

RESOLUTION NO. 41-2018

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, ACCEPTING THE PRELIMINARY SERVICE AND ASSESSMENT PLAN FOR AUTHORIZED IMPROVEMENTS WITHIN THE HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT; SETTING A DATE FOR PUBLIC HEARING ON THE PROPOSED LEVY OF ASSESSMENTS; AUTHORIZING THE PUBLICATION AND MAILING OF NOTICE; AND ENACTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, on November 13, 2017, CADG Kaufman 146, LLC, a Texas Limited Liability Company, submitted and filed with the City Secretary of the City of Mesquite, Texas (the “City”), a petition (the “Petition”) requesting the establishment of the Heartland Town Center Public Improvement District (the “District”) within the extraterritorial jurisdiction of the City; and

WHEREAS, the City is authorized under Chapter 372 of the Texas Local Government Code (the “Act”) to create a public improvement district within its extraterritorial jurisdiction and its corporate limits; and

WHEREAS, on November 14, 2017, the City Council of the City (the “City Council”) accepted the Petition and called a public hearing for December 18, 2017, on the advisability of the improvements; and

WHEREAS, notice of the hearing was mailed on November 21, 2017, to the property owners within the District and was published on November 22, 2017, in *The Dallas Morning News*, a newspaper of general circulation in the City, and was published on November 22, 2017, in the *Forney Messenger*, a newspaper of general circulation in the part of the extraterritorial jurisdiction of the City in which the District is located; and

WHEREAS, the owners of 100% of the property subject to assessment under the proposed District had actual knowledge of the public hearing to be held on December 18, 2017, have waived notice of such public hearing, and have consented to the creation of the proposed District; and

WHEREAS, the City Council opened and conducted such public hearing on the advisability of the improvements, and closed such hearing on December 18, 2017; and

WHEREAS, on December 18, 2017, after due notice, the City Council held the public hearing in the manner required by law on the advisability of the Authorized Improvements described in the petition (the “Authorized Improvements”) as required by Sec. 372.009 of the Act and made the findings required by Sec. 372.009(b) of the Act and, by Resolution adopted by a majority of the members of the City Council, authorized the District in accordance with its finding as to the advisability of certain public 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, the City published notice of its authorization of the District in the *Forney Messenger*, a newspaper of general circulation in the part of the extraterritorial jurisdiction of the City in which the District is located; and

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

WHEREAS, the City has agreed to facilitate the development of approximately 121.282 acres of real property located within the District as a residential development consisting of approximately 450 single-family lots (the “Heartland Town Center Development”) through the financing and reimbursement of the Authorized Improvements from the Assessment revenues within the District; and

WHEREAS, the payment and reimbursement for the Authorized Improvements shall be solely from the proceeds of assessment revenue bonds issued by the City (the “PID Bonds”) and the City shall never be responsible for the payment of the Authorized Improvements or the PID Bonds from its general fund or its ad valorem taxes; and

WHEREAS, pursuant to Sections 372.013, 372.014, and 372.016 of the Act, the City Council has directed the preparation of a Preliminary Service and Assessment Plan for Authorized Improvements for the District (the “Preliminary Plan”), such Preliminary Plan attached hereto as Exhibit B, covers a period of at least five years and defines the annual indebtedness and the projected costs of the Authorized Improvements; and

WHEREAS, the Preliminary Plan also includes assessment plans that apportion the cost of an Authorized Improvement to be assessed against property in the District and such apportionment is made on the basis of special benefits accruing to the assessed property in the District because of the Authorized Improvements; and

WHEREAS, the City Council also directed the preparation of an assessment roll for the District that states the assessment against each parcel of land in the District (the “Assessment Roll”) and such Assessment Roll is attached to and a part of the Preliminary Plan; and

WHEREAS, after determining the total costs of the Authorized Improvements for the District, the City Council notes that the Preliminary Plan and proposed Assessment Roll may be amended with such changes as the City Council deems appropriate before such Preliminary Plan and Assessment Roll are adopted as final by the City Council; and

WHEREAS, the City has determined to call a public hearing regarding the proposed levy of assessments pursuant to the Preliminary Plan and the proposed Assessment Roll on property in the District, pursuant to Section 372.016 of the Act; and

WHEREAS, the City desires to publish and mail notice of such public hearing in order to provide notice to all interested parties of the City's proposed levy of assessments against property in the District, pursuant to Section 372.016 of the Act; and

WHEREAS, the City desires to file the Preliminary Plan and Assessment Roll with the City Secretary such that they are available for public inspection pursuant to Section 372.016 of the Act; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, THAT:

Section 1. Findings. The findings and determinations set forth in the preambles hereto are hereby incorporated by reference for all purposes.

Section 2. Calling Public Hearing. The City Council hereby calls a public hearing (the "Public Hearing") for 7:00 p.m. on August 20, 2018, at the regular meeting place of the City, the City Council Chamber at Mesquite City Hall, 757 North Galloway Avenue, Mesquite, Texas 75149, to consider approving the Preliminary Plan, with such changes and amendments as the City Council deems necessary, and the proposed Assessment Roll with such amendments to the assessments on any parcel as the City Council deems necessary, as the final Service and Assessment Plan and final Assessment Roll for the District (collectively, the "Final Plan"). After all objections made at such hearing have been heard, the City Council may (i) levy the assessments as special assessments against each parcel of property in the District as set forth in the Final Plan, including a final Assessment Roll; (ii) specify the method of payment of the assessments; and (iii) provide that assessments be paid in periodic installments. Notice of the Public Hearing setting out the matters required by Section 372.016 of the Act shall be given by publication at least eleven (11) days before the date of the hearing, in a newspaper of general circulation in the City and in a newspaper of general circulation in the part of the extraterritorial jurisdiction of the City in which the District is located. Notice of such hearing shall also be given by the City Secretary, by mailing a copy of the notice containing the information required by Section 372.016(b) of the Act to the last known address of each owner of property liable for an assessment in the proposed Assessment Roll as reflected on the tax rolls of the Kaufman County Appraisal District. All residents and property owners within the District, and all other persons, are hereby invited to appear in person, or by their attorney, and contend for or contest the Preliminary Plan and the Assessment Roll, and the proposed assessments and offer testimony pertinent to any issue presented on the amount of the assessments, purpose of the assessments, special benefit of the assessments, and the costs of collection and the penalties and interest on delinquent assessments. At or on the adjournment of the hearing conducted pursuant to Section 372.016 on the proposed assessments, the City Council must hear and pass on any objection to a proposed assessment. The City Council may amend a proposed assessment on any parcel in the District. The failure of a property owner to receive notice does not invalidate the proceeding.

Section 3. Publication of Notice. The City Council hereby directs the City Secretary to cause the publication and mailing of notice of the Public Hearing substantially in the form attached as Exhibit A. Such publication shall occur before the 10th day before the date of the Public Hearing.

Section 4. Conduct of Public Hearing. The City Council shall convene at the location and at the time specified in the notice described above for the Public Hearing and shall conduct the Public Hearing in connection with its consideration of the Final Plan, including the final Assessment Roll, for the District and the levy of the proposed assessments, including costs of collection, penalties and interest on delinquent assessments. At the Public Hearing, the City Council will hear and pass on any objections to the Preliminary Service and Assessment Plan and the proposed Assessment Roll and the levy of the proposed assessments (which objections may be written or oral). At or on the adjournment of the Public Hearing, the City Council may amend a proposed assessment on any parcel in the District. After all objections, if any, have been heard and passed upon, the City may (i) levy the assessments as special assessments against each parcel of property in the District as set forth in the Service and Assessment Plan and Assessment Roll for the District, (ii) specify the method of payment of the assessments, and (iii) provide that the assessments be paid in periodic installments.

Section 5. Filing of Proposed Assessment Roll. The proposed Assessment Roll shall be filed in the office of the City Secretary and be made available to any member of the public who wishes to inspect the same.

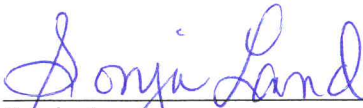
Section 6. Further Action. The City Secretary is hereby authorized and directed to take such other actions as are required, including providing notice of the public hearing as required by the Texas Open Meetings Act, to place the public hearing on the agenda for the August 20, 2018 meeting of the City Council.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 16th day of July, 2018.



