

## NEW ISSUE

NOT RATED

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 UNDER 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, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under existing law, subject to the matters described under “TAX MATTERS” herein. See “TAX MATTERS – Tax Exemption” herein for a discussion of Bond Counsel’s opinion.*

**The Bonds WILL NOT be designated as “qualified tax-exempt obligations” for financial institutions.**

**\$8,060,000\***



**CITY OF CELINA, TEXAS,  
(a municipal corporation of the State of Texas located in Collin and Denton Counties)  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)**

**Dated Date: February 1, 2022**

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

**Interest to Accrue from Date of Delivery**

The City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project) (the “Bonds”), are being issued by the City of Celina, 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 \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 1 and September 1, commencing September 1, 2022, 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 U.S. Bank National Association, 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 January 11, 2022, and an Indenture of Trust, dated as of February 1, 2022 (the “Indenture”), to be 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 Actual Costs of the “Phase #1 Improvements”, which consist of the costs of the local infrastructure benefitting only Phase #1 (as defined herein) of the Sutton Fields East Public Improvement District (the “District”), (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) paying a portion of the costs incidental to the organization and administration of the District, and (v) 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 Norton Rose Fulbright US 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, Miklos Cinclair, PLLC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about February 9, 2022.

**FMSbonds, Inc.**

\* Preliminary; subject to change.

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

CUSIP Prefix: \_\_\_\_\_

\$8,060,000\*

CITY OF CELINA, TEXAS,

(a municipal corporation of the State of Texas located in Collin and Denton Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)

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

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

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

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 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 1, 20\_\_, at the redemption price of 100% of the principal amount plus accrued 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 CELINA, TEXAS  
CITY COUNCIL**

| <u>Name</u>      | <u>Place</u>           | <u>Term Expires<br/>(May)</u> |
|------------------|------------------------|-------------------------------|
| Sean Terry       | Mayor                  | 2023                          |
| Justin Steiner   | Place 1                | 2022                          |
| Jay Pierce       | Place 2                | 2023                          |
| Andy Hopkins     | Place 3                | 2023                          |
| Wendie Wigginton | Place 4                | 2023                          |
| Mindy Koehne     | Place 5, Mayor Pro Tem | 2023                          |
| Chad Anderson    | Place 6                | 2022                          |

**CITY MANAGER**  
Jason Laumer

**ASSISTANT CITY MANAGER**  
Karla Stovall

**CITY SECRETARY**  
Vicki Tarrant

**FINANCE DIRECTOR**  
Robin Bromiley

**ADMINISTRATOR**  
MuniCap, Inc.

**FINANCIAL ADVISOR TO THE CITY**  
Hilltop Securities Inc.

**BOND COUNSEL**  
Norton Rose Fulbright US LLP

**UNDERWRITER'S COUNSEL**  
Winstead PC

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Dallas, Texas 75270  
(214) 953-8707  
Jason.Hughes@hilltopsecurities.com





AREA LOCATION MAP OF THE DISTRICT



**BARRAZA** CONSULTING GROUP, LLC  
AREA LOCATION MAP  
SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
CELINA, DENTON COUNTY, TEXAS  
SCALE: 1"=2,000'  
DATE: SEPT. 2021

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 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

**\$8,060,000\***

**CITY OF CELINA, TEXAS,**

**(a municipal corporation of the State of Texas located in Collin and Denton Counties)**

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022**

**(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)**

### INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Celina, Texas (the “City”), of its \$8,060,000\* aggregate principal amount of Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project) (the “Bonds”).

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

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be enacted by the City Council of the City (the “City Council”) on January 11, 2022 (the “Bond Ordinance”), and an Indenture of Trust, dated as of February 1, 2022 (the “Indenture”), to be entered into by and between the City and U.S. Bank National Association as trustee (the “Trustee”). The Bonds will be secured by assessments (“Assessments”) levied against assessable property located within Phase #1 (as defined herein) of the Sutton Fields East Public Improvement District (the “District”) pursuant to a separate ordinance expected to be enacted by the City Council on January 11, 2022 (the “Assessment Ordinance”). The City created the District pursuant to a resolution adopted by the City Council on October 12, 2021 (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 Reimbursement Agreement (as defined herein), the TIRZ Creation Ordinance (as defined herein), the Construction, Funding, and Acquisition Agreement (as defined herein), the Sutton Fields East Development Agreement between the City and MM Sutton Fields East, LLC, a Texas limited liability company (the “Developer”) effective October 15, 2021 (the “Development Agreement”), and MuniCap, Inc. (the “Administrator”), 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., 5 Cowboys Way, Suite 300-25, Frisco, Texas, 75034, 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 in this Limited Offering Memorandum.

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\* Preliminary; subject to change.

## PLAN OF FINANCE

### The District

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain 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 (as defined herein), authorized by the PID Act and approved by the City Council that confer a special benefit on the District.

### Development Plan and Plan of Finance

The District is composed of approximately 109.9 acres which are being developed as a master-planned residential development. The Developer's plans consist of the development of the District in phases beginning with the development of the infrastructure to serve the initial phase ("Phase #1") of the District, followed by one subsequent phase ("Phase #2") of development of infrastructure to serve Phase #2. See "THE DEVELOPMENT — Development Plan". The boundaries of the District and Phases #1 and #2 are shown in the "MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES" on page v. The District is located entirely within the extraterritorial jurisdiction of the City. The City intends to annex the land within the District into the corporate limits of the City on January 11, 2022. See "THE DEVELOPMENT AGREEMENT" and "THE DEVELOPER – History and Financing of the District."

The Developer purchased the land comprising the District on October 15, 2021. In order to finance a portion of the purchase of the land within the District and development in the District, the Developer obtained a loan (the "Acquisition and Development Loan") in an amount up to \$13,620,000 from Liberty Bankers Life Insurance Company (the "Lender"). The Acquisition and Development Loan is currently outstanding in the amount of \$4,739,865.31. The Acquisition and Development Loan is secured by all property within the District. The Developer is the current owner of all property within the District. See "THE DEVELOPER – History and Financing of the District."

The Developer expects to initially construct improvements consisting of certain roadway improvements, water distribution system improvements, sanitary sewer improvements, and storm drainage improvements that will benefit only Phase #1 of the District (the "Phase #1 Improvements"). Construction of the Phase #1 Improvements is expected to begin in Q1 2022 and be completed by Q2 2023.

The City intends to enter into a reimbursement agreement with the Developer (the "Reimbursement Agreement") to finance a portion of the costs of the Phase #1 Improvements not paid with proceeds of the Bonds. The Bonds and the City's payment obligations under the Reimbursement Agreement will be secured by the Assessments on property in Phase #1 of the District only; however, the payment of debt service on the Bonds will be superior in right to payment of obligations under the Reimbursement Agreement. The City, upon satisfying certain financial covenants, may issue additional bonds (the "Additional Bonds") to finance its obligations under the Reimbursement Agreement. See "SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds".

The City will pay a portion of the project costs for the Phase #1 Improvements from proceeds of the Bonds. The Developer will submit payment requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements and be paid in accordance with the Indenture, and the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement (the "Construction, Funding, and Acquisition Agreement") and the Reimbursement Agreement. See "THE PHASE #1 IMPROVEMENTS – General," "THE DEVELOPMENT – Development Plan" and "APPENDIX F – Form of Construction, Funding, and Acquisition Agreement." At delivery of the Bonds, the Developer expects to advance funds in the approximate amount of \$1,100,000\* in order to pay for a portion of the costs of the Phase #1

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\* Preliminary; subject to change.



Improvements not financed with the proceeds of the Bonds. See “SOURCES AND USES OF FUNDS”. A portion of such amount shall be paid to the Developer pursuant to the Reimbursement Agreement.

The City expects to issue one or more series of bonds (collectively, the “Phased PID Bonds”) to finance the cost of local improvements benefitting Phase #2. The estimated costs of the local improvements benefitting Phase #2 will be determined as such phase is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phase #2 and financed by each new series of Phased PID Bonds. Such Phased PID Bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within Phase #2. The Developer anticipates that Phased PID Bonds will be issued over a two to four year period. “THE DEVELOPMENT – Phased PID Bonds.”

## **The Bonds**

Proceeds of the Bonds will be used primarily to provide funds for (i) paying 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) paying a portion of the costs incidental to the organization and administration of the District, and (v) 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 may, at the option of the City, be transferred to another Account of the Project Fund or to the Principal and Interest Account of the Bond Fund 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 levied against the assessable parcels or lots 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” and “APPENDIX A – Form of Indenture.”

**The Bonds, any Additional Bonds, and any Phased PID 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. Any future Additional Bonds or Phased PID Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.**

## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2022 (each an “Interest Payment Date”), until maturity or prior redemption. U.S. Bank National Association 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 \$1,000 in excess thereof; provided, however, that if the total principal amount of any Outstanding Bond is less than \$100,000, then the authorized denomination of such Bonds shall be the amount of such Outstanding Bond (“Authorized Denominations”). 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. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

## Redemption Provisions

*Optional Redemption.* The City reserves the right and option to redeem the Bonds maturing on or after September 1, 20\_\_, before their respective scheduled maturity dates, in whole or in part, on any date on or after September 1, 20\_\_, such redemption date or dates to be fixed by the City, at the redemption price of par plus accrued and unpaid interest to the date of redemption (the “Redemption Price”).

*Extraordinary Optional Redemption.* Notwithstanding any provision in the Indenture to the contrary, the City reserves the right and option to redeem Bonds Similarly Secured before their respective scheduled maturity dates, in whole or in part, and in an amount specified in a City Certificate, on the first day of any month, at the Redemption Price of such Bonds Similarly Secured, or portions thereof, to be redeemed plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including transfers to the Redemption Fund made pursuant to various provisions of the Indenture, any other transfers to the Redemption Fund under the terms of the Indenture, or as a result of unexpended amounts transferred from the Project Fund, as provided in the Indenture). The City will provide the Trustee a City Certificate directing the Bonds to be redeemed pursuant to the Indenture. No redemption shall be made which results in a Bond remaining outstanding in a principal amount less than an Authorized Denomination. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments” and “APPENDIX A — Form of Indenture.”

*Mandatory Sinking Fund Redemption.* The Bonds are subject to mandatory sinking fund redemption prior to their Stated Maturity and will be redeemed by the City in part at the redemption price from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective Sinking Fund Installments as set forth in the following schedules:

| <u>\$ Term Bonds Maturing September 1, 20__</u> |                                 |
|---|---------------------------------|
| <u>Redemption Date</u>                          | <u>Sinking Fund Installment</u> |
| September 1, 20__                               | \$                              |
| September 1, 20__†                              |                                 |

| <u>\$ Term Bonds Maturing September 1, 20__</u> |                                 |
|---|---------------------------------|
| <u>Redemption Date</u>                          | <u>Sinking Fund Installment</u> |
| September 1, 20__                               | \$                              |
| September 1, 20__†                              |                                 |

† Stated maturity.

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

The principal amount of Bonds of a Stated Maturity required to be redeemed on any redemption date pursuant to the mandatory sinking fund redemption described above 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 mandatory sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

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

Notice of Redemption. The Trustee shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. Any such notice shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. Notice of redemption having been given as provided in the Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the redemption price of such Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the redemption price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

The City has the right to rescind any optional redemption or extraordinary optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Additional Provisions with Respect to Redemption. The following defined terms apply to this subsection:

“Substantial Amount Redemption” means an extraordinary optional redemption of Bonds Similarly Secured pursuant to the Indenture of a principal amount of Bonds Similarly Secured redeemed that is greater than or equal to ten percent (10%) of the outstanding principal amount of the Bonds Similarly Secured.

“Minor Amount Redemption” means an extraordinary optional redemption of Bonds Similarly Secured pursuant to the Indenture of a principal amount of Bonds Similarly Secured redeemed that is less than ten percent (10%) of the outstanding principal amount of the Bonds Similarly Secured.

If less than all of a series of Bonds Similarly Secured are to be redeemed pursuant to a mandatory sinking fund redemption, an optional redemption or an extraordinary optional redemption, Bonds Similarly Secured of each series shall be redeemed in minimum principal amounts of \$1,000 or any integral multiple thereof. Each Bond Similarly Secured shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such series of Bonds Similarly Secured by \$1,000. No redemption shall result in a Bond Similarly Secured in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond Similarly Secured is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000 may be issued.

In selecting the Bonds Similarly Secured to be redeemed pursuant to a mandatory sinking fund redemption, the Trustee may select Bonds Similarly Secured in any method that results in a random selection.

In selecting Bonds to be redeemed pursuant to an optional redemption, the Trustee may rely on the directions provided in a City Certificate.

If less than all of a series of Bonds Similarly Secured are called for extraordinary optional redemption pursuant to the Indenture, the Bonds Similarly Secured or portion of a Bond Similarly secured, as applicable, of such series to be redeemed shall be selected in the following manner:

(i) with respect to a Substantial Amount Redemption, the principal amount called for redemption shall be allocated on a pro rata basis among all Outstanding Bonds Similarly Secured of such series; and

(ii) with respect to a Minor Amount Redemption, the Outstanding Bonds Similarly Secured of such series shall be redeemed in inverse order of maturity.

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

### **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 and any other instruments and documents required to be executed by the Investor in connection with the purchase of 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, 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 permitted by law. For the avoidance of doubt, it is acknowledged that Underwriter is not deemed an officer or employee of the City.

- 6) The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid to the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the District (which has no taxing power), the State of Texas (the "State") or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the 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 14, CITY OF CELINA, TEXAS" (THE "TIRZ") THE BOUNDARIES OF WHICH ARE COTERMINOUS WITH THE BOUNDARIES OF THE DISTRICT AND INTENDS TO USE ANNUAL TAX INCREMENT REVENUES COLLECTED, WHICH TAX INCREMENT WILL CONSIST OF AN AMOUNT EQUAL TO 13.22% OF ALL REAL PROPERTY TAXES LEVIED, ASSESSED AND COLLECTED WITHIN THE TIRZ 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. 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, ANY ADDITIONAL BONDS, AND ANY PHASED PID 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 ADDITIONAL BONDS, OR ANY PHASED PID 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 assessable parcels or lots 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 51.890 acres. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (as may be 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 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 Assessment Revenue, less the Administrative Expenses; and (ii) any additional revenues that the City may pledge to the payment of Bonds, any Additional Bonds, and any Refunding Bonds hereafter issued pursuant to the Indenture (the “Bonds Similarly Secured”). “Assessment Revenue” means monies collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against a parcel of assessable property in Phase #1 (“Phase #1 Assessed Property”), or an Annual Installment payment thereof, including any interest on such Assessment or Annual Installment thereof during any period of delinquency, (ii) a Prepayment and (iii) Foreclosure Proceeds. “Annual Installments” means, with respect to each parcel of Phase #1 Assessed Property, each annual payment of the Assessments (including both principal of an interest on 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; which annual payment includes the Administrative Expenses and the 0.50% additional interest rate (the “Additional Interest”) collected on each annual payment of the Assessments 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 has covenanted 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 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 14, 2021, the City held a public hearing on the creation of the TIRZ and the Reinvestment Zone Number 14, City of Celina, Texas Preliminary Project and Financing Plan (“Preliminary TIRZ Project and Finance Plan”) and adopted an ordinance creating the TIRZ (the “TIRZ Creation Ordinance”).

The City Council expects to approve a final Project and Finance Plan for the TIRZ (the “TIRZ Project and Finance Plan”) on January 11, 2022 with the adoption of an ordinance which authorizes the use of TIRZ Revenues (defined below) for project costs under the TIRZ Act, relating to the Authorized 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 TIRZ is the total taxable value of all real property taxable by the City located in the TIRZ as of January 1 in the year in which the TIRZ was designated as a reinvestment zone (the “Tax Increment Base”). Pursuant to the TIRZ Act, the TIRZ Creation Ordinance and the Development Agreement, the City will set the amount of the “Tax Increment” for a year as Tax Increment revenues in the amount equal to 13.22% of the ad valorem tax increment collected on all real property in the TIRZ taxable by the City. 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 (the “Captured Appraised Value”). Currently, there are no other taxing units participating in the TIRZ.

The City expects to use annual Tax Increment revenues (the “TIRZ Revenues”) collected, on a parcel-by-parcel basis, to offset the costs of the Authorized Improvements benefitting the District. The City will agree to transfer from the tax increment fund a portion of TIRZ Revenues collected each year (13.22%) on a pro-rata basis relating to the Issued PID Bonds, to the applicable Bond Fund for the payment of debt service on the respective series of Issued PID Bonds. Such tax increment revenue, if and when collected and transferred by the City, with respect to the Bonds will result in a reduction in Annual Installments of Assessments by a corresponding amount. The City intends to dedicate and deposit tax increment revenues in the TIRZ collected for a period of (i) thirty-six (36) years or (ii) until the aggregate amount of increment placed in the tax increment fund for the TIRZ totals \$15,351,333. On an annual basis, any remaining tax increment fund balance after paying all items included in the TIRZ Project and Finance Plan for the TIRZ is expected to be released to the City’s General Fund for use as permitted by applicable law.

**THE TIRZ REVENUES, IF AVAILABLE, WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT THERE WILL EVER BE SUFFICIENT TIRZ REVENUES TO GENERATE A TIRZ CREDIT (AS DEFINED HEREIN). THE TIRZ CREDIT 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 ADDITIONAL INTEREST RESERVE REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. SUCH TIRZ CREDIT IS NOT EXPECTED TO BE AVAILABLE TO REDUCE THE ANNUAL INSTALLMENT FOR ANY ASSESSED PARCELS UNTIL THE SECOND YEAR THAT A HOME ON SUCH PARCEL IS ASSESSED. TIRZ REVENUES GENERATED FROM THE CAPTURED APPRAISED VALUE FOR EACH PARCEL IN THE DISTRICT DURING THE DEVELOPMENT OF SUCH PARCELS WILL NOT BE SUFFICIENT TO ACHIEVE THE NET TAX RATE EQUIVALENT ASSESSMENT OF \$0.7512 PER \$100 ASSESSED VALUE (THE “TARGETED NET AVERAGE ANNUAL INSTALLMENT”). THE TIRZ CREDIT IS NOT EXPECTED TO BE SUFFICIENT TO PROVIDE FOR THE TARGETED NET AVERAGE ANNUAL INSTALLMENT UNTIL THE SECOND YEAR THAT A HOME ON SUCH PARCEL 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 first be applied to the payment of the principal of and interest on the Bonds 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 Bond Pledged Revenue Account of 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 Account to restore any transfers from the Reserve Account made with respect to the parcel(s) of Phase #1 Assessed Property to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the parcel(s) of Phase #1 Assessed Property to which the Foreclosure Proceeds relate, and third, to the Redemption 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 shall be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

## **Unconditional Levy of Assessments**

The City expects to impose Assessments on the property within Phase #1 of the District to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full 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. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds plus 0.50%, calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated on September 1 and shall be billed on or about October 1 of 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 due when billed on or about October 1, 2022, and will be delinquent if not paid prior to February 1, 2023.

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, an assessment 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 assessments to pay annual expenses shall be due in the manner set forth in the Assessment Ordinance on October 1 of each year and shall be delinquent if not paid by February 1 of the following year. Such assessments to pay expenses do not secure repayment of the Bonds.

