NEW ISSUE **NOT RATED**

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED _____, 2019

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

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds." See "TAX MATTERS" herein.

$6,940,000*

CITY OF MESQUITE, TEXAS,

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

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019

(POLO RIDGE PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT)

Dated Date: July 1, 2019 **Due: September 15, as shown on the inside cover**

Interest to Accrue from Date of Delivery

The City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2019 (Polo Ridge Public Improvement District No. 2 Phase #1 Project) (the "Bonds"), are being issued by the City of Mesquite, Texas (the "City"). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of $100,000 of principal amount and any integral multiple of $5,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 15 and September 15, commencing March 15, 2020, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance expected to be adopted by the City Council of the City (the "City Council") on June 17, 2019, and an Indenture of Trust, dated as of July 1, 2019 (the "Indenture"), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of certain public improvements, which consist of (a) Phase #1's proportionate share of the costs of certain public improvements that will benefit the entire Polo Ridge Public Improvement District No. 2 (the "District") and (b) the costs of the specific infrastructure benefitting only Phase #1 (as defined herein) of the District (together, the "Phase #1 Improvements"), (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Phase #1 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) funding a portion of a Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds. See "THE PHASE #1 IMPROVEMENTS" and "APPENDIX A — Form of Indenture." Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

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

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

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

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

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

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Bracewell LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX C — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, and for the Developer by its counsel, Boghetich Law, PLLC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2019.

FMSbonds, Inc.

* *Preliminary; subject to change.*

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

CUSIP Prefix: _____[(a)]

$6,940,000*
CITY OF MESQUITE, TEXAS,
(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(POLO RIDGE PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT)

$_____ _____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ___[(a) (b) (c)]

$_____ _____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ___[(a) (b) (c)]

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* *Preliminary; subject to change.*

(a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.

(b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 15, 20__, at a Redemption price equal to the principal amount of Bonds to be called for redemption plus accrued and unpaid interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

(c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

CITY OF MESQUITE, TEXAS
CITY COUNCIL

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

CITY MANAGER	**CITY SECRETARY**	**DIRECTOR OF FINANCE**
Cliff Keheley	Sonja Land	Debbie Mol

ASSESSMENT CONSULTANT AND ADMINISTRATOR
DTA

FINANCIAL ADVISOR TO THE CITY
Hilltop Securities Inc.

BOND COUNSEL
Bracewell LLP

UNDERWRITER'S COUNSEL
Winstead PC

For additional information regarding the City, please contact:

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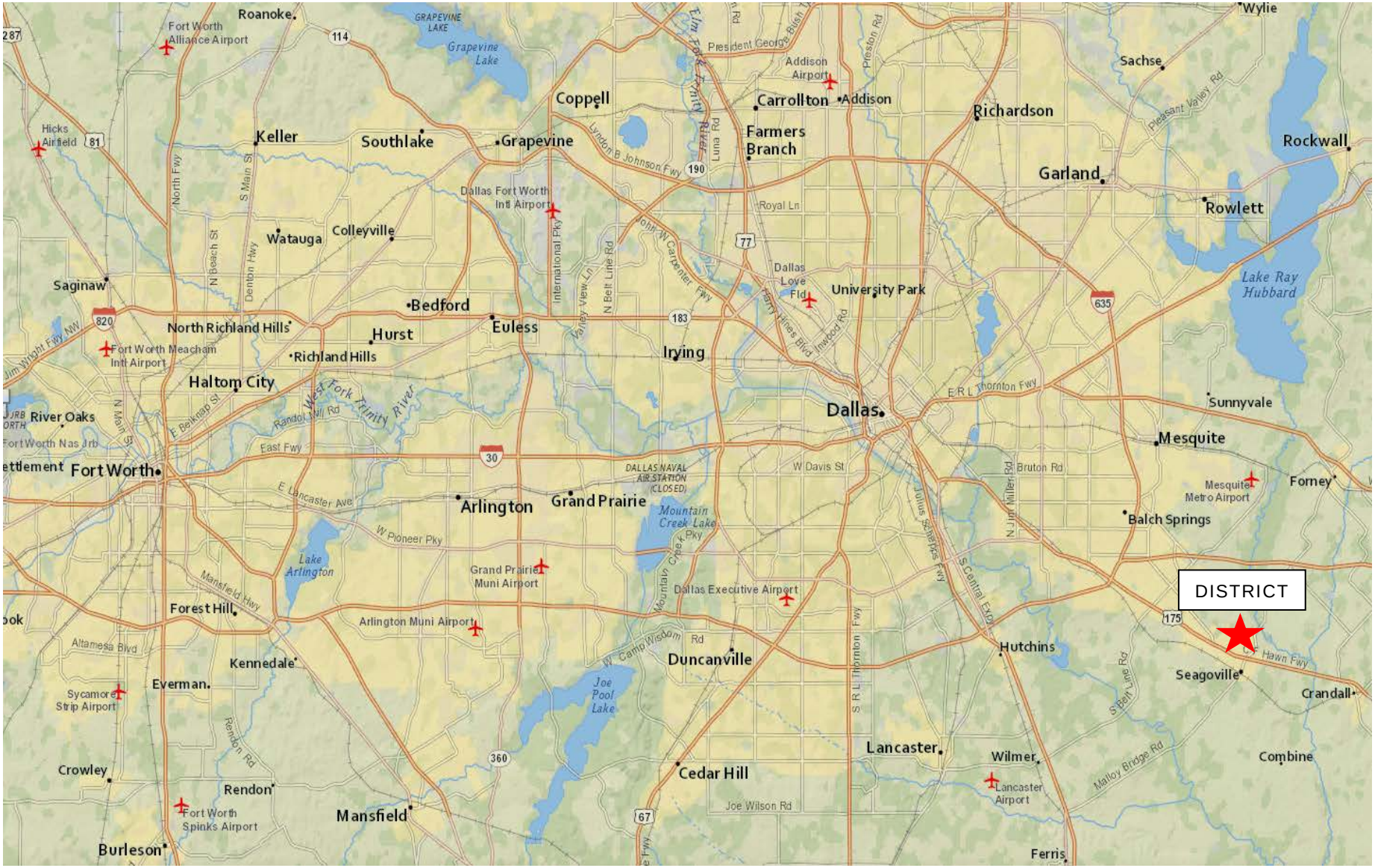
City Manager
City of Mesquite, Texas
757 N. Galloway Ave.
Mesquite, Texas 75185
(972) 216-6404
ckeheley
@cityofmesquite.com

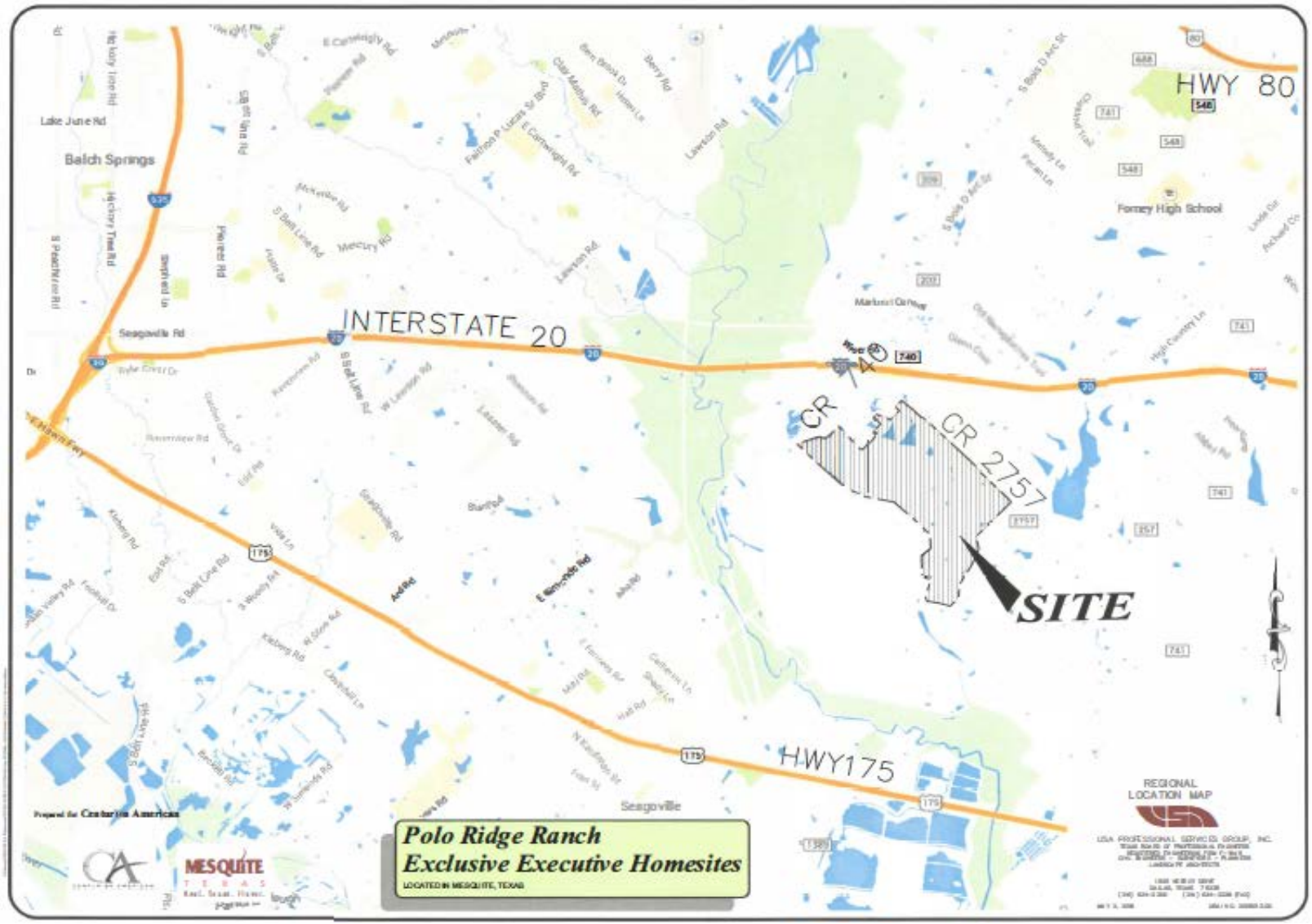
Jason Hughes
Hilltop Securities Inc.
1201 Elm Street
Suite 3500
Dallas, Texas 75201-3852
(214) 953-8707

Jason.Hughes@hilltopsecurities.com

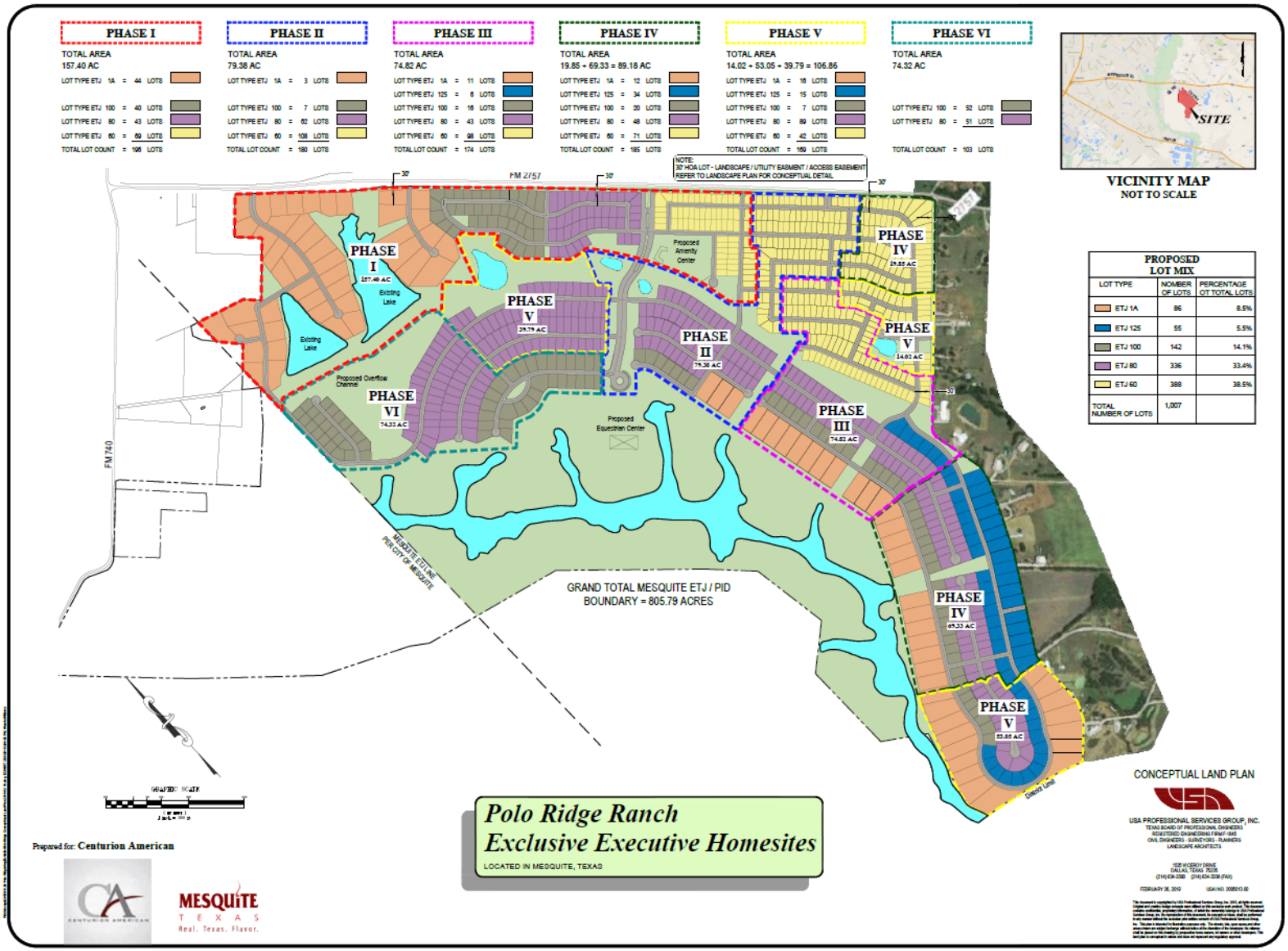
REGIONAL LOCATION MAP OF THE DISTRICT



AREA LOCATION MAP



MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES



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

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

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

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

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

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

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT OF 1933. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY

UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

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

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PRELIMINARY LIMITED OFFERING MEMORANDUM

**$6,940,000*
CITY OF MESQUITE, TEXAS,
(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(POLO RIDGE PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT)**

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Mesquite, Texas (the "City"), of its $6,940,000 aggregate principal amount of Special Assessment Revenue Bonds, Series 2019 (Polo Ridge Public Improvement District No. 2 Phase #1 Project) (the "Bonds").