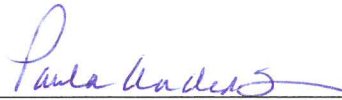
Stan Pickett
Mayor

ATTEST:



Sonja Land
City Secretary

APPROVED:



Paula Anderson
Interim City Attorney

Signature Page to Resolution Accepting SAP

EXHIBIT A

CITY OF MESQUITE
NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT a public hearing will be conducted by the City Council of the City of Mesquite, Texas on August 20, 2018, at 7:00 p.m. in the City Council Chamber at Mesquite City Hall, 757 North Galloway Avenue, Mesquite, Texas 75149. The public hearing will be held to consider proposed assessments to be levied against the assessable property in the Heartland Town Center Public Improvement District (the "District") pursuant to the provisions of Chapter 372 of the Texas Local Government Code, as amended (the "Act").

The general nature of the proposed public improvements (collectively, the "Authorized Improvements") are: (i) street and roadway improvements, including related sidewalks, drainage, utility relocation, signalization, landscaping, lighting, signage, off-street parking and right-of-way; (ii) establishment or improvement of parks and open space, together with the design, construction and maintenance of any ancillary structures, features or amenities such as trails, playgrounds, walkways, lighting and any similar items located therein; (iii) sidewalks and landscaping, including entry monuments and features, fountains, lighting and signage; (iv) acquisition, construction, and improvement of water, wastewater and drainage improvements and facilities; (v) projects similar to those listed in subsections (i) - (iv) above authorized by the Act, including similar off-site projects that provide a benefit to the property within the District; (vi) special supplemental services for improvement and promotion of the District; (vii) payment of costs associated with operating and maintaining the public improvements listed in subparagraphs (i) - (vi) above; and (viii) payment of costs associated with developing and financing the public improvements listed in subparagraphs (i) - (vi) above, and costs of establishing, administering and operating the District. These Authorized Improvements shall promote the interests of the City and confer a special benefit upon the property within the District.

The estimated cost to design, acquire and construct the Authorized Improvements, together with bond issuance costs, eligible legal and financial fees, eligible credit enhancement costs and eligible costs incurred in establishment, administration and operation of the District is \$14,000,000 plus the annual cost of supplemental services and operation and maintenance costs, if any. The City will pay no costs of the Authorized Improvements, supplemental services or operation and maintenance costs from funds other than assessments levied on property within the District and/or from revenues received from a Tax Increment Reinvestment Zone ("TIRZ") established by the City which boundaries include the property within the District. The remaining costs of the proposed improvements will be paid from sources other than those described above.

The boundaries of the District include approximately 121.282 acres of vacant land generally located south of Interstate Highway 20, east of FM 741 and north of Heartland Parkway, in Kaufman County, Texas, located within the extraterritorial jurisdiction of the City. A metes and bounds description of the boundaries of the District are available for inspection at the office of the City Secretary, 1515 North Galloway Avenue, Mesquite, Texas 75149.

All written or oral objections relating to the levy of the proposed assessments will be considered at the public hearing.

A copy of the Preliminary Service and Assessment Plan, including the proposed Assessment Roll, for the District, which includes the assessments to be levied against each parcel in the District is available for public inspection at the office of the City Secretary, 1515 North Galloway Avenue, Mesquite, Texas 75149.

WITNESS MY HAND AND THE OFFICIAL SEAL OF THE CITY, this ____ day of July,
2018.

/s/_____
Secretary

EXHIBIT B

PRELIMINARY SERVICE AND ASSESSMENT PLAN

DAVID
TAUSSIG
& ASSOCIATES, INC.

HEARTLAND TOWN CENTER
PUBLIC IMPROVEMENT
DISTRICT



PRELIMINARY
SERVICE AND ASSESSMENT PLAN

JULY 16, 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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I. PLAN DESCRIPTION AND DEFINED TERMS

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; (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 Assessment Rolls 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 shown 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 an indenture of trust, ordinance, or similar document setting forth the terms and other provisions relating to the 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, CADG Kaufman 146, LLC, a Texas limited liability company, 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 other than Non-Benefited Property and shown in the Phase #1 Assessment Roll against which an Assessment relating to the Phase #1 Improvements is levied.

“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, for any year, all Assessed Property within the PID other than (a) Non-Benefited Property, and (b) Assessed Property within Phase #1.

“Phase #2 Major Improvement 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 Improvement 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 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 August 6, 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 VI** of this Service and Assessment Plan.

“**TIRZ No. 11**” means the Tax Increment Reinvestment Zone No. 11, City of Mesquite, Texas.

“**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.

II. PROPERTY INCLUDED IN THE PID

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**.

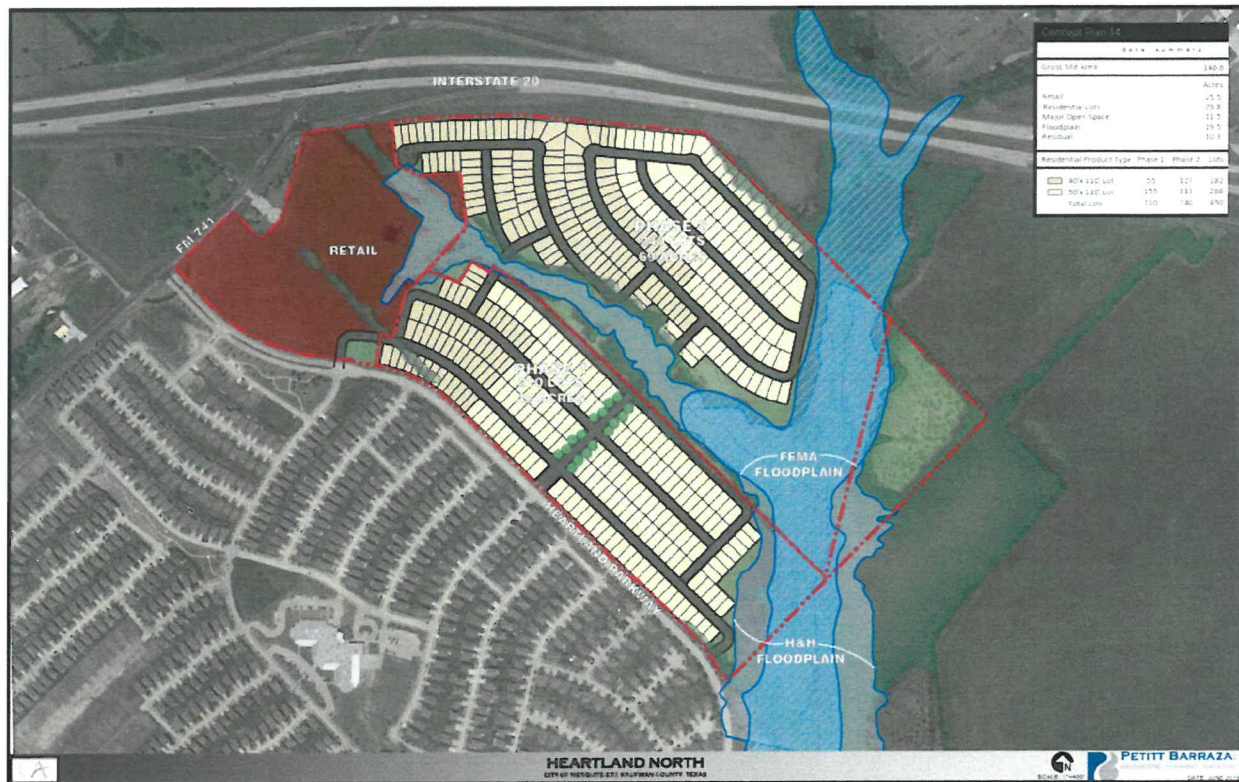


Exhibit II-A: PID Conceptual Map

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.