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

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

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

### **Perfected Security Interest**

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

### **Pledged Revenue Fund**

The City has created under the Indenture a Pledged Revenue Fund to be held by the Trustee. On or before February 15 of each year while the Bonds Similarly Secured are Outstanding and beginning in 2023, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. Specifically, the City shall deposit or cause to be deposited Pledged Revenues (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds Similarly Secured next coming due in such calendar year, (ii) second, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, (iii) third, to the Additional Interest Reserve Account of the Reserve Fund in an amount equal to Additional Interest collected, in accordance with the Indenture, (iv) fourth, to the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund to pay the Developer for costs of the Phase #1 Improvements that have been paid from the Developer Improvement Account of the Project Fund (pursuant to the terms of the Reimbursement Agreement and including accrued interest), (v) fifth, to pay other Actual Costs of the Phase #1 Improvements, and (vi) sixth, to pay other costs permitted by the PID Act. Moneys transferred to the Developer Reimbursement Pledged Revenue Account shall not be part of the Trust Estate and are not security for the Bonds Similarly Secured.

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

If, after the foregoing transfers and any transfer from the Reserve Fund (as described under the subcaption "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, and second, to the payment of principal (including any Sinking Fund Installments) on the Bonds Similarly Secured as described in the Indenture.

Subject to the provisions of the Reimbursement Agreement, from time to time as needed to pay the obligations relating to costs of the Phase #1 Improvements that are paid by the Developer, the Trustee shall, pursuant to a completed Reimbursement Payment Request (as described in the Reimbursement Agreement and as defined in the Indenture) withdraw from the Developer Reimbursement Pledged Revenue Account and transfer to the Reimbursement Fund such amount needed to pay the Developer for funds it paid to fund Actual Costs of the Phase #1 Improvements, including any accrued interest. When all amounts due to the Developer to pay it for the funds it used to pay for the Actual Costs of the Phase #1 Improvements have been paid to the Developer, whether through Assessments received and applied in accordance with the Indenture and the Service and Assessment Plan or an Annual Service Plan Update, or through the proceeds of Additional Bonds, no further deposits shall be made to the Developer Reimbursement Pledged Revenue Account and the Developer Reimbursement Pledged Revenue Account shall be closed.

Notwithstanding the deposits described in (i) first through (vi) sixth above, the Trustee shall transfer Prepayments to the Redemption Fund as soon as practical after deposit of such amounts into the Pledged Revenue Fund.

Notwithstanding the deposits described in (i) first through (vi) sixth above, 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 Account to restore any transfers from the Reserve Account made with respect to the Assessed Parcels to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, and third, to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds Similarly Secured and to fund any deficiency that may exist in an account of the Reserve Fund, the City may direct the Trustee by City Certificate to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid, including the funding of any obligations due to the Developer with funds deposited to the Developer Reimbursement Pledged Revenue Account.

Any additional Pledged Revenues remaining after the satisfaction of the foregoing payments shall be applied by the Trustee, as instructed by the City pursuant to a City Certificate, for any lawful purpose permitted by the PID Act for which such additional Pledged Revenues may be used, including transfers to other Funds and Accounts pursuant to the Indenture.

### **Bond Fund**

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 Similarly Secured, less any amount to be used to pay interest on the Bonds Similarly Secured 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 purposes set forth above, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency in the order described in the Indenture. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

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

| <u>Date</u> | <u>Amount</u> |
|-------------|---------------|
|-------------|---------------|

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Phase #1 Improvements Account of the Project Fund, or if the Phase #1 Improvements Account has been closed as provided in the Indenture, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds Similarly Secured and the Capitalized Interest Account shall be closed.

### **Project Fund**

Money on deposit in the Project Fund shall be used for the purposes as specified in the Indenture. Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Disbursements from the other Accounts of the Project Fund to pay Actual Costs of the Phase #1 Improvements shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the City or its designee approving the disbursement to the Developer or the Developer's designee.

The disbursement of funds from the Phase #1 Improvements Account or the Developer Improvement Account pursuant to a Certification for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Phase #1 Construction, Funding, and Acquisition Agreement; provided, however, that all disbursement of funds for the Actual Costs of Phase #1 Improvements made pursuant to a Certification of Payment shall be made first, from the Phase #1 Improvements Account, and second, from the Developer Improvement Account.

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

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

Upon the filing of a City Certificate stating that all Phase #1 Improvements have been completed and that all Actual Costs of the Phase #1 Improvements have been paid, or that any such Actual Costs of the Phase #1 Improvements are not required to be paid from the Phase #1 Improvements Account of the Project Fund pursuant to a Certification for Payment or written direction from the City or its designee, the Trustee (i) shall transfer the amount, if any, remaining within the Phase #1 Improvements Account of the Project Fund to the Bond Fund, and (ii) shall close the Phase #1 Improvements Account of the Project Fund. If the Phase #1 Improvements Account of the Project Fund has been closed pursuant to the provisions of the Indenture, the Trustee shall transfer any amounts remaining in the Developer Improvement Account of the Project Fund to the Developer and shall close the Developer Improvement Account. If all other Accounts of the Project Fund have been closed as described above and the Cost of Issuance Account of the Project Fund has been closed pursuant to the provisions of the Indenture, the Project Fund shall be closed.

Not later than six (6) months following each respective the Closing Date, or upon an earlier determination by the City Representative that all costs of issuance of such series of the Bonds Similarly Secured have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account of the Project Fund and used to pay the Actual Costs of the respective Phase #1 Improvements, or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed. See APPENDIX A – Form of Indenture and APPENDIX F – Form of Construction, Funding and Acquisition Agreement.

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

Pursuant to the Indenture, a Reserve Account has been created within the Reserve Fund for the benefit of the Bonds Similarly Secured and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the initial Reserve Account Requirement. Pursuant to the Indenture, the “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 lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_. In the event a series of Additional Bonds is issued, the Reserve Account Requirement will be adjusted in accordance with the provisions of the Indenture. See “SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds” herein.

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

Whenever Bonds Similarly Secured are to be redeemed with the proceeds of Prepayments pursuant to the Indenture, the Trustee shall transfer, on the Business Day prior to the redemption date (or on such other date as agreed to by the City and the Trustee), from the Reserve Account of the Reserve Fund to the Redemption Fund, an amount specified in a City Certificate to be applied to the redemption of the Bonds Similarly Secured. The amount so transferred from the Reserve Account of the Reserve Fund shall be equal to the principal amount of Bonds Similarly Secured to be redeemed with Prepayments multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayments toward payment of accrued interest, there are insufficient funds in the Redemption Fund to pay the principal amount plus accrued and unpaid interest to the date fixed for redemption of the Bonds Similarly Secured to be redeemed, as identified in the City Certificate, as a result of such Prepayments and as a result of the transfer from the Reserve Account under the Indenture, the Trustee shall transfer an amount equal to the shortfall, and/or any additional amounts necessary to permit the Bonds Similarly Secured to be redeemed in minimum principal amounts of \$1,000, from the Additional Interest Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

Whenever, on any Interest Payment Date, or on any other date at the written request of a City Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds Similarly Secured on the next Interest Payment Date in accordance with the Indenture, unless within thirty days of such notice to the City Representative, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due to the Rebate Fund created under the Indenture, (ii) to a specified Account of the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date hereof, or (iii) for such other use specified in such City Certificate if the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured.

### **Additional Interest Account of the Reserve Fund**

Pursuant to the Indenture, an Additional Interest Reserve Account has been created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 and September 1 of each year, commencing March 1, 2022, an amount equal to the Additional Interest collected, if any, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall, and the City shall resume collecting the Additional Interest and shall file a City Certificate with the Trustee

instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the City shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds Similarly Secured from the proceeds of a Prepayment pursuant to the Indenture. In the event the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement then the deposits described in the immediately preceding sentence shall continue until the Additional Interest Reserve Account has been fully replenished. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the City of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update, unless and until it receives a City Certificate directing that a different amount be used. Whenever a transfer is made from an Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn and the source of said funds.

The Additional Interest Reserve Requirement is an amount equal to 5.5% of the principal amount of the Outstanding Bonds Similarly Secured to be funded from Assessment Revenues to be deposited to the Pledged Revenue Fund and transferred to the Additional Interest Reserve Account. See “APPENDIX A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

At the final maturity of the Bonds Similarly Secured, the amount on deposit in the Reserve Account and the Additional Interest Reserve Account shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds Similarly Secured.

If, after a Reserve Account withdrawal pursuant to the Indenture, the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund the amount of such deficiency, in accordance with the Indenture.

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

### **Administrative Fund**

The City has created under the Indenture an Administrative Fund held by the Trustee and in the Administrative Fund, the District Administration Account. The City shall deposit or cause to be deposited to the District Administration Account of the Administrative Fund the amounts collected each year to pay Administrative Expenses Costs and Delinquent Collection Costs. Moneys in the District Administration Account of the Administrative Fund shall be held by the Trustee separate and apart from the other Funds and Accounts created and administered under the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan. 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 Similarly Secured 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 Similarly Secured 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 for such purpose, shall be sufficient to pay when due the principal of and interest on of the Bonds Similarly Secured to become due on such Bonds Similarly Secured 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 and/or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds Similarly Secured to become due on such Bonds Similarly Secured on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if any Bonds Similarly Secured are then rated, the Trustee shall have received written confirmation from each rating agency then publishing a rating on such Bonds Similarly Secured that such deposit will not result in the reduction or withdrawal of the rating on such Bonds Similarly Secured. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds Similarly Secured. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds Similarly Secured on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

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

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

### **Events of Default**

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

1. The failure of the City to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;
2. The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
3. The failure to make payment of the principal of or interest on any of the Bonds Similarly Secured when the same becomes due and payable and such failure is not remedied within thirty (30) days; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the City to make the payments; 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 Similarly Secured with a copy to the Trustee, specifying such default and requesting that the failure be remedied.

Notwithstanding the foregoing, nothing in the Indenture will be viewed to be an Event of Default if it is in violation of any applicable state law or court order.

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

Upon the happening and continuance of any Event of Default, the Trustee may, and at the written direction of the Owners of at least 25% of the Bonds Similarly Secured then Outstanding and its receipt of indemnity satisfactory to it, shall 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 in the Indenture, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

**THE PRINCIPAL OF THE BONDS SIMILARLY SECURED 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 Similarly Secured, in the selection of Trust Estate assets to be used in the payment of Bonds Similarly Secured due in an Event of Default, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

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 the Indenture. 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 not less than 25% of the aggregate principal amount of the Bonds Similarly Secured 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 Similarly Secured 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 Similarly Secured 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 Similarly Secured 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 hereunder.

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 Similarly Secured at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond Similarly Secured 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 Similarly Secured.

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 other assets of the Trust Estate 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, on behalf of the City, and the fees of the Trustee in carrying out the Indenture, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or redemption price then due on Bonds Similarly Secured, 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 Similarly Secured, or Redemption Price of any Bonds Similarly Secured 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 Similarly Secured 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 above, the available funds shall be allocated to the Bonds Similarly Secured that are Outstanding in proportion to the quantity of Bonds Similarly Secured 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 or Account established pursuant to the Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) days in advance of the making of such investment. The money in any Fund or Account shall be invested 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.

Obligations purchased as an investment of moneys in any Fund or Account 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 Refunding 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 Trust Estate, other than that specified in the Indenture, or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds Similarly Secured, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

So long as Bonds Similarly Secured are Outstanding under the Indenture, and except as set forth in the Indenture, the City shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds Similarly Secured and Refunding Bonds, if any, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture, except for other indebtedness incurred in compliance with the Indenture.

## **Additional Obligation or other Liens; Additional Bonds**

The City reserves the right, subject to the provisions contained in the Indenture, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from the Pledged Revenues. Additionally, the City has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of Pledged Revenues securing payment of the Bonds Similarly Secured.

Other than Refunding Bonds issued to refund all or a portion of the Bonds Similarly Secured or Additional Bonds issued in accordance with the Indenture, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority hereof might or could be lost or impaired.

The City reserves the right to issue Additional Bonds, but shall be under no obligation to issue Additional Bonds, to finance the Actual Costs of the Phase #1 Improvements, or to pay amounts due to the Developer pursuant to the Reimbursement Agreement, but only in accordance with the conditions set forth below:

- (i) The Trustee shall receive a certificate from the City Representative certifying that (A) the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in the Indenture and (B) the Developer is not delinquent with respect to fees or any other funds or commitments to be paid to the City in accordance with the Development Agreement or the Reimbursement Agreement;

- (ii) The Trustee and the City shall receive a certificate from the Developer, through an authorized representative, certifying that the Developer is not in default beyond any applicable notice and cure period in the performance and observance of any of the terms, provisions and conditions applicable to the Developer contained in the Reimbursement Agreement, the Development Agreement or any continuing disclosure agreement entered into by the Developer relating to any Bonds Similarly Secured or Additional Obligations, unless any defaults under the foregoing agreements (except for defaults under any continuing disclosure agreements entered into by the Developer which defaults shall be cured) are disclosed in a certificate from the Developer to the City and the City elects to proceed with the issuance of the Additional Bonds regardless of the existence of such default or defaults;
- (iii) The Trustee and the City shall receive a certificate from the Administrator certifying that the Developer is not delinquent with respect to the payment of Assessments or any ad valorem taxes (other than any ad valorem taxes being contested in good faith);
- (iv) The City and the Trustee shall receive a certificate from the Developer, through an authorized representative, certifying that no less than thirty (30) certificates of occupancy have been issued for single-family lots located within Phase #1 of the District;
- (v) All Phase #1 Improvements have been completed and accepted by the City pursuant to the terms of the Phase #1 Construction, Funding, and Acquisition Agreement and the Phase #1 Reimbursement Agreement;
- (vi) The principal (including sinking fund installments) of the Additional Bonds must be scheduled to mature on September 1 of the years in which principal is scheduled to mature;
- (vii) The interest on the Additional Bonds must be scheduled to be paid on March 1 and September 1 of the years in which interest is scheduled to be paid;
- (viii) The Reserve Account Requirement shall be increased by an amount equal to twenty-five (25%) of the Maximum Annual Debt Service on the proposed Additional Bonds to be issued as of the Closing Date of such series of Additional Bonds; provided, however, that the Reserve Account Requirement will not be increased by more than 10% of the principal amount of the Additional Bonds (or if the Additional Bonds are issued with more than 2% net original issue discount or premium, 10% of the proceeds of the Additional Bonds); provided further, however, the Reserve Account Requirement shall not exceed the least of (i) Maximum Annual Debt Service on the Bonds Similarly Secured, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds Similarly Secured or the combined original issue price of the Bonds Similarly Secured;
- (ix) The issuance of such Additional Bonds shall not cause the amount of the Annual Installments to be collected in any year after the issuance of such Additional Bonds to exceed the amount of the Annual Installments collected in the year of the issuance of such Additional Bonds; and
- (x) The maximum principal amount of Additional Bonds that may be issued, subject to the approval of the City, in total, is the lesser of (i) the then outstanding balance of the Reimbursement Agreement and (ii) the then outstanding Assessments, less the Assessments required to pay the principal of the Bonds.

Notwithstanding the above, Refunding Bonds issued to refund all or a portion of the Bonds Similarly Secured shall not be required to meet the requirements in (iv) or (v) above.

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### SOURCES AND USES OF FUNDS\*

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and the initial Developer Advancement of Funds:

|   |    |
|---|----|
| Sources of Funds:   |    |
| Principal Amount  | \$ |
| Developer Advancement of Funds <sup>(1)</sup>                           |    |
| Total Sources   | \$ |
| Uses of Funds:  |    |
| Deposit to Phase #1 Improvements Account of the Project Fund            | \$ |
| Deposit to Developer Improvement Account of Project Fund <sup>(1)</sup> |    |
| Deposit to Capitalized Interest Account of Bond Fund                    |    |
| Deposit to Reserve Account of the Reserve Fund                          |    |
| Deposit to District Administration Account of the Administrative Fund   |    |
| Deposit to Costs of Issuance Account of the Project Fund                |    |
| Underwriter's Discount <sup>(2)</sup>                                   |    |
| Total Uses  | \$ |

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

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

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\* Preliminary; subject to change.

**DEBT SERVICE REQUIREMENTS**

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

| <b><u>Year Ending</u></b><br><b><u>(September 1)</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b> |
|--|-------------------------|------------------------|---------------------|
| 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   |                         |                        |                     |
| 2050   |                         |                        |                     |
| 2051   |                         |                        |                     |
| <b>Total</b>   | <b>\$</b>               | <b>\$</b>              | <b>\$</b>           |

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## 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 the Sutton Fields HOA (as defined herein). The District is located in the extraterritorial jurisdiction of the City and the City expects to annex the District on January 11, 2022. In addition to the City, Denton County, Texas, and the Prosper 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 located in the Prosper Independent School District, in Denton County, Texas, and within the extraterritorial jurisdiction of the City.

The following tables reflect 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.

### OVERLAPPING TAX RATES (PRIOR TO ANNEXATION)

| <u>Taxing Entity</u>   | <u>Tax Year 2021<br/>Ad Valorem Tax Rate<sup>(1)</sup></u> |
|--|--|
| Denton County, Texas   | 0.2333   |
| Prosper Independent School District  | <u>1.4603</u>  |
| Total Existing Tax Rate  | <u>\$1.6936</u>  |
| <br>   |  |
| <b>Estimated Average Annual Assessment in Phase #1<br/>of the District as tax rate equivalent per Parcel<sup>(2), (3)</sup></b>                    | <u>\$0.8365</u>  |
| <br>   |  |
| <b>Estimated Total Tax Rate and Average Annual Installment<br/>in Phase #1 of the District as tax rate equivalent per<br/>Parcel<sup>(3)</sup></b> | <u><b>\$2.5301</b></u>                                     |

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

<sup>(2)</sup> Source: Municap. Derived from information presented in Appendix F of the Service and Assessment Plan, and assumes average home price increases 1% annually over the life of the Bonds. Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. See “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Credit.” *Preliminary, subject to change.*

<sup>(3)</sup> Does not reflect TIRZ Credit, as Tax Increment is not available prior to annexation. The City intends to annex the property in the District on January 11, 2022.

Source: Denton 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 the property within Phase #1 of the District, as of December 15, 2021, and City debt secured by the Assessments:

**OVERLAPPING DEBT (PRIOR TO ANNEXATION)**

| <u>Taxing or Assessing Entity</u>                                      | Gross<br>Outstanding Debt<br>as of 12/15/2021 | Estimated<br>Percentage<br>Applicable <sup>(1)</sup> | Direct and<br>Estimated<br><u>Overlapping</u><br><u>Debt</u> <sup>(1),(2)</sup> |
|--|---|--|---|
| The City (Assessments - The Bonds) <sup>(2)</sup>                      | \$8,060,000                                   | 100.00%  | \$8,060,000   |
| The City (Assessments – Reimbursement Agreement)<br><sup>(2),(3)</sup> | 1,100,000                                     | 100.00%  | 1,100,000   |
| Denton County, Texas   | 571,605,000                                   | 0.013%   | 72,570  |
| Prosper Independent School District                                    | <u>1,143,035,164</u>                          | 0.133%   | <u>1,523,452</u>  |
| <b>TOTAL</b>   | <u><b>\$1,723,800,164</b></u>                 |  | <u><b>\$10,756,022</b></u>  |

<sup>(1)</sup> Based on the Appraisal for Phase #1 of the District and on the Tax Year 2021 Net Taxable Assessed Valuations for the taxing entities.

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

<sup>(3)</sup> Represents the amount financed for the Phase #1 Improvements pursuant to the Reimbursement Agreement. The City, upon satisfying certain financial covenants, may issue additional bonds to finance its obligations under the Reimbursement Agreement. See “SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds.”

Source: Municipal Advisory Council of Texas

The City intends to annex the land within the District into the corporate limits of the City on January 11, 2022. See “THE DEVELOPMENT AGREEMENT.” The following table reflects the estimated overlapping ad valorem tax rates and overlapping indebtedness payable from ad valorem taxes with respect to property within the District, as well as City debt secured by the Assessments, after delivery of the Bonds and the City’s annexation of the land within the District.