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

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), the ordinance authorizing the issuance of the Bonds expected to be enacted by the City Council of the City (the "City Council") on June 17, 2019 (the "Bond Ordinance"), and an Indenture of Trust, dated as of July 1, 2019 (the "Indenture"), entered into by and between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as trustee (the "Trustee"). The Bonds will be secured by assessments levied against Assessed Property located in Phase #1 (the "Assessments") of the Polo Ridge Public Improvement District No. 2 (the "District") for the Phase #1 Improvements (as defined herein) pursuant to a separate ordinance expected to be enacted by the City Council on June 17, 2019 (the "Assessment Ordinance"). The City created the District pursuant to a resolution adopted by the City Council on April 16, 2018, as amended and restated on March 18, 2019 (together, the "Creation Resolution").

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

Set forth herein are brief descriptions of the City, the District, the Administrator (as defined herein), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the TIRZ Creation Ordinance (as defined herein), the Polo Ridge Development Agreement among the City, Polo Ridge Fresh Water Supply District of Kaufman County ("Polo Ridge FWSD") and BDMR Development, LLC effective as of March 5, 2018 (the "Development Agreement"), BDMR Development LLC, a Texas limited liability company (the "Developer"), and David Taussig & Associates, Inc. (the "Assessment Consultant"), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 100 Crescent Court, Suite 700, Dallas, Texas, 75201, Phone: (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption "INTRODUCTION" is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

* *Preliminary; subject to change.*

PLAN OF FINANCE

The District

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries and extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for public improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Phase #1 Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the District. The District is not a separate political entity from the City but rather reflects an area within the City that City Council has designated and within which the City is authorized to levy assessments for public improvements.

Development Plan and Plan of Finance

The District is composed of approximately 805.8 acres which are being developed in six phases as a master-planned residential development. The Developer's plans consist of the development of the District in phases beginning with the concurrent development of the major infrastructure to serve the entire District, as well as specific infrastructure to serve the initial phase ("Phase #1") of the District, followed by five subsequent phases ("Phases #2-6") of development of specific infrastructure to serve Phases #2-6. See "THE DEVELOPMENT — Development Plan". The boundaries of the District and Phases #1-6 are shown in the "MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES" on page v. The District is located entirely within the extraterritorial jurisdiction of the City. After delivery of the Bonds, the City intends to annex the land within the District into the corporate limits of the City. See "THE DISTRICT — Powers and Authority," "THE DEVELOPMENT AGREEMENT" and "THE DEVELOPER – History and Financing of the District".

The Developer purchased an assemblage of approximately 989.754 acres (the "Purchased Tract"), which includes the land comprising the District, on July 30, 2012. The purchase of the Purchased Tract was financed with and development in the District is expected to be initially funded with proceeds of loans made to the Developer. See "THE DEVELOPER – History and Financing of the District."

The Developer expects to construct public improvements consisting of (i) certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that will benefit only Phase #1 of the District (the "Phase #1 Specific Improvements") and (ii) certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements benefitting the entire District (the "Major Improvements"). The Phase #1 Specific Improvements and the portion of the Major Improvements benefitting Phase #1 are collectively referred to herein as the "Phase #1 Improvements." Construction of the Phase #1 Improvements is expected to begin in 4Q 2019 and be completed by 2Q 2021. The remaining portion of the Major Improvements benefitting Phases #2-6 is referred to herein as the "Phases #2-6 Major Improvements." Construction of the Phases #2-6 Major Improvements is expected to begin in 4Q 2019 and be completed by 3Q 2021.

The City will pay a portion of the project costs for the Phase #1 Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements and be reimbursed in accordance with the Indenture and the Development Agreement. See "THE PHASE #1 IMPROVEMENTS – General," "THE DEVELOPMENT AGREEMENT" and "THE DEVELOPMENT – Development Plan". A portion of such costs in the amount of $5,238,683* is expected to be paid with proceeds of the Bonds. At delivery of the Bonds, the Developer expects to advance funds in the approximate amount of $796,193* (the "Developer Deposit") in order to pay for a portion of the costs of the Phase #1 Improvements, which Developer Deposit shall not be reimbursed to the Developer. See "SOURCES AND USES OF FUNDS".

Concurrently with the issuance of the Bonds, the City will issue its $7,205,000* City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2019 (Polo Ridge Public Improvement District No. 2 Phases #2-6 Major

* *Preliminary; subject to change.*

Improvement Project) (the "Phases #2-6 Major Improvement Bonds") to finance a portion of Phases #2-6's proportionate share of the costs of the Major Improvements. The Phases #2-6 Major Improvement Bonds will be secured by assessments on property in Phases #2-6 of the District only (the "Phases #2-6 Major Improvement Assessments"). See "MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES" on page v. The Phases #2-6 Major Improvement Assessments are separate and distinct from the Assessments and are levied only on land within Phases #2-6 of the District. Such Phases #2-6 Major Improvement Assessments are not pledged to and will not be available for payment of the Bonds. While the Bonds and the Phases #2-6 Major Improvements Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders.

The City expects to issue one or more series of bonds (collectively, the "Phases #2-6 Specific Improvement Bonds") to finance the cost of specific improvements benefitting only Phases #2-6 of the District. The estimated costs of the specific improvements benefitting Phases #2-6 will be determined as such phase is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phases #2-6 and financed by each new series of Phases #2-6 Specific Improvement Bonds. Such Phases #2-6 Specific Improvement Bonds will be secured by separate assessments levied pursuant to the PID Act on Assessed Property within Phases #2-6. The Developer anticipates that Phases #2-6 Specific Improvement Bonds will be issued within three years. See "THE DEVELOPMENT – Phases #2-6 Specific Improvement Bonds".

The Bonds

Proceeds of the Bonds will be used primarily to finance (i) a portion of the costs of the Phase #1 Improvements, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Phase #1 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) funding a portion of a Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount shall be transferred to the Principal and Interest Account of the Bond Fund (as defined herein) to pay interest on the Bonds. See "THE PHASE #1 IMPROVEMENTS," "APPENDIX A – Form of Indenture" and "SOURCES AND USES OF FUNDS."

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

The Bonds, the Phases #2-6 Major Improvement Bonds, and any Phases #2-6 Specific Improvement Bonds shall never constitute an indebtedness or general obligation of the City, the State or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds. The Phases #2-6 Major Improvement Bonds or any Phases #2-6 Specific Improvement Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.

DESCRIPTION OF THE BONDS

General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 15 and September 15, commencing March 15, 2020 (each an "Interest Payment Date"), until maturity or prior

redemption. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is the initial Trustee, Paying Agent and Registrar for the Bonds.

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

Redemption Provisions

Optional Redemption. The City reserves the right and option to redeem the Bonds before their scheduled maturity dates, in whole or in part, on any date on or after September 15, 20__, such date or dates to be fixed by the City, at a Redemption Price equal to the principal amount of Bonds to be called for redemption plus accrued and unpaid interest to the date of redemption.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption by the City prior to their scheduled maturity on any date after the required notice of redemption at a redemption price equal to 100% of the principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of (i) Prepayments, including related transfers to the Redemption Fund, (ii) unexpended proceeds transferred from the Project Fund to the Redemption Fund pursuant to the Indenture, (iii) Foreclosure Proceeds to the extent that such proceeds are not needed to restore deficiencies in the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Property (as defined in the Service and Assessment Plan) to which Foreclosure Proceeds relate, (iv) transfers of Assessment Revenue to the Redemption Fund as directed by the City pursuant to the Indenture, (v) transfers to the Redemption Fund from the Delinquency and Prepayment Reserve Account pursuant to the Indenture in the event that the Delinquency and Prepayment Reserve Account contains the Delinquency and Prepayment Reserve Requirement, and (vi) transfers to the Redemption Fund made pursuant to the Indenture in the event that the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Principal and Interest Account of the Bond Fund and Redemption Fund is sufficient to pay the principal amount and of accrued interest on all Outstanding Bonds, or (vii) any other transfers to the Redemption Fund under the terms of the Indenture. Upon completion and payment in full of the Phase #1 Improvements, unexpended proceeds from the Phase #1 Improvement Account of the Project Fund shall be transferred either to (i) the Principal and Interest Account of the Bond Fund or (ii) upon City direction, to the Redemption Fund in the event that the City Representative determines that all Phase #1 Improvements have been completed or that the amounts then on deposit in the Phase #1 Improvement Account of the Project Fund are not expected to be expended for the purpose of the Project Fund due to the abandonment, or constructive abandonment, of the Phase #1 Improvements such that, in the opinion of the City Representative, it is unlikely that the amounts in the Project Fund will ever be expended for the purposes of the Phase #1 Improvement Account of the Project Fund, then excess amounts on deposit in the Phase #1 Improvement Account shall be transferred to the Redemption Fund. For Bonds redeemed pursuant to extraordinary optional redemption the City shall determine the maturities and the amounts thereof to be redeemed. See "ASSESSMENT PROCEDURES — Prepayment of Special Assessments" for the definition and description of Prepayments.

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

$_____ Term Bonds Maturing September 15, 20__

Redemption Date	**Amount**
September 15, 20__	
September 15, 20__†	

$_____ Term Bonds Maturing September 15, 20__

Redemption Date	**Amount**
September 15, 20__	
September 15, 20__†	

† Stated maturity.

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

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

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

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

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

Additional Provisions with Respect to Redemption. If less than all of the Bonds are to be redeemed pursuant to Extraordinary Optional Redemption or Optional Redemption, the City shall determine the maturity or maturities

and the amounts thereof and shall direct the Trustee to call by lot or by any other customary method that results in random selection, such Bonds, or portion thereof, within such maturity or maturities and in such principal amounts for redemption. If less than all the Bonds within a maturity are to be redeemed by Mandatory Sinking Fund Redemption, such Bonds shall be called by random selection. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the smallest Authorized Denomination for such Bond.

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

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

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

1. The Investor has authority and is duly authorized to purchase the Bonds.
2. The Investor is an "accredited investor" under Rule 501 of Regulation D of the Securities Act or a "qualified institutional buyer" under Rule 144A of the Securities Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
3. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the investor may sell at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
4. The Investor understands that the Bonds are not registered under the Securities Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.
5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Phase #1 Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed

necessary or desirable in connection with its decision to purchase the Bonds (collectively, the "Investor Information"). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor's purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, agents or employees shall have any liability to the Investor whatsoever for or in connection with the Investor's decision to purchase the Bonds except for fraud or willful misconduct, to the extent provided by law. For the avoidance of doubt, it is acknowledged that underwriter is not deemed an officer or employee of the City.

6. The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid to the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the District (which is not a political subdivision and has no taxing power), the State of Texas (the "State") or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

7. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.

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

SECURITY FOR THE BONDS

General

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

NOTWITHSTANDING THE FOREGOING, THE CITY HAS CREATED "REINVESTMENT ZONE NUMBER TEN, CITY OF MESQUITE, TEXAS" (THE "TIRZ") WITHIN THE DISTRICT WHICH INCLUDES THE LAND WITHIN THE TIRZ AND INTENDS TO USE ANNUAL TIRZ REVENUES COLLECTED, WHICH TAX INCREMENT WILL CONSIST OF AN AMOUNT EQUAL TO 51% OF ALL REAL PROPERTY TAXES LEVIED, ASSESSED AND COLLECTED WITHIN THE DISTRICT ON ALL REAL PROPERTY IN THE TIRZ. TAXABLE BY THE CITY THEREIN, TO PAY THAT PORTION OF THE COSTS OF THE INFRASTRUCTURE BENEFITTING THE DISTRICT ON A PARCEL-BY-PARCEL BASIS AS SET FORTH IN THE SERVICE AND ASSESSMENT PLAN. SUCH TAX INCREMENT REVENUE, TO THE EXTENT AVAILABLE, IS EXPECTED TO BE USED BY THE CITY TO OFFSET ASSESSMENTS USED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS, THE PHASES #2-6 MAJOR IMPROVEMENT BONDS, AND ANY PHASES #2-6 SPECIFIC

IMPROVEMENT BONDS (COLLECTIVELY, THE "ISSUED PID BONDS") ON A PRO-RATA BASIS. ANY AMOUNT OF SUCH TAX INCREMENT REVENUE USED TO PAY PRINCIPAL OF AND INTEREST ON THE ISSUED PID BONDS WILL RESULT IN A REDUCTION IN ANNUAL INSTALLMENTS OF ASSESSMENTS RELATED TO SUCH ISSUED PID BONDS BY A CORRESPONDING AMOUNT. SUCH TAX INCREMENT REVENUE IS NOT PLEDGED TO THE BONDS UNDER THE INDENTURE, NOR WILL SUCH TAX INCREMENT BE PLEDGED PURSUANT TO ANY INDENTURE RELATING TO THE BONDS, THE PHASES #2-6 MAJOR IMPROVEMENT BONDS, AND ANY PHASES #2-6 SPECIFIC IMPROVEMENT BONDS. SEE "TIRZ REVENUES MAY OFFSET ASSESSMENTS" BELOW.