III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

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 | \$3,375,908.00 |
| Construction Contingency | \$439,566.00 |
| Total Public Improvements | \$10,907,509.00 |
| <p>Note: Costs provided by Pettitt Barraza LLC. The amounts shown in Table III-A may be revised in Annual Service Plan Updates.</p> <p>(a) Major Improvements and Specific Improvements, as defined in Section I of this SAP, are Authorized Improvements approved by the PID Act.</p> | |

As mentioned in **Section II.B**, additional PID Bonds may be issued to finance the Phase #2 Specific Improvements in future years. 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., tables will be updated to show the estimated costs 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 public improvements authorized by the PID Act.

| 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 |
| Total Specific Improvements | \$3,829,230.00 |
| Note: Costs provided by Petitt Barraza LLC. The amounts shown in Table III-B may be revised in Annual Service Plan Updates. | |

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 public improvements authorized by the PID Act.

| 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 | \$369,650.00 |
| Total Specific Improvements | \$4,283,784.00 |
| Note: Costs provided by Petitt 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**, below. 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 public improvements authorized by the PID Act.

| 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 |
| Total Major Improvements | \$2,794,495.00 |
| Note: Costs provided by Petitt Barraza LLC. The amounts shown in Table III-D may be revised in Annual Service Plan Updates. | |

IV. SERVICE PLAN

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 construction of the Phase #2 Major Improvements. 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 \$8,771,662 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 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 | |
| Sources of Funds | | | | |
| Bond Par Amount | \$5,355,000 | \$0 | \$1,945,000 | \$7,300,000 |
| Owner Cash Contribution | \$692,505 | \$647,000 | \$132,157 | \$1,471,662 |
| Total Sources of Funds | \$6,047,505 | \$647,000 | \$2,077,157 | \$8,771,662 |
| Uses of Funds | | | | |
| <u>Major Improvements (a)</u> | | | | |
| Water System Improvements | \$70,635 | \$10,327 | \$88,398 | \$169,360 |
| Sanitary Sewer System Improvements | \$20,311 | \$2,970 | \$25,419 | \$48,700 |
| Storm Drainage System Improvements | \$200,652 | \$29,336 | \$251,112 | \$481,100 |
| Professional and Other Soft Costs | \$844,738 | \$123,505 | \$1,057,176 | \$2,025,419 |
| Construction Contingency | \$29,160 | \$4,263 | \$36,493 | \$69,916 |
| Subtotal Major Improvements | \$1,165,495 | \$170,402 | \$1,458,598 | \$2,794,495 |
| <u>Specific Improvements (a)</u> | | | | |
| Roadway Improvements | \$1,268,858 | \$180,376 | \$0 | \$1,449,234 |
| Water System Improvements | \$520,879 | \$74,046 | \$0 | \$594,925 |
| Sanitary Sewer System Improvements | \$507,332 | \$72,121 | \$0 | \$579,453 |
| Storm Drainage System Improvements | \$564,474 | \$80,244 | \$0 | \$644,718 |
| Professional and Miscellaneous Fees | \$491,089 | \$69,811 | \$0 | \$560,900 |
| Construction Contingency | \$0 | \$0 | \$0 | \$0 |
| Subtotal Specific Improvements | \$3,352,632 | \$476,598 | \$0 | \$3,829,230 |
| <u>Financing Costs</u> | | | | |
| Capitalized Interest (b) | \$609,503 | \$0 | \$231,441 | \$840,944 |
| Bond Reserve (c) | \$392,425 | \$0 | \$150,688 | \$543,113 |
| Delinquency and Prepayment Deposit | \$25,000 | \$0 | \$10,000 | \$35,000 |
| Administrative Expenses | \$30,000 | \$0 | \$35,000 | \$65,000 |
| Underwriter's Discount | \$165,150 | \$0 | \$59,850 | \$225,000 |
| Costs of Issuance | \$307,300 | \$0 | \$131,580 | \$438,880 |
| Subtotal Financing Costs | \$1,529,378 | \$0 | \$618,559 | \$2,147,937 |
| Total Uses | \$6,047,505 | \$647,000 | \$2,077,157 | \$8,771,662 |
| (a) See Tables III-B and Table III-E 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. See Tables III-B and V-A for details concerning the total costs of the Phase #1 Improvements. | | | | |

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 Installment (c) |
| | | | Interest | Principal | | | |
| 2018 | \$20,453 | \$0 | \$2,471 | \$0 | \$0 | \$0 | \$2,471 |
| 2019 | \$294,525 | \$0 | \$35,585 | \$8,932 | \$26,775 | \$30,000 | \$101,292 |
| 2020 | \$294,525 | \$0 | \$35,094 | \$9,423 | \$26,775 | \$30,600 | \$101,892 |
| 2021 | \$294,525 | \$84,686 | \$34,575 | \$9,942 | \$26,775 | \$31,212 | \$481,715 |
| 2022 | \$289,867 | \$89,344 | \$34,029 | \$10,488 | \$26,352 | \$31,836 | \$481,916 |
| 2023 | \$284,953 | \$94,258 | \$33,452 | \$11,065 | \$25,905 | \$32,473 | \$482,106 |
| TOTAL | \$1,478,849 | \$268,288 | \$175,206 | \$49,851 | \$132,581 | \$156,121 | \$1,648,921 |
| (a) Numbers may not sum due to rounding. (b) There is to be 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 PID Bonds, amounts due pursuant to the PID Reimbursement Agreement, and annual Administrative Expenses of \$30,000 increasing at 2% per year. Note: Capitalized interest on the Phase #1 Bonds is \$609,503 | | | | | | | |

| 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 Installment (c) |
| 2018 | \$7,766 | \$0 | \$0 | \$0 | \$0 |
| 2019 | \$111,837 | \$0 | \$9,725 | \$35,000 | \$44,725 |
| 2020 | \$111,837 | \$0 | \$9,725 | \$35,700 | \$45,425 |
| 2021 | \$111,837 | \$36,160 | \$9,725 | \$36,414 | \$194,137 |
| 2022 | \$109,758 | \$37,347 | \$9,544 | \$37,142 | \$193,791 |
| 2023 | \$107,611 | \$38,619 | \$9,357 | \$37,885 | \$193,472 |
| TOTAL | \$560,647 | \$112,126 | \$48,077 | \$182,141 | \$671,550 |
| (a) Numbers may not sum due to rounding. | | | | | |
| (b) There is to be an initial deposit at PID Bond 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 PID Bonds, and annual Administrative Expenses of \$35,000 increasing at 2% per year. | | | | | |
| Note: Capitalized interest on the Phase #2 Major Improvement Bonds is \$231,441 | | | | | |

The annual projected costs shown in **Table IV-D** are the annual expenditures relating to the Major and Specific Improvements shown in **Table III-A**, the costs associated with setting up the PID, and the costs of issuance including reserves shown in **Table IV-A**. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Owner.

| Table IV-D | | |
|--|---|-------------------------------|
| Annual Projected Costs and Annual Projected Indebtedness | | |
| Bond Year | Projected Annual Costs of Authorized Improvements | Projected Annual Indebtedness |
| 2018 | \$1,471,939 | \$2,471 |
| 2019 | \$4,415,817 | \$146,017 |
| 2020 | \$735,969 | \$147,317 |
| 2021 | \$0 | \$675,852 |
| 2022 | \$0 | \$675,707 |
| 2023 | \$0 | \$675,578 |
| TOTAL | \$6,623,725 | \$2,322,943 |

As Phase #2 is developed, in association with issuing 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 the PID Bonds.