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**OVERLAPPING TAX RATES (AFTER ANNEXATION)**

| <u>Taxing Entity</u>   | <u>Tax Year 2021<br/>Ad Valorem Tax Rate<sup>(1)</sup></u> |
|--|--|
| The City   | 0.6450   |
| Denton County, Texas   | 0.2333   |
| Prosper Independent School District  | <u>1.4603</u>  |
| Total Existing Tax Rate  | <u>\$2.3386</u>  |
| Estimated Average Annual Assessment in Phase #1<br>of the District as tax rate equivalent per Parcel <sup>(2)</sup>                      | <u>\$0.8365</u>  |
| Less Projected TIRZ Credit per parcel as tax rate equivalent   | (\$0.0853)   |
| <b>Targeted Net Average Annual Installment as tax rate<br/>equivalent<sup>(2)</sup></b>  | <b><u>\$0.7512</u></b>                                     |
| <b>Net Estimated Total Tax Rate and Average Annual<br/>Installment in Phase #1 of the District as tax rate<br/>equivalent per Parcel</b> | <b><u>\$3.0898</u></b>                                     |

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

<sup>(2)</sup> Source: Municap. Derived from information presented in Appendix F of the Service and Assessment Plan, and assumes average home price increases 1% annually over the life of the Bonds. Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. See "SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Credit." *Preliminary, subject to change.*

*Source: Denton Central Appraisal District and the City.*

**OVERLAPPING DEBT (AFTER ANNEXATION)**

| <u>Taxing or Assessing Entity</u>                                   | <u>Gross<br/>Outstanding Debt<br/>as of 12/15/2021</u> | <u>Estimated<br/>Percentage<br/>Applicable<sup>(1)</sup></u> | <u>Direct and<br/>Estimated<br/>Overlapping<br/>Debt<sup>(1),(2)</sup></u> |
|---|--|--|--|
| The City (Assessments - The Bonds) <sup>(2)</sup>                   | \$8,060,000  | 100.000%   | \$8,060,000  |
| The City (Assessments – Reimbursement Agreement) <sup>(2) (3)</sup> | 1,100,000  | 100.000%   | 1,100,000  |
| The City  | 216,480,000  | 0.543%   | 1,176,532  |
| Denton County, Texas  | 571,605,000  | 0.013%   | 72,570   |
| Prosper Independent School District                                 | <u>1,143,035,164</u>                                   | 0.133%   | <u>1,523,452</u>   |
| TOTAL   | <u>\$1,940,280,164</u>                                 |  | <u>\$1,723,800,164</u>   |

<sup>(1)</sup> Based on the Appraisal for Phase #1 of the District and on the Tax Year 2021 Net Taxable Assessed Valuations for the taxing entities.

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

<sup>(3)</sup> Represents the amount financed for the Phase #1 Improvements pursuant to the Reimbursement Agreement. The City, upon satisfying certain financial covenants, may issue additional bonds to finance its obligations under the Reimbursement Agreement. See "SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds."

*Source: Municipal Advisory Council of Texas*

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

production of crops or livestock. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. The property in the District is subject to hay and/or grazing leases. These leases and lessees' operations on the property allow the property to maintain its agricultural valuation. The Developer expects to terminate these leases as construction of improvements commences. The Developer expects to terminate the agricultural valuation in Phase #1 of the District in 2022 and in Phase #2 of the District in 2023.

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. 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 3 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.

Under Texas law, an owner of land that is entitled to an agricultural valuation has the right to redeem such property after a tax sale for delinquent ad valorem property taxes 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.

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 parcels or 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 determined to defray a portion of the costs of the Phase #1 Improvements through Assessments, it adopted 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 shows 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 was 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 will be 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 have been made.

Under the PID Act, the Actual Costs of the Phase #1 Improvements may be assessed by the City against the assessable 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 parcel of assessable 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 parcels in a manner that results in equal shares of costs being apportioned to parcels 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 parcels against which the Assessments are levied (the “Assessed Parcels”) by spreading the entire Assessment across all Parcels and Lots within Phase #1 of the District on the ratio of estimated build-out value of each Parcel or Lot to the estimated build-out value for all Parcels or Lots within Phase #1 of the District.

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 in Phase #1 of the District.”

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

| Lot Type | Planned No. of Units | Estimated Finished Lot Value per unit <sup>(1)</sup> | Projected Average Home Value per unit <sup>(2)</sup> | Assessment per unit | Average Annual Installment per unit | Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value) | Tax Rate Equivalent of Average Annual Installment (per \$100 Home Value) <sup>(2)</sup> | Leverage (Lot Value) | Leverage (Average Home Value) |
|----------|----------------------|--|--|---------------------|-------------------------------------|---|---|----------------------|-------------------------------|
| 60'      | 42                   | \$84,750   | \$378,000  | \$43,378            | \$3,162                             | \$3.7309  | \$0.8365  | 1.95                 | 8.71                          |
| 50'      | 203                  | \$70,000   | \$315,000  | \$36,148            | \$2,635                             | \$3.7642  | \$0.8365  | 1.94                 | 8.71                          |

Source: Municap, Inc. and information presented in the Service and Assessment Plan

<sup>(1)</sup> Calculated based on contract price for lots under the Lot Purchase and Sale Agreement. See “THE DEVELOPMENT—Merchant Builder Lot Purchase and Sale Agreement.” *Preliminary; subject to change.*

<sup>(2)</sup> Assumes average home price increases 1% annually over the life of the Bonds.

The estimated aggregate retail value of the assessable property in Phase #1 of the District, as provided in the Appraisal (as defined herein) and subject to the limiting conditions therein, including the hypothetical condition that the Phase #1 Improvements are completed, is approximately \$16,125,000. 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 IN PHASE #1 OF THE DISTRICT.”

The City has created the TIRZ and adopted the TIRZ Project and Finance Plan providing for the TIRZ Credit to offset a portion of the Annual Installment attributable to the costs of Phase #1 Improvements within the District on any Parcel within the District. The Annual Installment for each Assessed Parcel shall be calculated by taking into consideration any TIRZ Credit applicable to the Assessed Parcel.

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 parcels 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.”

### **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 Assessed Parcel. Administrative Expenses shall be allocated among all Assessed Parcels in proportion to the amount of the Annual Installments for the Assessed Parcels.

In the Indenture, the City will covenant, agree and warrant that, for so long as any Bonds are Outstanding, and amounts are due the Developer to pay it for its funds it has contributed to pay costs of the Phase #1 Improvements, 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 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, notice of the Annual Installments will be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

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

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

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

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

| <u>Date Payment Received</u> | <u>Cumulative Penalty</u> | <u>Cumulative Interest</u> | <u>Total</u> |
|------------------------------|---------------------------|----------------------------|--------------|
| 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 Parcel consisting of the annual payment allocable to the Bonds and the Phase #1 Improvements for each Assessed Parcel, which amount includes (i) the Additional Interest Component, (ii) the annual payment allocable to the Reimbursement Agreement and (iii) the annual payment allocable to Administrative Expenses. The Annual Installments for the Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the parcels 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 Component 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 Credit.

TIRZ Credit. The City has agreed to use TIRZ Revenues generated from each Assessed Parcel to offset a portion of the Assessments due as part of the Annual Installment on a parcel-by-parcel basis (the “TIRZ Credit”). The Annual Installment for each Assessed Parcel shall be calculated by taking into consideration any TIRZ Credit applicable to such Assessed Parcel. The TIRZ Credit applicable to each Assessed Parcel shall be calculated as described under “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Credit” and in “APPENDIX B — Form of Service and Assessment Plan.” 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 the TIRZ 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 parcel in the District during the development of such parcel will result in a TIRZ Credit which is not sufficient to achieve the Targeted Net Average Annual Installment. The TIRZ Credit is not expected to be sufficient to provide for the Targeted Net Average Annual Installment until the second year that a home on such parcel is assessed. See “OVERLAPPING TAXES AND DEBT.” Such TIRZ Revenues, if available, are not pledged as Security for the Bonds under the Indenture.**

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments shall be initially allocated to the Assessed Parcels based on the ratio of estimated build-out value of each Assessed Parcel to estimated build-out value of all Assessed Parcels.

For purpose of the Service and Assessment Plan, the City Council has determined that the cost of the Phase #1 Improvements shall be allocated to the Assessed Property by spreading the entire Assessment across the Assessed Parcels based on the estimated number of units anticipated to be developed on each Assessed Parcel. Upon subsequent divisions of any Assessed Parcel, the Assessment applicable to it will then be apportioned pro rata based on the estimated units to be constructed on each newly created Assessed Parcel, as determined by the Administrator and confirmed by the City Council. The result of this approach is that each final residential Lot within a recorded subdivision plat will have the same Assessment as the other Lots of the same type. See “APPENDIX B — Form of Service and Assessment Plan.” See “ASSESSMENT PROCEDURES — Assessment Methodology.”

If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act. If at any time the Assessment per Unit on a Parcel exceeds the Maximum Assessment per Unit calculated in the Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by the Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the City prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Unit for the Parcel exceeds the Maximum Assessment per Unit calculated in the Service and Assessment Plan. The Service and Assessment Plan establishes that the Maximum Assessment per Unit with respect to the Bonds and the Reimbursement Agreement for 50’ lots in Phase #1 of the District is \$36,148.38\* and for 60’ lots in in Phase #1 of the District is \$43,378.06\*. 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 lot or parcel, 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. To the extent that any Assessment is prepaid, the lien on real property associated with such Assessment prepayment shall be released and any rights of the Trustee and the bond owners to request the City to proceed with foreclosure procedures for the purpose of protecting and enforcing the rights of the bond owners with respect to such property shall terminate.

### **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 or parcel, together with accrued interest to the date of payment, at any time.

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\* Preliminary; subject to change.

## **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 Parcel.

In the Indenture, the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided that the City is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See “APPENDIX A – Form of Indenture.” See also “APPENDIX D-1 – Form of City 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 Additional Interest Reserve Account under the Reserve Fund and will fund such account as provided in the Indenture. The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “SECURITY FOR THE BONDS – Additional Interest Account of the Reserve Fund,” “APPENDIX A – Form of Indenture” and “APPENDIX B – Form of Service and Assessment Plan.”

## **THE CITY**

### **Background**

The District is located in the extraterritorial jurisdiction of the City. The City is located in north central Collin and Denton Counties, 40 miles north of Dallas and 15 miles northwest of the City of McKinney. Access to the City is provided by State Highway 289, Dallas Pkwy, Farm Road 455 and Farm Road 428. The City’s location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. Through a series of recent annexations, the City has increased in area. The City currently covers approximately 40 square miles. The City’s 2010 census population was 6,028. As of October 1, 2021, the City’s current population estimate is 25,195.

### **City Government**

The City is a political subdivision and is a home rule municipality of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City adopted a Home Rule Charter on May 12, 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members who are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

The current members of the City Council and their respective expiration of terms of office are as follows:

| <u>Name</u>      | <u>Place</u>           | <u>Term Expires (May)</u> |
|------------------|------------------------|---------------------------|
| Sean Terry       | Mayor                  | 2023                      |
| Justin Steiner   | Place 1                | 2022                      |
| Jay Pierce       | Place 2                | 2024                      |
| Andy Hopkins     | Place 3                | 2024                      |
| Wendie Wigginton | Place 4                | 2023                      |
| Mindy Koehne     | Place 5, Mayor Pro Tem | 2023                      |
| Chad Anderson    | Place 6                | 2022                      |

Mayor Terry is currently employed as an executive officer of an affiliate of the Developer. Mayor Terry has filed the requisite conflict waivers with the City. Mayor Terry has also abstained from all City Council deliberations and votes relating to the District, the TIRZ, and issuance of the Bonds.

The principal administrators of the City include the following:

| <u>Name</u>    | <u>Position</u>        |
|----------------|------------------------|
| Jason Laumer   | City Manager           |
| Karla Stovall  | Assistant City Manager |
| Vicki Tarrant  | City Secretary         |
| Robin Bromiley | Finance Director       |

### Major Employers

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

| <u>Employer</u>                  | <u>Product or Service</u> | <u>Employees</u> |
|----------------------------------|---------------------------|------------------|
| Celina ISD                       | Education                 | 730              |
| Keller Williams Prosper Celina   | Real Estate               | 175              |
| City of Celina                   | Municipal Government      | 155              |
| Settlers Ridge Care Center       | Nursing Facilities        | 100              |
| Gold Star Team – Keller Williams | Real Estate               | 100              |
| Brookshire                       | Retail Grocery            | 57               |
| McDonald's                       | Restaurant                | 45               |
| Good Hope Cemetery               | Cemetery                  | 32               |
| Chemtrade Logistics              | Chemical Products         | 30               |
| Celina Ready-Mix Concrete        | Concrete Supplier         | 25               |
| Nickels & Dimes, Inc.            | Amusement Park            | 25               |

Source: Municipal Advisory Council of Texas

### Historical Employment in Denton County

|                      | Average Annual      |         |         |         |         |
|----------------------|---------------------|---------|---------|---------|---------|
|                      | 2021 <sup>(1)</sup> | 2020    | 2019    | 2018    | 2017    |
| Civilian Labor Force | 520,557             | 503,962 | 503,398 | 483,589 | 471,075 |
| Total Employed       | 500,121             | 471,296 | 488,509 | 468,029 | 455,245 |
| Total Unemployed     | 20,436              | 32,666  | 14,889  | 15,560  | 15,830  |
| Unemployment Rate    | 3.9%                | 6.5%    | 3.0%    | 3.2%    | 3.4%    |

Source: Texas Workforce Commission.

<sup>(1)</sup> Data through September 2021.



## Surrounding Economic Activity

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

| City of McKinney                     |           | City of Frisco                       |           | City of Plano                        |           | City of Denton                        |           |
|--------------------------------------|-----------|--------------------------------------|-----------|--------------------------------------|-----------|---------------------------------------|-----------|
| Approximately 11 miles from the City |           | Approximately 12 miles from the City |           | Approximately 21 miles from the City |           | Approximately 21 miles from the City  |           |
| Employer                             | Employees | Employer                             | Employees | Employer                             | Employees | Employer                              | Employees |
| Raytheon Space & Airborne Systems    | 3,096     | Frisco ISD                           | 7,048     | JP Morgan Chase                      | 4,934     | University of North Texas             | 4,614     |
| McKinney ISD                         | 2,800     | City of Frisco                       | 1,641     | Capital One Finance                  | 4,537     | Denton ISD                            | 4,417     |
| Torchmark/United American            | 1,640     | Conifer                              | 4,500     | Bank of America                      | 4,500     | Peterbilt Motors-Headquarters & Plant | 3,075     |
| City of McKinney                     | 1,369     | T-Mobile USA                         | 900       | Toyota Motor North America, Inc.     | 3,815     | Texas Women's University              | 1,875     |
| Encore Wire Corp.                    | 1,350     | Baylor Medical Center                | 663       | NTT Data, Inc.                       | 3,134     | Denton County                         | 1,803     |
| Collin College                       | 852       | Mario Sinacola & Sons Excavating     | 603       | Liberty Mutual Insurance Company     | 2,854     | City of Denton                        | 1,757     |
| Baylor Medical Center                | 700       | Oracle                               | 500       | Ericsson                             | 2,703     | Denton State Supported Living Center  | 1,700     |
| Medical Center of McKinney           | 670       | IKEA Frisco                          | 423       | J.C. Penny Co., Inc.                 | 2,420     | Texas Presbyterian Hospital           | 1,076     |
| Timber Blinds                        | 350       | Baylor Scott White/Centennial Hosp.  | 400       | USAA                                 | 2,092     | Medical City Denton                   | 950       |
| Watson & Chain                       | 350       | UT Southwestern/Texas Health Hosp    | 300       | Fannie Mae                           | 2,000     | Sally Beauty Holdings, Inc.           | 950       |

| City of Lewisville                   |           |
|--------------------------------------|-----------|
| Approximately 23 miles from the City |           |
| Employer                             | Employees |
| Lewisville ISD                       | 3,076     |
| Wal-Mart                             | 1,136     |
| Bed Bath & Beyond                    | 825       |
| City of Lewisville                   | 776       |
| TIAA-CREF                            | 650       |
| Mary Kay                             | 626       |
| HOYA Vision Care                     | 566       |
| Medical City Lewisville              | 532       |
| SYSCO                                | 476       |
| Othofix                              | 451       |

| City of Carrollton                   |           |
|--------------------------------------|-----------|
| Approximately 24 miles from the City |           |
| Employer                             | Employees |
| Halliburton Energy Services          | 1,000     |
| McKesson Corporation                 | 999       |
| Thomson Reuters                      | 950       |
| Western Extrusions Corporation       | 900       |
| Securus Technologies                 | 800       |
| Baylor Medical Center                | 640       |
| Brandt                               | 550       |
| Fairway Mortgage Co                  | 550       |
| A E R Manufacturing                  | 500       |
| Hilton Reservations World Wide LLC   | 450       |

Source: Municipal Advisory Council of Texas

## THE DISTRICT

### General

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

### Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake, or pay 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. The City intends to annex the land within the District into the corporate limits of the City in accordance with the Development Agreement on January 11, 2022. 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 pay 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, sanitary sewer, and drainage, landscaping, hardscaping, and park improvements within Phase #1 of the District and outside 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 PHASE #1 IMPROVEMENTS

### General

The Phase #1 Improvements consist of the costs of the local infrastructure benefitting only Phase #1 of the District. A portion of the costs of construction of the Phase #1 Improvements will be funded with proceeds of the Bonds. The balance of the costs of the Phase #1 Improvements will be paid by the Developer under the terms of the Reimbursement Agreement between the Developer and the City pursuant to the PID Act and paid with Assessment Revenues or the proceeds of the Additional Bonds. See “SOURCES AND USES OF FUNDS.” The Phase #1 Improvements will be dedicated to the City and/or Mustang Special Utility District (“MSUD”), as applicable. 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 payment requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements and be paid in accordance with the Indenture, the Reimbursement Agreement, and the Construction, Funding, and Acquisition Agreement. See “THE DEVELOPMENT – Development Plan”.

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

**Storm drainage improvements:** The storm drainage improvement portion of the Phase #1 Improvements consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts, junction boxes, inlets, headwalls, and appurtenances necessary to provide adequate drainage to the Assessed Property. The storm drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Sanitary sewer improvements:** The wastewater improvement portion of the Phase #1 Improvements consists of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to the Assessed Property. The sanitary sewer improvements will be designed and constructed according to MSUD and City standards and specifications and will be owned and operated by the MSUD.

**Water improvements:** The water improvement portion of the Phase #1 Improvements consists of construction and installation of a looped water main network, waterlines, valves, fire hydrants and appurtenances, necessary for the portion of the water distribution system that will service the Assessed Property. The water improvements will be designed and constructed according to MSUD and City standards and will be owned and operated by the MSUD.

**Roadway improvements:** The road improvement portion of the Phase #1 Improvements consists of the construction of road improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Assessed Property. All roadway projects will

be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Other Soft and Miscellaneous Improvements:** The other soft and miscellaneous portion of the Phase #1 Improvements consist of engineering, inspection, and permit fees.

The cost of the Phase #1 Improvements is expected to be approximately \$9,408,774\*. A portion of such costs in the amount of \$8,060,000\* is expected to be paid with proceeds of the Bonds. The balance of such costs is expected to be paid by the Developer. At delivery of the Bonds, the Developer expects to advance funds in the approximate amount of \$1,100,000\* in order to pay the balance of the Phase #1 Improvements, a portion of which amount shall be paid to the Developer in the future pursuant to the Reimbursement Agreement. See "SOURCES AND USES OF FUNDS".

