cash to seller
Terms of Sale:	The future Phase 3 lots are reported to be contracted to Gehan Homes at a base lot price of \$38,000/lot (\$950/FF) in First Quarter 2017 with interest escalation at 6.0%. Lots are pending to Highland Homes and D.R. Horton Homes.

Document Type:	Contract of Sale
Confirmation Source:	Centurion American
Verification Type:	Confirmed-Seller

## Improvement and Site Data

Legal/Tax/Parcel ID:	Future Phase 3
Acres(Gross):	0.11
Land-SF(Gross):	4,800
No. of Units (Potential):	40
Frontage Feet:	40
Frontage Desc.:	40' x 120'
Zoning Code:	None
Flood Plain:	No
Utilities:	Water Public, Sewer
Source of Land Info.:	Past Appraisal

## Comments

Lots are located within the Forney ISD. Home prices are projected to range from \$155,000 to \$190,000.

Clements Ranch (40' Lots)



# Land Sale Profile

Sale No. 2

## Location & Property Identification

Property Name:	Heartland (40' Lots)
Sub-Property Type:	Residential, Single Family Lot
Address:	East and southwest sides of FM-741, south of IH-20
City/State/Zip:	Forney, TX 75126
County:	Kaufman
Submarket:	Kaufman-Terrell-Forney
Market Orientation:	Suburban
IRR Event ID:	1940195



## Sale Information

Sale Price:	\$34,547
Effective Sale Price:	\$34,547
Sale Date:	02/08/2018
Sale Status:	Closed
\$/Acre(Gross):	\$313,494
\$/Land SF(Gross):	\$7.20
\$/Unit:	\$864 /Unit
Grantor/Seller:	UST Heartland LP
Grantee/Buyer:	Highland Homes Dallas LLC
Property Rights:	Fee Simple
Terms of Sale:	Lots were contracted at a base lot price of \$32,000/lot (\$800/FF) in 3Q17 with an annual escalation at 6.0%. Current lot price equates to \$864/FF.
Document Type:	Deed
Recording No.:	5586-224-3360
Confirmation Source:	Highland Homes
Verification Type:	Confirmed-Buyer

Land-SF(Gross):	4,800
No. of Units (Potential):	40
Frontage Feet:	40
Frontage Desc.:	40' x 120'
Zoning Code:	Single-Family
Flood Plain:	No
Utilities:	Water Public, Sewer
Source of Land Info.:	Public Records

## Comments

Lots are located within the Crandall ISD. Home prices range from \$205,000 to \$279,000.

## Improvement and Site Data

Legal/Tax/Parcel ID:	Phase 8, Block 24, Lot 14/Tax ID 196687
Acres(Gross):	0.11

## Heartland (40' Lots)



# Land Sale Profile

Sale No. 3

## Location & Property Identification

Property Name:	Clements Ranch (50' Lots)
Sub-Property Type:	Residential, Single Family Lot
Address:	North and east sides of Lake Ray Hubbard Drive, west of FM-740
City/State/Zip:	Dallas ETJ, TX 75126
County:	Kaufman
Submarket:	Kaufman-Terrell-Forney
Market Orientation:	Suburban
IRR Event ID:	1940142



## Sale Information

Sale Price:	\$46,503
Effective Sale Price:	\$46,503
Sale Date:	09/08/2017
Sale Status:	Closed
\$/Acre(Gross):	\$337,712
\$/Land SF(Gross):	\$7.75
\$/Unit:	\$930 /Unit
Grantor/Seller:	Clements Ranch LLC
Grantee/Buyer:	Highland Homes Dallas LLC
Property Rights:	Fee Simple
Financing:	Cash to seller
Terms of Sale:	Lots are contracted at a base lot price of \$42,500/lot (\$850/FF) set in 1Q17. Current lot price equates to \$930/FF.

Acres(Gross):	0.14
Land-SF(Gross):	6,000
No. of Units (Potential):	50
Frontage Feet:	50
Frontage Desc.:	50' x 120'
Zoning Code:	None
Flood Plain:	No
Utilities:	Water Public, Sewer
Source of Land Info.:	Public Records

## Comments

Lots are located within the Forney ISD. Home prices range from \$239,000 to \$293,000.

Document Type:	Deed
Recording No.:	5530-10-28369
Confirmation Source:	Highland Homes
Verification Type:	Confirmed-Buyer

## Improvement and Site Data

Legal/Tax/Parcel ID:	Phase 2, Block C, Lot 5/Tax ID 196086
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Clements Ranch (50' Lots)



# Land Sale Profile

Sale No. 4

## Location & Property Identification

Property Name:	Devonshire, Phase 2D (50' Lots)
Sub-Property Type:	Residential, Single Family Lot
Address:	1430 Darlington Lane
City/State/Zip:	Forney, TX 75126
County:	Kaufman
Submarket:	Kaufman-Terrell-Forney
Market Orientation:	Suburban
Property Location:	West side of FM-548 at Devonshire Boulevard
IRR Event ID:	1975849



## Sale Information

Sale Price:	\$54,851
Effective Sale Price:	\$54,851
Sale Date:	05/14/2018
Sale Status:	Closed
\$/Acre(Gross):	\$398,337
\$/Land SF(Gross):	\$9.14
\$/Unit:	\$1,097 /Unit
Grantor/Seller:	Devonshire Dallas ASLI VIII LLC
Grantee/Buyer:	Highland Homes Dallas LLC
Property Rights:	Fee Simple
Financing:	Cash to seller
Terms of Sale:	The base lot price was set at \$50,000 (\$1,000/FF) in 3Q17 with an annual 6.0% escalation. Current lot price equates to \$1,097/FF.
Document Type:	Deed
Recording No.:	5636/153/7953
Verified By:	Shelley Sivakumar
Confirmation Source:	Highland Homes
Verification Type:	Confirmed-Buyer

Legal/Tax/Parcel ID:	Devonshire, Phase 2D, Block KK, Lot 8/Tax ID 197053
Acres(Gross):	0.14
Land-SF(Gross):	6,000
No. of Units (Potential):	50
Frontage Feet:	50
Frontage Desc.:	50' x 120'
Zoning Code:	None
Flood Plain:	No
Utilities:	Water Public, Sewer
Utilities Desc.:	Kaufman County MUD No. 2
Source of Land Info.:	Public Records

## Comments

This subdivision is within the Forney ISD. Home prices range from \$259,000 to \$309,000.