V. ASSESSMENT PLAN

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 to be 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. The Bonds to be issued are most prudently and efficiently utilized when directly coinciding with construction of public infrastructure needed for 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 in to 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-C and V-D** based on the type and size of proposed development on each Lot.
4. Equivalent Units are 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 47.83% of the costs of the Major Improvements to Phase #1 and an allocation of 52.17% 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.A** 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 its 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. However, the assigned Assessments for Phase #1 Bonds and Phase #2 Major Improvement Bonds, identified in **Tables V-D** and **V-E**, may not 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 | \$2,025,419.00 | 47.80% | \$968,243.45 | 52.20% | \$1,057,175.55 |
| Construction Contingency | \$69,916.00 | 47.80% | \$33,423.06 | 52.20% | \$36,492.94 |
| Total Public Improvements | \$2,794,495.00 | | \$1,335,897.15 | | \$1,458,597.85 |
| (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., $201.20 \div 420.88 = 47.80\%$) are allocated to the Phase #1 Assessed Property and 52.20 percent of the estimated costs of Major Improvements (i.e., $219.68 \div 420.88 = 52.20\%$) 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⁽¹⁾ | Equivalent Unit Factor | Equivalent Units |
| 50' | 155 | \$255,000.00 | 1.00 | 155.00 |
| 40' | 55 | \$215,000.00 | 0.84 | 46.20 |
| Total | 210 | N/A | N/A | 201.20 |
| (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 ⁽¹⁾ | Equivalent Unit Factor | Equivalent Units |
| 50' | 113 | \$255,000.00 | 1.00 | 113.00 |
| 40' | 127 | \$215,000.00 | 0.84 | 106.68 |
| Total | 240 | N/A | N/A | 219.68 |
| (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 Unit | | Phase #1 Bonds Assessment | PID Reimbursement Agreement Assessment | Total Assessment (c) | Total Assessment Per Lot | Total Installments (d) | Total Installments Per Lot | | Average Annual Installment Per Lot | Tax Rate Equivalent (per \$100) |
|----------|-----------|-----------------------------------|---------------------------|-----------------|--------|---------------------------|--|----------------------|--------------------------|------------------------|----------------------------|------------|------------------------------------|---------------------------------|
| | | | | Factor | Units | | | | | | | | | |
| 50' | 155 | \$255,000.00 | \$39,525,000.00 | 1.00 | 155.00 | \$4,125,372.76 | \$498,434.39 | \$4,623,807.16 | \$29,831.01 | \$10,557,975.76 | \$68,115.97 | \$2,270.53 | | 0.89040% |
| 40' | 55 | \$215,000.00 | \$11,825,000.00 | 0.84 | 46.20 | \$1,229,627.24 | \$148,565.61 | \$1,378,192.84 | \$25,058.05 | \$3,146,957.94 | \$57,217.42 | \$1,907.25 | | 0.88709% |
| Total | 210 | \$244,523.81 | \$51,350,000.00 | | 201.20 | \$5,355,000.00 | \$647,000.00 | \$6,002,000.00 | | \$13,704,933.70 | | | | |

(a) Numbers may not sum due to rounding.

(b) Estimates based on information available as of June 21, 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 Phase #1 Assessed Property 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 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) | Equivalent Unit | | Estimated Buildout | Equivalent Units | | Total Assessment (c) | Total Assessment | | Total Installments (d) | Total Installments | | Average Annual Installment Per Lot | Tax Rate Equivalent (per \$100) |
|----------|-----------|-----------------------------------|---------------------------|-----------------|------|--------------------|------------------|------|----------------------|------------------|------------|------------------------|--------------------|----------|------------------------------------|---------------------------------|
| | | | | Factor | Unit | | Factor | Unit | | Per Lot | Per Lot | | Per Lot | Per Lot | | |
| 50' | 113 | \$255,000.00 | \$28,815,000.00 | 1.00 | | | 113.00 | | \$1,000,477.97 | \$8,853.79 | \$8,853.79 | \$2,842,837.91 | \$25,157.86 | \$838.60 | | 0.32886% |
| 40' | 127 | \$215,000.00 | \$27,305,000.00 | 0.84 | | | 106.68 | | \$944,522.03 | \$7,437.18 | \$7,437.18 | \$2,683,840.25 | \$21,132.60 | \$704.42 | | 0.32764% |
| Total | 240 | \$233,833.33 | \$56,120,000.00 | | | | 219.68 | | \$1,945,000.00 | | | \$5,526,678.17 | | | | |

(a) Numbers may not sum due to rounding.

(b) Estimates based on information available as of June 21, 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 Phase #2 Assessed Property 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 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 PID Bonds 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 2018 shall be applied as the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2019).
2. The TIRZ Annual Credit Amount available to reduce the Annual Installment for a Parcel was calculated based on Lot Type as illustrated in **Tables V-D** and **V-E** as prepared by the City's Financial Advisor, so that the net total of the Assessment did not produce an equivalent tax rate which exceeded 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 improved values at the time of the PID Bonds being approved, and this calculation established the TIRZ Annual Credit Amount for all Lot Types.

- i. TIRZ Annual Credit Amount for 50' Lot Type: \$1,135
- ii. TIRZ Annual Credit Amount for 40' Lot Type: \$957

3. 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.
4. 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.

VI. TERMS OF THE ASSESSMENTS

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 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 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. 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 a 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 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 and Administrative Expenses, 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; 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, 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 2018 and shall be delinquent February 1, 2019.

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, 2019.

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.

VII. THE ASSESSMENTS

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 \$6,694,505 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 | |
|--|-------------------------------|
| Public Improvement | Phase #1 Improvement Costs |
| Major Improvements | \$1,335,897 |
| Specific Improvements | \$3,829,230 |
| PID Formation/Bond Issuance Costs | |
| Capitalized Interest | \$609,503 |
| Bond Reserves | \$392,425 |
| Delinquency and Prepayment Reserve Deposit | \$25,000 |
| Costs of Issuance | \$307,300 |
| Underwriter's Discount | \$165,150 |
| Administrative Expenses | \$30,000 |
| Total PID Formation/Bond Issuance Costs | \$1,529,378 |
| Total Special Benefit | \$6,694,505 |
| Total Assessment | \$6,002,000 |
| Excess Benefit | \$692,505 |

B. Phase #2 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 \$2,077,157 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.

| Table VII-B Phase #2 Special Benefit Summary | |
|--|-------------------------------------|
| Public Improvement | Phase #2 Major Improvement Costs |
| Major Improvements | \$1,458,598 |
| PID Formation/Bond Issuance Costs | |
| Capitalized Interest | \$231,441 |
| Bond Reserves | \$150,688 |
| Delinquency and Prepayment Reserve Deposit | \$10,000 |
| Costs of Issuance | \$131,580 |
| Underwriter's Discount | \$59,850 |
| Administrative Expenses | \$35,000 |
| Total PID Formation/Bond Issuance Costs | \$618,559 |
| Total Special Benefit | \$2,077,157 |
| Total Assessment | \$1,945,000 |
| Excess Benefit | \$132,157 |

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.

VIII. MISCELLANEOUS PROVISIONS

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

ASSESSMENT ROLL

PHASE #1

| Appendix A Heartland Town Center Public Improvement District Phase #1 Assessment Roll Assessment by Parcel | | | | | | |
|---|----------------------|----------------|----------------|------------|------------|-------------------|
| Tax Parcel ID | Owner | Total 40' Lots | Total 50' Lots | Total Lots | Total EDUs | PID Assessment |
| 9609 | CADG KAUFMAN 146 LLC | 42 | 0 | 42 | 35.28 | \$1,052,438.17 |
| 9711 | CADG KAUFMAN 146 LLC | 7 | 155 | 162 | 160.88 | \$4,799,213.52 |
| 76545 | CADG KAUFMAN 146 LLC | 6 | 0 | 6 | 5.04 | \$150,348.31 |
| Totals | | 55 | 155 | 210 | 201.20 | \$6,002,000.00 |