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenues (the "Pledged Revenues"), consisting primarily of Assessments levied against the Assessed Property within Phase #1 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. Phase #1 of the District contains approximately 157.40 acres. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (as amended and supplemented, the "Service and Assessment Plan"), which describes the special benefit received by the property within the District, including Phase #1 of the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX B — Form of Service and Assessment Plan."

Pledged Revenues

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

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

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

to the adoption of the Assessment Ordinance ("Pre-existing Homestead Rights") for as long as such rights are maintained on the property. See "BONDHOLDERS RISKS – Assessment Limitations."

TIRZ Revenues May Reduce Assessments

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

Pursuant to Chapter 311 of the Texas Tax Code (the "TIRZ Act"), on December 4, 2017, the City held a public hearing on the creation of the TIRZ and the preliminary project and financing plan for the TIRZ. Pursuant to Ordinance No. 4525 (the "TIRZ Creation Ordinance"), the City created the TIRZ and was presented with the Reinvestment Zone Number Ten, City of Mesquite Preliminary Project and Financing Plan ("Preliminary TIRZ Project and Finance Plan"). The TIRZ is contiguous with the District.

The City Council approved an amended final Project and Finance Plan for the TIRZ (the "TIRZ Project and Finance Plan") on _____, 2019 with the adoption of an ordinance which authorizes the use of certain TIRZ Revenues (defined below) for project costs under the TIRZ Act, relating to certain Authorized Improvements, which include the Phase #1 Improvements, as provided for in the TIRZ Project and Finance Plan (including amendments or supplements thereto).

Pursuant to the TIRZ Act, the tax increment base of the City is the total taxable value of all real property taxable by the City within the boundaries of the District, determined as of January 1 the year in which the TIRZ was designated as a reinvestment zone (the "Tax Increment Base"). As described in the TIRZ Project and Finance Plan, the "Tax Increment" for a year includes 51% of property taxes (based on the ad valorem tax rate in effect on the date of establishment of the TIRZ), levied and collected by the City within the TIRZ on the Captured Appraised Value (which amount is expected to be used to reduce Assessments within the District, as described below). Consistent with Section 311.012(b) of the TIRZ Act, the "Captured Appraised Value" of real property taxable by the City for a year is the total appraised value of all real property taxable by the City and located in the TIRZ for that year less the Tax Increment Base.

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

The City shall determine the TIRZ Annual Credit Amount each year and shall transfer such amount to the Pledged Revenue Funds for the Bonds, the Phases #2-6 Major improvement Bonds, and to the Pledged Revenue Fund for the Phases #2-6 Specific Improvement Bonds (when and if issued). Such Annual Credit Amount shall reduce the Annual Installments for that year, and shall correspondingly reduce the Assessments and the Phases #2-6 Major Improvement Assessments.

In the Service and Assessment Plan, the City has established a maximum annual credit for each Lot Type, $1,778 for 1 acre lots, $1,673 for 125' lots, $1,638 for 100' lots, $1,385 for 80' lots, and $1,067 for 60' lots. Further, the Service and Assessment Plan establishes that, until construction of the Phases #2-6 Specific Improvements begins in Phases #2-6 and assessments are levied therfor, lots in Phases #2-6 will receive only 19.4% of the TIRZ Annual Credit Amount applicable to such lot, equal to $345 per year for 1 acre lots, $325 per year for 125' lots, $318 per year for 100' lots, $269 per year for 80' lots, and $207 per year for 60' lots. See "ASSESSMENT PROCEDURES – Assessment Amounts – *TIRZ Annual Credit Amount*". If the application of the TIRZ Annual Credit Amount results in excess TIRZ Revenues available from the TIF 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 in a manner determined by the City and the Administrator to be fair and equal, and to redeem bonds pursuant to the extraordinary redemptions provisions of the Indenture, (ii) to optionally redeem the outstanding PID Bonds on a pro

rata basis pursuant to the provisions of the Indenture, or (iii) to be applied in future years in an effort to maintain a level Annual Installment schedule. See "DESCRIPTION OF THE BONDS – Redemption Provisions".

The deposit of the TIRZ Revenues collected from the TIRZ shall continue until the earlier of: (i) December 31, 2048; (ii) the total of the TIRZ Revenues deposited to the TIF Fund equals $29,740,198; or (iii) at such time that any obligations related to the District have been satisfied.

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

Collection and Deposit of Assessments

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

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

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

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

Unconditional Levy of Assessments

The City will impose Assessments on the property within Phase #1 of the District to pay the principal of and interest on the Bonds coming due during each Fiscal Year as described in the Indenture and in the Service and Assessment Plan. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid in full at any time or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments, Additional Interest and Administrative Expenses. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds plus the Additional Interest with respect to the Bonds (0.50%), calculated on the basis of a 360-day year of twelve 30-day months. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be invoiced by the City or the County Tax Assessor/Collector or another collection entity engaged by the City at approximately the same time as the County's annual property tax bill and shall be billed each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments will be delinquent if not paid prior to February 1, 2020. Currently the City bills its own taxes and assessments.

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

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

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

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

Perfected Security Interest

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

Pledged Revenue Fund

On or before February 1 of each year provided that Pledged Revenues have been received by the City, or if not, as soon as available thereafter, while the Bonds are Outstanding, beginning February 1, 2020, the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited separately pursuant to the Indenture) into the Pledged Revenue Fund which deposit shall be directed by the City to the Trustee pursuant to a City Certificate. Specifically, except as set forth in the Indenture, the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority: (i) first, to be retained in the Pledged Revenue Fund amounts sufficient to pay debt service on the Bonds coming due in the current Bond Year, as described in the Indenture, (ii) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement as described in the Indenture, (iii) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account of the Reserve Fund in an amount equal to the Delinquency and Prepayment Reserve Requirement, and (iv) fourth, in accordance with the written direction of the City, to pay other costs permitted by the PID Act. Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (i) through (iii) above are made, the City shall have the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in the Indenture. The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to the Indenture as Additional Interest, Prepayments or Foreclosure Proceeds.

Notwithstanding the foregoing:

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

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

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

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

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

Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account of the Reserve Fund (including the funding of

the Delinquency and Prepayment Reserve Account) until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

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

Bond Fund

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

If amounts in the Principal and Interest Account are insufficient for the payment of principal of and interest due on the Bonds, the Trustee shall withdraw first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Bond Reserve Account of the Reserve Fund amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

Project Fund

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

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

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

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

Upon the filing of a City Certificate stating that all Phase #1 Improvements have been completed and that all Phase #1 Improvements Costs have been paid, or that any such costs are not required to be paid from the Phase #1

Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee, and (iii) provided that amounts on deposit in the Developer Improvement Account have been transferred as provided in the Indenture, the Trustee shall close the Phase #1 Improvement Account of the Project Fund.

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

Bond Reserve Account of the Reserve Fund

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

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

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

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

Delinquency and Prepayment Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Delinquency and Prepayment Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. A portion of the Delinquency and Prepayment Reserve

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

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

Administrative Fund

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

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

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

Defeasance

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then rating the Bonds that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other

than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that that no adverse federal tax consequences will result from reinvesting such cash. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

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

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

Events of Default

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

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

Remedies in Event of Default

Upon the happening and continuance of any Event of Default, the Owners of at least 25% the aggregate outstanding principal of the Bonds, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in

equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

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

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

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

Restriction on Owner's Actions

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

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

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the

Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Application of Revenues and Other Moneys After Event of Default

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or redemption price then due on Bonds, as follows:

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

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

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

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

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

Investment or Deposit of Funds

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

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

Against Encumbrances

Other than bonds issued to refund all or a portion of the Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged

Revenues or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds or refunding bonds, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

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

SOURCES AND USES OF FUNDS*

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

Sources of Funds:
- Principal Amount
- Developer Advancement of Funds[(1)]
- Total Sources

Uses of Funds:
- Deposit to the Phase #1 Improvement Account of the Project Fund
- Deposit to Developer Improvement Account of Project Fund [(1)]
- Deposit to Capitalized Interest Account of Bond Fund
- Deposit to Bond Reserve Account of the Reserve Fund
- Deposit to Delinquency and Prepayment Reserve Account of the Reserve Fund
- Deposit to Administrative Account of Administrative Fund
- Costs of Issuance
- Underwriter's Discount[(2)]
- Total Uses

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* *Preliminary; subject to change.*

(1) Represents approximate amount of Developer's advancement of funds at delivery of the Bonds, if any, to pay for a portion of the costs of the Phase #1 Improvements.

(2) Includes Underwriter's Counsel's fee of $_____.

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DEBT SERVICE REQUIREMENTS*

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

Year Ending (September 15)	Principal	Interest	Total
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
Total			

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* *Preliminary; subject to change.*

OVERLAPPING TAXES AND DEBT

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

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

OVERLAPPING TAX RATES (PRIOR TO ANNEXATION)

Taxing Entity	Tax Year 2018 Ad Valorem Tax Rate[1]
Kaufman County, Texas[3]	0.58870
Kaufman Emergency Services District #6	0.03000
Forney Independent School District	1.54000
Total Existing Tax Rate	$2.15870
Estimated Average Annual Assessment in Phase #1 of the District as tax rate equivalent per Equivalent Unit[2]	$0.78600
Total Tax Rate and Average Annual Installment in Phase #1 of the District as tax rate equivalent per Equivalent Unit	**$2.94470**

(1) As reported by the taxing entities. Per $100 in taxable assessed value.

(2) Source: The Assessment Consultant. Derived from information presented in Table V-D of the Service and Assessment Plan. See "APPENDIX B — Service and Assessment Plan". Includes Assessments initially levied for payment of the Bonds. Preliminary, subject to change.

(3) Includes $0.1100 tax rate for Kaufman County Road and Bridge projects.

Source: Kaufman Central Appraisal District and the City.

As noted above, Phase #1 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Phase #1 of the District, as of May 1, 2019, and City debt secured by the Assessments:

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OVERLAPPING DEBT (PRIOR TO ANNEXATION)

Taxing or Assessing Entity	Gross Outstanding Debt as of 05/01/19	Estimated Percentage Applicable[1]	Direct and Estimated Overlapping Debt[2]
The City (Assessments - The Bonds)	$ 6,940,000 [2]	100.000%	$6,940,000
Kaufman County, Texas	59,287,925	0.164%	97,414
Forney Independent School District	287,086,523	0.393%	1,128,012
TOTAL	$353,314,448		$8,165,426

[1] Based on the Appraisal for Phase #1 of the District and on the Tax Year 2018 Net Taxable Assessed Valuations for the taxing entities.

[2] Preliminary, subject to change.

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

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

OVERLAPPING TAX RATES (AFTER ANNEXATION)

Taxing Entity	Tax Year 2018 Ad Valorem Tax Rate[1]
The City	$ 0.73400
Kaufman County, Texas[3]	0.58870
Forney Independent School District	1.54000
Total Existing Tax Rate	$2.86270
Estimated Average Annual Assessment in Phase #1 of the District as tax rate equivalent per Lot[2]	$0.786000
Less Maximum TIRZ Annual Credit Amount per lot as tax rate equivalent	$(.37434)
"Targeted Net Average Annual Installment" as tax rate equivalent[2]	**$0.41166**
Net Estimated Total Tax Rate and Average Annual Installment in Phase #1 of the District as tax rate equivalent per Equivalent Unit	**$3.2743**

[1] As reported by the taxing entities. Per $100 in taxable assessed value.

[2] Source: The Assessment Consultant. Derived from information presented in Table V-D of the Service and Assessment Plan. See "APPENDIX B — Service and Assessment Plan" Includes Assessments initially levied for payment of the Bonds. See "SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount." Preliminary, subject to change.

[3] Includes $0.1000 tax rate for Kaufman County Road and Bridge projects.

OVERLAPPING DEBT (AFTER ANNEXATION)

Taxing or Assessing Entity	Gross Outstanding Debt as of 05/01/2019	Estimated Percentage Applicable[1]	Direct and Estimated Overlapping Debt[2]
The City (Assessments - The Bonds)	$ 6,940,000 [2]	100.000%	$6,940,000
The City (Ad Valorem Taxes) [3]	181,225,000	0.185%	334,828
Kaufman County, Texas	59,287,925	0.164%	97,414
Forney Independent School District	287,086,523	0.393%	1,128,012
TOTAL	$534,539,448		$8,500,254

[1] Based on the Appraisal for Phase #1 of the District and on the Tax Year 2018 Net Taxable Assessed Valuations for the taxing entities.

[2] Preliminary, subject to change.

[3] Includes $10,165,000 Combination Tax & Limited Surplus Revenue Certificates of Obligation, Series 2019 expected to be issued by the City on May 30, 2019.

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

If land is devoted principally to agricultural use, a landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land's agricultural value. All of the property in the District is currently subject to an agricultural use valuation with respect to its ad valorem taxes. Agricultural use includes production of crops or livestock. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. The Developer expects to terminate the agricultural valuation in Phase #1 of the District in 2019.

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

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

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

ASSESSMENT PROCEDURES

General

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

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

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each lot of Assessed Property as a result of the Phase #1 Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Phase #1 Improvements to lots in a manner that results in equal shares of costs being apportioned to lots similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Phase #1 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Phase #1 Improvements will be allocated to the Assessed Property against which the Assessments are levied (the "Assessed Property") based on the ratio of total buildout value of the Assessed Property as set forth in the Service and Assessment Plan. The costs of the Phase #1 Improvements are allocated to each Lot based on the estimated buildout value of the Lot.