## Improvement and Site Data

Devonshire, Phase 2D (50' Lots)

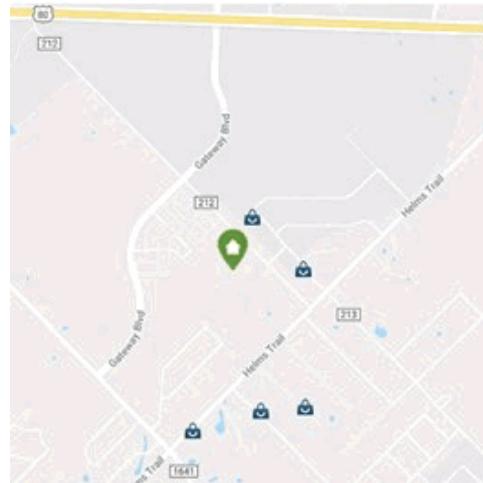


# Land Sale Profile

Sale No. 5

## Location & Property Identification

Property Name:	Gateway Parks Addition, Phases 2A & 2B (50' Lots)
Sub-Property Type:	Residential, Single Family Lot
Address:	1544 Kessler Drive
City/State/Zip:	Forney, TX 75126
County:	Texas
Submarket:	Kaufman-Terrell-Forney
Market Orientation:	Suburban
Property Location:	South side of Gateway Boulevard, east of FM-1641
IRR Event ID:	1975817



## Sale Information

Sale Price:	\$57,118
Effective Sale Price:	\$57,118
Sale Date:	05/18/2018
Sale Status:	Closed
\$/Acre(Gross):	\$414,800
\$/Land SF(Gross):	\$9.52
\$/Unit:	\$1,142 /Unit
Grantor/Seller:	South Forney LLC
Grantee/Buyer:	Highland Homes - Dallas LLC
Property Rights:	Fee Simple
Financing:	Cash to seller
Terms of Sale:	Base lot price was set at \$51,250 (\$1,025/FF) in 2Q17 with an annual 6.0% escalation. Current price equates to \$1,142/FF.
Document Type:	Deed
Verified By:	Shelley Sivakumar
Confirmation Source:	Highland Homes
Verification Type:	Confirmed-Buyer

Legal/Tax/Parcel ID:	Gateway Parks Addition, Phases 2A & 2B, Block Q, Lot 21/Tax ID 197930
Acres(Gross):	0.14
Land-SF(Gross):	6,000
No. of Units (Potential):	50
Frontage Feet:	50
Frontage Desc.:	50' x 120'
Zoning Code:	Neighborhood District
Zoning Desc.:	Single-Family Residential
Flood Plain:	No
Utilities:	Water Public, Sewer
Utilities Desc.:	Subdivision is located within the Collin County WCID No. 3
Source of Land Info.:	Public Records

## Comments

This subdivision is located within the Forney ISD. Home prices range from \$258,000 to \$308,000.

## Improvement and Site Data

Gateway Parks Addition, Phases 2A & 2B (50' Lots)



# Land Sale Profile

Sale No. 6

## Location & Property Identification

Property Name:	Lakewood Trails Addition (50' Lots)
Sub-Property Type:	Residential, Single Family Lot
Address:	West side of FM-741, north of IH-20
City/State/Zip:	Forney ETJ, TX 75126
County:	Kaufman
Submarket:	Kaufman-Terrell-Forney
Market Orientation:	Suburban
IRR Event ID:	1968434



## Sale Information

Sale Price:	\$54,100
Effective Sale Price:	\$54,100
Sale Date:	06/01/2018
Sale Status:	In-Contract
\$/Acre(Gross):	\$392,883
\$/Land SF(Gross):	\$9.02
\$/Unit:	\$1,082 /Unit
Grantor/Seller:	Dassons Forney 208 LP
Grantee/Buyer:	D.R. Horton Homes
Property Rights:	Fee Simple
Financing:	Cash to seller
Terms of Sale:	The lot price equates to \$1,082/front footage as of June 2018. The lots are contracted with an annual 6% escalation.
Document Type:	Contract of Sale
Recording No.:	Lot Contract
Verified By:	Shelley Sivakumar
Confirmation Source:	D. R. Horton Homes
Verification Type:	Confirmed-Buyer

Legal/Tax/Parcel ID:

Absalom Hyer Survey, Abstract No. 203, the Martha Musick Survey, Abstract No. 312/Tax ID 9681

Acres(Gross):	0.14
Land-SF(Gross):	6,000
No. of Units (Potential):	50
Topography:	Level
Frontage Feet:	50
Frontage Desc.:	50' x 120'
Zoning Code:	None/Forney ETJ
Easements:	No
Environmental Issues:	No
Flood Plain:	No
Utilities:	Water Public, Sewer
Source of Land Info.:	Public Records

## Comments

Lots in this new development are located within the Forney ISD. Home prices are projected to range from \$220,000 to \$300,000.

## Improvement and Site Data

Lakewood Trails Addition (50' Lots)









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