Phase #1

Tax Parcel ID
9609

Assessment Amount
\$1,052,438.17

Units
42

Equivalent Units
35.28

| Year | Interest | Principal | RA Interest (a) | RA Principal | Capitalized Interest | Delinquency and Prepayment Reserve | Administrative Expenses Portion (b) | Annual Installment (c) |
|--------------|--------------------|------------------|------------------|------------------|----------------------|------------------------------------|-------------------------------------|------------------------|
| 2019 | \$55,231 | \$0 | \$6,673 | \$1,566 | (\$55,231) | \$4,695 | \$5,260 | \$18,195 |
| 2020 | \$51,644 | \$0 | \$6,154 | \$1,652 | (\$51,644) | \$4,695 | \$5,366 | \$17,867 |
| 2021 | \$51,644 | \$14,850 | \$6,063 | \$1,743 | \$0 | \$4,695 | \$5,473 | \$84,468 |
| 2022 | \$50,828 | \$15,666 | \$5,967 | \$1,839 | \$0 | \$4,621 | \$5,582 | \$84,503 |
| 2023 | \$49,966 | \$16,528 | \$5,866 | \$1,940 | \$0 | \$4,542 | \$5,694 | \$84,536 |
| 2024 | \$49,057 | \$17,437 | \$5,759 | \$2,047 | \$0 | \$4,460 | \$5,808 | \$84,568 |
| 2025 | \$48,098 | \$18,396 | \$5,646 | \$2,160 | \$0 | \$4,373 | \$5,924 | \$84,596 |
| 2026 | \$47,086 | \$19,408 | \$5,528 | \$2,278 | \$0 | \$4,281 | \$6,043 | \$84,623 |
| 2028 | \$44,893 | \$21,601 | \$5,270 | \$2,536 | \$0 | \$4,081 | \$6,287 | \$84,668 |
| 2029 | \$43,704 | \$22,789 | \$5,131 | \$2,675 | \$0 | \$3,973 | \$6,412 | \$84,685 |
| 2030 | \$42,451 | \$24,043 | \$4,984 | \$2,822 | \$0 | \$3,859 | \$6,541 | \$84,700 |
| 2032 | \$39,734 | \$26,760 | \$4,664 | \$3,141 | \$0 | \$3,612 | \$6,805 | \$84,717 |
| 2033 | \$38,262 | \$28,232 | \$4,492 | \$3,314 | \$0 | \$3,478 | \$6,941 | \$84,719 |
| 2034 | \$36,709 | \$29,785 | \$4,309 | \$3,497 | \$0 | \$3,337 | \$7,080 | \$84,717 |
| 2035 | \$35,071 | \$31,423 | \$4,117 | \$3,689 | \$0 | \$3,188 | \$7,221 | \$84,710 |
| 2036 | \$33,343 | \$33,151 | \$3,914 | \$3,892 | \$0 | \$3,031 | \$7,366 | \$84,697 |
| 2037 | \$31,519 | \$34,975 | \$3,700 | \$4,106 | \$0 | \$2,865 | \$7,513 | \$84,678 |
| 2038 | \$29,596 | \$36,898 | \$3,474 | \$4,332 | \$0 | \$2,691 | \$7,663 | \$84,654 |
| 2039 | \$27,566 | \$38,928 | \$3,236 | \$4,570 | \$0 | \$2,506 | \$7,817 | \$84,623 |
| 2040 | \$25,425 | \$41,069 | \$2,985 | \$4,821 | \$0 | \$2,311 | \$7,973 | \$84,584 |
| 2041 | \$23,167 | \$43,327 | \$2,720 | \$5,086 | \$0 | \$2,106 | \$8,133 | \$84,538 |
| 2042 | \$20,784 | \$45,710 | \$2,440 | \$5,366 | \$0 | \$1,889 | \$8,295 | \$84,484 |
| 2043 | \$18,269 | \$48,224 | \$2,145 | \$5,661 | \$0 | \$1,661 | \$8,461 | \$84,422 |
| 2044 | \$15,617 | \$50,877 | \$1,833 | \$5,973 | \$0 | \$1,420 | \$8,630 | \$84,350 |
| 2045 | \$12,819 | \$53,675 | \$1,505 | \$6,301 | \$0 | \$1,165 | \$8,803 | \$84,268 |
| 2046 | \$9,867 | \$56,627 | \$1,158 | \$6,648 | \$0 | \$897 | \$8,979 | \$84,176 |
| 2047 | \$6,752 | \$59,742 | \$793 | \$7,013 | \$0 | \$614 | \$9,159 | \$84,072 |
| 2048 | \$3,467 | \$63,027 | \$407 | \$7,399 | \$0 | \$315 | \$9,342 | \$83,957 |
| Total | \$1,029,716 | \$938,988 | \$121,163 | \$113,450 | (\$106,875) | \$93,284 | \$213,406 | \$2,403,132 |

- (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 (5.50%) 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

Tax Parcel ID
9711

Assessment Amount
\$4,799,213.52

Units
162

Equivalent Units
160.88

| Year | Interest | Principal | RA Interest (a) | RA Principal | Capitalized Interest | Delinquency and Prepayment Reserve | Administrative Expenses Portion (b) | Annual Installment (c) |
|--------------|--------------------|--------------------|------------------|------------------|----------------------|------------------------------------|-------------------------------------|------------------------|
| 2019 | \$251,857 | \$0 | \$30,430 | \$7,142 | (\$251,857) | \$21,409 | \$23,988 | \$82,969 |
| 2020 | \$235,503 | \$0 | \$28,061 | \$7,535 | (\$235,503) | \$31,134 | \$24,468 | \$81,473 |
| 2021 | \$235,503 | \$67,715 | \$27,647 | \$7,949 | \$0 | \$31,134 | \$24,957 | \$385,181 |
| 2022 | \$231,779 | \$71,440 | \$27,209 | \$8,387 | \$0 | \$30,615 | \$25,456 | \$385,341 |
| 2023 | \$227,849 | \$75,369 | \$26,748 | \$8,848 | \$0 | \$30,071 | \$25,965 | \$385,493 |
| 2024 | \$223,704 | \$79,514 | \$26,262 | \$9,334 | \$0 | \$29,501 | \$26,485 | \$385,636 |
| 2025 | \$219,331 | \$83,887 | \$25,748 | \$9,848 | \$0 | \$28,904 | \$27,014 | \$385,768 |
| 2026 | \$214,717 | \$88,501 | \$25,206 | \$10,389 | \$0 | \$28,277 | \$27,555 | \$385,889 |
| 2027 | \$209,849 | \$93,369 | \$24,635 | \$10,961 | \$0 | \$27,619 | \$28,106 | \$385,997 |
| 2028 | \$204,714 | \$98,504 | \$24,032 | \$11,564 | \$0 | \$26,929 | \$28,668 | \$386,092 |
| 2029 | \$199,296 | \$103,922 | \$23,396 | \$12,200 | \$0 | \$26,204 | \$29,241 | \$386,173 |
| 2030 | \$193,581 | \$109,637 | \$22,725 | \$12,871 | \$0 | \$25,442 | \$29,826 | \$386,238 |
| 2031 | \$187,551 | \$115,667 | \$22,017 | \$13,579 | \$0 | \$24,642 | \$30,423 | \$386,287 |
| 2032 | \$181,189 | \$122,029 | \$21,270 | \$14,325 | \$0 | \$23,800 | \$31,031 | \$386,317 |
| 2033 | \$174,477 | \$128,741 | \$20,483 | \$15,113 | \$0 | \$22,914 | \$31,652 | \$386,327 |
| 2034 | \$167,397 | \$135,821 | \$19,651 | \$15,945 | \$0 | \$21,982 | \$32,285 | \$386,317 |
| 2035 | \$159,927 | \$143,292 | \$18,774 | \$16,822 | \$0 | \$21,001 | \$32,930 | \$386,283 |
| 2036 | \$152,045 | \$151,173 | \$17,849 | \$17,747 | \$0 | \$19,967 | \$33,589 | \$386,225 |
| 2037 | \$143,731 | \$159,487 | \$16,873 | \$18,723 | \$0 | \$18,878 | \$34,261 | \$386,141 |
| 2038 | \$134,959 | \$168,259 | \$15,843 | \$19,753 | \$0 | \$17,731 | \$34,946 | \$386,029 |
| 2039 | \$125,705 | \$177,513 | \$14,757 | \$20,839 | \$0 | \$16,521 | \$35,645 | \$385,887 |
| 2040 | \$115,942 | \$187,276 | \$13,611 | \$21,985 | \$0 | \$15,245 | \$36,358 | \$385,712 |
| 2041 | \$105,642 | \$197,577 | \$12,402 | \$23,194 | \$0 | \$13,898 | \$37,085 | \$385,503 |
| 2042 | \$94,775 | \$208,443 | \$11,126 | \$24,470 | \$0 | \$12,477 | \$37,827 | \$385,257 |
| 2043 | \$83,310 | \$219,908 | \$9,780 | \$25,816 | \$0 | \$10,977 | \$38,583 | \$384,971 |
| 2044 | \$71,216 | \$232,003 | \$8,360 | \$27,236 | \$0 | \$9,392 | \$39,355 | \$384,643 |
| 2045 | \$58,455 | \$244,763 | \$6,862 | \$28,734 | \$0 | \$7,717 | \$40,142 | \$384,270 |
| 2046 | \$44,993 | \$258,225 | \$5,282 | \$30,314 | \$0 | \$5,947 | \$40,945 | \$383,849 |
| 2047 | \$30,791 | \$272,427 | \$3,615 | \$31,981 | \$0 | \$4,075 | \$41,764 | \$383,377 |
| 2048 | \$15,808 | \$287,411 | \$1,856 | \$33,740 | \$0 | \$2,095 | \$42,599 | \$382,850 |
| Total | \$4,695,596 | \$4,281,871 | \$552,512 | \$517,343 | (\$487,360) | \$606,499 | \$973,150 | \$10,958,498 |

- (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 (5.50%) 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