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

| <u>Type of Improvement</u>          | <u>Costs*</u>      |
|-------------------------------------|--------------------|
| Road                                | \$1,777,930        |
| Water                               | 753,000            |
| Sanitary Sewer                      | 829,945            |
| Storm Drainage                      | 1,730,660          |
| Soft Costs                          | <u>2,379,539</u>   |
| Subtotal                            | <u>\$7,471,074</u> |
| Bond Issuance Costs                 | <u>\$1,937,700</u> |
| Total Cost of Phase #1 Improvements | <u>\$9,408,774</u> |

Additionally, the Developer plans to construct or fund certain private improvements to serve the entire District over a period of five years consisting of retention walls, landscape and hardscape park amenities and trails and amenities and miscellaneous items related thereto and to the District (collectively, the "Private Improvements"). The approximate cost of the Private Improvements in the District is \$2,950,000. The costs of the Private Improvements will be paid entirely by the Developer without reimbursement by the City.

**Ownership and Maintenance of Improvements**

The Phase #1 Improvements will be dedicated to and accepted by the City and MSUD, as applicable, and will constitute a portion of the City's and MSUD's infrastructure improvements. The City and MSUD will provide for the ongoing operation, maintenance and repair of the Phase #1 Improvements constructed and conveyed, as outlined in the Service and Assessment Plan. The Private Improvements will be dedicated to and accepted by the HOA. The HOA will provide for the ongoing operation, maintenance and repair of the Private Improvements through the administration of a maintenance and operation fee and/or a property owner's association fee to be paid by each lot owner within the District.

**THE DEVELOPMENT AGREEMENT**

The Development Agreement sets forth certain agreements between the City and the Developer relating to the development of all property within the District, including the Developer's and the City's respective contributions to the Development, and agreements relating to a tax increment reinvestment zone (a "TIRZ") which includes land within the District and the issuance of public improvement district bonds for development in the District.

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\* Preliminary; subject to change.

Under the Development Agreement, the Developer is obligated, inter alia, to:

- Construct the Phase #1 Improvements;
- Construct an amenity center in the District consisting of at least a swimming pool, playground, and a shade structure with construction to be completed within twenty-four (24) months of the City's acceptance of Phase #1 of the District (as defined herein) and be continuously and diligently pursued until completion;
- Construct a trail system, sidewalks, and open space to include a playground in the District;
- Pay \$650,000 to the Home Owner's Association of the Sutton Fields Development (as described under "THE DEVELOPMENT – Amenities" below) to be used to construct an additional indoor amenity center to serve both the Sutton Fields Development and the District. The Developer shall obtain, or cause to be obtained, a building permit for the indoor amenity center within nine (9) months of the closing of the Bonds and will complete, or cause to be completed, the construction of the Indoor Amenity Center within twenty (20) months of the closing of the Bonds;
- Pay certain capital recovery, park, technology, and outdoor warning device fees in lieu of the City's impact fees.

The Development Agreement also sets forth the City's commitment with respect to the use of funds generated by tax increment reinvestment zones formed within the District, including the TIRZ. The City shall exercise its powers under the TIRZ Act and create the TIRZ and intends to dedicate a portion of the City's tax increment attributable to the TIRZ, based on the City's tax rate each year, which funds will be used to off-set or pay a portion of any assessments levied on the Property for the costs of capital improvements that are Phase #1 Improvements and qualify as projects under the TIRZ Act. The Development Agreement provides that, in accordance with each TIRZ Project and Finance Plan, each TIRZ Fund shall pay for the following improvements by off-setting or paying a portion of any PID Assessments levied on the Property for the costs of capital improvements that are Phase #1 Improvements and qualify as projects under the TIRZ Act for a period not to exceed thirty-six (36) years from the date of creation or until the amount of all funds collected as the TIRZ increment placed into all of the separate TIRZ funds has an aggregate total of \$15,351,333, whichever comes first.

## **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 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 land within the District will be developed as a development to be known as "Sutton Fields East" (the "Development"). The Development is an approximately 109.9 acre part of a master planned project located in the extraterritorial jurisdiction of the City, near the intersection of FM 1385 and FM 428. The City, located in the north-central region 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”. The Developer develops infrastructure and community improvements (amenities, parks, trails, etc.) and sells residential lots to high-quality production homebuilders under lot takedown contracts. The Development will include a variety of trails, ponds, 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. The Development is exclusively located in the Prosper Independent School District.

The Developer expects to complete the District over a four year period, with the expected completion of the infrastructure serving the District by Q1 2025.

### **Development Plan**

The current development plan is divided into two major stages: (1) development of the Phase #1 Improvements, followed by (2) development of improvements to serve Phase #2 of the District. The Developer plans to commence development of the Phase #1 Improvements in Q1 2022. See THE DEVELOPMENT — 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 a portion of which will be paid through the Reimbursement Agreement. See “SOURCES AND USES OF FUNDS.”

### **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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**Sutton Fields East Concept Plan 6**

| DATA SUMMARY              |       |         |
|---------------------------|-------|---------|
| Gross Site Area           |       | 110 AC  |
| Residential Lots          | Acres | Gross % |
| Public Open Space         | 8.3   | 8%      |
| Detention                 | 7.8   | 7%      |
| Residential Product Type: |       |         |
| 50' x 115' Lot            | 363   | 81%     |
| 60' x 115' Lot            | 87    | 19%     |
| Total Lots                | 450   | 100%    |



**Merchant Builder Lot Purchase and Sale Agreements in the District**

The Developer (as assignee of Centurion American Acquisitions, LLC) has entered into a Contract of Sale (the “First Texas PSA”) with First Texas Homes, Inc. (“First Texas”) and a Contract of Sale (the “Pacesetter PSA”) with Pacesetter Homes, LLC (“Pacesetter”) for lots in the District.

Under the First Texas PSA, First Texas has contracted to purchase 73 lots in Phase #1 of the District and 77 lots in Phase #2 of the District. The Developer has received \$1,500,000 in earnest money (the “First Texas Earnest Money”) from First Texas which earnest money was released and utilized to fund a portion of the purchase price of the property in the District. See “THE DEVELOPER – History and Financing of the District.” Concurrent with the delivery of the earnest money, the Developer executed an earnest money deed of trust securing the First Texas Earnest Money, which deed of trust grants First Texas a second lien on the land to be developed into lots and conveyed to First Texas under the First Texas PSA. First Texas has acknowledged the existence of the District and consented to the levy of the Assessments in the First Texas Lot PSA.

Under the Pacesetter PSA, Pacesetter has contracted to purchase 172 lots in Phase #1 of the District and 128 lots in Phase #2 of the District. The Developer has received \$3,246,000 in earnest money (the “Pacesetter Earnest Money”) from Pacesetter which earnest money was released and utilized to fund a portion of the purchase price of the property in the District. See “THE DEVELOPER – History and Financing of the District.” Concurrent with the delivery of the earnest money, the Developer executed an earnest money deed of trust securing the Pacesetter Earnest Money, which deed of trust grants Pacesetter a second lien on the property in the District which will be developed into Lots and conveyed to Pacesetter. Pacesetter has acknowledged the existence of the District and consented to the levy of the Assessments in the Pacesetter Lot Purchase and Sale Agreement. In addition, under the Pacesetter Lot Purchase and Sale Agreement, the Developer and Pacesetter have agreed that the maximum assessment levied on lots within the District shall not exceed \$1.00 per \$100.00 of assessed value.

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

**LOT PURCHASE AND SALE AGREEMENT**

| <b><u>Homebuilder</u></b>        | <b><u>Phase</u></b> | <b><u>Total Lots</u></b> | <b><u>Base Price per lot*</u></b> |          | <b><u>Additional Fees</u></b>   | <b><u>Lots per Takedown</u></b>                               |
|----------------------------------|---------------------|--------------------------|-----------------------------------|----------|---|---|
| First Texas                      | #1                  | 31                       | 50' lots                          | \$70,750 | \$1,500 per lot amenity fee, \$1,500 per lot CCN fee, and a \$500 per lot marketing fee | 15 lots at initial closing<br>15 lots each 90 days thereafter |
|                                  | #1                  | 42                       | 60' Lots                          | \$84,750 |   |   |
|                                  | #2                  | 32                       | 50' lots                          | \$75,750 |   |   |
|                                  | #2                  | 45                       | 60' Lots                          | \$90,750 |   |   |
| Pacesetter                       | #1                  | 172                      | 50' Lots                          | \$70,000 | \$1,500 per lot amenity fee, \$1,500 per lot CCN fee, and a \$500 per lot marketing fee | 25 lots at initial closing<br>25 lots each 90 days thereafter |
|                                  | #2                  | 128                      | 50' Lots                          | \$75,000 |   |   |
| <b>Total Lots Under Contract</b> |                     | <b><u>450</u></b>        |                                   |          |   |   |

\* Excludes annual escalator of 6%.

**Expected Build-Out and Home Prices in the Development**

The Developer’s current expectations regarding estimated home prices in the District are as follows:

**ESTIMATED HOME PRICES**

| <u>Phase</u> | <u>Lot Size (Width in Ft.)</u> | <u>Quantity</u> | <u>Base Lot Price</u> | <u>Average Base Home Price*</u> |
|--------------|--------------------------------|-----------------|-----------------------|---------------------------------|
| 1            | 50’                            | 203             | \$70,000              | \$315,000                       |
| 1            | 60’                            | 42              | \$84,750              | \$378,000                       |
| 2            | 50’                            | 160             | \$75,000              | \$315,000                       |
| 2            | 60’                            | 45              | \$90,750              | \$378,000                       |

\* Developer estimates

The Developer expects to complete the Development in two phases over a two to four year period. The following tables provide the Developer’s expected build-out schedule of the District and absorption schedule of lots for the District.

| <u>Phase</u> | <u>Single-Family Lots</u> | <u>Expected Infrastructure Start Date</u> | <u>Expected Infrastructure Completion Date</u> | <u>Expected Final Lot Sale Date</u> |
|--------------|---------------------------|---|--|-------------------------------------|
| 1            | 245                       | Q1 2022                                   | Q2 2023  | Q4 2024                             |
| 2            | 205                       | Q4 2023                                   | Q1 2025  | Q1 2027                             |

**EXPECTED ABSORPTION OF LOTS IN THE DISTRICT**

| <u>Phase #1</u>                 |                   | <u>Phase #2</u>                 |                   |
|---------------------------------|-------------------|---------------------------------|-------------------|
| <u>Expected Final Sale Date</u> | <u>Total Lots</u> | <u>Expected Final Sale Date</u> | <u>Total Lots</u> |
| 2023                            | 120               | 2025                            | 120               |
| 2024                            | <u>125</u>        | 2026                            | 77                |
|                                 |                   | 2027                            | <u>8</u>          |
| Total                           | <u>245</u>        |                                 | <u>205</u>        |

**Phased PID Bonds**

Phased PID Bonds to finance the cost of local improvements benefitting Phase #2 and are anticipated to be issued in the future. The estimated costs of the local improvements benefitting Phase #2 of the District will be determined at the same time Phase #2 is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phase #2 of the District and financed by each new series of Phased PID Bonds. Such Phased PID Bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within Phase #2 of the District, as applicable. The Developer anticipates that Phased PID Bonds will be issued over a two to four year period, as described in the Service and Assessment Plan.

The Bonds, any Additional Bonds and any Phased PID Bonds issued by the City are separate and distinct issues of securities. The City reserves the right to issue Phased PID Bonds for any purpose permitted by the PID Act, including those described above.



## **Additional Bonds**

The City, upon satisfying certain financial covenants, may issue Additional Bonds to finance its obligations under the Reimbursement Agreement. See “SECURITY FOR THE BONDS — Additional Obligation or Other Liens; Additional Bonds.”

## **Zoning**

Development in the District is currently governed 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. The District is currently located in the extraterritorial jurisdiction of the City. Pursuant to the Development Agreement, the City intends to consider zoning the District as a planned development district after annexation into the City’s corporate limits. Upon annexation, the City will consider zoning the District consistent with the development standards, the Concept Plan, and the Development Agreement. Provisions of the Development Agreement control over any conflict with other City regulations.

## **Amenities**

The Developer will construct certain amenities within the Development as part of the costs of the Private Improvements to serve the District, including hike and bike trails, open space improvements and an amenity center. The amenity center will consist of a playground, a swimming pool, and a shade structure. The Development Agreement requires the Developer to complete construction of the Amenity Center and secure a Certificate of Occupancy for same within twenty-four (24) months of the City’s acceptance of Phase #1 of the Development. If the Developer does not complete construction of the Amenity Center and secure a Certificate of Occupancy for same within that time period, the City may withhold acceptance of Phase #2 of the Development. The Developer expects to complete the amenity center within the time frames required by the Development Agreement. Construction of the trails, sidewalks, open space, and other private improvements will be completed on a phase by phase basis. The Development Agreement requires the Developer to complete the trails, sidewalks, and open space within twelve (12) months of the City’s acceptance for the applicable phase. The Developer will construct one additional playground in the open space of the Development.

“Sutton Fields” is a companion development (the “Sutton Fields Development”) located immediately to the west of the Development which is being developed by affiliates of the Developer and Centurion. The Development is expected to be annexed into the Home Owner’s Association of the Sutton Fields Development (the “Sutton Fields HOA”). Upon closing of the Bonds, the Developer will pay \$650,000 to the Sutton Fields HOA to be used to construct an additional indoor space for the existing Sutton Fields amenity center (the “Additional Sutton Fields Amenity Space”) to be located in the Sutton Fields Development, which is expected to serve both the Sutton Fields Development and the Development. Under the terms of the Development Agreement, the Developer shall obtain, or cause to be obtained, a building permit for the Additional Sutton Fields Amenity Space within nine (9) months of the closing of the Bonds and will complete, or cause to be completed, the construction of the Indoor Amenity Center within twenty (20) months of the closing of the Bonds. Upon the request of the Developer, the City Manager may extend the required timeframe to obtain the building permit and/ or complete construction of Additional Sutton Fields Amenity Space.

## **Education**

The Prosper Independent School District (“PISD”) which encompasses approximately 59 square miles and serves a portion of Collin and Denton Counties, serves the District. PISD enrolls over 16,000 students in two high schools, four middle schools and fourteen elementary schools. Students in the District desiring to attend public school will attend Bryant Elementary (1 mile from the District), William Rushing Middle School (2 miles from the District) and Prosper High School (4.5 miles from the District). According to the Texas Education Agency (“TEA”), PISD and Prosper High School received a “District Accountability Rating” of “A” from the TEA, and Bryant Elementary received a “District Accountability Rating” of “B” from the TEA. William Rushing Middle School is a new campus and has not received a “District Accountability Rating.”

## **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 land within the District, was completed on August 13, 2021 by Rone Engineering Services Ltd. Based on the information presented in the Phase One ESA, there was no evidence that the Development was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review and historical source review revealed no evidence of recognized environmental conditions involving the site.

According to the website for the United States Fish and Wildlife Service, the whooping crane and the least tern are endangered species in Denton County. The Developer is not aware of any endangered species located on District property.

## **Flood Designation**

No land in the District is located in special flood hazard areas subject to inundation by a 100-year flood.

## **Utilities**

Water and Wastewater. It is expected that MSUD will provide water and wastewater to the District, and all existing and future water improvements and wastewater improvements will be dedicated to, and owned and operated by MSUD. Wastewater treatment services will be provided by MSUD through a contract with the Upper Trinity River Water District (“UTRWD”) to treat MSUD wastewater at the UTRWD wastewater treatment plant. MSUD has sufficient water and wastewater capacity to all lots within the District.

Other Utilities. Additional utilities in the District are provided by: (1) Phone/Data - AT&T; (2) Electric - CoServ; (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 100,000 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 50,000 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 park themes, and hiking and biking trails. Over the past thirty 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 Centurion and its affiliates. Centurion maintains a staff of approximately 25 employees. Centurion 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, Centurion works closely with local municipalities, commercial developers, and public school systems as part of its overall master plan. Centurion 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. Centurion 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 Centurion has developed is presented below.

| <u>Name</u>                | <u>County</u> | <u>Property Type</u> | <u>Starting Home Price</u> | <u>Status of Development</u>                          |
|----------------------------|---------------|----------------------|----------------------------|---|
| *Entrada at Westlake       | Tarrant       | Mixed-use            | \$1,100,000                | Vertical ongoing                                      |
| 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<br>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 | Under Development   |
| 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 | Phase 1: Completed * Phase 2CII: Bldg Completed                               |
| Frisco Hills                      | Denton   | Single-family      | \$200,000 | Development Complete / HB Finishing Up  |
| Rolling Meadows                   | Tarrant  | Single-family      | \$100,000 | Phase 1: 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 | Centurion Owns 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  |
| Creeside 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: 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 | PID Bonds issued; 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.   |
| *Whitewing Trails                | Collin        | Single-family/Multifamily | \$281,000 | PID Bonds issued; Development ongoing.                                 |
| Denton - Kings Ridge             | Denton        | Single/Multifamily        | \$250,000 | Zoning approved.   |
| *Hickory Farms                   | Dallas        | Single-family             | TBD       | PID bonds issued.  |
| Dove Creek                       | Collin        | Single-family             | \$275,000 | Under Development  |
| Preston Hills                    | Collin        | Single-family             | \$400,000 | Under Development  |
| Founders Park                    | Tarrant       | 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 | Phase 3; Under Development            |
| 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 | PID bonds issued; Development Ongoing |
| *Polo Ridge                  | Kaufman     | Single-family | \$350,000 | PID bonds issued; Development Ongoing |
| *City Point                  | Tarrant     | Mixed-use     | \$290,000 | PID bonds issued; Development Ongoing |
| *Edgewood Creek              | Denton      | Single-family | \$300,000 | PID bonds issued; Development Ongoing |
| *Cartwright Ranch            | Kaufman     | Single-family | \$220,000 | PID bonds issued; Development Ongoing |
| *Spiritas Ranch              | Denton      | Single-family | \$250,000 | PID bonds issued; Development Ongoing |
| *Thunder Rock                | Burnet      | Mixed-use     | \$250,000 | PID Bonds issued; Development Ongoing |
| *Anna Hurricane North        | Collin      | Single-family | \$300,000 | PID Bonds issued; Development Ongoing |
| * Collin Creek Redevelopment | Collin      | Mixed-use     | \$600,000 | PID Bonds issued; Development Ongoing |

\* — developments utilizing public improvement districts

## 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.

## General Development Financing by Centurion

Centurion and its various affiliated special purpose entities, including the Developer, utilize a variety of funding sources for the purchase of land and subsequent development or redevelopment thereof. Typically, the applicable Centurion affiliate will obtain an acquisition loan from a lender to fund the acquisition of land. To fund horizontal development of such land, Centurion affiliates use a combination of developer equity, builder earnest money, builder payments under lot contracts, development loans from lending institutions, incentives from local governments (including tax increment grants), public/private partnerships, funds from tax-exempt bonds issued by local governments and backed by special assessments on the developable land and other sources of capital.

Centurion has also recently completed a financing (the “Financing”) under which acquisition loans relating to certain projects (the “Financing Projects”) owned by various Centurion affiliates were refinanced with the proceeds of securities issued by an unaffiliated newly-formed limited liability company created for the purpose of (i) acquiring the property relating to such Financing Projects, (ii) providing funds for limited infrastructure development by the Centurion affiliates related to such Financing Projects and (iii) issuing the bonds secured by inter alia, the property relating to such Financing Projects and certain proceeds derived from lot contracts relating to

such Financing Projects. The Financing was completed for the purpose of refinancing loans related to the Financing Projects at a lower rate and achieving debt service savings, terminating certain covenants and freeing up certain collateral related to the refinanced loans, and providing additional funds for development of a portion of the Financing Projects, which funds are expected to be provided at a lower interest rate than development loans typically available relating to the Financing Projects from traditional lenders. Property relating to the Financing Projects is cross-collateralized under the Financing.