Pursuant to the TIRZ Project and Finance Plan, the City has agreed to use TIRZ Revenues derived from the City's ad valorem taxes (51% of the City's real property ad valorem taxes) generated from Assessed Property within the TIRZ of the District to offset a portion of the Annual Installment attributable to the costs of the Authorized Improvements (the "TIRZ Annual Credit Amount"). In the Service and Assessment Plan, the City has established a maximum annual credit for each Lot Type, $1,778 for 1 acre lots, $1,673 for 125' lots, $1,638 for 100' lots, $1,385 for 80' lots, and $1,067 for 60' lots. Further, the Service and Assessment Plan establishes that, until construction of the Phases #2-6 Specific Improvements begins in Phases #2-6 and assessments are levied therfor, lots in Phases #2-6 will receive only 19.4% of the TIRZ Annual Credit Amount applicable to such lot, equal to $345 per year for 1 acre lots, $325 per year for 125' lots, $318 per year for 100' lots, $269 per year for 80' lots, and $207 per year for 60' lots. See "ASSESSMENT PROCEDURES – Assessment Amounts – *TIRZ Annual Credit Amount*". The Annual Installment for each Assessed Property shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Assessed Property. The TIRZ Annual Credit Amount for any Parcel shall be credited to all outstanding assessments on parcels within the District on a pro rata basis. See "SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments".

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

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

The following table provides additional analysis with respect to special assessment methodology, including the value to assessment burden ratio per unit (lot), equivalent tax rate per unit, and leverage per unit. The information in the tables was obtained from and calculated using information provided in the Service and Assessment Plan and the Appraisal. See "APPENDIX B — Service and Assessment Plan" and "APPENDIX E — Appraisal of Property Within Phase #1 of the District."

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

Lot Type	Planned No. of Units	Estimated Finished Lot Value per unit[(1)]	Projected Average Home Value per unit	Assessment per unit	Average Annual Installment per unit	Tax Rate Equivalent of Average Annual Installment (per $100 Lot Value)	Tax Rate Equivalent of Average Annual Installment (per $100 Home Value) [(2)]	Ratio of Assessment to Lot Value	Ratio of Assessment to Average Home Value
60’	69	$65,000	$285,000	$26,737.41	$2,240.16	$3.45	$0.7860	2.43	10.66
80’	43	$75,000	$370,000	$34,711.73	$2,908.27	$3.88	$0.7860	2.16	10.66
100’	40	$85,000	$437,500	$41,044.27	$3,438.84	$4.05	$0.7860	2.07	10.66
1 acre	44	$95,000	$475,000	$44,562.35	$3,733.60	$3.93	$0.7860	2.13	10.66

Source: The Assessment Consultant and information presented in Table V-D of the Service and Assessment Plan
[(1)] Developer estimate.
* *Preliminary, subject to change.*

The estimated aggregate retail value of the Assessed Property in Phase #1 of the District, assuming construction of the Phase #1 Improvements, subject to the limiting conditions therein, is approximately $14,900,000. See “THE DEVELOPMENT — Development Plan” for further information regarding the expected completion of the development within Phase #1 of the District, and “APPRAISAL OF PROPERTY WITHIN PHASE #1 OF THE DISTRICT.”

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Collection and Enforcement of Assessment Amounts

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

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

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

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

The City will determine or cause to be determined, no later than March 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property.

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

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

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

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

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

Assessment Amounts

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

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

TIRZ Annual Credit Amount. The City has agreed to use TIRZ Revenues generated from the TIRZ to offset a portion of each Assessed Property's Assessment and Annual Installment. The Annual Installment for each Assessed Property shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Assessed Property. Pursuant to the Service and Assessment Plan, TIRZ Revenues collected for each tax year will be used to calculate the TIRZ Annual Credit Amount to be applied to the Annual Installment that will be billed in the following year (e.g., TIRZ Revenues collected for the tax year 2019 shall be applied as the TIRZ Annual Credit Amount applicable to Annual Installments to be billed in 2020), and such Annual Credit Amount will be derived only from the City ad valorem property taxes but in no event shall the TIRZ Annual Credit Amount exceed the Maximum TIRZ Annual Credit Amount as set forth in the Service and Assessment Plan.

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

Maximum TIRZ Annual Credit Amount Per Lot Type in the District

Lot type	Maximum TIRZ Annual Credit Amount per Lot
60’	$1,067
80’	$1,385
100’	$1,638
125’	$1,673
1 acre	$1,778

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

Lots in Phase #1 of the District are expected to receive the Maximum TIRZ Annual Credit Amount per lot as soon as TIRZ Revenues are sufficient therefor. The Service and Assessment Plan establishes that, until construction of the Phases #2-6 Specific Improvements begins in Phases #2-6 and assessments are levied therfor, lots in Phases #2-6 will receive only 19.4% of the TIRZ Annual Credit Amount applicable to such lot, equal to $345 per year for 1 acre lots, $325 per year for 125’ lots, $318 per year for 100’ lots, $269 per year for 80’ lots, and $207 per year for 60’ lots.

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

If the application of the TIRZ Annual Credit Amount results in excess TIRZ Revenues available from the 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 in a manner determined by the City and the Administrator to be fair and equitable, (ii) to optionally redeem the outstanding Bonds on a pro rata basis pursuant to the provisions of the Indenture, or (iii) to be applied in future years in an effort to maintain a level Annual Installment schedule. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

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

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

The Assessment per Assessment per 1 acre lot for the Bonds is $44,562.35*, the Assessment per 100’ lot is $41,044.27*, the Assessment per 80’ lot is $34,711.73*, and the Assessment per 60’ lot is $26,737.41. See

"ASSESSMENT PROCEDURES — Assessment Methodology." The Bonds are secured by a first lien on and pledge of Pledged Revenues, including the Assessments. See "SECURITY FOR THE BONDS" and "APPENDIX B — Form of Service and Assessment Plan."

Prepayment of Assessments

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

Priority of Lien

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

Foreclosure Proceedings

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

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

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

In the Indenture, the City creates the Delinquency and Prepayment Reserve Account under the Reserve Fund and will fund such account as provided in the Indenture. The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If funds in the Administrative Fund are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure

proceedings. See "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund," "APPENDIX A – Form of Indenture" and "APPENDIX B – Form of Service and Assessment Plan."

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THE CITY

Background

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

City Government

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

The current members of the City Council are as follows:

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

The principal administrators of the City include the following:

Name	Position
Cliff Keheley	City Manager
Sonja Land	City Secretary
Debbie Mol	Director of Finance

Major Employers

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

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

Source: Texas Workforce Commission

Historical Employment in Mesquite

	Average Annual[1]				
	2019[2]	2018	2017	2016	2015
Civilian Labor Force	78,509	76,872	75,206	74,601	73,719
Total Employed	75,823	73,980	72,155	71,577	70,543
Total Unemployed	2,686	2,892	3,051	3,024	3,176
Unemployment Rate	3.4%	3.8%	4.1%	4.1%	4.3%

[1] Source: Texas Workforce Commission.

[2] Data through March 2019.

Surrounding Economic Activity

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

City of Dallas

Approximately 11 miles from the City

Employer	Employees
Dallas Independent School District	19,740
City of Dallas	12,538
The University of Texas SW Medical Center	11,861
Texas Instruments, Inc.	10,961
Parkland Health System	9,968
Southwest Airlines Co.	9,931
Baylor Health Care System	9,749
AT&T Inc.	9,563
Dallas County	7,162
United States Postal Service	6,927

City of Garland

Approximately 10 miles from the City

Employer	Employees
Kraft Foods	650
US Food Service	520
Hatco (Resistol)	401
L3 Communications	400
Anderson Windows	400
KARLEE, Inc.	330
Atlas Copco	300
Interceramic	300
Plastipak Packaging	269
General Dynamics	250

City of Richardson

Approximately 14 miles from the City

Employer	Employees
State Farm Insurance	8,000
AT&T	5,000
Blue Cross Blue Shield of Texas	3,100
University of Texas at Dallas	2,674
Richardson Independent School District	2,500
RealPage	2,100
GEICO	1,800
Raytheon	1,700
United Healthcare	1,700
Fujitsu Network Communications	1,500

City of Rockwall

Approximately 13 miles from the City

Employer	Employees
Rockwall Independent School District	1,872
Texas Health Presbyterian Hospital	600
Texas Star Express	484
Wal-Mart Superstore	450
Rockwall County	315
City of Rockwall	277
Special Products	168
L3 Communications	150
Home Depot	140
Bimbo Bakeries	134

City of Forney

Approximately 8 miles from the City

Employer	Employees
Forney Independent School District	1,188
Wal-Mart	401
Smurfit Kappa	275
Intex Electrical	252
Steve Silver Co.	225
Kroger Marketplace	222
Lowe's	165
City of Forney	141
ABOX Packaging	120
Ridgecrest Healthcare & Rehab	100

Source: Municpal Advisory Council of Texas

THE DISTRICT

General

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

Powers and Authority

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

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

THE DEVELOPMENT AGREEMENT

The Developer, Polo Ridge Fresh Water Supply District of Kaufman County ("Polo Ridge FWSD") and the City entered into the Development Agreement with respect to the property in the District effective as of March 5, 2018. The Development Agreement sets forth certain rights and responsibilities of the City and the Developer with respect to the development of the "Project." Under the Development Agreement, "Project" means "the high-quality, master-planned, residential community development contemplated for the Property, including parkland, open space, and other public and private amenities that will benefit and serve the present and future citizens of the City and that are contemplated by [this] Agreement." The Development Agreement includes, inter alia, (i) certain agreements by the City with respect to the issuance of bonds for development in the District ("PID Bonds"), (ii) certain agreements by the Developer to fund amounts required for the development of Authorized Improvements in excess of those on deposit in the applicable project fund for PID Bonds issued to fund such Authorized Improvements and to fund any "Developer Cash Contribution" required by the City (that portion of the Authorized Improvements Cost that the Developer is contributing to initially fund the Authorized Improvements and for which no reimbursement to Developer is anticipated), (iii) standards of construction for and the ownership and maintenance of the Authorized Improvements, (iv) development standards for the District, including an agreed on concept plan, which standards are expected to be considered for incorporation into a planned development district upon annexation of the land within the District by the City, (v) agreements regarding the annexation of the District into the City limits after certain events, and (vi) agreements with respect to permit, inspection, plan review, plat review and permit fees. The Development Agreement provides that the aggregate maximum amount of bonds to be issued for development in the District is $35,000,000. Capitalized terms used under this heading "THE DEVELOPMENT AGREEMENT" and not otherwise defined herein shall have the meanings given to them in the Development Agreement.

Annexation and Dissolution of Polo Ridge FWSD. The Developer has agreed to execute and submit to the City a petition for voluntary annexation of the property in the District into the City, with such annexation to occur after the following conditions precedent to the annexation of the property have been satisfied: (a) the City issues the first series of PID Bonds; (b) the parties agree to the final form of documents relating to the TIRZ and a TIRZ has been created by the City over the property in the District; and (c) Polo Ridge FWSD has delivered of a verified and sworn acknowledgement from Polo Ridge FWSD acknowledging that Polo Ridge FWSD has no debt or obligations that the City will assume by annexation of the property and dissolution of Polo Ridge FWSD to the City Manager. Through such petition for annexation, the Developer will agree to the provision of services by the City consistent with the terms of this Agreement and as set forth in the City's annexation service plan, which service plan shall be considered a binding, and mutually agreed upon, contractual obligation between the City and the Developer. Upon annexation of property in the District and zoning of such property in accordance with the Development Agreement, Polo Ridge FWSD shall be dissolved pursuant to the Development Agreement. For further information about Polo Ridge FWSD, see "THE DEVELOPER – History and Financing of the District - *Polo Ridge Fresh Water Supply District of Kaufman County*."

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

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

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

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

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

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

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

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

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

Traffic Impact Analysis. The Development Agreement required the Developer to obtain a traffic impact analysis (the "Traffic Impact Analysis") for purposes of identifying the nature and timing of improvements and their costs for the following existing or planned off-site roadways:

(1) the intersection of FM 2757 and FM 740; and
(2) both sides of Kelly Road along the southern boundary of the District.

The Developer agreed, at the Developer's sole cost, to timely construct in a good and workmanlike manner all roadway and other improvements recommended by the Traffic Impact Analysis within such time frames as are recommended by the Traffic Impact Analysis. The Development Agreement further provides agrees that no certificate of occupancy for a specific phase of the District shall be filed or processed by the City unless the Developer has completed all roadway and other improvements recommended by the Traffic Impact Analysis to be constructed as of the date of the filing of such application.

Expiration of Development Rights. Any permit secured pursuant to the Development Agreement shall expire two years from the date it is issued if no progress has been made toward completion of the Project as defined by Chapter 245 of the Local Government Code. In the event the permit expires, neither the Developer nor any person authorized by the Developer shall perform any work for which the permit was originally issued without filing a new permit application and complying with the City Regulations in effect on the date of application as permitted by law.

The Project shall expire five years from the Effective Date if no progress has been made towards completion of the Project as defined by Chapter 245 of the Local Government Code. In the event the Project expires, neither the Developer nor any person authorized by the Owner shall perform any work on the Project without filing a new permit application and complying with the City Regulations in effect on the date of application as permitted by law.

THE PHASE #1 IMPROVEMENTS

General

The Phase #1 Improvements consist of (a) Phase #1's proportionate share of the costs of the Major Improvements and (b) the costs of the Phase #1 Specific Improvements. The balance of the costs of the Phase #1 Improvements will be paid by the Developer. The Phase #1 Improvements will be dedicated to the City. The Developer is responsible for the completion of the construction, acquisition or purchase of the Phase #1 Improvements, and the Developer or its designee will act as construction manager. The City will pay project costs for the Phase #1 Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements and be reimbursed in accordance with the Indenture and the Development Agreement. See "THE DEVELOPMENT – Development Plan".