Tax Parcel ID
76545

Assessment Amount
\$150,348.31

Units
6

Equivalent Units
5.04

| Year | Interest | Principal | RA Interest (a) | RA Principal | Capitalized Interest | Delinquency and Prepayment Reserve | Administrative Expenses Portion (b) | Annual Installment (c) |
|--------------|------------------|------------------|-----------------|-----------------|----------------------|------------------------------------|-------------------------------------|------------------------|
| 2019 | \$7,890 | \$0 | \$953 | \$224 | (\$7,890) | \$671 | \$751 | \$2,599 |
| 2020 | \$7,378 | \$0 | \$879 | \$236 | (\$7,378) | \$671 | \$767 | \$2,552 |
| 2021 | \$7,378 | \$2,121 | \$866 | \$249 | \$0 | \$671 | \$782 | \$12,067 |
| 2022 | \$7,261 | \$2,238 | \$852 | \$263 | \$0 | \$660 | \$797 | \$12,072 |
| 2023 | \$7,138 | \$2,361 | \$838 | \$277 | \$0 | \$649 | \$813 | \$12,077 |
| 2024 | \$7,008 | \$2,491 | \$823 | \$292 | \$0 | \$637 | \$830 | \$12,081 |
| 2025 | \$6,871 | \$2,628 | \$807 | \$309 | \$0 | \$625 | \$846 | \$12,085 |
| 2026 | \$6,727 | \$2,773 | \$790 | \$325 | \$0 | \$612 | \$863 | \$12,089 |
| 2027 | \$6,574 | \$2,925 | \$772 | \$343 | \$0 | \$598 | \$880 | \$12,092 |
| 2028 | \$6,413 | \$3,086 | \$753 | \$362 | \$0 | \$583 | \$898 | \$12,095 |
| 2029 | \$6,243 | \$3,256 | \$733 | \$382 | \$0 | \$568 | \$916 | \$12,098 |
| 2030 | \$6,064 | \$3,435 | \$712 | \$403 | \$0 | \$551 | \$934 | \$12,100 |
| 2031 | \$5,876 | \$3,624 | \$690 | \$425 | \$0 | \$534 | \$953 | \$12,101 |
| 2032 | \$5,676 | \$3,823 | \$666 | \$449 | \$0 | \$516 | \$972 | \$12,102 |
| 2033 | \$5,466 | \$4,033 | \$642 | \$473 | \$0 | \$497 | \$992 | \$12,103 |
| 2034 | \$5,244 | \$4,255 | \$616 | \$500 | \$0 | \$477 | \$1,011 | \$12,102 |
| 2035 | \$5,010 | \$4,489 | \$588 | \$527 | \$0 | \$455 | \$1,032 | \$12,101 |
| 2036 | \$4,763 | \$4,736 | \$559 | \$556 | \$0 | \$433 | \$1,052 | \$12,100 |
| 2037 | \$4,503 | \$4,996 | \$529 | \$587 | \$0 | \$409 | \$1,073 | \$12,097 |
| 2038 | \$4,228 | \$5,271 | \$496 | \$619 | \$0 | \$384 | \$1,095 | \$12,093 |
| 2039 | \$3,938 | \$5,561 | \$462 | \$653 | \$0 | \$358 | \$1,117 | \$12,089 |
| 2040 | \$3,632 | \$5,867 | \$426 | \$689 | \$0 | \$330 | \$1,139 | \$12,083 |
| 2041 | \$3,310 | \$6,190 | \$389 | \$727 | \$0 | \$301 | \$1,162 | \$12,077 |
| 2042 | \$2,969 | \$6,530 | \$349 | \$767 | \$0 | \$270 | \$1,185 | \$12,069 |
| 2043 | \$2,610 | \$6,889 | \$306 | \$809 | \$0 | \$237 | \$1,209 | \$12,060 |
| 2044 | \$2,231 | \$7,268 | \$262 | \$853 | \$0 | \$203 | \$1,233 | \$12,050 |
| 2045 | \$1,831 | \$7,668 | \$215 | \$900 | \$0 | \$166 | \$1,258 | \$12,038 |
| 2046 | \$1,410 | \$8,090 | \$165 | \$950 | \$0 | \$128 | \$1,283 | \$12,025 |
| 2047 | \$965 | \$8,535 | \$113 | \$1,002 | \$0 | \$88 | \$1,308 | \$12,010 |
| 2048 | \$495 | \$9,004 | \$58 | \$1,057 | \$0 | \$45 | \$1,335 | \$11,994 |
| Total | \$147,102 | \$134,141 | \$17,309 | \$16,207 | (\$15,268) | \$13,326 | \$30,487 | \$343,305 |

- (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 (5.50%) 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

**CITY OF MESQUITE
HEARTLAND TOWN CENTER PUBLIC IMPROVEMENT DISTRICT**

**ASSESSMENT ROLL
PHASE #2**

**Appendix A
Heartland Town Center Public Improvement District
Phase #2 Assessment Roll**

Assessment by Parcel

| Tax Parcel ID | Owner | Total 40' Lots | Total 50' Lots | Total Lots | Total EDUs | PID |
|----------------------|----------------------|-----------------------|-----------------------|-------------------|-------------------|-------------------|
| | | | | | | Assessment |
| 9711 | CADG KAUFMAN 146 LLC | 127 | 113 | 240 | 219.68 | \$1,945,000.00 |
| Totals | | 127 | 113 | 240 | 219.68 | \$1,945,000.00 |

Phase #2

Tax Parcel ID
9711

Assessment Amount
\$1,945,000.00

Units
240

Equivalent Units
219.68

| Year | Interest | Principal | Capitalized Interest | Delinquency and Prepayment Reserve | Administrative Expenses Portion (a) | Annual Installment (b) |
|--------------|--------------------|--------------------|----------------------|---------------------------------------|--|---------------------------|
| 2019 | \$119,604 | \$0 | (\$119,604) | \$9,725 | \$35,000 | \$44,725 |
| 2020 | \$111,837 | \$0 | (\$111,837) | \$9,725 | \$35,700 | \$45,425 |
| 2021 | \$111,837 | \$36,160 | \$0 | \$9,725 | \$36,414 | \$194,137 |
| 2022 | \$109,758 | \$37,347 | \$0 | \$9,544 | \$37,142 | \$193,791 |
| 2023 | \$107,611 | \$38,619 | \$0 | \$9,357 | \$37,885 | \$193,472 |
| 2024 | \$105,390 | \$39,983 | \$0 | \$9,164 | \$38,643 | \$193,180 |
| 2025 | \$103,091 | \$41,445 | \$0 | \$8,964 | \$39,416 | \$192,916 |
| 2026 | \$100,708 | \$43,012 | \$0 | \$8,757 | \$40,204 | \$192,681 |
| 2027 | \$98,235 | \$44,692 | \$0 | \$8,542 | \$41,008 | \$192,477 |
| 2028 | \$95,665 | \$46,494 | \$0 | \$8,319 | \$41,828 | \$192,306 |
| 2029 | \$92,992 | \$48,426 | \$0 | \$8,086 | \$42,665 | \$192,169 |
| 2030 | \$90,207 | \$50,499 | \$0 | \$7,844 | \$43,518 | \$192,069 |
| 2031 | \$87,303 | \$52,725 | \$0 | \$7,592 | \$44,388 | \$192,008 |
| 2032 | \$84,272 | \$55,114 | \$0 | \$7,328 | \$45,276 | \$191,990 |
| 2033 | \$81,103 | \$57,680 | \$0 | \$7,052 | \$46,182 | \$192,017 |
| 2034 | \$77,786 | \$60,438 | \$0 | \$6,764 | \$47,105 | \$192,094 |
| 2035 | \$74,311 | \$63,403 | \$0 | \$6,462 | \$48,047 | \$192,224 |
| 2036 | \$70,665 | \$66,593 | \$0 | \$6,145 | \$49,008 | \$192,412 |
| 2037 | \$66,836 | \$70,027 | \$0 | \$5,812 | \$49,989 | \$192,664 |
| 2038 | \$62,810 | \$73,726 | \$0 | \$5,462 | \$50,988 | \$192,985 |
| 2039 | \$58,570 | \$77,711 | \$0 | \$5,093 | \$52,008 | \$193,383 |
| 2040 | \$54,102 | \$82,010 | \$0 | \$4,705 | \$53,048 | \$193,865 |
| 2041 | \$49,386 | \$86,649 | \$0 | \$4,294 | \$54,109 | \$194,439 |
| 2042 | \$44,404 | \$91,658 | \$0 | \$3,861 | \$55,191 | \$195,115 |
| 2043 | \$39,134 | \$97,072 | \$0 | \$3,403 | \$56,295 | \$195,904 |
| 2044 | \$33,552 | \$102,927 | \$0 | \$2,918 | \$57,421 | \$196,818 |
| 2045 | \$27,634 | \$109,263 | \$0 | \$2,403 | \$58,570 | \$197,870 |
| 2046 | \$21,351 | \$116,126 | \$0 | \$1,857 | \$59,741 | \$199,075 |
| 2047 | \$14,674 | \$123,566 | \$0 | \$1,276 | \$60,936 | \$200,452 |
| 2048 | \$7,569 | \$131,636 | \$0 | \$658 | \$62,155 | \$202,018 |
| Total | \$2,202,399 | \$1,945,000 | (\$231,441) | \$190,838 | \$1,419,883 | \$5,526,678 |