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

The Developer purchased the land comprising the District on October 15, 2021 from Mark Carey, Laura Varner, and Jo Lynn Ninemire at a purchase price of \$9,343,710. A portion of the purchase price, in the total amount of the \$4,746,000, was paid with the First Texas Earnest Money and the Pacesetter Earnest Money. In order to finance the remainder of the purchase price of the land within the District and development in the District, the Developer obtained a loan (the “Acquisition and Development Loan”) in the amount of \$13,620,000 from Liberty Bankers Life Insurance Company (the “Lender”). As of November 20, 2021, the Acquisition and Development Loan is currently outstanding in the amount of \$4,739,865.31. The Acquisition and Development Loan is secured by all property within the District. The Developer is the current owner of all property within the District.

The Acquisition and Development Loan bears interest at a rate of 7.0%. Payments under the Acquisition and Development Loan are interest only payments due monthly beginning December 1, 2021, with the full principal of the Acquisition and Development Loan payable at maturity. The Acquisition and Development Loan currently matures on November 1, 2023. The Developer may elect pay a one-time fee of 0.5% of the outstanding principal balance to extend the initial maturity date until November 1, 2024. The Acquisition and Development Loan is personally guaranteed by Mehrdad Moayedi.

The PID Act provides that the Assessment Lien is a first and prior lien against an Assessed Parcel 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. Additionally, at or prior to delivery of the Bonds, the Lender shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Acquisition and Development Loan to the assessment liens on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over the lien on the property within the District securing the Acquisition and Development Loan.

### **THE ADMINISTRATOR**

The following information has been provided by 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 Administrator has reviewed this Limited Offering Memorandum and warrant and represent that the information herein under the caption “THE 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.

MuniCap, Inc. (“MuniCap”) 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. MuniCap currently acts as the administrator for over or over 200 special assessment and taxing districts in 30 states.

MuniCap periodically donates to certain charitable or public events hosted by the City.

The City and MuniCap have entered into an agreement for administration of the District (the “MuniCap Agreement”) with MuniCap as the “Administrator” to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The MuniCap Agreement will include seven general types of services provided by MuniCap: (i) administrative support services related to the Assessments, (ii) delinquency management, (iii) prepayment of Assessments, (iv) arbitrage rebate services, (v) continuing disclosure services, (vi) accounting and audit coordination, and (vii) IRS compliance monitoring.

## APPRAISAL OF PROPERTY IN PHASE #1 OF THE DISTRICT

### The Appraisal

*General.* Integra Realty Resources – DFW (the “Appraiser”), prepared an appraisal report for the City dated November 22, 2021 and effective as of April 1, 2023, based upon a physical inspection of the District conducted on October 21, 2021 (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 in 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 condition that the Phase #1 Improvements are completed. See “THE PHASE #1 IMPROVEMENTS.” The Appraisal does not reflect the as-is condition of Phase #1 of the District as the Phase #1 Improvements have not yet been constructed. Moreover, the Appraisal does not reflect the value of Phase #1 of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for Phase #1 of the District. See “APPENDIX E — Appraisal of Property in Phase #1 of the District.”

The value estimate for the assessable 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 April 1, 2023 is \$16,125,000.

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.

### BONDHOLDERS’ RISKS

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

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

The ability of the City to pay debt service on the Bonds as due is subject to various factors that are beyond the City’s control. These factors include, among others, (a) the ability or willingness of property owners within the District to pay Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and



enforcement proceedings against property within the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such lots.

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

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

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

#### **Assessment Limitations**

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

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

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

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

stating that an Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

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

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

Failure by owners of the parcels to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such parcels 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.

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

The successful development of the land within Phase #1 of the District, the success of the Development, and the sale of residential units therein, once such homes are built, 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. Moreover, the Developer has the right to modify or change its plans for development of the land within the District, including Phase #1, and the Development as a whole from time to time, including, without limitation, land use changes, changes in overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No prediction can be made about the state of the real estate market in the future or the availability of financing for potential home buyers.

Contracts that the Developer may have with individual homebuilders are subject to a myriad of contractual conditions and contingencies, all or some of which if not complied with, could precipitate a termination or winding up of such contractual arrangement for the sale of lots, causing the Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the Development. 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.

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

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. 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 parcel

will result in a TIRZ Credit which is not sufficient to achieve the Targeted Net Average Annual Installment. The TIRZ Credit will likely not provide for the Targeted Net Average Annual Installment until the second year that a home on such parcel is assessed. See “OVERLAPPING TAXES AND DEBT.”

It is uncertain what impact, if any, the TIRZ Credit 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 Credit 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 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 Reserve Account 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 Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS — Reserve Account of the Reserve Fund” herein.

## **Hazardous Substance**

While governmental taxes, assessments and charges are a common claim against the value of a parcel, 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 parcel 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 parcels of land located in the District be affected by a hazardous substance, the marketability and value of such parcels 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 parcel. The City has not independently verified, and is not aware, that the owner (or operator) of any of the parcels within the District has such a current liability with respect to such parcel; 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 parcel 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 parcel that is realizable upon a foreclosure.

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

## **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 or of interest on the Bonds or the occurrence of any other Event of Default under the Indenture, the Trustee may, and upon the written request of at least 25% the owners of the Bonds and its receipt of indemnity satisfactory to it, 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. The Court reviewed *Wasson Interests, Ltd. v. City of Jacksonville* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. 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. Furthermore, the operating revenues of the Developer may be materially adversely affected if specific conditions in the lot purchase contracts are not met. Failure to meet the lot purchase contract's conditions allows the applicable lot purchaser to terminate its obligation to purchase lots from the Developer and obtain its earnest money deposit back. See "THE DEVELOPMENT – Expected Build-Out and Home Prices in the Development" herein.

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

### **Dependence Upon Developer**

The Developer, as the owner of all of the parcels in the District, currently has the obligation for payment of 100% of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will

directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. 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 payment requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1 Improvements, and be paid in accordance with the Construction, Funding and Acquisition Agreement, the Reimbursement Agreement, and 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 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 be available in such a case.

The Developer expects that the agricultural use valuations within Phase #1 of the District will terminate in 2022.

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

During prior sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding state level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. To date, no legislation has been introduced to act on such recommendations; however, it is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during 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**

No assurances can be given as to the result of the following lawsuits or any charges related thereto or the impact, if any, of such result on one or more of Mehrdad Moayedí ("Moayedí"), the operations of Centurion, and the Developer's ability to continue funding the Development.

*Investigation of United Development Funding.* Subsidiaries of Centurion American are involved in the development of master planned residential community and mixed-use projects. Some of these 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"). In connection with governmental investigations of UDF (the "UDF Investigations"), Centurion and some of its employees were contacted in mid-2016 to provide certain information to such governmental fact-finders as part of an information gathering process on the UDF Investigations. 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.

*Westlake Entrada/Flower Mound Riverwalk Project (the "Entrada/Riverwalk Lawsuit").* In August 2018, a minority owner of one Riverwalk Project entity, FZ WLRW, LLC (the "Westlake Plaintiff"), brought suit against Centurion, LLSF, LLC ("LLSF"), MRW Investors, LLC ("MRW"), and Moayedí (collectively, the "Defendants") and other parties involved in structuring the financing of the Entrada and Riverwalk Projects. Most claims have been nonsuited or dismissed. Following a hearing on Defendants' motions for summary judgment, Moayedí is no longer a Defendant in this case. The only remaining claims are the Westlake Plaintiff's direct and derivative claims for breach of fiduciary duty and breach of contract against LLSF. LLSF filed Motions to exclude each of Westlake Plaintiff's purported experts. Additionally, Former Defendants Centurion American Custom Homes, Inc. d/b/a Centurion American Development Group and MRW ("Former Defendants") have filed a motion for attorneys' fees as prevailing party in a derivative action ("Fee Motion") against the Westlake Plaintiff. Further, On March 25, 2021, Plaintiff's former expert Columbus (Sandy) Alexander filed suit against Plaintiff's law firm (MacDonald Devin, P.C.) regarding unpaid fees for work done in this lawsuit. On May 5, 2021, based upon the affidavit of Sandy Alexander, LLSF and Moayedí moved for sanctions against: (1) Plaintiff; (2) Frank Zaccanelli; (3) Greg Ziegler; and (4) MacDonald Devin, P.C. In lieu of ruling on the Motion for Sanctions, the Court ordered the parties to participate in mediation. The parties participated in an unsuccessful mediation in September 2021, and ruling on a motion for jury trial has been continued until after November 29, 2021. The court has delayed ruling on the motion to exclude and the Fee Motion, and hearings for rulings on such motions are in the process of being scheduled. The Westlake Plaintiff also filed a lis pendens against property owned by MRW in the Riverwalk Project on September 17, 2021.



*Rainier Medical Investors LLC & RMI River Walk Investors LP v. Centurion Riverwalk, LLC, et al., in Denton County, Texas.* Plaintiff Rainier Medical Investors LLC and Plaintiff RMI River Walk Investors, LP (“Rainier Plaintiffs”) brought claims against Defendant Centurion Riverwalk, LLC (“Centurion”) and Defendant 2M Riverwalk, LLC (“2M,” together with Centurion, “Rainier Defendants”) and alleged various causes of action against other defendants, including Defendant Megatel Lakeshores TH, LLC (“Megatel TH”). Megatel TH asserted a cross-petition against Rainier Defendants and Third-Party Defendant Moayeddi for statutory fraud, fraudulent inducement, and breach of contract (“Cross-Claims”). On May 27, 2020, Megatel TH non-suited without prejudice its claims against Moayeddi. On July 8, 2020, the Court signed an order dismissing, with prejudice, all claims between the Rainier Plaintiffs and Rainier Defendants. On April 29, 2021, Megatel TH filed an agreed scheduling order. However, the Court did not sign the Order because the proposed September 20, 2021 trial date was no longer available. Thereafter, without a signed scheduling order reopening discovery, Megatel TH propounded written discovery to the Rainier Defendants and noticed the depositions of the Rainier Defendants. The Rainier Defendants timely objected as discovery was closed. On June 9, 2021, the Rainier Defendants filed their motion for summary judgment. Thereafter, Megatel TH moved to reopen and to compel discovery. On July 15, the Court heard Megatel TH’s motion to enter new scheduling order, motions to quash depositions, and objections to discovery. The judge granted Megatel’s motions and re-opened discovery. The Rainier Defendants were ordered by the Court to respond to Megatel TH’s written discovery by August 16, 2021. Additionally, the Rainier Defendants’ summary judgment motion, which was originally set for hearing on August 11, 2021, was continued by the Court until after November 30, 2021. Further, the Court ordered the depositions of the Rainier Defendants and Non-Party Travis Boghetich. Megatel TH conducted such depositions on September 15, 2021. Currently, there is no trial date set in this case.

*Megatel Homes III, LLC v. Wilbow-Windhaven Development Corporation v. Centurion Windhaven, LP, et al.; in Denton County Texas.* Plaintiff Megatel Homes III, LLC (“Megatel”) brought claims against both Defendant Wilbow Windhaven Development Corp. (“Wilbow”), Defendant Centurion Acquisitions, LP (“CA”), and Defendant CADG Windhaven, LLC (“CADG,” collectively with CA, “Centurion Defendants”). Megatel’s claims against Wilbow consist of request for Declaratory Judgment; Breach of Contract; and Indemnity. Megatel’s claims against CA and CADG consist of Breach of Contract; Fraud; and Indemnity. A Motion to Expunge Lis Pendens was granted by court on October 2, 2020. Megatel re-filed the Lis Pendens and Wilbow filed a Motion to Expunge. The court granted the Motion to Expunge the Lis Pendens on May 19, 2021. No trial date is set.

*Megatel Claims.* Megatel has brought several additional causes of action against Moayeddi, Centurion (and certain of its affiliates) and UDF as listed below. Megatel has asserted various allegations of fraud, RICO violations, conspiracy, breach of fiduciary duty, and others in what Centurion believes to be an attempt to force Moayeddi, Centurion and UDF to settle with Megatel. In addition to the filing of the below lawsuits, Megatel has also filed Lis Pendens against property owned by third-parties, has sent letters to Megatel’s competitors attempting to interfere with their relationship with Centurion and has possibly partnered with parties believed to be adversarial to Moayeddi, Centurion and UDF. Centurion continues to aggressively fight against these actions and against what it believes to be the baseless claims made in the lawsuits.

1. *Cause No. 3:20-CV-00688-L: Megatel Homes, LLC, et al. v. Mehrdad Moayeddi, et al., in U.S. District Court, Northern District of Texas;*
2. *Cause No. DC-19-08774 in the 160<sup>th</sup> Judicial District Court, Dallas Co., Texas; Megatel Homes, LLC, et al. v. United Development Funding L.P., et al.;*
3. *Cause No. 380-02960-2020 in the 380<sup>th</sup> District Court, Collin County, Texas; Megatel Homes III, LLC v. MM Plano 54, LLC;*
4. *Cause No. DC-19-18033 in the 160<sup>th</sup> District Court, Dallas County, Texas; Megatel Homes III, LLC v. CADG Mercer MM Holdings, LLC et al.;*
5. *Cause No. 219-01995-2021 in the 219<sup>th</sup> Judicial District Court, Collin County, Texas; Megatel Homes III, LLC v. CTMGT Erwin Farms, LLC and CADG Erwin Farms, LLC;*
6. *Cause No. 199-01546-2021 in the 199<sup>th</sup> Judicial District Court, Collin County, Texas; Megatel Homes III, LLC v. CTMGT Frontier 80, LLC;*
7. *Cause No. DC-21-08227 in the 68<sup>th</sup> District Court, Dallas County, Texas; Megatel Homes III, LLC v. MM Finished Lots, LLC and CADG Shady Side, LLC; and*
8. *Cause No. 1-21-0893 in the 439<sup>th</sup> District Court, Rockwall County, Texas; Megatel Homes III, LLC v. One Verandah, LP and MM Verandah, LLC.*

9. *Cause No. 21-8109-431; Megatel Homes III, LLC v. MM Northlake Phase 203, LLC , as successor in interest to CADG Property Holdings III, LLC.*

### **Infectious Disease Outbreak – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed his declaration monthly, most recently on December 23, 2021. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and phased reopening of the State. On March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate. Most recently, on July 29, 2021, the Governor issued Executive Order GA-38, which, among other things, maintains that there are no COVID-19 related operating limits for any business or establishment and that no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. The Governor’s order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>.

Most of the federal and state actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. Stock values and crude oil prices, in the United States and globally, have seen significant declines attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, may reduce or negatively affect economic conditions in the City and lead to unemployment for property owners within the District or may otherwise have a negative impact on the sale of parcels, lots or homes within the District. The Bonds are secured primarily by Assessments levied on benefitted property within Phase #1 of the District. If lot or home sales are negatively impacted by the Pandemic, the Developer will continue to be responsible for the payment of the Assessments as long as it owns such lots.

The City continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City’s operations and financial condition. None of the City, the Financial Advisor, the Underwriter or the Developer can predict the impact the Pandemic may have on the City, the financial and operating condition of the Developer, the projected buildout schedule, home prices and buildout values or an investment in the Bonds.

## **Risk from Weather Events**

All of the State, including the City and the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, flooding, heavy rains and freezes, including events similar to the severe winter storm that the continental United States experienced in February 2021, which resulted in disruptions in the Electric Reliability Council of Texas power grid and prolonged blackouts throughout the State. It is impossible to predict whether similar events will occur in the future and the impact they may have on the City or the District.

## **Judicial Foreclosures**

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted (subject to the provisions set forth in the Indenture) to order and cause such actions to be commenced. 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 the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within Phase #1 of the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See "OVERLAPPING TAXES AND DEBT." Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

## **No Credit Rating**

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. 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. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Limited Secondary Market for the Bonds**

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event an Owner thereof determines to solicit purchasers for the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Owners of the Bonds, depending on the progress of development of Phase #1 subject to the Assessments, existing real estate and financial market conditions and other factors.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. A form of Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Indenture subsequent to the issuance of the Bonds. The Indenture contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Tax Accounting Treatment of Discount and Premium on Certain Bonds**

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral

federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

## **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.

Norton Rose Fulbright US 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 will be excludable from gross income for federal income tax purposes under

Section 103(a) of the Code, 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,” “SUITABILITY FOR INVESTMENT,” “CONTINUING DISCLOSURE” (except for the subcaption “The City’s Compliance with Prior Undertakings” and “The Developer,”), “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and APPENDIX A and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance and the Indenture.

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

#### **Litigation — The City**

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

#### **Litigation — The Developer**

At the time of delivery and payment for the Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its members or would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Reimbursement Agreement, the Bond Ordinance, the Service and Assessment Plan, the Construction, Funding, and Acquisition Agreement, the Development Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”). Additionally, Mr. 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 litigation and other matters related to affiliated entities of Centurion, 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”) expect to enter into a Continuing Disclosure Agreement (the “City Disclosure Agreement”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the City Disclosure Agreement, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX D-1 — Form of City Disclosure Agreement.” Under certain circumstances, the failure of the City to comply with its obligations under the City Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the City Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

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

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

Except as described below, during the last five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule.

In connection with the City's Special Assessment Revenue Bonds, Series 2018 (Creeks of Legacy Public Improvement District Phase #1B Project), the City timely filed certain financial information and operating data for the fiscal year ended in September 30, 2018 and for the fiscal year ended in September 30, 2019 required by its continuing disclosure undertaking related to such bonds. Due to an administrative oversight, such filings did not include certain information of the general type included in "Table 4 – TIRZ Collection and Credit Information in Phase #1 of the District" and "Table 5 – Collection and Delinquency History in Assessments in Phase #1 of the District" of the final Limited Offering Memorandum for such bonds. On December 3, 2019, the City filed on EMMA the omitted information contained in Table 4 related to its Fiscal Year 2018 filing, as well as a notice of failure to timely file such information. Due to an administrative oversight, the omitted information contained in such Table 5 was not included in the City's December 3, 2019 supplemental filing. Additionally, on July 2, 2020, the City filed on EMMA the omitted information contained in Table 4 and Table 5 related to its Fiscal Year 2019 filing along with a notice of failure to timely file such information.

## **The Developer**

The Developer, the Administrator, and the Dissemination Agent expects to enter 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.

## **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 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, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) 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; (10) 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; (11) 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 (13) through (15) 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, (12) 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, (13) commercial paper with a stated maturity of 365 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, (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7, and (15) 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 U.S. Bank National Association, 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.usbank.com](http://www.usbank.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; MISCELLANEOUS**

#### **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), "LEGAL MATTERS — Litigation — The Developer", and "SOURCES OF INFORMATION; MISCELLANEOUS – Information Concerning Celina Mayor and Centurion VP of Entitlements Sean Terry" (as such information pertains to Centurion or the Developer") has been provided by the Developer.

## **Experts**

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

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

## **Information Concerning Celina Mayor and Centurion VP of Entitlements Sean Terry**

In December 2020, the Federal Bureau of Investigation executed a search warrant on the home of Sean Terry, Mayor of the City and VP of Entitlements of Centurion. Centurion investigated the matter internally. To date, the FBI has not served Centurion with a subpoena or warrant relating to such matters. Management of Centurion does not believe that the matter will have a material adverse effect on Centurion, the Developer or their operations. To date, the City has not been contacted by the FBI in connection with such search warrant. Mayor Terry has also abstained from all City Council deliberations and votes relating to the District, the TIRZ, and issuance of the Bonds.

## **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**

In the Bond Ordinance, the City Council is expected to approve the form and content of this preliminary Limited Offering Memorandum and authorize and ratify the use of this preliminary Limited Offering Memorandum

by the Underwriter in connection with the marketing and sale of the Bonds, and approve the form and content of the final Limited Offering Memorandum.