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

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

Water distribution system improvements: The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing benefitting Phase #1of the District. The water improvements will be designed and constructed in accordance with City and Texas Commission on Environmental Quality ("TCEQ") standards and specifications and will be owned and operated by the City.

Sanitary sewer collection system improvements: The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping benefitting Phase #1 of the District. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City.

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

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

Roadway improvements: The roadway improvements are public road improvements including construction, excavations, concrete, reinforcing steel, asphalt, lime, sidewalks, signs, lighting fixtures, streetscaping, ROW grading, erosion control, and public walkway widening benefitting the entire District. The roadway improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Water distribution system improvements: The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing benefitting the entire District. The water improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City.

Sanitary sewer collection system improvements: The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping benefitting the entire District. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City.

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

The cost of the Phase #1 Improvements is expected to be approximately $6,035,876.29*. A portion of such costs in the amount of $5,238,683* is expected to be paid with proceeds of the Bonds. The balance of such costs is expected to be paid by the Developer without reimbursement by the City. At delivery of the Bonds, the Developer expects to advance the Developer Deposit in the approximate amount of $796,193* in order to pay for a portion of the costs of the Phase #1 Improvements, which Developer Deposit shall not be reimbursed to the Developer. See "SOURCES AND USES OF FUNDS".

* *Preliminary; subject to change.*

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

Type of Improvement	Costs*
Roadway Improvements	$1,994,540.25
Water Improvements	315,454.00
Sanitary Sewer Improvements	768,653.50
Drainage Improvements	686,750.00
Soft Costs	707,651.00
Construction Contingency	170,000.00
Subtotal	$4,643,048.75
Major Improvements allocated to Phase #1	$1,392,827.54
Total Cost of Phase #1 Improvements	$6,035,876.29

Ownership and Maintenance of Phase #1 Improvements

The Phase #1 Improvements will be dedicated to and accepted by the City and will constitute a portion of the City's infrastructure improvements. The City will provide for the ongoing operation, maintenance and repair of such Phase #1 Improvements constructed and conveyed, as outlined in the Service and Assessment Plan.

THE DEVELOPMENT

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

Overview

The Development is an approximately 806 acre master planned project located within the extraterritorial jurisdiction of the City, near the intersection of Kelly Road and FM 2757. The City, located in the eastern portion of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (the "DFW MSA"), is poised for significant growth as the overall DFW MSA continues its growth trajectory.

The land within the Development is owned by the Developer, which is an affiliate of Centurion American Custom Homes Inc. d/b/a Centurion American Development Group Inc. ("Centurion"), as described below in "THE DEVELOPER — Description of the Developer." See "THE DEVELOPER — History and Financing of the District". In addition, the Development will include a variety of parks, trails, an amenity center and open space areas for its residents and others to enjoy. This combination will provide its residents a community environment in which to live. Furthermore, the Development is primarily located within the Forney Independent School District.

The Developer develops infrastructure and community improvements (amenities, parks, trails, etc.) and sells residential lots to high-quality production homebuilders under lot takedown contracts.

Merchant Builder Lot Purchase and Sale Agreements in the District

The Developer has entered in three purchase contracts for lots sales in Phase #1 of the District comprising 195 of the 196 lots in Phase #1. The Developer has not entered into any lot purchase and sale contracts for Phases #2-6 of the District.

The Developer has entered into a Contract of Sale (the "First Texas Lot Purchase and Sale Agreement") with First Texas Homes, Inc. ("First Texas") for 53 lots (21 x 80' lots and 32 x 60' lots) in Phase #1 of the District. $365,500 in earnest money from First Texas has been deposited with the title company relating to the First Texas Lot Purchase and Sale Agreement. The feasibility period under the First Texas Lot Purchase and Sale Agreement has expired, and therefore, the earnest money deposited at the title company to hold the lot contract is a hard deposit and no longer refundable. If the Earnest Money is released to the Developer prior to the lot closings, the Developer will be required to execute a performance deed of trust securing the earnest money deposit. First Texas has acknowledged the existence of the District and consented to the levy of the Assessments in the First Texas Lot Purchase and Sale Contract. In addition, under the First Texas Lot Purchase and Sale Agreement, the Developer and First Texas have agreed that the maximum assessment to be levied (i) on the 60' lots within the District is $27,000 and (ii) on the 80' lots within the District is $35,000. Fees to be paid to the Developer under the First Texas Lot Purchase and Sale Agreement also include a $3,000 amenity fee per lot. First Texas shall not be required to pay such amenity fee until it has received written notification from the Developer that the Developer has commenced construction of the amenity center. If First Texas has closed on any lots prior to the commencement of construction for the amenity center, First Texas will pay such fee at the next scheduled closing after commencement of construction of the amenity center. See "—Amenities" below for additional information about expected timeline of construction of the amenity center.

The Developer has entered into a Contract of Sale (the "LCH Lot Purchase and Sale Agreement") with LCH Holdings, LLC ("LCH") for 53 lots (22 x 80' lots and 31 x 60' lots) in Phase #1 of the District. $366,500 in earnest money from LCH has been deposited with the title company relating to the LCH Lot Purchase and Sale Agreement. The feasibility period under the LCH Lot Purchase and Sale Agreement has expired, and therefore, the earnest money deposited at the title company to hold the lot contract is a hard deposit and no longer refundable. If the Earnest Money is released to the Developer prior to the lot closings, the Developer will be required to execute a performance deed of trust securing the earnest money deposit. LCH has acknowledged the existence of the District and consented to the levy of the Assessments in the LCH Lot Purchase and Sale Contract. In addition, under the LCH Lot Purchase and Sale Agreement, the Developer and LCH have agreed that the maximum assessment to be levied (i) on the 60' lots within the District is $27,000 and (ii) on the 80' lots within the District is $35,000. Fees to be paid to the Developer under the LCH Lot Purchase and Sale Agreement also include a $3,000 amenity fee per lot.

The Developer has entered into a Contract of Sale (the "Siena Lot Purchase and Sale Agreement") with Siena Homes, LLC ("Siena") for 89 lots (49 x 1 acre lots and 40 x 100' lots) in Phase #1 of the District. $100,000 in earnest money from Siena has been deposited with the title company relating to the Siena Lot Purchase and Sale Agreement. The feasibility period under the Siena Lot Purchase and Sale Agreement has expired, and therefore, the earnest money deposited at the title company to hold the lot contract is a hard deposit and no longer refundable. Siena has acknowledged the existence of the District and consented to the levy of the Assessments in the Siena Lot Purchase and Sale Contract. In addition, under the Siena Lot Purchase and Sale Agreement, the Developer and Siena have agreed that the maximum assessment to be levied (i) on the 1 acre lots within the District is $45,000 and (ii) on the 100' lots within the District is $42,000. Fees to be paid to the Developer under the Siena Lot Purchase and Sale Agreement also include a $3,000 amenity fee per lot. Siena is owned by Mehrdad Moayedi, and thus is under common control and ownership with the Developer. See "THE DEVELOPER – Executive Biography."

The following table provides a summary of the takedown schedule for the Lot Purchase and Sale Agreements.

LOT PURCHASE AND SALE AGREEMENT

Homebuilder	Total Lots	Lots per Takedown
First Texas	53	14 lots at initial closing (8 x 60', 6 x 80'); 11 lots 120 days thereafter (7 x 60', 4 x 80'); 11 lots each 90 days thereafter (7 x 60', 4 x 80')
LCH	53	14 lots at initial closing (8 x 60', 6 x 80'); 14 lots 90 days thereafter (8 x 60', 6 x 80'); 14 lots each 90 days thereafter (8 x 60', 6 x 80')
Siena	89	7 lots at initial closing (4 x 100', 3 x 1 acre); 7 lots 120 days thereafter (4 x 100', 3 x 1 acre); 7 lots each 90 days thereafter (4 x 100', 3 x 1 acre)
Total Lots Under Contract	195	

Expected Build-Out of the District

The Developer expects to complete the Development in six phases over a thirteen year period, with the expected completion of the infrastructure serving the District by Q4 2032. The following tables provide the Developer's expected build-out schedule of the District, estimated home prices in the District and an absorption schedule for lots in the District.

EXPECTED BUILD-OUT SCHEDULE

Phase	Single-Family Lots	Expected Infrastructure Start Date	Expected Infrastructure Completion Date
1	196	Q4 2019	Q2 2021
2	180	Q1 2022	Q3 2023
3	174	Q2 2024	Q4 2025
4	185	Q2 2026	Q1 2028
5	169	Q1 2029	Q3 2030
6	103	Q1 2032	Q4 2032

ESTIMATED HOME PRICES

Phase	Lot Size (Width in Ft.)	Quantity	Base Lot Price	Average Base Home Price*
1	1 acre	44	$95,000	475,000
	100	40	$85,000	437,500
	80	43	$75,000	370,000
	60	69	$65,000	285,000
2	1 acre	3	$95,000	475,000
	100	7	$85,000	437,500
	80	62	$75,000	370,000
	60	108	$65,000	285,000
3	1 acre	11	$95,000	475,000
	125	6	$90,000	446,875
	100	16	$85,000	437,500
	80	43	$75,000	370,000
	60	98	$65,000	285,000

4	1 acre	12	$95,000	475,000
	125	34	$90,000	446,875
	100	20	$85,000	437,500
	80	48	$75,000	370,000
	60	71	$65,000	285,000
5	1 acre	16	$95,000	475,000
	125	15	$90,000	446,875
	100	7	$85,000	437,500
	80	89	$75,000	370,000
	60	42	$65,000	285,000
6	100	52	$85,000	437,500
	80	51	$75,000	370,000

* Developer estimates

EXPECTED ABSORPTION OF LOTS IN PHASE #1 THE DISTRICT

Phase #1

Expected Final Sale Date	Total Lots
2Q 2021	35
4Q 2021	32
1Q 2022	32
2Q 2022	32
3Q 2022	32
4Q 2022	32
Total	195

Development Plan

The current development plan is divided into two major stages: (1) concurrent development of the Phase #1 Improvements and the Phases #2-6 Major Improvements, followed by (2) the Phases #2-6 Specific Improvements. The Developer plans to commence development of Phase #1 of the District in 4th quarter 2019. The current development plan is to develop the Phase #1 Improvements and the Phases #2-6 Major Improvements, followed by the development of the Phases #2-6 Specific Improvements within Phases #2-6 of the District. Development of Phases #2-6 of the District is expected to begin approximately 18 months after the start of development in Phase #1 of the District. See THE DEVELOPMENT — Development Plan — Concept Plan," "THE PHASE #1 IMPROVEMENTS" and "APPENDIX B — Form of Service and Assessment Plan."

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

Concept Plan: Below is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City's zoning and subdivision regulations.