- (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 BY LOT TYPE, PHASE #1

Appendix B

Annual Installments - Phase #1 - 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 | Reimbursement Agreement Total | | | | |
| | Interest | Principal | Total | | | | | | | |
| 2018 | \$20,453.13 | \$0.00 | \$20,453.13 | \$2,471.18 | \$0.00 | \$2,471.18 | \$0.00 | \$0.00 | \$2,471.18 | \$6,002,000.00 |
| 2019 | \$294,525.00 | \$0.00 | \$294,525.00 | \$35,585.00 | \$8,932.09 | \$44,517.09 | \$30,000.00 | \$30,000.00 | \$101,292.09 | \$5,993,067.91 |
| 2020 | \$294,525.00 | \$0.00 | \$294,525.00 | \$35,093.74 | \$9,423.35 | \$44,517.09 | \$30,600.00 | \$30,600.00 | \$101,892.09 | \$5,983,644.56 |
| 2021 | \$294,525.00 | \$84,686.11 | \$379,211.11 | \$34,575.45 | \$9,941.64 | \$44,517.09 | \$31,212.00 | \$31,212.00 | \$481,715.20 | \$5,889,016.82 |
| 2022 | \$289,867.26 | \$89,343.85 | \$379,211.11 | \$34,028.66 | \$10,488.43 | \$44,517.09 | \$31,836.24 | \$31,836.24 | \$481,916.01 | \$5,789,184.54 |
| 2023 | \$284,953.35 | \$94,257.76 | \$379,211.11 | \$33,451.80 | \$11,065.29 | \$44,517.09 | \$32,472.96 | \$32,472.96 | \$482,106.01 | \$5,683,861.50 |
| 2024 | \$279,769.18 | \$99,441.93 | \$379,211.11 | \$32,843.21 | \$11,673.88 | \$44,517.09 | \$33,122.42 | \$33,122.42 | \$482,284.18 | \$5,572,745.68 |
| 2025 | \$274,299.87 | \$104,911.24 | \$379,211.11 | \$32,201.14 | \$12,315.94 | \$44,517.09 | \$33,784.87 | \$33,784.87 | \$482,449.42 | \$5,455,518.50 |
| 2026 | \$268,529.75 | \$110,681.36 | \$379,211.11 | \$31,523.77 | \$12,993.32 | \$44,517.09 | \$34,460.57 | \$34,460.57 | \$482,600.56 | \$5,331,843.82 |
| 2027 | \$262,442.28 | \$116,768.83 | \$379,211.11 | \$30,809.13 | \$13,707.95 | \$44,517.09 | \$35,149.78 | \$35,149.78 | \$482,736.37 | \$5,201,367.03 |
| 2028 | \$256,019.99 | \$123,191.12 | \$379,211.11 | \$30,055.20 | \$14,461.89 | \$44,517.09 | \$35,852.78 | \$35,852.78 | \$482,855.52 | \$5,063,714.02 |
| 2029 | \$249,244.48 | \$129,966.63 | \$379,211.11 | \$29,259.79 | \$15,257.30 | \$44,517.09 | \$36,569.83 | \$36,569.83 | \$482,956.62 | \$4,918,490.10 |
| 2030 | \$242,096.31 | \$137,114.80 | \$379,211.11 | \$28,420.64 | \$16,096.45 | \$44,517.09 | \$37,301.23 | \$37,301.23 | \$483,038.18 | \$4,765,278.85 |
| 2031 | \$234,555.00 | \$144,656.11 | \$379,211.11 | \$27,535.34 | \$16,981.75 | \$44,517.09 | \$38,047.25 | \$38,047.25 | \$483,098.63 | \$4,603,640.99 |
| 2032 | \$226,598.91 | \$152,612.19 | \$379,211.11 | \$26,601.34 | \$17,915.75 | \$44,517.09 | \$38,808.20 | \$38,808.20 | \$483,136.30 | \$4,433,113.05 |
| 2033 | \$218,205.24 | \$161,005.87 | \$379,211.11 | \$25,615.97 | \$18,901.11 | \$44,517.09 | \$39,584.36 | \$39,584.36 | \$483,149.40 | \$4,253,206.07 |
| 2034 | \$209,349.92 | \$169,861.19 | \$379,211.11 | \$24,576.41 | \$19,940.67 | \$44,517.09 | \$40,376.05 | \$40,376.05 | \$483,136.06 | \$4,063,404.21 |
| 2035 | \$200,007.56 | \$179,203.55 | \$379,211.11 | \$23,479.68 | \$21,037.41 | \$44,517.09 | \$41,183.57 | \$41,183.57 | \$483,094.27 | \$3,863,163.25 |
| 2036 | \$190,151.36 | \$189,059.75 | \$379,211.11 | \$22,322.62 | \$22,194.47 | \$44,517.09 | \$42,007.24 | \$42,007.24 | \$483,021.93 | \$3,651,909.03 |
| 2037 | \$179,753.07 | \$199,458.04 | \$379,211.11 | \$21,101.92 | \$23,415.17 | \$44,517.09 | \$42,847.39 | \$42,847.39 | \$482,916.77 | \$3,429,035.83 |
| 2038 | \$168,782.88 | \$210,428.23 | \$379,211.11 | \$19,814.09 | \$24,703.00 | \$44,517.09 | \$43,704.34 | \$43,704.34 | \$482,776.43 | \$3,193,904.60 |
| 2039 | \$157,209.33 | \$222,001.78 | \$379,211.11 | \$18,455.42 | \$26,061.66 | \$44,517.09 | \$44,578.42 | \$44,578.42 | \$482,598.38 | \$2,945,841.16 |
| 2040 | \$144,999.23 | \$234,211.88 | \$379,211.11 | \$17,022.03 | \$27,495.06 | \$44,517.09 | \$45,469.99 | \$45,469.99 | \$482,379.94 | \$2,684,134.22 |
| 2041 | \$132,117.58 | \$247,093.53 | \$379,211.11 | \$15,509.80 | \$29,007.28 | \$44,517.09 | \$46,379.39 | \$46,379.39 | \$482,118.28 | \$2,408,033.41 |
| 2042 | \$118,527.43 | \$260,683.67 | \$379,211.11 | \$13,914.40 | \$30,602.68 | \$44,517.09 | \$47,306.98 | \$47,306.98 | \$481,810.40 | \$2,116,747.05 |
| 2043 | \$104,189.83 | \$275,021.28 | \$379,211.11 | \$12,231.26 | \$32,285.83 | \$44,517.09 | \$48,253.12 | \$48,253.12 | \$481,453.12 | \$1,809,439.94 |
| 2044 | \$89,063.66 | \$290,147.45 | \$379,211.11 | \$10,455.53 | \$34,061.55 | \$44,517.09 | \$49,218.18 | \$49,218.18 | \$481,043.07 | \$1,485,230.94 |
| 2045 | \$73,105.55 | \$306,105.56 | \$379,211.11 | \$8,582.15 | \$35,934.94 | \$44,517.09 | \$50,202.54 | \$50,202.54 | \$480,576.70 | \$1,143,190.45 |
| 2046 | \$56,269.75 | \$322,941.36 | \$379,211.11 | \$6,605.73 | \$37,911.36 | \$44,517.09 | \$51,206.59 | \$51,206.59 | \$480,050.22 | \$782,337.72 |
| 2047 | \$38,507.97 | \$340,703.14 | \$379,211.11 | \$4,520.60 | \$39,996.48 | \$44,517.09 | \$52,230.73 | \$52,230.73 | \$479,459.65 | \$401,638.10 |
| 2048 | \$19,769.30 | \$359,441.81 | \$379,211.11 | \$2,320.80 | \$42,196.29 | \$44,517.09 | \$53,275.34 | \$53,275.34 | \$478,800.75 | \$0.00 |
| | \$5,872,414.20 | \$5,355,000.00 | \$11,227,414.20 | \$690,983.79 | \$647,000.00 | \$1,337,983.79 | \$1,217,042.38 | \$1,217,042.38 | \$13,704,933.70 | |