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

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INDENTURE OF TRUST

By and Between

CITY OF CELINA, TEXAS

and

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

DATED AS OF FEBRUARY 1, 2022

SECURING

\$ \_\_\_\_\_  
CITY OF CELINA, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
PHASE #1 PROJECT)

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## INDENTURE OF TRUST

THIS INDENTURE, dated as of February 1, 2022 is by and between the CITY OF CELINA, TEXAS (the "City"), and U.S. BANK NATIONAL ASSOCIATION, DALLAS, TEXAS, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, a petition was submitted and filed with the City Secretary of the City (the "City Secretary") pursuant to the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended (the "PID Act"), requesting the creation of a public improvement district located in the extraterritorial jurisdiction of the City to be known as Sutton Fields East Public Improvement District (the "District"); and

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

WHEREAS, on October 12, 2021, after due notice, the City Council of the City (the "City Council") held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the petition as required by Section 372.009 of the PID Act and on October 12, 2021, the City Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 2021-96R, adopted by a majority of the members of the City Council, authorized the District in accordance with its finding as to the advisability of the improvement projects and services and also made findings and determinations relating to the estimated total costs of certain Authorized Improvements; and

WHEREAS, on October 18, 2021, the City Secretary filed a copy of Resolution No. 2021-96R with the county clerk of each county in which all or a part of the District is located in accordance with the provisions of the PID Act; and

WHEREAS, no written protests of the District from any owners of record of property within the District were filed with the City Secretary within 20 days after August 16, 2021; and

WHEREAS, on December 14, 2021, the City Council by Resolution No. 2021-112R made findings and determinations relating to the Actual Costs of certain Phase #1 Improvements, received and accepted a preliminary service and assessment plan and a proposed assessment roll, called a public hearing for January 11, 2022 and directed City staff to (i) file said proposed assessment roll with the City Secretary and to make it available for public inspection as required by Section 372.016(b) of the PID Act, and (ii) publish such notice relating to the January 11, 2022 hearing as required by Section 372.016(b) of the PID Act; and

WHEREAS, on December 27, 2021, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice of the public hearing in the *Celina Record*, a newspaper of general circulation in the City and in the part of the City's extraterritorial jurisdiction in which the District is located or in which the Authorized Improvements are to be undertaken, to consider the proposed Service and Assessment Plan and the Phase #1 Assessment Roll and the levy of the Assessments on property within Phase #1 of the District; and

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

WHEREAS, the City Council opened and convened the hearing on January 11, 2022 and at such public hearing all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the proposed Service and Assessment Plan, the proposed Phase #1 Assessment Roll and the Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of estimated costs of the Phase #1 Improvements, the purposes of the Assessments, the special benefits of the Phase #1 Improvements, and the penalties and interest on Annual Installments and on delinquent Annual Installments of the Assessments, and there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of estimated costs of the Phase #1 Improvements, the Phase #1 Assessment Roll, and the levy of the Assessments; and

WHEREAS, the City Council closed the hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, the City approved Ordinance No. 2022-\_\_\_\_, which levied the Assessments and approved the Service and Assessment Plan, in conformity with the requirements of the PID Act; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purpose of (i) paying a portion of the Actual 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 payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying costs of issuance; and

WHEREAS, the City Council now desires to issue revenue bonds, in accordance with the PID Act, such bonds to be entitled "City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)", such Bonds being payable solely from the Trust Estate and for the purposes set forth in the preamble of this Indenture; and

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

NOW, THEREFORE, the City, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds Similarly Secured by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN, and DELIVER to the Trustee for the benefit of the Owners, a security interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the "Trust Estate"):

#### FIRST GRANTING CLAUSE

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

## SECOND GRANTING CLAUSE

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

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

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

PROVIDED, HOWEVER, that if and to the extent Assessments have been prepaid, the lien on real property associated with such Assessment prepayment shall be released and any rights of the Trustee and the Owners, as provided in this Indenture, to request the City to proceed with foreclosure procedures for the purpose of protecting and enforcing the rights of the Owners with respect to the Assessments levied against such property shall terminate;

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

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

## ARTICLE I

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.1. Definitions.

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

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

“Actual Costs” mean, with respect to a Phase #1 Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Phase #1 Improvement, as specified in a payment request in a form that has been reviewed and approved by the City.



Actual Costs may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Phase #1 Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Phase #1 Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Phase #1 Improvement, (d) the costs for external professional costs associated with such Phase #1 Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes, (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Phase #1 Improvement, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, City permit fees, development fees), insurance premiums, miscellaneous expenses, and all advances and payments for Administrative Expenses.

“Additional Bonds” means the additional parity bonds authorized to be issued in accordance with the terms and conditions prescribed in 13.2(c) of this Indenture.

“Additional Interest” means the amount collected by application of the Additional Interest Rate.

“Additional Interest Rate” means the 0.50% additional interest rate charged on the Assessments pursuant to Section 372.018 of the PID Act.

“Additional Interest Reserve Account” means the reserve account administered by the City and segregated from other funds of the City in accordance with the provisions of Section 6.7 of this Indenture.

“Additional Interest Reserve Requirement” means an amount equal to 5.50% of the principal amount of the Outstanding Bonds Similarly Secured to be funded from Assessment Revenues to be deposited to the Pledged Revenue Fund and transferred to the Additional Interest Reserve Account.

“Additional Obligations” means any bonds or obligations, including specifically, any installment contracts, reimbursement agreements, temporary notes or time warrants secured in whole or in part by an assessment, other than the Assessments securing the Bonds Similarly Secured, levied against property within the District, in accordance with the PID Act.

“Administrative Expenses” mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the District, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds Similarly Secured, (v) paying and redeeming the Bonds Similarly Secured, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds Similarly Secured, (viii) the Trustee fees and expenses relating to the Bonds Similarly Secured, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Phase #1 Improvements. Administrative Expenses do not include payment of the actual

principal of, redemption premium, if any, and interest on the Bonds Similarly Secured. Assessments collected for Administrative Expenses and not expended for actual Administrative Expenses in one year shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

“Administrative Fund” means that Fund established by Section 6.1 and administered pursuant to Section 6.9 hereof.

“Administrator” means an employee of the City or third-party designee of the City who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the City related to the duties and responsibilities of the administration of the District. The initial Administrator is MuniCap, Inc.

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

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of the Assessments (including both principal of and interest on the Assessments) as shown on the Phase #1 Assessment Roll attached to the Service and Assessment Plan as Appendix G and related to the Phase #1 Improvements; which annual payment includes Administrative Expenses and the Additional Interest collected on each annual payment of the Assessments as described in Section 6.7 herein and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update.

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

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

“Assessed Parcel” means each parcel of land located within Phase #1 of the District against which an Assessment is levied by the Assessment Ordinance in accordance with the Service and Assessment Plan.

“Assessed Property” means, collectively, all Assessed Parcels.

“Assessment Ordinance” means Ordinance No. 2022-\_\_ adopted by the City Council on January 11, 2022, which levied the Assessments on the Assessed Property located within Phase #1 of the District.

“Assessments” means the aggregate assessments, shown on the Phase #1 Assessment Roll. The singular of such term means the assessment levied against an Assessed Parcel, including the portion to be paid for Administrative Expenses, as shown on the Phase #1 Assessment Roll, subject to reallocation upon the subdivision of an Assessed Parcel, or consolidation of multiple Assessed Parcels, or reduction according to the provisions of the Service and Assessment Plan and the PID Act.

“Assessment Revenue” means monies collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against an Assessed Parcel, or Annual

Installment payment thereof, including any interest on such Assessment or Annual Installment thereof during any period of delinquency, (ii) a Prepayment, and (iii) Foreclosure Proceeds.

“Authorized Denomination” means \$100,000 and any integral multiple of \$1,000 in excess thereof; provided, however, that if the total principal amount of any Outstanding Bond Similarly Secured is less than \$100,000, then the Authorized Denomination of such Outstanding Bond Similarly Secured shall be the amount of such Outstanding Bond Similarly Secured.

“Authorized Improvements” means improvements authorized by Section 372.003 of the PID Act, including, but not limited to the Phase #1 Improvements, listed in Section III of the Service and Assessment Plan.

“Bond” means any of the Bonds.

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

“Bond Date” means the date designated as the initial date of the respective series of the Bonds Similarly Secured by Section 3.2 of this Indenture.

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

“Bond Ordinance” means Ordinance No. 2022-\_\_\_\_ adopted by the City Council on January 11, 2022, authorizing the issuance of the Bonds pursuant to this Indenture.

“Bond Pledged Revenue Account” means the Account of such name established pursuant to Section 6.1.

“Bond Similarly Secured” means any of the Bonds Similarly Secured.

“Bonds” means the City's bonds authorized to be issued by Section 3.1(a) of this Indenture entitled “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)”

“Bonds Similarly Secured” means the Outstanding Bonds and any Outstanding Additional Bonds and any Outstanding Refunding Bonds hereafter issued pursuant to and secured under this Indenture.

“Bond Year” means the one-year period beginning on September 1 in each year and ending on August 31 in the following year.

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

“Capitalized Interest Account” means the Account of such name established pursuant to Section 6.1.

“Certification for Payment” means a certificate substantially in the form of Exhibit B to the Phase #1 Construction, Funding, and Acquisition Agreement or otherwise approved by the Developer and a City Representative executed by a Person approved by a City Representative, delivered to a City Representative and the Trustee specifying the amount of work performed related to the Phase #1 Improvements and the Actual Costs thereof, and requesting payment for such Actual Costs from money on deposit in an account of the Project Fund as further described in the Phase #1 Construction, Funding, and Acquisition Agreement and Section 6.5 herein.

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

“City Representative” means any official or agent of the City authorized by the City Council to undertake the action referenced herein.

“Closing Date” means the date of the initial delivery of and payment for each series of the Bonds Similarly Secured. With respect to the Bonds, the Closing Date is February 9, 2022.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

“Costs of Issuance Account” means the Account of such name established pursuant to Section 6.1.

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

“Delinquent Collection Costs” means the costs related to the foreclosure on an Assessed Parcel and the costs of collection of a delinquent Assessment in accordance with the PID Act, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing interest and penalty interest.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office located in St. Paul, Minnesota, or such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

“Developer” means MM Sutton Fields East, LLC, a Texas limited liability company, and its successors and assigns.

“District Administration Account” means the Account of such name established pursuant to Section 6.1.

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

“Developer Reimbursement Pledged Revenue Account” means the Account of such name established pursuant to Section 6.1.

“Development Agreement” means that certain Sutton Fields East Development Agreement by and between the City and the Developer, approved by the City on August 10, 2021, related to development of the property within the District, as the same may be amended from time to time.

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

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

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

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

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

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

“Initial Bond” means, with respect to the Bonds, the Initial Bond as set forth in Exhibit A to this Indenture and, with respect to any other series of Bonds Similarly Secured, the Initial Bond set forth in an exhibit to a Supplemental Indenture.

“Interest Payment Date” means the date or dates upon which interest on any series of Bonds Similarly Secured is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on March 1 and September 1 of each year and commencing, with respect to the Bonds, on September 1, 2022.

“Investment Securities” means those authorized investments described in the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended; and provided further investments 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.

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

“Minor Amount Redemption” means a redemption, pursuant to Section 4.4 of this Indenture, of a principal amount of a series of Bonds Similarly Secured that is less than ten percent (10%) of the Outstanding principal amount of such series of the Bonds Similarly Secured.

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

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

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

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

“Phase #1” means the initial phase to be developed in the District, as further identified and depicted in Appendix A in the Service and Assessment Plan.

“Phase #1 Assessment Roll” means the assessment roll attached as Appendix G to the Service and Assessment Plan or any other assessment roll in an amendment or supplement to the Service and Assessment Plan or in an Annual Service Plan Update, showing the total amount of the Assessment against each Assessed Parcel related to the Bonds Similarly Secured and the Phase #1 Improvements, as updated, modified, or amended from time to time in accordance with the terms of the Service and Assessment Plan and the PID Act.

“Phase #1 Construction, Funding, and Acquisition Agreement” means the “Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement” by and between the City and the Developer dated as of January 11, 2022, which provides, in part, for the deposit of proceeds from the issuance and sale of the Bonds and the payment of costs of Phase #1 Improvements within the District, the issuance of bonds, the use of the funds in the Developer Improvement Account, and other matters related thereto.

“Phase #1 Improvements Account” means the Account of such name established pursuant to Section 6.1.

“Phase #1 Improvements” means the Authorized Improvements which only benefit property within Phase #1 of the District, as described in Section III.B of the Service and Assessment Plan.

“Phase #1 Reimbursement Agreement” means the “Sutton Fields East Public Improvement District Phase #1 Reimbursement Agreement” between the City and the Developer, dated as of January 11, 2022, which provides for the reimbursement of costs to the

Developer for funds advanced by the Developer and used to pay a portion of the costs of the Phase #1 Improvements and other matters related thereto.

“PID Act” means Texas Local Government Code, Chapter 372, as amended.

“Pledged Funds” means the Pledged Revenue Fund (excluding the Developer Reimbursement Pledged Revenue Account), the Bond Fund, the Project Fund (excluding the Developer Improvement Account), the Reserve Fund, and the Redemption Fund.

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

“Pledged Revenues” means the sum of (i) Assessment Revenue less the Administrative Expenses and (ii) any additional revenues that the City may pledge to the payment of Bonds Similarly Secured.

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

“Principal and Interest Account” means the Account of such name established pursuant to Section 6.1.

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

“Purchaser” means the initial purchaser of each series of the Bonds Similarly Secured.

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

“Rebate Fund” means that fund of such name established pursuant to Section 6.1 and administered pursuant to Section 6.8 herein.

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

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

“Redemption Price” means, when used with respect to any Bond Similarly Secured or portion thereof, the amount of par plus accrued and unpaid interest to the date of redemption, unless otherwise provided in a Supplemental Indenture.

“Refunding Bonds” means bonds issued pursuant to the PID Act and/or Chapter 1207 of the Texas Government Code or any other applicable law of the State of Texas (each as amended) to refund all or any portion of the then Outstanding Bonds Similarly Secured.

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

“Reimbursement Fund” means that fund of such name established pursuant to Section 6.1.

“Reimbursement Payment Request” means a certificate substantially in the form of Exhibit A attached to the Phase #1 Reimbursement Agreement or otherwise approved by the Developer and the City Representative executed by a Person approved by the City Representative, delivered to the City Representative and the Trustee requesting reimbursement for the Actual Costs of the Phase #1 Improvements from money on deposit in the Reimbursement Fund as further described in Section 6.12 herein.

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

“Reserve Account Requirement” means the least of: (i) Maximum Annual Debt Service on the Bonds as of the Closing Date of the Bonds, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date of the Bonds, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the Closing Date for the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_, which is an amount equal to the Maximum Annual Debt Service on the Bonds as of the Closing Date. The Reserve Account Requirement shall be adjusted in accordance with Section 13.2(c)(viii), in the event an additional series of Bonds Similarly Secured is hereafter issued.

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

“Service and Assessment Plan” means the “Sutton Fields East Public Improvement District Service and Assessment Plan” dated January 11, 2022, including the Phase #1 Assessment Roll, as hereinafter amended, updated, and/or restated by an Annual Service Plan Update or otherwise, a version of which is attached as an exhibit to the Assessment Ordinance.

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

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

“Substantial Amount Redemption” means a redemption, pursuant to Section 4.4 of this Indenture, of a principal amount of a series of Bonds Similarly Secured that is greater than or equal to ten percent (10%) of the Outstanding principal amount of such series of Bonds Similarly Secured.

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

“Tax Certificate” means the Certificate as to Tax Exemption delivered by the City on the Closing Date for each series of the Bonds Similarly Secured setting forth the facts, estimates and circumstances in existence on such Closing Date which establish that it is not expected that the proceeds of such series of Bonds Similarly Secured will be used in a manner that would cause the interest on such Bonds Similarly Secured to be included in the gross income of the Owners thereof for Federal income tax purposes.



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

“Trustee” means U.S. Bank National Association, Dallas, Texas, and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article IX, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds Similarly Secured.

Section 1.2. Findings.

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

Section 1.3. Table of Contents, Titles and Headings.

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

Section 1.4. Interpretation.

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

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

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

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

## ARTICLE II

### THE BONDS SIMILARLY SECURED

Section 2.1. Security for the Bonds Similarly Secured.

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

The lien on and pledge of the Trust Estate shall be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Trust Estate, the filing of this Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds Similarly Secured and the pledge of the Trust Estate granted by the City under this Indenture, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds

Similarly Secured are Outstanding such that the pledge of the Trust Estate granted by the City under this Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds Similarly Secured the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 2.2. Limited Obligations.

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

Section 2.3. Authorization for Indenture.

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

Section 2.4. Contract with Owners and Trustee.

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

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

### ARTICLE III

#### AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS SIMILARLY SECURED

Section 3.1. Authorization of the Bonds Similarly Secured.

(a) The Bonds. The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act, as amended. The Bonds shall be issued in the aggregate principal amount of \$\_\_\_\_\_ for the purpose of (i) paying a portion of the Actual 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

payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying costs of issuance.

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

(a) The Bonds.

(i) The Bonds shall be dated February 1, 2022 and shall be issued in Authorized Denominations. The Bonds shall be in fully registered form, without coupons, and shall be numbered separately from R-1 upward, except the Initial Bond for the Bonds, which shall be numbered T-1.

(ii) Interest shall accrue and be paid on each Bond from the later of the Closing Date of the Bonds or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2022 computed on the basis of a 360-day year of twelve 30-day months.

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

| <u>Years</u> | <u>Principal Amount (\$)</u> | <u>Interest Rate (%)</u> |
|--------------|------------------------------|--------------------------|
|--------------|------------------------------|--------------------------|

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

Section 3.3. Conditions Precedent to Delivery of Bonds.

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

- (i) a certified copy of the Assessment Ordinance;
- (ii) a certified copy of the Bond Ordinance;
- (iii) a copy of the executed Phase #1 Construction, Funding, and Acquisition Agreement;
- (iv) a copy of the executed Phase #1 Reimbursement Agreement;

(v) a copy of this Indenture executed by the Trustee and the City; and

(vi) a City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the City.

Section 3.4. Medium, Method and Place of Payment.

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

(b) Interest on the Bonds Similarly Secured shall be payable to the Owners thereof as shown in the Register at the close of business on the relevant Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from or on behalf of the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each Owner of a Bond Similarly Secured appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

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

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

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

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds Similarly Secured to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for two (2) years after the applicable

payment or redemption date shall be applied to the next payment or payments on such Bonds Similarly Secured thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds Similarly Secured, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any Owners of such Bonds Similarly Secured for any further payment of such unclaimed moneys or on account of any such Bonds Similarly Secured, subject to any applicable escheat law or similar law of the State of Texas.

Section 3.5. Execution and Registration of Bonds Similarly Secured.

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

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

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

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

bonds for such maturity of such series of the Bonds Similarly Secured, registered in the name of Cede & Co., as nominee of DTC.

Section 3.6. Ownership.

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

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

Section 3.7. Registration, Transfer and Exchange.

(a) So long as any Bond Similarly Secured remains Outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a Register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds Similarly Secured in accordance with this Indenture. The Paying Agent/Registrar represents and warrants that it will file and maintain a copy of the Register with the City, and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

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

(c) The Bonds Similarly Secured shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond Similarly Secured or Bonds Similarly Secured of the same series, and of the same maturity and bearing the same interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond Similarly Secured presented for exchange.

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

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

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

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

Section 3.8. Cancellation.

All Bonds Similarly Secured paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds Similarly Secured in lieu of which exchange Bonds Similarly Secured or replacement Bonds Similarly Secured are authenticated and delivered in accordance with this Indenture, shall be cancelled, and proper records shall be made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds Similarly Secured in accordance with the records retention requirements of the Trustee.