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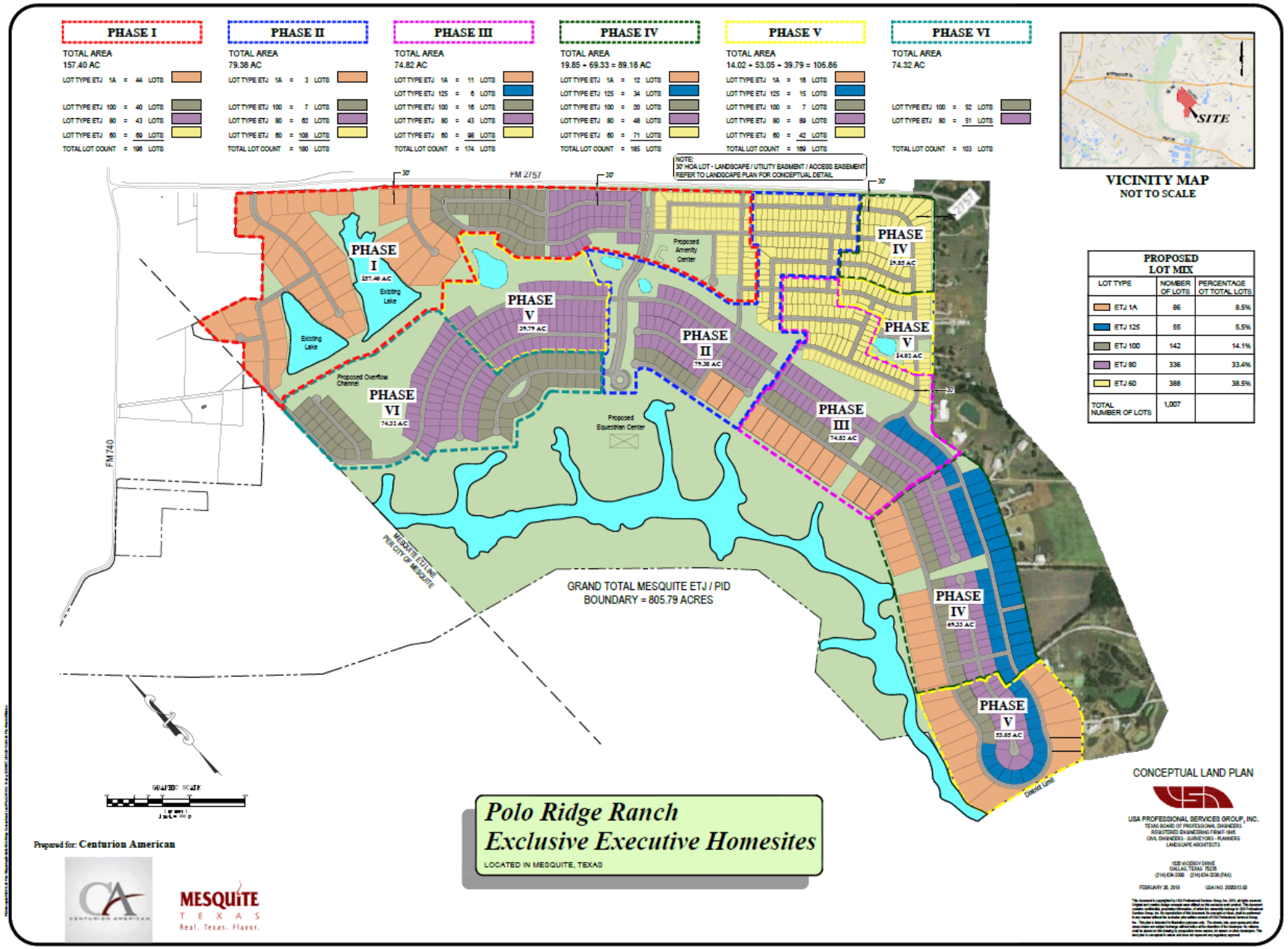
PHASE I
TOTAL AREA
157.40 AC
LOT TYPE ETJ 1A = 44 LOTS
LOT TYPE ETJ 100 = 40 LOTS
LOT TYPE ETJ 80 = 43 LOTS
LOT TYPE ETJ 60 = 69 LOTS
TOTAL LOT COUNT = 196 LOTS
PHASE II
TOTAL AREA
79.38 AC
LOT TYPE ETJ 1A = 3 LOTS
LOT TYPE ETJ 100 = 7 LOTS
LOT TYPE ETJ 80 = 62 LOTS
LOT TYPE ETJ 60 = 108 LOTS
TOTAL LOT COUNT = 180 LOTS
PHASE III
TOTAL AREA
74.82 AC
LOT TYPE ETJ 1A = 11 LOTS
LOT TYPE ETJ 125 = 6 LOTS
LOT TYPE ETJ 100 = 16 LOTS
LOT TYPE ETJ 80 = 43 LOTS
LOT TYPE ETJ 60 = 98 LOTS
TOTAL LOT COUNT = 174 LOTS
PHASE IV
TOTAL AREA
19.85 + 69.33 = 89.18 AC
LOT TYPE ETJ 1A = 12 LOTS
LOT TYPE ETJ 125 = 34 LOTS
LOT TYPE ETJ 100 = 20 LOTS
LOT TYPE ETJ 80 = 48 LOTS
LOT TYPE ETJ 60 = 71 LOTS
TOTAL LOT COUNT = 185 LOTS
PHASE V
TOTAL AREA
14.02 + 53.05 + 39.79 = 106.86
LOT TYPE ETJ 1A = 16 LOTS
LOT TYPE ETJ 125 = 15 LOTS
LOT TYPE ETJ 100 = 7 LOTS
LOT TYPE ETJ 80 = 89 LOTS
LOT TYPE ETJ 60 = 42 LOTS
TOTAL LOT COUNT = 169 LOTS
PHASE VI
TOTAL AREA
74.32 AC
LOT TYPE ETJ 100 = 52 LOTS
LOT TYPE ETJ 80 = 51 LOTS
TOTAL LOT COUNT = 103 LOTS
NOTE:
30' HOA LOT - LANDSCAPE / UTILITY EASMENT / ACCESS EASEMENT
REFER TO LANDSCAPE PLAN FOR CONCEPTUAL DETAIL
FM 2757
FM740
PHASE I 157.40 AC
PHASE II 79.38 AC
PHASE III 74.82 AC
PHASE IV 19.85 AC
PHASE IV 69.33 AC
PHASE V 39.79 AC
PHASE V 14.02 AC
PHASE V 53.05 AC
PHASE VI 74.32 AC
Existing Lake
Existing Lake
Proposed Overflow Channel
Proposed Amenity Center
Proposed Equestrian Center
MESQUITE ETJ LINE PER CITY OF MESQUITE
GRAND TOTAL MESQUITE ETJ / PID BOUNDARY = 805.79 ACRES
GRAPHIC SCALE
Polo Ridge Ranch
Exclusive Executive Homesites
LOCATED IN MESQUITE, TEXAS
Prepared for: Centurion American
MESQUITE TEXAS
Real. Texas. Flavor.
SITE
VICINITY MAP
NOT TO SCALE
PROPOSED LOT MIX
LOT TYPE | NUMBER OF LOTS | PERCENTAGE OT TOTAL LOTS
ETJ 1A | 86 | 8.5%
ETJ 125 | 55 | 5.5%
ETJ 100 | 142 | 14.1%
ETJ 80 | 336 | 33.4%
ETJ 60 | 388 | 38.5%
TOTAL NUMBER OF LOTS | 1,007
CONCEPTUAL LAND PLAN
USA PROFESSIONAL SERVICES GROUP, INC.
TEXAS BOARD OF PROFESSIONAL ENGINEERS
REGISTERED ENGINEERING FIRM F-1845
CIVIL ENGINEERS - SURVEYORS - PLANNERS
LANDSCAPE ARCHITECTS
FEBRUARY 26, 2019

Phases #2-6 Specific Improvement Bonds

Phases #2-6 Specific Improvement Bonds to finance the cost of specific improvements benefitting Phases #2-6 are anticipated to be issued in the future. The estimated costs of the specific improvements benefiting Phases #2-6 of the District will be determined at the time Phases #2-6 is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phases #2-6 of the District and financed by each new series of Phases #2-6 Specific Improvement Bonds. Such Phases #2-6 Specific Improvement Bonds will be secured by separate assessments levied pursuant to the PID Act on Assessed Property within Phases #2-6 of the District. The Developer anticipates that Phases #2-6 Specific Improvement Bonds will be issued over a ten year period beginning in 2022.

The Bonds, the Phases #2-6 Major Improvement Bonds and any Phases #2-6 Specific Improvement Bonds issued by the City are separate and distinct issues of securities. The City reserves the right to issue Phases #2-6 Specific Improvement Bonds for any purpose permitted by the PID Act, including those described above.

Zoning/Permitting

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

Amenities

The Developer will construct certain amenities within the development to serve the District, including an amenity center, an equestrian center, and trails in the lake area of the Development. The amenity center will include a pool, playground and a splash park. Construction of the amenity center is expected to begin in 2022 and be completed in Q4 2023.

The Developer expects to partially finance the amenities with amenity fees due from homebuilders at lot closings and partially from the Development Loan. See "—Merchant Builder Lot Purchase and Sale Agreements in the District" above and "THE DEVELOPER – History and Financing of the District."

Education

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

Existing Mineral Rights, Easements and Other Third Party Property Rights

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

The Developer is not aware of any ongoing mineral rights development or exploration on or adjacent to the property within the District. The Developer is not aware of any interest in real property (including mineral rights) owned by the Mineral Owners adjacent to the District. Certain rules and regulations of the Texas Railroad

Commission may also restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues.

Although the Developer does not expect the above-described Third Party Rights, or the exercise of such rights or any other third party real property rights in or around the District, to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Assessments, the Developer makes no guarantee as to such expectation. See "BONDHOLDERS' RISKS — Exercise of Third Party Property Rights."

Environmental

A Phase One Environmental Site Assessment (a "Phase One ESA") of the land within the District, was completed on May 3, 2019 by Enviro co-op. Based on the information presented in the Phase One ESA, there was no evidence that there were recognized environmental conditions on property in the District.

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Community Panel Number 48257C0175D, dated July 3, 2012, an approximately 246.59 acre portion of the property is located in Zone A. Zone A corresponds to special flood hazard areas subject to inundation by the 100-year flood. Mandatory flood insurance purchase requirements apply in areas designated as Zone A. All areas of the Development located in Zone A will be devoted to use as open space and an equestrian center to serve the Development. According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Community Panel Numbers 48257C0155D and 48257C0175D, each dated July 3, 2012, the remainder of property in the District is located in Zone X. Zone X corresponds to areas outside of the 500-year flood plain.

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

Utilities

The City will provide both water and wastewater service to the District. The City purchases its water wholesale from the North Texas Municipal Water District. The City maintains its own water distribution system and wastewater collection and treatment system and such system currently has sufficient capacity to provide water and wastewater service to the District.

[CONFIRM CCN ISSUES DISCUSSED IN 13.3 OF DEVELOPMENT AGREEMENT RE: CCN FOR WATER/WASTEWATER/WATERLINE FACILITIES AGREEMENT]

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

THE DEVELOPER

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

General

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built,

defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of revenue bonds, such as the Bonds, issued by a municipality for a public improvement district. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

Description of the Developer

The Developer is an affiliate of Centurion and was created by Centurion for the purpose of managing and ultimately conveying property in the District to third parties, as described under the caption "THE DEVELOPMENT." The Developer is a nominally capitalized limited liability company, the primary asset of which is unsold property within the District. The Developer will have no source of funds with which to pay Assessments or taxes levied by the City or any other taxing entity other than funds resulting from the sale of property within the District or funds advanced to the Developer by an affiliated party. The Developer's ability to make full and timely payments of Assessments or taxes will directly affect the City's ability to meet its obligation to make payments on the Bonds.

Since 1990, Centurion has developed over 10,000 single-family lots in dozens of communities surrounding North Texas. It has worked closely with investors, land-owners, financial institutions, and vendors to acquire over 15,000 acres of land inventory for a diverse mix of developments in size and scope. Centurion's communities include amenities such as parks, golf courses, water parks themes, and hiking and biking trails. Over the past twenty years, Centurion has demonstrated the ability to successfully deliver master-planned communities that have been recognized in the real estate industry.

Mr. Mehrdad Moayedi has ultimate control of CADG and its affiliates. CADG maintains a staff of approximately 25 employees. CADG creates single-asset limited liability companies to own development sites and contracts with developers and other professionals in the delivery of its communities.

In addition, CADG works closely with local municipalities, commercial developers, and public school systems as part of its overall master plan. CADG works with North Texas' top builders to deliver the latest concepts ranging from upscale, luxury homes in secluded neighborhoods to affordable housing communities for first-time home buyers. CADG purchases and develops land in prime locations with the right mix of natural land settings, strong job growth, good school systems and access to local community shopping. A snapshot of some of the communities CADG has developed is presented below.

Name	**County**	**Property Type**	**Starting Home Price**	**Status of Development**
*Entrada at Westlake	Tarrant	Mixed Use	$1,100,000	Development Complete
River Walk at Central Park	Denton	Mixed Use	$375,000	Vertical Ongoing
The Villas at Twin Creeks	Collin	Single Family	$230,000	Completed
Kensington Gardens	Dallas	Single Family	$500,000	Phase 1: Started 6/2012 * Phase 2: Delivered 12/2018
Water's Edge at Hogan's Glen	Denton	Single Family	$480,000	Completed/Ashton Finishing Construction
Montalcino Estates	Denton	Single Family	$700,000	Phase 1: Started 1/2012 * Delivered Q1
Estancia Estates	Denton	Single Family	$400,000	Completed /Built Out
Highlands Glen	Denton	Single Family	$300,000	Completed/Ashton Finishing Up
The Highlands at Trophy Club	Denton	Single Family	$250,000	Completed/Ashton Finishing Up
Water's Edge	Denton	Single/Multifamily	$300,000	Started 9/2018 * Delivered Q4 2019
Williamsburg	Rockwall	Single Family	$150,000	Fee Developer

Crestview at Prosper Creek	Collin	Single Family	$250,000	Complete - Megatel Finishing Construction
Palomar Estates	Tarrant	Single Family	$750,000	Complete
Estancia	Tarrant	Single Family	$450,000	Complete
Verandah	Rockwall	Single Family	$200,000	Development Phase Ongoing
Terracina	Denton	Single Family	$400,000	Development Complete / Toll Brothers Bldg Phase 3
The Resort on Eagle Mountain Lake	Tarrant	Single	$250,000	Development Ongoing - Builder Doing Takedowns
Travis Ranch	Kaufman	Single Family	$200,000	Development Ongoing - Builder Doing Takedowns
Carter Ranch	Collin	Single Family	$150,000	Phase1: Completed * Phase 2CII: Bldg Completed
Frisco Hills	Denton	Single Family	$200,000	Development Complete / HB Finishing Up
Rolling Meadows	Tarrant	Single Family	$100,000	Phase1: Completed * Phase 2A2 & 3 HB Completed
Waterfront at Enchanted Bay	Tarrant	Single Family	$150,000	Phase 1: Started 5/2005 * Phase 1: Delivered 2/2007 Phase 2: Being Engineered
Thornbury	Travis	Single Family	$150,000	Development Complete / HB Complete
Rough Hollow	Travis	Single Family	$550,000	Development Complete / HB Complete
Lexington Parke	Travis	Single Family	$150,000	Development Complete / HB Complete
Villages of Woodland Springs	Tarrant	Single Family	$150,000	Started Q4 2000 * Delivered Q4 2017
Spring Creek	Tarrant	Single Family	$150,000	Development Complete / HB Complete
Silver Ridge	Tarrant	Single Family	$150,000	Development Complete / HB Complete
Sendera Ranch	Tarrant	Single Family	$150,000	We Own Future Land / Banking Land
Rosemary Ridge	Tarrant	Single Family	$100,000	Development Complete / HB Complete
Llano Springs	Tarrant	Single Family	$150,000	Development Complete / HB Complete
Hills of Lake Country	Tarrant	Single Family	$150,000	Development Complete / HB Complete
Garden Springs	Tarrant	Single Family	$125,000	Development Complete / HB Complete
Dominion Estates	Tarrant	Single Family	$125,000	Development Complete / HB Complete
Deer Creek North	Tarrant	Single Family	$125,000	Development Complete / HB Complete
Creekside of Crowley	Tarrant	Single Family	$150,000	Sold Land / Ashton Building / Also Banking
Bonds Ranch	Tarrant	Single Family	$150,000	Purchased all Finished Lots / All Lots sold in Q4 2017
Crown Valley	Parker	Single Family	$150,000	Development Complete / Sold Phase / Pod Sale
Windmill Farms	Kaufman	Single Family	$150,000	HB Complete
Knox Ranch	Hood	Mixed Use	$450,000	HB Complete
Windsor Hills	Ellis	Single Family	$250,000	Undeveloped; in the Zoning Process
Saddlebrook	Ellis	Mixed Use	$175,000	Next Phase Going Through Engineering
The Villas of Indian Creek	Denton	Single Family	$150,000	Development Complete / HB Complete
*Valencia on the Lake	Denton	Single Family	$175,000	Next Phase Going Through Engineering
Shale Creek	Wise	Single Family	$100,000	Last Phase Going Through Engineering
Shahan Prairie	Denton	Single Family	$150,000	Sold Land
Frisco Ranch	Denton	Single Family	$150,000	Development Complete / HB Complete
Brookfield	Denton	Single Family	$180,000	Sold Land