(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 BY LOT TYPE, PHASE #2**

Appendix C

Annual Installments - Phase #2 - All Parcels

| Bond Year | Phase #2 Major Improvement Bonds | | | | | | Administrative Expenses(a) | Annual Installment(b) | Assessment Balance |
|-----------|----------------------------------|----------------|--------------|----------------|----------------------|-----------------|----------------------------|-----------------------|--------------------|
| | Gross Debt Service | | Principal | Total | Capitalized Interest | Delinquency and | | | |
| | Interest | | | | | | | | |
| 2018 | \$7,766.48 | \$0.00 | \$0.00 | \$7,766.48 | (\$7,766.48) | \$0.00 | \$0.00 | \$0.00 | \$1,945,000.00 |
| 2019 | \$111,837.30 | \$0.00 | \$0.00 | \$111,837.30 | (\$111,837.30) | \$9,725.00 | \$35,000.00 | \$44,725.00 | \$1,945,000.00 |
| 2020 | \$111,837.30 | \$0.00 | \$0.00 | \$111,837.30 | (\$111,837.30) | \$9,725.00 | \$35,700.00 | \$45,425.00 | \$1,945,000.00 |
| 2021 | \$111,837.30 | \$36,160.26 | \$36,160.26 | \$147,997.56 | \$0.00 | \$9,725.00 | \$36,414.00 | \$194,136.56 | \$1,908,839.74 |
| 2022 | \$109,758.09 | \$37,346.80 | \$37,346.80 | \$147,104.89 | \$0.00 | \$9,544.20 | \$37,142.28 | \$193,791.37 | \$1,871,492.94 |
| 2023 | \$107,610.65 | \$38,618.97 | \$38,618.97 | \$146,229.62 | \$0.00 | \$9,357.46 | \$37,885.13 | \$193,472.21 | \$1,832,873.97 |
| 2024 | \$105,390.07 | \$39,982.74 | \$39,982.74 | \$145,372.81 | \$0.00 | \$9,164.37 | \$38,642.83 | \$193,180.01 | \$1,792,891.23 |
| 2025 | \$103,091.06 | \$41,444.66 | \$41,444.66 | \$144,535.72 | \$0.00 | \$8,964.46 | \$39,415.68 | \$192,915.86 | \$1,751,446.57 |
| 2026 | \$100,708.00 | \$43,011.83 | \$43,011.83 | \$143,719.83 | \$0.00 | \$8,757.23 | \$40,204.00 | \$192,681.06 | \$1,708,434.74 |
| 2027 | \$98,234.82 | \$44,692.02 | \$44,692.02 | \$142,926.85 | \$0.00 | \$8,542.17 | \$41,008.08 | \$192,477.10 | \$1,663,742.72 |
| 2028 | \$95,665.04 | \$46,493.72 | \$46,493.72 | \$142,158.76 | \$0.00 | \$8,318.71 | \$41,828.24 | \$192,305.71 | \$1,617,249.00 |
| 2029 | \$92,991.65 | \$48,426.17 | \$48,426.17 | \$141,417.82 | \$0.00 | \$8,086.24 | \$42,664.80 | \$192,168.87 | \$1,568,822.83 |
| 2030 | \$90,207.15 | \$50,499.46 | \$50,499.46 | \$140,706.62 | \$0.00 | \$7,844.11 | \$43,518.10 | \$192,068.83 | \$1,518,323.37 |
| 2031 | \$87,303.44 | \$52,724.65 | \$52,724.65 | \$140,028.09 | \$0.00 | \$7,591.62 | \$44,388.46 | \$192,008.17 | \$1,465,598.71 |
| 2032 | \$84,271.78 | \$55,113.80 | \$55,113.80 | \$139,385.57 | \$0.00 | \$7,327.99 | \$45,276.23 | \$191,989.80 | \$1,410,484.92 |
| 2033 | \$81,102.74 | \$57,680.09 | \$57,680.09 | \$138,782.83 | \$0.00 | \$7,052.42 | \$46,181.76 | \$192,017.01 | \$1,352,804.83 |
| 2034 | \$77,786.14 | \$60,437.98 | \$60,437.98 | \$138,224.12 | \$0.00 | \$6,764.02 | \$47,105.39 | \$192,093.54 | \$1,292,366.84 |
| 2035 | \$74,310.96 | \$63,403.29 | \$63,403.29 | \$137,714.25 | \$0.00 | \$6,461.83 | \$48,047.50 | \$192,223.59 | \$1,228,963.55 |
| 2036 | \$70,665.28 | \$66,593.34 | \$66,593.34 | \$137,258.62 | \$0.00 | \$6,144.82 | \$49,008.45 | \$192,411.88 | \$1,162,370.21 |
| 2037 | \$66,836.17 | \$70,027.13 | \$70,027.13 | \$136,863.30 | \$0.00 | \$5,811.85 | \$49,988.62 | \$192,663.77 | \$1,092,343.09 |
| 2038 | \$62,809.62 | \$73,725.51 | \$73,725.51 | \$136,535.13 | \$0.00 | \$5,461.72 | \$50,988.39 | \$192,985.24 | \$1,018,617.57 |
| 2039 | \$58,570.41 | \$77,711.38 | \$77,711.38 | \$136,281.79 | \$0.00 | \$5,093.09 | \$52,008.16 | \$193,383.03 | \$940,906.19 |
| 2040 | \$54,102.01 | \$82,009.87 | \$82,009.87 | \$136,111.88 | \$0.00 | \$4,704.53 | \$53,048.32 | \$193,864.74 | \$858,896.32 |
| 2041 | \$49,386.45 | \$86,648.65 | \$86,648.65 | \$136,035.10 | \$0.00 | \$4,294.48 | \$54,109.29 | \$194,438.87 | \$772,247.67 |
| 2042 | \$44,404.16 | \$91,658.12 | \$91,658.12 | \$136,062.28 | \$0.00 | \$3,861.24 | \$55,191.47 | \$195,114.99 | \$680,589.56 |
| 2043 | \$39,133.83 | \$97,071.77 | \$97,071.77 | \$136,205.60 | \$0.00 | \$3,402.95 | \$56,295.30 | \$195,903.86 | \$583,517.78 |
| 2044 | \$33,552.21 | \$102,926.52 | \$102,926.52 | \$136,478.74 | \$0.00 | \$2,917.59 | \$57,421.21 | \$196,817.53 | \$480,591.26 |
| 2045 | \$27,633.95 | \$109,263.05 | \$109,263.05 | \$136,897.00 | \$0.00 | \$2,402.96 | \$58,569.63 | \$197,869.59 | \$371,328.21 |
| 2046 | \$21,351.33 | \$116,126.25 | \$116,126.25 | \$137,477.59 | \$0.00 | \$1,856.64 | \$59,741.03 | \$199,075.26 | \$255,201.96 |
| 2047 | \$14,674.09 | \$123,565.72 | \$123,565.72 | \$138,239.80 | \$0.00 | \$1,276.01 | \$60,935.85 | \$200,451.66 | \$131,636.24 |
| 2048 | \$7,569.07 | \$131,636.24 | \$131,636.24 | \$139,205.31 | \$0.00 | \$658.18 | \$62,154.56 | \$202,018.05 | \$0.00 |
| | \$2,202,398.57 | \$1,945,000.00 | | \$4,147,398.57 | (\$231,441.08) | \$190,837.91 | \$1,419,882.77 | \$5,526,678.17 | |

(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 Bonds (5.750%) 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 BOUNDARIES OF THE PID

EXHIBIT C

BOUNDARIES

Metes and Bounds Description of the Property (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°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 477.61 feet;

North 07°44'02" West, a distance of 285.71 feet;

South 86°42'10" West, a distance of 198.45 feet;

North 68°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 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°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°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.