Section 3.9. Temporary Bonds Similarly Secured.

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

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

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

Bond Similarly Secured or Bonds Similarly Secured in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.10. Replacement Bonds Similarly Secured.

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

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

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

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

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

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

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

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

(e) Each replacement Bond Similarly Secured delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be



entitled to the benefits and security of this Indenture to the same extent as the Bond Similarly Secured or Bonds Similarly Secured in lieu of which such replacement Bond Similarly Secured is delivered.

Section 3.11. Book-Entry Only System.

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

With respect to Bonds Similarly Secured registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds Similarly Secured. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds Similarly Secured, (ii) the delivery to any DTC Participant or any other Person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds Similarly Secured, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds Similarly Secured. Notwithstanding any other provision of this Indenture to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the Person in whose name each Bond Similarly Secured is registered in the Register as the absolute owner of such Bond Similarly Secured for the purpose of payment of principal of, premium, if any, and interest on such Bond Similarly Secured, for the purpose of giving notices of redemption and other matters with respect to such Bond Similarly Secured, for the purpose of registering transfer with respect to such Bond Similarly Secured, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds Similarly Secured only to or upon the order of the respective Owners as shown in the Register, as provided in this Indenture, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds Similarly Secured to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Register, shall receive a certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks or drafts being mailed to the registered owner at the close of business on the relevant Record Date, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

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

In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the City to DTC, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants

of the appointment of such successor securities depository and transfer one or more separate Bonds Similarly Secured to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds Similarly Secured and cause the Paying Agent/Registrar to transfer one or more separate registered Bonds Similarly Secured to DTC Participants having Bonds Similarly Secured credited to their DTC accounts. In such event, the Bonds Similarly Secured shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds Similarly Secured shall designate, in accordance with the provisions of this Indenture.

Section 3.13. Payments to Cede & Co.

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

ARTICLE IV

REDEMPTION OF BONDS SIMILARLY SECURED BEFORE MATURITY

Section 4.1. Limitation on Redemption.

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

Section 4.2. Mandatory Sinking Fund Redemption.

(a) The Bonds.

(i) The Bonds are subject to mandatory sinking fund redemption prior to their Stated Maturity and will be redeemed by the City in part at the Redemption Price from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI, on the dates and in the respective Sinking Fund Installments as set forth in the following schedule:

**Term Bonds Maturing September 1, 20**

| <u>Redemption Date</u> | <u>Sinking Fund Installment (\$)</u> |
|------------------------|--------------------------------------|
|------------------------|--------------------------------------|

\* maturity

**Term Bonds Maturing September 1, 20**

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|

\* maturity

**Term Bonds Maturing September 1, 20**

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|

\* maturity

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

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|

\* maturity

(ii) At least forty-five (45) days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by subparagraphs (iii) and (iv) of this Section 4.2(a), the Trustee shall select a principal amount of Bonds (in accordance with Section 4.5) of such maturity equal to the Sinking Fund Installment amount of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in Section 4.6.

(iii) The principal amount of Bonds of a Stated Maturity required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (i)

of this Section 4.2(a) shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least forty-five (45) days prior to the mandatory 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.

(iv) The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (i) of this Section 4.2(a) shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3. Optional Redemption.

(a) The Bonds.

(i) The City reserves the right and option to redeem Bonds maturing on or after September 1, 20\_\_, before their respective scheduled maturity dates, in whole or in part, on any date on or after September 1, 20\_\_, such redemption date or dates to be fixed by the City, at the Redemption Price.

Section 4.4. Extraordinary Optional Redemption.

Notwithstanding any provision in this Indenture to the contrary, the City reserves the right and option to redeem Bonds Similarly Secured before their respective scheduled maturity dates, in whole or in part and in an amount specified in a City Certificate, on the first day of any month, at the Redemption Price of such Bonds Similarly Secured, or portions thereof, to be redeemed plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund made pursuant to the terms of this Indenture, any other transfers to the Redemption Fund under the terms of this Indenture, or as a result of unexpended amounts transferred from the Project Fund pursuant to the terms of this Indenture). The City will provide the Trustee a City Certificate directing the Bonds to be redeemed pursuant to this Section 4.4 in accordance with the provisions of Section 4.5 hereof.

Section 4.5. Partial Redemption.

(a) If less than all of a series of Bonds Similarly Secured are to be redeemed pursuant to Sections 4.2, 4.3, or 4.4, Bonds Similarly Secured shall be redeemed in minimum principal amounts of \$1,000 or any integral multiple thereof. Each Bond Similarly Secured shall be treated as representing the number of bonds that is obtained by dividing the principal amount of such series of Bonds Similarly Secured by \$1,000. No redemption shall result in a Bond Similarly Secured in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond Similarly Secured is less than an Authorized Denomination after giving effect to such partial redemption, a Bond Similarly Secured in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

(b) In selecting the Bonds Similarly Secured to be redeemed pursuant to Section 4.2, the Trustee may select Bonds Similarly Secured in any method that results in a random selection.

(c) In selecting the Bonds Similarly Secured to be redeemed pursuant to Section 4.3, the Trustee may rely on the directions provided in a City Certificate.

(d) If less than all of a series of Bonds Similarly Secured are called for extraordinary optional redemption pursuant to Section 4.4 hereof, the Bonds Similarly Secured or portion of a Bond Similarly Secured, as applicable, of such series to be redeemed shall be selected in the following manner:

(i) with respect to a Substantial Amount Redemption, the principal amount called for redemption shall be allocated on a pro rata basis among all Outstanding Bonds Similarly Secured of such series; and

(ii) with respect to a Minor Amount Redemption, the Outstanding Bonds Similarly Secured of such series shall be redeemed in inverse order of maturity.

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

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

(a) The Trustee shall give notice of any redemption of Bonds Similarly Secured by sending notice by United States mail, first-class, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond Similarly Secured or portion thereof to be redeemed, at the address shown in the Register. So long as the Bonds Similarly Secured are in book-entry-only form and held by DTC as security depository, references to Owner in this Indenture means Cede & Co., as nominee for DTC.

(b) The notice shall state the redemption date, the Redemption Price, the place at which the Bonds Similarly Secured are to be surrendered for payment, and, if less than all the Outstanding Bonds Similarly Secured are to be redeemed, and subject to Section 4.5 hereof, an identification of the Bonds Similarly Secured or portions thereof to be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond Similarly Secured shall become due and payable.

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

(d) The City has the right to rescind any optional redemption or extraordinary optional redemption described in Section 4.3 or 4.4 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds Similarly Secured then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

(e) With respect to any optional redemption of the Bonds Similarly Secured, unless the Trustee has received funds sufficient to pay the Redemption Price of the Bonds Similarly Secured to be redeemed before giving of a notice of redemption, the notice may state the City

may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds Similarly Secured and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds Similarly Secured have not been redeemed.

Section 4.7. Payment Upon Redemption.

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

(b) Upon presentation and surrender of any Bond Similarly Secured called for redemption at the Designated Payment/Transfer Office of the Trustee on or after the date fixed for redemption, the Trustee shall pay the Redemption Price on such Bond Similarly Secured to the date of redemption from the moneys set aside for such purpose.

Section 4.8. Effect of Redemption.

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

## ARTICLE V

### FORM OF THE BONDS SIMILARLY SECURED

Section 5.1. Form Generally.

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

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

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

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

Section 5.2. CUSIP Registration.

The City may secure identification numbers through the CUSIP Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association, New York, New York, and may authorize the printing of such numbers on the face of the Bonds Similarly Secured. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds Similarly Secured shall be of no significance or effect as regards the legality thereof; and none of the City, the Trustee, nor the attorneys approving said Bonds Similarly Secured as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds Similarly Secured.

Section 5.3. Legal Opinion.

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

## ARTICLE VI

### FUNDS AND ACCOUNTS

Section 6.1. Establishment of Funds and Accounts.

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

- (i) Pledged Revenue Fund;
- (ii) Bond Fund;
- (iii) Project Fund;
- (iv) Reserve Fund;
- (v) Redemption Fund;
- (vi) Rebate Fund;
- (vii) Administrative Fund; and
- (viii) Reimbursement Fund.

(b) Creation of Accounts.

(i) The following Accounts are hereby created and established under the Pledged Revenue Fund:

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

(ii) The following Accounts are hereby created and established under the Bond Fund:

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

(iii) The following Accounts are hereby created and established under the Project Fund:

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

(iv) The following Accounts are hereby created and established under the Reserve Fund:

- (A) Reserve Account; and
- (B) Additional Interest Reserve Account.

(v) The following Account is hereby created and established under the Administrative Fund:

- (A) District Administration Account.

(c) Each Fund and each Account created within such Fund shall be maintained by the Trustee separate and apart from all other funds and accounts of the City. The Pledged Funds shall constitute trust funds which shall be held in trust by the Trustee as part of the Trust Estate solely for the benefit of the Owners of the Bonds Similarly Secured.

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

Section 6.2. Initial Deposits to Funds and Accounts.

(a) The Bonds.

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

- (A) to the Capitalized Interest Account of the Bond Fund: \$\_\_\_\_\_;



- (B) to the Phase #1 Improvements Account of the Project Fund: \$ \_\_\_\_\_;
- (C) to the Costs of Issuance Account of the Project Fund: \$ \_\_\_\_\_;
- (D) to the Reserve Account of the Reserve Fund: \$ \_\_\_\_\_; and
- (E) to the District Administration Account of the Administrative Fund: \$ \_\_\_\_\_.

(ii) Funds received from the Developer on the Closing Date of the Bonds in the amount of \$ \_\_\_\_\_ shall be paid to the Trustee and deposited or transferred by the Trustee into the Developer Improvement Account of the Project Fund.

Section 6.3. Pledged Revenue Fund.

(a) On or before February 15 of each year while the Bonds Similarly Secured are Outstanding and beginning February 15, 2023, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. From amounts deposited into the Pledged Revenue Fund, the City shall deposit or cause to be deposited Pledged Revenues as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds Similarly Secured next coming due in such calendar year, (ii) second, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, in accordance with Section 6.7(a) hereof, (iii) third, to the Additional Interest Reserve Account of the Reserve Fund in an amount equal to the Additional Interest collected, in accordance with Section 6.7(b) hereof, (iv) fourth, to the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund to pay the Developer for costs of Phase #1 Improvements that have been paid by the Developer (including any accrued interest) pursuant to the terms of the Phase #1 Reimbursement Agreement, (v) fifth, to pay Actual Costs of the Phase #1 Improvements, and (vi) sixth, to pay other costs permitted by the PID Act. Moneys transferred to the Developer Reimbursement Pledged Revenue Account shall not be a part of the Trust Estate and are not security for the Bonds Similarly Secured.

(b) From time to time as needed to pay the obligations relating to the Bonds Similarly Secured, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer to the Principal and Interest Account of the Bond Fund, an amount, taking into account any amounts then on deposit in such Principal and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account, 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 Similarly Secured on the next Interest Payment Date.

(c) If, after the foregoing transfers and any transfer from the Reserve Fund as provided in Section 6.7 herein, there are insufficient funds to make the payments provided in paragraph (b) above, the Trustee shall apply the available funds in the Principal and Interest Account first, to the payment of interest and, second, to the payment of principal (including any Sinking Fund Installments) on the Bonds Similarly Secured, as described in Section 11.4(a) hereof.

(d) Subject to the provisions of the Phase #1 Reimbursement Agreement, from time to time as needed to pay the obligations relating to Actual Costs of the Phase #1 Improvements that are paid by the Developer, the Trustee shall, pursuant to a completed Reimbursement Payment Request, withdraw from the Developer Reimbursement Pledged Revenue Account and transfer to the Reimbursement Fund such amount needed to pay the Developer for funds it paid to fund Actual Costs of the Phase #1 Improvements, including any accrued interest. When all amounts due to the Developer to pay it for the funds it used to pay for Actual Costs of the Phase #1 Improvements have been paid to the Developer, whether through Assessments received and applied in accordance with this Indenture and the Service and Assessment Plan or an Annual Service Plan Update, or through the proceeds of Additional Bonds, no further deposits shall be made to the Developer Reimbursement Pledged Revenue Account and the Developer Reimbursement Pledged Revenue Account shall be closed.

(e) Notwithstanding Section 6.3(a) hereof, 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.

(f) Notwithstanding Section 6.3(a) hereof, 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 Account to restore any transfers from the Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, and third, to the Redemption Fund.

(g) After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds Similarly Secured and to fund any deficiency that may exist in an account of the Reserve Fund, the City may direct the Trustee by City Certificate to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid, including the funding of any obligations due to the Developer with funds deposited to the Developer Reimbursement Pledged Revenue Account.

(h) Any additional Pledged Revenues remaining after the satisfaction of the foregoing shall be applied by the Trustee, as instructed by the City pursuant to a City Certificate, for any lawful purpose permitted by the PID Act for which such additional Pledged Revenues may be used, including transfers to other Funds and Accounts created pursuant to this Indenture.

#### Section 6.4. Bond Fund.

(a) 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 Similarly Secured, less any amount to be used to pay interest on the Bonds Similarly Secured on such Interest Payment Date from the Capitalized Interest Account, as provided below.

(b) If amounts in the Principal and Interest Account are insufficient for the purposes set forth in paragraph (a) above, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency in the order described in Section 6.7(f) hereof. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

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

| <u>[Date]</u> | <u>Amount (\$)</u> |
|---------------|--------------------|
|---------------|--------------------|

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Phase #1 Improvements Account of the Project Fund, or if the Phase #1 Improvements Account has been closed as provided in Section 6.5(f) herein, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds Similarly Secured and the Capitalized Interest Account shall be closed.

Section 6.5. Project Fund.

(a) Money on deposit in the Project Fund shall be used for the purposes specified in Section 3.1 hereof.

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds Similarly Secured pursuant to one or more City Certificates. Disbursements from the other Accounts of the Project Fund to pay Actual Costs of the Phase #1 Improvements shall be made by the Trustee upon receipt by the Trustee of either properly executed and completed Certification for Payment or written direction from the City or its designee approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Phase #1 Improvements Account or the Developer Improvement Account pursuant to a Certification for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Phase #1 Construction, Funding, and Acquisition Agreement; provided, however, that all disbursement of funds for the Actual Costs of Phase #1 Improvements made pursuant to a Certification of Payment shall be made first, from the Phase #1 Improvements Account, and second, from the Developer Improvement Account. Such provisions and procedures related to such disbursements contained in the Phase #1 Construction, Funding, and Acquisition Agreement, are herein incorporated by reference and deemed set forth herein in full.

(c) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Phase #1 Improvements Account of the Project Fund are not expected to be expended for purposes of such Account 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 Improvements Account of the Project Fund will ever be expended for the purposes of such Account, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Phase #1 Improvements Account of the Project Fund that are not expected to be used for purposes of such Account. If such City Certificate is so filed, the amounts on deposit in the Phase #1 Improvements Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds Similarly Secured on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

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

(e) Upon the filing of a City Certificate stating that all Phase #1 Improvements have been completed and that all Actual Costs of the Phase #1 Improvements have been paid, or that any such Actual Costs of the Phase #1 Improvements are not required to be paid from the Phase #1 Improvements Account of the Project Fund pursuant to a Certificate for Payment, the Trustee (i) shall transfer the amount, if any, remaining within the Phase #1 Improvements Account of the Project Fund to the Bond Fund and (ii) shall close the Phase #1 Improvements Account. If the Phase #1 Improvements Account is closed as provided above, the Trustee shall transfer any remaining amounts in the Developer Improvement Account of the Project Fund to the Developer and shall close the Developer Improvement Account of the Project Fund. If both the Phase #1 Improvements Account and the Developer Improvement Account have been closed as provided above and the Cost of Issuance Account of the Project Fund has been closed pursuant to the provisions of Section 6.5(f), the Project Fund shall be closed.

(f) Not later than six months following each respective Closing Date, or upon a determination by the City Representative that all costs of issuance of such series of Bonds Similarly Secured have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account of the Project Fund and used to pay Actual Costs or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds Similarly Secured, as directed by the City in a City Certificate filed with the Trustee and the Costs of Issuance Account shall be closed.

Section 6.6. Redemption Fund.

(a) The Trustee shall cause to be deposited to the Redemption Fund from the Bond Pledged Revenue Account of the Pledged Revenue Fund an amount sufficient to redeem Bonds Similarly Secured as provided in Sections 4.3 and 4.4 on the dates specified for redemption as provided in Sections 4.3 and 4.4. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds Similarly Secured as provided in Article IV.

Section 6.7. Reserve Fund.

(a) The City agrees with the Owners of the Bonds Similarly Secured to accumulate from the deposits described in Section 6.3(a) hereof, and when accumulated, maintain in the Reserve Account of the Reserve Fund, an amount equal to not less than the Reserve Account Requirement except to the extent such deficiency is due to the application of Section 6.7(d) hereof. All amounts deposited in the Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund as provided in this Indenture.

(b) The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 and September 1 of each year, commencing March 1, 2022, an amount equal to the Additional Interest collected, if any, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall, and the City shall resume collecting the Additional Interest and shall file a City

Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the City shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds Similarly Secured from the proceeds of a Prepayment pursuant to Section 4.4 of this Indenture. In the event the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement then the deposits described in the immediately preceding sentence shall continue until the Additional Interest Reserve Account has been fully replenished. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the City of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Phase #1 Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update, unless and until it receives a City Certificate directing that a different amount be used.

(c) Whenever a transfer is made from an Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn and the source of said funds.

(d) Whenever Bonds Similarly Secured are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, the Trustee shall transfer, on the Business Day prior to the redemption date (or on such other date as agreed to by the City and the Trustee), from the Reserve Account of the Reserve Fund to the Redemption Fund, an amount specified in a City Certificate to be applied to the redemption of the Bonds Similarly Secured. The amount so transferred from the Reserve Account of the Reserve Fund shall be equal to the principal amount of Bonds Similarly Secured to be redeemed with Prepayments multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayments toward payment of accrued interest, there are insufficient funds in the Redemption Fund to pay the principal amount plus accrued and unpaid interest to the date fixed for redemption of the Bonds Similarly Secured to be redeemed, as identified in a City Certificate, as a result of such Prepayments and as a result of the transfer from the Reserve Account under this Section 6.7(d), the Trustee shall transfer an amount equal to the shortfall, and/or any additional amounts necessary to permit the Bonds Similarly Secured to be redeemed in minimum principal amounts of \$1,000, from the Additional Interest Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

(e) Whenever, on any Interest Payment Date, or on any other date at the written request of a City Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds Similarly Secured on the next Interest Payment Date in accordance with Section 6.4 hereof, unless within thirty days of such notice to the City Representative, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof, (ii) to a specified Account of the

Project Fund if such application and the expenditure of funds is expected to occur within three years of the date hereof, or (iii) for such other use specified in such City Certificate if the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured.

(f) Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds Similarly Secured due on such date, the Trustee shall transfer first, from the Additional Interest Reserve Account of the Reserve Fund to the Bond Fund and, second, from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

(g) At the final maturity of the Bonds Similarly Secured, the amount on deposit in the Reserve Account and the Additional Interest Reserve Account shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds Similarly Secured.

(h) If, after a Reserve Account withdrawal pursuant to Section 6.7(f), the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund the amount of such deficiency, in accordance with Section 6.3.

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

Section 6.8. Rebate Fund: Rebate Amount.

(a) There is hereby established a special fund of the City to be designated "City of Celina, Texas, Rebate Fund" (the "Rebate Fund") to be held by the Trustee in accordance with the terms and provisions of this Indenture. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts relating to the Bonds Similarly Secured due the United States Government in accordance with the Code.