Sweetwater Crossing	Collin	Single Family	$150,000	Development Complete / HB Complete
Prestwyck	Collin	Mixed Use	$190,000	Development Complete / HB Complete
Oak Hollow	Collin	Single Family	$100,000	Development Complete / HB Complete
Northpointe Crossing	Collin	Single Family	$100,000	Development Complete / HB Complete
McKinney Greens	Collin	Single Family	$150,000	Development Complete / HB Complete
The Dominion	Dallas	Single Family	$250,000	Development Complete / HB Ongoing
Residences at the Stoneleigh	Dallas	Condo	$750,000	Unit Sales Ongoing
Mountain Creek	Dallas	Multifamily	$225,000	Development Complete / HB Complete
Chateaus of Coppell	Dallas	Single Family	$350,000	Development Ongoing - HB Building
The Bridges at Preston Crossings	Parker	Single Family	$250,000	Development Complete / HB Complete
*Winn Ridge	Denton	Single Family	$250,000	Development Complete / HB Complete
*Sutton Fields	Denton	Single Family	$350,000	Development Complete / HB Complete
*Hillstone Pointe	Denton	Single Family	$250,000	Phase 1: Q3 2016 * Phase 1: Delivered 12/2017 Remainder Raw Land Sold to Horton & Lennar
*Northlake Estates	Denton	Single Family	$300,000	Development Ongoing - HB Building
*Creeks of Legacy	Denton/Collin	Single Family	$350,000	Development Ongoing - HB Building
University Place	Dallas	Single Family	$450,000	Development Ongoing - HB Building
*Lakewood Hills	Denton	Single Family	$450,000	Development Ongoing - HB Building
Steeplechase	Denton	Single Family	$500,000	Development Ongoing - HB Building
*Mercer Crossing	Dallas	Mixed Use	$350,000	Development Ongoing - HB Building
*Ownsby Farms	Collin	Single Family	$300,000	Development Ongoing - HB Building
*Anna Hurricane Creek	Collin	Single Family	$300,000	Phase 1: Started 9/2018, Currently Being Developed
*Chalk Hill	Collin	Single Family	$300,000	Phase 1: Started 9/2018, Currently Being Developed
Windsor Hills	Dallas	Single Family	TBD	Pre-development process.
Walden Pond	Kaufman	Single/Multifamily	TBD	Pre-development process.
Mobberly	Denton	Single Family	TBD	Pre-development process. Confirmation election May 2019
*Whitewing	Collin	Single Family	TBD	Pre-development negotiations with City of Princeton.
*NRH	Tarrant	Mixed Use	$300,000	Pre-development process.
Denton - Kings Ridge	Denton	Single/Multifamily	$250,000	Zoning approved. Development should begin
*Collin Creek Mall	Collin	Mixed Use	$400,000	Zoning approved.
*Hickory Farms	Dallas	Single Family	TBD	In process of issuing PID bonds.
Dove Creek	Collin	Single Family	$275,000	Under Development
Preston Hills	Collin	Single Family	$400,000	Under Development
Founders Park	Tarranr	Single/Multifamily	300,000	Development Complete -HB Building
Barcelona	Collin	Single Family	$350,000	Phase 3; Under Development
Bloomridge	Collin	Single Family	$300,000	Phase 2; Under Development
Erwin Farms	Collin	Single Family	$350,000	Phase 3; Under Development
Enchanted Creek	Collin	Single Family	$300,000	Engineering Phase 2
Alpha Ranch	Wise/Denton	Single Family	$225,000	Pre-development process.

Bear Creek	Dallas	Single Family	$250,000	next phase platted - TXDOT Condemnation
Wade Settlement	Collin	Single Family	$350,000	Phase 2; Development
Falls of Prosper	Collin	Single Family	$400,000	Phase 2; Development
*Iron Horse	Dallas	Mixed Use	$250,000	In process of issuing PID bonds.

*- Denotes use of public improvement district

Executive Biography

Mehrdad Moayedi is the President and Chief Executive Officer of Centurion. Mr. Moayedi has more than twenty-five years of direct experience in the development industry. With a background in construction and real estate, Mr. Moayedi employs a comprehensive approach to each Centurion development. Mr. Moayedi has extensive knowledge of the interconnection of all parts of residential real estate development, which provides Centurion with a unique advantage over other residential developers.

Before forming JBM Development in 1986, Mr. Moayedi completed several construction and fee development projects in Northeast Tarrant County, Texas subdivisions as well as various construction and remodeling projects. JBM Development, along with Centurion American Custom Homes, formed Centurion in 1990. The company has become broadly diversified, with residential developments ranging from upscale high-rise residential towers to affordable housing communities for first-time home buyers.

History and Financing of the District

The Developer purchased an assemblage of approximately 989.754 acres (the "Purchased Tract"), which includes the land comprising the District, on July 30, 2012. In order to finance the purchase of the Purchased Tract, the Developer obtained (i) a loan (the "Initial Acquisition Loan") in the amount of $6,900,000 from First Continental Investment Co., Ltd. (the "Initial Acquisition Lender"), secured by a deed of trust on the Purchased Tract (the "Initial Acquisition Deed of Trust"), and (ii) a second loan in the amount of $425,000 from LMSM Holdings, LLC, an affiliate company of the Developer (the "LMSM Loan"), which loan was also secured by the Purchased Tract. The LMSM Loan matured on August 3, 2015 and was paid in full.

The Initial Acquisition Loan was refinanced on January 9, 4014 by a loan to the Developer from United Development Funding IV ("UDF IV") in the amount of $6,267,000 (the "UDF Loan"), which UDF Loan is secured by a deed of trust (the "UDF Deed of Trust") which provides a lien on the Purchased Tract, less and except approximately 5 acres of property which is currently held as director lots for Polo Ridge FWSD (the "UDF Property"), a special district created over the property previously intended to serve as a financing vehicle for infrastructure. See "THE DEVELOPER – History and Financing of the Development – *Polo Ridge Fresh Water Supply District of Kaufman County*." The Developer also obtained a second unsecured loan from Mehrdad Moayedi, a Developer principal, in the amount of $3,500,000 (the "MM Loan"). The Note for the MM Loan was assigned to UDF IV, and the MM Loan matured on May 31, 2016 and was paid in full.

The UDF Loan was modified January 19, 2015 to increase the loan amount to $15,236,000, which modification was evidenced by a second promissory note and secured by an additional deed of trust (the "UDF Modification Deed of Trust") on the UDF Property. The UDF Deed of Trust and the UDF Modification Deed of Trust are cross collateralized. The maturity date of the UDF Loan was extended by two additional modifications effective on July 9, 2015 and January 9, 2016 respectively. Effective January 13, 2016, UDF IV assigned its rights in the Note, the UDF Deed of Trust and the UDF Modification Deed of Trust, and loan documents relating to the UDF Loan to UDF IV Acquisitions, L.P. ("UDF IV Acquisitions"), which now serves as Lender under the UDF Loan.

As of May 14, 2019, the UDF Loan to the Developer is outstanding in the amount of $14,039,497.21, and pursuant to the terms of a 4th Modification thereof effective as of January 9, 2017, the maturity date of the UDF Loan is January 9, 2020.

For a description of certain events relating to the UDF IV, see "BONDHOLDERS' RISKS – Developer Principal Financial Relationships - *Investigation of United Development Funding*."

The Developer has obtained a commitment letter from First United for a development loan (the "Potential First United Development Loan") in the amount of $8,500,000 which is expected to refinance a portion of the UDF Loan. No assurance can be given that the Developer will close on the Potential First United Development Loan or that any portion of the UDF Loan will be refinanced. **[TO BE UPDATED WITH ADDITIONAL INFORMATION ABOUT FIRST UNITED DEVELOPMENT LOAN UPON RECEIPT OF LOAN DOCUMENTS IF LOAN CLOSES PRIOR TO POSTING]**

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes and, accordingly, such lien for the Assessments is superior to liens on property in the District relating to the UDF Loan.

Polo Ridge Fresh Water Supply District of Kaufman County. Polo Ridge FWSD was created and organized by the Developer with the consent of the City pursuant to an order of the Kaufman County Commissioners' Court on July 9, 2007, and a subsequent election of the voters of said Polo Ridge FWSD. Polo Ridge FWSD was formed to provide an alternate mechanism to finance the improvements expected to be financed with the Bonds; however, no such financing has occurred and Polo Ridge FWSD has not issued debt to finance any improvements. Because such improvements will be financed with the Bonds, the Developer does not intend to use Polo Ridge FWSD as a reimbursement vehicle for construction of such projects. Pursuant to the Development Agreement, the Developer has agreed that Polo Ridge FWSD will be dissolved following the occurrence of certain events. See "THE DEVELOPMENT AGREEMENT – *Annexation and Dissolution of Polo Ridge FWSD*" herein. Polo Ridge FWSD is controlled by an independent board of directors that is not controlled by the City and no assurance can be given regarding the dissolution of Polo Ridge FWSD or the timeline associated therewith. In addition, the board of directors of Polo Ridge FWSD owns certain parcels of land within the District comprising 5.022 acres (the "Director Lots") and each member of the board of directors has consented to the creation of the District and is expected to consent to the levy of the Assessments on their respective parcels or deed such Director Lots back to the Developer prior to the levy of Assessments. No property owned by the individual members of the board of directors of Polo Ridge FWSD is subject to a homestead exemption and the Director Lots will be transferred to the Developer after dissolution of Polo Ridge FWSD.

THE ASSESSMENT CONSULTANT AND ADMINISTRATOR

The following information has been provided by the Assessment Consultant and the Administrator. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Assessment Consultant and the Administrator have reviewed this Limited Offering Memorandum and warrant and represent that the information herein under the caption "THE ASSESSMENT CONSULTANT AND ADMINISTRATOR" does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

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

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

APPRAISAL OF PROPERTY WITHIN PHASE #1 OF THE DISTRICT

The Appraisal

General. Integra Realty Resources – DFW (the "Appraiser"), prepared an appraisal report for the City dated May 1, 2019 and effective as of July 1, 2020, based upon a physical inspection of the District (the "Appraisal"). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to Phase #1 of the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See "APPENDIX E — Appraisal of Property Within Phase #1 of the District."

Value Estimates. The Appraiser estimated the aggregate market value of the fee simple interest in various tracts of land comprising the land in Phase #1 of the District under the hypothetical conditions that the 196 single-family lots as Phase #1, as well as future phases of land within three pods (Pods 2 thru 4) and upon the assumption that all "PID" improvements and "non-PID" improvements are complete by July 1, 2020 providing interior streets and utilities for the lots in Phase #1, as well as the completion of water, sewer, and storm drainage to the vicinity of Pods 2 - 4, which are expected to be completed by July 1, 2020. See "THE PHASE #1 IMPROVEMENTS." References to Pods 2-4 and the "PID improvements" and "Non-PID improvements" shall be as defined in the Appraisal. The Appraisal does not reflect the as-is condition of Phase #1 of the District as the Phase #1 Improvements have not yet been constructed. Moreover, the Appraisal does not reflect the value of Phase #1 of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for Phase #1 of the District. See "APPENDIX E — Appraisal of Property Within Phase #1 of the District."

The value estimate for the Assessed Property within Phase #1 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of July 1, 2020 is $14,900,000.

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

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

BONDHOLDERS' RISKS

Before purchasing any of the Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not be paid when due or that the Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Bonds) should be carefully considered prior to purchasing any of the Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.

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

DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

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

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

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

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

Assessment Limitations

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

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

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

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

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

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

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

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

Risks Related to the Current Real Estate Market

Within the last ten years, the real estate market experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, reduced the availability of mortgages to many potential home buyers, making entry into the real estate market difficult. Such downturns in the real estate market and other factors, including general economic conditions, are beyond the control of the Developer or the City and are impossible to predict, and may impact the timing of lot and home sales within the District.

Competition; Real Estate Market

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

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

TIRZ Annual Credit Amount and Marketing of the Development

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

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

Loss of Tax Exemption

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

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

Bankruptcy

The payment of Assessments and the ability of the City to foreclose on the lien of a delinquent unpaid Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent Assessments might not be paid in full.

Direct and Overlapping Indebtedness, Assessments and Taxes

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

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

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or

otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Delinquency and Prepayment Reserve Account of the Reserve Fund is only partially funded from the proceeds of the Bonds. The Delinquency and Prepayment Reserve Requirement of the Delinquency and Prepayment Reserve Account will accumulate over the course of approximately ___ years by the mechanism described in "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund." In the event of a withdrawal from the Bond Reserve Account of the Reserve Fund or from the Delinquency and Prepayment Reserve Account of the Reserve Fund, such accounts shall be replenished as described in the captions "SECURITY FOR THE BONDS — Reserve Fund" and, "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund."

Hazardous Substance

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

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

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

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

100-Year Flood Plain

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

Regulation

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

Bondholders' Remedies and Bankruptcy

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

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

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

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

The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that

leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

No Acceleration

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

Bankruptcy Limitation to Bondholders' Rights

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

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

Management and Ownership

The management and ownership of the Developer and related property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer or new officers in management positions may not have comparable experience in development projects comparable to that of the Development.

General Risks of Real Estate Investment and Development

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

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

Dependence Upon Developer

The Developer, as the owner of 100% of the parcels in the District after transfer of the Director Lots, will have the obligation for payment of all of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. The only assets of the Developer are land within the District, related permits and development rights, and minor operating accounts. The source of funding for future land development activities and infrastructure construction to develop the lots proposed for the District also consists of proceeds from the Bonds and proceeds of lot sales, as well as possible bank financing and equity contributions by the Developer. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

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

Agricultural Use Valuation and Redemption Rights

All of the property within the District is currently entitled to valuation for ad valorem tax purposes based upon its agricultural use. Under Texas law, an owner of land that is entitled to an agricultural valuation has the right to redeem such property after a foreclosure tax sale for a period of two years after the tax sale by paying to the tax sale purchaser a 25% premium, if redeemed during the first year, or a 50% premium, if redeemed during the second year, over the purchase price paid at the tax sale and certain qualifying costs incurred by the purchaser. Although Assessments are not considered a tax under Texas law, the PID Act provides that the lien for Assessments may be enforced in the same manner as a lien for ad valorem taxes. This shared enforcement mechanism raises a possibility that the right to redeem agricultural valuation property may be available following a foreclosure of a lien for Assessments, though there is no indication in Texas law that such redemption rights would or would not be available in such a case.

The Developer expects that the agricultural use valuations within Phase #1 of the District will terminate in 2019.

Potential Future Changes in State Law Regarding Public Improvement Districts

In October 2017, the 85th Texas Legislature House of Representatives and the 85th Texas Legislature Senate issued interim charges to the 85th Texas Legislature House Committee on Special Purpose Districts and the 85th Texas Legislature Senate Intergovernmental Relations Committee (collectively, the "Interim Committees"), respectively, requesting the study of special purpose districts and potential bond issuance reforms. The charges to the Interim Committees included review, hearings and testimony related to changes to and oversight of bonds secured by special assessments.

In December 2018, the 85th Texas Legislature House Committee on Special Purpose Districts released its Interim Report to the 86th Texas Legislature (the "House SPD Report"). The House SPD Report recommended that a Senate committee substitute to a bill proposed during the 82nd Texas Legislature in 2011, HB 1400 (the "HB 1400 Committee Substitute") which set forth a tiered system for the findings required by a county or municipality prior to

the issuance of bonds, be resurrected and re-examined in order to provide oversight for assessment. Under the HB 1400 Committee Substitute:

- Prior to the issuance of bonds or obligations wholly or partly payable from or secured by assessments, the governing body of a municipality with a population of 250,000 or less or the governing body of a county with a population of 1 million or less issuing the bonds or obligations must find and determine the following:
    - construction of all underground water, wastewater, and drainage facilities and roadways to serve the real property liable for assessments necessary to support the payment of the bonds or obligations is at least 95 percent complete; and
    - construction of at least 25 percent of the houses or other buildings on the real property liable for assessments and necessary to support the bonds or obligations has been completed.
- Prior to the issuance of bonds or obligations wholly or partly payable from or secured by assessments, a municipality with a population of more than 250,000 or a county with a population of more than 1 million issuing the bonds or obligations must obtain an independent market study from a firm recognized in the area of real estate market analysis supporting the development projects for the real property liable for assessments and necessary to support the payment of the bonds or obligations.

The findings of the House SPD Report suggested committee support applying standards similar to those applied by the Texas Commission of Environmental Quality (the "TCEQ") to bonds issued by municipal utility and other independent special purpose districts to bonds issued by cities and counties under the PID Act.

In December 2018, the 85th Texas Legislature Senate Intergovernmental Relations Committee released its Interim Report to the 86th Texas Legislature (the "Senate IGR Report"). The Senate IGR Report found that, based on testimony received by the committee, standards imposed by cities relating to the issuance of assessment-backed public improvement district bonds exceeded the standards applied by the TCEQ to bonds issued by municipal utility and other independent special purpose districts. The Senate IGR Report did not recommend any further action to the 86th Texas Legislature relating to assessment backed bonds.

The Texas Legislature convenes in odd numbered years, and the 86th Texas Legislature convened on January 8, 2019. The House of Representatives of the 86th Texas Legislature did not convene a House Special Purpose Districts Committee, and instead transferred portions of its jurisdiction to the 86th Texas Legislature House Committee on Natural Resources and the 86th Texas Legislature House Committee Urban Affairs. The Senate of the 86th Texas Legislature has convened the Intergovernmental Relations Committee. As of the date hereof, no legislation has been introduced in the 86th Texas Legislature which proposes the provisions of the HB 1400 Committee Substitute. However, it is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during the 86th Legislative Session or any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

Use of Appraisal

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

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

Exercise of Third Party Property Rights

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

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

Developer Principal Financial Relationships and Other Matters Relating to Developer Affiliates

Investigation of United Development Funding. Mehrdad Moayedi through his company, Centurion, and various subsidiaries, is involved in the development of master planned residential community and mixed use projects. Such projects have previously been developed using funding provided by various entities associated with United Development Funding ("UDF"), including United Development Funding IV, a publicly traded real estate investment trust, ("UDF IV").

Following a series of allegations by Kyle Bass of Hayman Capital Management, L.P., that UDF IV is a Ponzi scheme, UDF has come under federal investigation. On February 18, 2016, the Federal Bureau of Investigation (the "FBI") raided the headquarters of UDF in Grapevine, Texas, issued subpoenas to UDF executives, and removed materials from the UDF offices. No representations or assurances can be made with respect to the outcome of the FBI's investigation of UDF. The Developer, the City and the Underwriter can make no prediction as to the ultimate result of the FBI investigation into UDF or, if such enforcement charges are brought, the outcome thereof, or the affect or the result, if any, the investigation or enforcement may have on the Developer or the Developer's ability to continue funding the Development.

In connection with governmental investigations of UDF (the "UDF Investigations"), Centurion and certain of its employees were contacted in mid-2016 to provide certain information to such governmental fact-finders as a part of an information gathering process on the investigation of UDF. Centurion and its employees fully complied with the information gathering process. Neither Centurion nor any of its employees or affiliates have received any information indicating that they are either targets or subjects of any governmental investigation.

Throughout 2016 through 2018, the Centurion entities associated with the Moayedi UDF Projects have refinanced a portion of the loans made by UDF with financial entities unrelated to UDF and sold certain land holdings financed by loans from UDF and paid off the related UDF loans with the proceeds of such sales. As of December 31, 2018, the outstanding balance of loans made by UDF to Centurion entities associated with the Moayedi UDF Projects is approximately $733,000,000. In addition, Moayedi's personal exposure to the UDF lending arrangements for the Moayedi UDF Projects is limited to $10,000,000 in the aggregate based on a personal guarantee. Such guarantee may be called upon in the event of a default under the UDF lending arrangements for the Moayedi UDF Projects.

No assurances can be given as to the result of the UDF Investigations or any charges related thereto or the impact, if any, of such result on Moayedi, the operations of Centurion, the Developer's ability to continue funding the Development.

Public Finance Authority Statler Hilton & Dallas Central Library Bonds (the "Statler Bonds"). An affiliate of Centurion, Commerce Statler Development, LLC (the "Centurion Affiliate"), is the developer of the Statler Hilton

and Dallas Central Library redevelopment project in Dallas, Texas. The Centurion Affiliate entered into a transaction pursuant to which the Centurion Affiliate monetized a grant from the City of Dallas, which grant was to be funded through a designated portion of ad valorem tax revenues generated in a tax increment reinvestment zone located in the City of Dallas (the "TIF Grant"). In connection with the monetization transaction, the Public Finance Authority (Wisconsin) issued its $26,533,298.50 Tax Increment Finance Grant Revenue Bonds (Statler Hilton & Dallas Central Library), Series 2016 (the "Statler Bonds") secured by an assignment of revenues from the TIF Grant. In January 2017, the IRS commenced an audit of the Statler Bonds (the "Statler Audit"), and on July 17, 2017, the Public Finance Authority received a Form 5701-TEB, Notice of proposed Issue (the "Notice") that contained the proposed conclusion of the IRS that the interest on the Statler Bonds is not excluded from gross income for federal income tax purposes. The Public Finance Authority is appealing the IRS' conclusion, but no assurance can be given regarding the outcome of such appeal. In connection with the Statler Audit, Centurion and the Centurion Affiliate received, responded to, and complied with certain information requests from the IRS.

While the Developer and the Centurion Affiliate are under the common control of Centurion, the Centurion Affiliate does not own property in the District and is not associated with the Development or with the Bonds; however, the Developer, the City, and the Underwriter can make no prediction as to the ultimate result of the Statler Audit, or the impact, if any, of the Statler Audit may have on the Developer or the Developer's ability to continue funding the Development.

Litigation Involving Developer Principal And Affiliates Relating To Development Projects.

Westlake Entrada Project. Certain separate affiliates of Centurion owned or controlled by Mehrdad Moayedi (the "Centurion Entrada Entities") are the principal developers of a mixed use project in Westlake, Texas, known as Entrada (the "Entrada Project"). Funding for the Entrada Project included, among other items in the capital stack, moneys obtained by the Centurion Entrada Entities through the EB-5 program and Public Improvement district bonds issued by the Town of Westlake. In August 2018, a minority owner of one Centurion Entrada Entity, acting through the corporate entity FZ WLRW, LLC (the "Entrada Plaintiff"), brought suit (the "Entrada Suit") against Centurion, the Centurion Entrada Entities, Mehrdad Moayedi (collectively, the "Centurion Entrada Defendants") and other parties involved in structuring the financing of the Entrada Project (the "Entrada Financing parties") in the District Court in Tarrant County, Texas in the 342nd Judicial District (Cause No. 342-302221-18). The Entrada Plaintiff alleges that Centurion wrongfully terminated the Entrada Plaintiff as manager of the Entrada Project, that development of the Entrada Project has slowed due to mismanagement of the Entrada Project, and that the Centurion Entrada Entities have misused EB-5 loan funds and diverted funds from the Town of Westlake Public Improvement district bonds to other projects. The Entrada Suit sets forth claims of fraud, fraudulent inducement, breach of fiduciary duty, and aiding and abetting breach of fiduciary duty as a result of such actions against the Centurion Entrada Defendants and the Entrada Financing parties relating to the Entrada Project. The Centurion Entrada Defendants have denied the claims of the Entrada Plaintiff in court filings relating to the Entrada Suit. Discovery motions continue to be served in the Entrada Suit and a trial date has initially been set for August 2019.

While the Developer and the Centurion Entrada Entities are under common control of Centurion, the Centurion Entrada Entities do not own property in the District and are not associated with the Development or with the Bonds; however, the Developer, the City, and the Underwriter can make no prediction as to the ultimate result of the Entrada Suit, or the impact, if any, of the Entrada Suit may have on the Developer or the Developer's ability to continue funding the Development.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition

of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption," "– Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

LEGAL MATTERS

Legal Proceedings

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

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

Legal Opinions

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

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

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

Litigation — The City

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

Litigation — The Developer

At the time of delivery and payment for the Bonds, the Developer will certify to the Underwriter that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Development Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a "Material Adverse Effect"). Additionally, Mehrdad Moayedi and his affiliated entities have been and are parties to pending and threatened litigation related to their commercial and real estate development activities. Such litigation occurs in the ordinary course of business and is not expected to have a Material Adverse Effect.

For a description of certain litigation and other matters related to affiliated entities of the Developer, see "BONDHOLDERS' RISKS — Developer Principal Financial Relationships and Other Matters Relating to Developer Affiliates."

SUITABILITY FOR INVESTMENT

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

ENFORCEABILITY OF REMEDIES

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

NO RATING

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

CONTINUING DISCLOSURE

The City

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

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

The Developer

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

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

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

UNDERWRITING

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENTS

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

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3)

collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the Town adopts or (ii) a depository institution with a main office or branch office in this state that the Town selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the Town' s account; and (b) the full amount of the principal and accrued interest of the banking deposits is insurance by the United States or an instrumentality of the United States; and (c) the Town appoints as the Town' s custodian of the banking deposits issued for the Town' s account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by

obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

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

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

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule,

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

INFORMATION RELATING TO THE TRUSTEE

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

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

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

SOURCES OF INFORMATION

General

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

Source of Certain Information

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

Experts

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided byDTA and has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

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

Updating of Limited Offering Memorandum

If, subsequent to the date of the Limited Offering Memorandum, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the City will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Limited Offering Memorandum satisfactory to the Underwriter; provided, however, that the obligation of the City to so amend or supplement the Limited Offering Memorandum will terminate when the City delivers the Bonds to the Underwriter, unless the Underwriter notifies the City on or before such date that less than all of the Bonds have been sold to ultimate customers; in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

FORWARD-LOOKING STATEMENTS

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

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

AUTHORIZATION AND APPROVAL

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

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APPENDIX A

FORM OF INDENTURE

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APPENDIX B

FORM OF SERVICE AND ASSESSMENT PLAN

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D-1

FORM OF CITY DISCLOSURE AGREEMENT

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APPENDIX D-2

FORM OF DEVELOPER DISCLOSURE AGREEMENT

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APPENDIX E

APPRAISAL OF PROPERTY WTIHIN PHASE #1 OF THE DISTRICT

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