(b) In order to assure that Rebate Amount is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made in accordance with the Code and each respective Tax Certificate.

(c) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and Section 7.5(h) and shall not be liable or responsible if it follows the instructions of the City and shall not be required to take any action under this Section and Section 7.5(h) in the absence of written instructions from the City.

(d) If, on the date of each annual calculation, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the City may direct the Trustee, pursuant to a City Certificate, to transfer the amount in excess of the Rebate Amount to the Bond Fund.

Section 6.9. Administrative Fund.

(a) The City shall deposit or cause to be deposited to the District Administration Account of the Administrative Fund the amounts collected each year to pay Administrative Expenses and Delinquent Collection Costs.

(b) Moneys in the District Administration Account of the Administrative Fund shall be held by the Trustee separate and apart from the other Funds and Accounts created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan.

Section 6.10. Investment of Funds.

(a) Money in any Fund or Account established pursuant to this Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) days in advance of the making of such investment. The money in any Fund or Account shall be invested 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 Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Notwithstanding the preceding sentence, amounts in the Additional Interest Reserve Account may not be invested above the Yield (as defined in Section 7.5(a) hereof) on the Bonds Similarly Secured, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such investment and/or the failure to comply with such yield restriction will not adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured. Investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds or Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold to prevent any default.

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

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall have no investment discretion and the Trustee's only responsibility for investments shall be to follow the written instructions contained in any City Certificate and to insure that an investment it is

directed to purchase is a permitted investment pursuant to the terms of this Indenture. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments.

(d) Investments in any and all Funds and Accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular Funds or Accounts of amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture.

(e) The Trustee will furnish the City and the Administrator monthly cash transaction statements which include detail for all investment transactions made by the Trustee hereunder; and, unless the Trustee receives a written request, the Trustee is not required to provide brokerage confirmations so long as the Trustee is providing such monthly cash transaction statements.

Section 6.11. Security of Funds.

All Funds or Accounts heretofore created, to the extent not invested as herein permitted, shall be secured in the manner and to the fullest extent required by law for the security of public funds, and such Funds or Accounts shall be used only for the purposes and in the manner permitted or required by this Indenture.

Section 6.12. Reimbursement Fund.

Money on deposit in the Reimbursement Fund shall be disbursed to the Developer to reimburse the Actual Costs of the Phase #1 Improvements paid from the Developer Improvement Account of the Project Fund. Disbursements shall be made pursuant to this section and the Phase #1 Reimbursement Agreement, based upon approval of a Reimbursement Payment Request by the City Representative. The Reimbursement Payment Request in the form attached as Exhibit A to the Phase #1 Reimbursement Agreement is hereby incorporated into this Indenture. When all amounts due to the Developer to pay it for the funds it has contributed to pay Actual Costs of the Phase #1 Improvements have been paid to the Developer, whether through Assessments received and applied in accordance with this Indenture and the Service and Assessment Plan or an Annual Service Plan Update, or through the proceeds of Additional Bonds, no further deposits shall be made to the Reimbursement Fund and the Reimbursement Fund shall be closed.

ARTICLE VII

COVENANTS

Section 7.1. Confirmation of Assessments.

The City hereby confirms, covenants, and agrees that the Assessments to be collected from the Assessed Property are as so reflected in the Service and Assessment Plan (as it may be updated from time to time) and, in accordance with the Assessment Ordinance, it has levied the Assessments against the respective Assessed Parcels from which the Pledged Revenues will be collected and received.



Section 7.2. Collection and Enforcement of Assessments.

(a) For so long as any Bonds Similarly Secured are Outstanding and/or amounts are due to the Developer to pay it for funds it has contributed to pay Actual Costs of the Phase #1 Improvements in accordance with the Phase #1 Reimbursement Agreement, the City covenants, agrees and warrants 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.

(b) The City will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel. Furthermore, nothing shall obligate the City, the City Attorney, or any appropriate designee to undertake collection or foreclosure actions against delinquent accounts in violation of applicable state law, court order, or existing contractual provisions between the City and its appropriate collections enforcement designees.

Section 7.3. Against Encumbrances.

(a) Other than Refunding 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 Trust Estate, other than that specified in Section 9.6 of this Indenture, or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds Similarly Secured, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

(b) So long as Bonds Similarly Secured are Outstanding hereunder, and except as set forth in Section 13.2 hereof, the City shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds Similarly Secured and Refunding Bonds, if any, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, except for other indebtedness incurred in compliance with Section 13.2 hereof.

Section 7.4. Records, Accounts, Accounting Reports.

The City hereby covenants and agrees that so long as any of the Bonds Similarly Secured or any interest thereon remain Outstanding and unpaid, and/or the obligation to the Developer to pay it for funds it has contributed to pay Actual Costs of the Phase #1 Improvements in accordance with the Phase #1 Reimbursement Agreement and the Phase #1 Construction, Funding, and Acquisition Agreement remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and Owners of any Bonds Similarly Secured or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the City by the Trustee or

duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds Similarly Secured during the City's regular business hours and on a mutually agreeable date not later than thirty days after the City receives such request.

Section 7.5. Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms shall have the following meanings:

*"Closing Date"* means the date on which each series of Bonds Similarly Secured are first authenticated and delivered to the respective initial purchasers against payment therefor.

*"Code"* means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

*"Computation Date"* has the meaning set forth in Section 1.148-1(b) of the Regulations.

*"Gross Proceeds"* means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds Similarly Secured.

*"Investment"* has the meaning set forth in Section 1.148-1(b) of the Regulations.

*"Nonpurpose Investment"* means any investment property, as defined in Section 148(b) of the Code, in which Gross Proceeds of the Bonds Similarly Secured are invested and which is not acquired to carry out the governmental purposes of the Bonds Similarly Secured.

*"Regulations"* means any proposed, temporary or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds Similarly Secured. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

*"Yield"* of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and (2) the Bonds Similarly Secured, as it pertains to a particular series of Bonds Similarly Secured, has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any

Bond Similarly Secured to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of each series of Bonds Similarly Secured:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds Similarly Secured of such series, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds Similarly Secured of such series or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan.

(i) Except to the extent permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of any Bonds Similarly Secured to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(ii) The City covenants and agrees that the levied Assessments will meet the requirements of the "tax assessment loan exception" within the meaning of Section 1.141-5(d) of the Regulations on the date that each series of the Bonds Similarly Secured are delivered and will ensure that the Assessments continue to meet such requirements for so long as Bonds Similarly Secured are outstanding.

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of any series of Bonds Similarly Secured directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested) if, as a result of such investment, the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of such series of Bonds Similarly Secured.

(f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Bonds Similarly Secured to be federally guaranteed within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The City shall timely file the information required by Section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe with respect to each series of Bonds Similarly Secured.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in Section 148(f) of the Code and the Regulations and rulings thereunder:

(i) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Bond Similarly Secured is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Bonds Similarly Secured with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date for each series of Bonds Similarly Secured, the City shall calculate the Rebate Amount for the respective series of Bonds in accordance with rules set forth in Section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of each series of the Bonds Similarly Secured until six years after the final Computation Date.

(iii) As additional consideration for the purchase of the Bonds Similarly Secured by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall, pursuant to a City Certificate, direct the Trustee to transfer to the Rebate Fund from the funds or subaccounts designated in such City Certificate and direct the Trustee to pay to the United States from the Rebate Fund the amount that when added to the future value of previous rebate payments made for any series of Bonds Similarly Secured equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder, and shall be

accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(iv) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds Similarly Secured, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds Similarly Secured not been relevant to either party.

(j) Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Manager, Assistant City Manager, Director of Finance, City Secretary or Assistant City Secretary, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with each series of the Bonds Similarly Secured, in the Tax Certificate or similar or other appropriate certificate, form or document.

## ARTICLE VIII

### LIABILITY OF CITY

The City shall not incur any responsibility in respect of the Bonds Similarly Secured or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds Similarly Secured assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own willful default or act of bad faith. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds Similarly Secured, or as to the existence of a default or Event of Default thereunder.

In the absence of bad faith, the City may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of this Indenture. The City shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Indenture, the Bonds Similarly Secured, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds Similarly Secured (the "Bond Documents"), shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Trust Estate and the Administrative Expenses) in the performance of any of its obligations hereunder, or in the

exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

Neither the Owners nor any other Person shall have any claim against the City or any of its officers, officials, agents, or employees for damages suffered as a result of the City's failure to perform in any respect any covenant, undertaking, or obligation under any Bond Documents or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the City, in accordance with the Bond Documents and the PID Act. Any such claim shall be payable only from Trust Estate, the funds available for such payment in any of the Pledged Funds, if any, or the amounts collected to pay Administrative Expenses on deposit in the Administrative Fund. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds Similarly Secured by mandamus or other proceeding at law or in equity.

The City may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Indenture, the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector or City Manager or other person designated by the City Council to so act on behalf of the City, and such certificate shall be full warrant to the City for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations, and directions of such persons or entities.

## ARTICLE IX

### THE TRUSTEE

#### Section 9.1. Trustee as Paying Agent/Registrar.

The Trustee is hereby designated and agrees to act as Paying Agent/Registrar for and in respect to the Bonds Similarly Secured.

Section 9.2. Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to spend its own funds, to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified, to the extent permitted by law, to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct; provided, however, the Trustee may not request or require indemnification as a condition to making any deposits, payments, or transfers when required hereunder, or delivering any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund or the District Administration Account of the Administrative Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall, to the extent permitted by law, be entitled to a preference therefor over any Bonds Similarly Secured Outstanding hereunder.

Section 9.3. Responsibilities of the Trustee.

The recitals contained in this Indenture and in the Bonds Similarly Secured shall be taken as the statements of the City and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the offering documents, this Indenture, or the Bonds Similarly Secured or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of Bonds Similarly Secured for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; (iii) the application of any moneys paid to the City or others in accordance with this Indenture, except as to the application of any moneys paid to it in its capacity as Trustee; or (iv) any calculation of arbitrage or rebate under the Code. The Trustee has the right to act through agents and attorneys and shall have no liability for the negligence or willful misconduct of the agents and attorneys appointed by it with due care.

The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct, both before and after default by the City. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Phase #1 Improvements.

The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default hereunder, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the holders of at least fifty-one percent (51%) of the aggregate principal amount of Bonds then Outstanding. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default.

In case a default or an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified), the Trustee shall exercise those rights and powers vested in it by this Indenture and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Section 9.4. Property Held in Trust.

All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

Section 9.5. Trustee Protected in Relying on Certain Documents.

The Trustee may rely upon any order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a City Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such City Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its sole discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision hereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by the City Representative.

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture, or otherwise to the giving to any Person of notice of the provisions hereof except as expressly required in Section 9.13 herein.

Section 9.6. Compensation.

Unless otherwise provided by contract with the Trustee, the Trustee shall transfer from the District Administration Account of the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by specific agreement, and the Trustee shall



have a lien therefor on any and all funds at any time held by it in the Administrative Fund. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession in the Administrative Fund.

Section 9.7. Permitted Acts.

The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds Similarly Secured and may join in any action that any Owner of Bonds Similarly Secured may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the City or any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds Similarly Secured or this Indenture, whether or not such committee shall represent the Owners of a majority in aggregate outstanding principal amount of the Bonds Similarly Secured.

Section 9.8. Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond Similarly Secured. Such resignation shall take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.9. Removal of Trustee.

The Trustee may be removed at any time by (i) the Owners of at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City, or (ii) so long as the City is not in default under this Indenture, the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate outstanding principal of the Bonds Similarly Secured.

Section 9.10. Successor Trustee.

If the Trustee shall resign, be removed, be dissolved, or become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee may be appointed within one year after any such vacancy

shall have occurred by the Owners of at least twenty-five percent (25%) of the aggregate outstanding principal of the Bonds Similarly Secured by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the City.

Until such successor Trustee shall have been appointed by the Owners of the Bonds Similarly Secured, the City shall forthwith appoint a Trustee to act hereunder. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the Trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds Similarly Secured within 30 days after such appointment. Any appointment of a successor Trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Owners of Bonds Similarly Secured.

If in a proper case no appointment of a successor Trustee shall be made within 45 days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds Similarly Secured may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process.

Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus and undivided profits aggregating at least \$50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture.

Each successor Trustee shall mail, in accordance with the provisions of the Bonds Similarly Secured, notice of its appointment to the Trustee, any rating agency which, at the time of such appointment, is providing a rating on the Bonds Similarly Secured and each of the Owners of the Bonds Similarly Secured.

Section 9.11.      Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the City an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the City or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the City be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights,

powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

Section 9.12. Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 9.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

Section 9.13. Trustee to File Continuation Statements.

If necessary, the Trustee shall file or cause to be filed, such continuation statements as are delivered to the Trustee by the City, or on behalf of the City, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC.

Section 9.14. Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds Similarly Secured. Permissive rights of the Trustee are not to be construed as duties.

## ARTICLE X

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1. Amendments Permitted.

(a) This Indenture and the rights and obligations of the City and of the Owners of the Bonds Similarly Secured may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds Similarly Secured, or with the written consent without a meeting, of the Owners of at least fifty-one percent (51%) of the aggregate principal amount of the Bonds Similarly Secured then Outstanding. No such modification or amendment shall (i) extend the maturity of any Bond Similarly Secured or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond Similarly Secured, without the express consent of the Owner of such Bond Similarly Secured, or (ii) permit the creation by the City of any pledge or lien upon the Trust Estate superior to or on a parity with the pledge and lien created for the benefit of the Bonds Similarly Secured (except as otherwise permitted by Applicable Laws and this Indenture), or reduce the percentage of Owners of Bonds Similarly Secured required for the amendment hereof. Any

such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

(b) This Indenture and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds Similarly Secured in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds Similarly Secured;

(iv) to provide for the issuance of Refunding Bonds as set forth in Section 13.2 hereof; and

(v) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds Similarly Secured.

(c) Any modification or amendment made pursuant to Section 10.1(b) shall not be subject to the notice procedures specified in Section 10.3 below.

(d) Notwithstanding the above, no Supplemental Indenture under this Section shall be effective unless the City first delivers to the Trustee an opinion of Bond Counsel to the effect that such amendment is permitted and will not adversely affect the: (i) interest of the Owners in any material respect, or (ii) exclusion of interest on any Bond from gross income for purposes of federal income taxation.

#### Section 10.2. Owners' Meetings.

The City may at any time call a meeting of the Owners of the Bonds Similarly Secured. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

#### Section 10.3. Procedure for Amendment with Written Consent of Owners.

The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds Similarly Secured or of this Indenture, to the extent that such amendment is permitted by Section 10.1 herein, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, shall be mailed by first-class mail, by the Trustee to each Owner of Bonds

Similarly Secured from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided and the City or Bond Counsel, acting on the City's behalf, has delivered to the Trustee an opinion of Bond Counsel to the effect that such amendment is permitted and will not adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds Similarly Secured for which such consent is given, which proof shall be such as is permitted by Section 11.6 herein. Any such consent shall be binding upon the Owner of the Bonds Similarly Secured giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds Similarly Secured shall have filed their consents to the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds Similarly Secured and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds Similarly Secured at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period; provided, however, that the Trustee during such sixty day period and any such further period during which any such action or proceeding may be pending shall be entitled in its sole discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture, as it may deem expedient; provided, further, that the Trustee shall have no obligation to take or refrain from taking any such action and the Trustee shall have no liability with respect to any action taken or any instance of inactions.

Section 10.4. Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the City, the Trustee and all Owners of Outstanding Bonds Similarly Secured shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.5. Endorsement or Replacement of Bonds Similarly Secured Issued After Amendments.

The City may determine that Bonds Similarly Secured issued and delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Similarly Secured Outstanding at such effective date and presentation of his Bond Similarly Secured for that purpose at the designated office of the Trustee or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond Similarly Secured. The City may determine that new Bonds Similarly Secured, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds Similarly Secured then Outstanding, such new Bonds Similarly Secured shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds Similarly Secured then Outstanding, upon surrender of such Bonds Similarly Secured.

Section 10.6. Amendatory Endorsement of Bonds Similarly Secured.

The provisions of this Article X shall not prevent any Owner from accepting any amendment as to the particular Bonds Similarly Secured held by such Owner, provided that due notation thereof is made on such Bonds Similarly Secured.

Section 10.7. Waiver of Default

With the written consent of at least fifty-one percent (51%) in aggregate principal amount of the Bonds Similarly Secured then Outstanding, the Owners may waive non-compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

Section 10.8. Execution of Supplemental Indenture.

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive, and shall be fully protected in relying upon, an opinion of counsel addressed and delivered to the Trustee and the City stating that the execution of such Supplemental Indenture is permitted by and in compliance with this Indenture. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties and immunities under this Indenture.

## ARTICLE XI

### DEFAULT AND REMEDIES

Section 11.1. Events of Default.

(a) Each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," to wit:

(i) The failure of the City to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;

(ii) The failure of the City to enforce the collection of the Assessments, including the prosecution of foreclosure proceedings;

(iii) The failure to make payment of the principal of or interest on any of the Bonds Similarly Secured when the same becomes due and payable and such failure is not remedied within thirty (30) days; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the City to make the payments; and

(iv) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture and the continuation thereof for a period of ninety (90) days after written notice to the City by the Trustee, or by the Owners of at least 25% of the aggregate Outstanding principal of the Bonds Similarly Secured with a copy to the Trustee, specifying such default and requesting that the failure be remedied.

(b) Nothing in Section 11.1(a) will be an Event of Default if it is in violation of any applicable state law or court order.

#### Section 11.2. Immediate Remedies for Default.

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Trustee may, and at the written direction of the Owners of at least 25% of the Bonds Similarly Secured then Outstanding and its receipt of indemnity satisfactory to it, shall proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

(b) THE PRINCIPAL OF THE BONDS SIMILARLY SECURED SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

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

(d) Whenever moneys are to be applied pursuant to this Article XI, irrespective of and whether other remedies authorized under this Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by 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.

Section 11.3.      Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of not less than 25% of the aggregate principal amount of the Bonds Similarly Secured 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 Section 9.2 herein, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the Owners of a majority of the aggregate principal amount of the Bonds Similarly Secured 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 Similarly Secured shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds Similarly Secured 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 this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article VIII, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond Similarly Secured at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond Similarly Secured issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds Similarly Secured.

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



Section 11.4. Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee, and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 11.2 hereof, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds Similarly Secured, as follows:

FIRST: To the payment to the 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 Owners entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds Similarly Secured, or Redemption Price of any Bonds Similarly Secured 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 Similarly Secured due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the Owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 11.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds Similarly Secured that are Outstanding in proportion to the quantity of Bonds Similarly Secured that are currently due and in default under the terms of this Indenture.

(c) The restoration of the City to its prior position after any and all defaults have been cured, as provided in Section 11.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 11.5. Effect of Waiver.

No delay or omission of the Trustee, or any Owner, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 11.6. Evidence of Ownership of Bonds Similarly Secured.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds Similarly Secured may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the

execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds Similarly Secured shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(i) The fact and date of the execution of such instruments by any Owner of Bonds Similarly Secured or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate, or affidavit shall also constitute sufficient proof of his authority.

(ii) The ownership of Bonds Similarly Secured and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds Similarly Secured shall bind all future Owners of the same Bonds Similarly Secured in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 11.7. No Acceleration.

In the event of the occurrence of an Event of Default under Section 11.1 hereof, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 11.8. Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first-class, postage prepaid, only to each Owner at the address appearing upon the Register.

Section 11.9. Exclusion of Bonds Similarly Secured.

Bonds Similarly Secured owned or held by or for the account of the City will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds Similarly Secured provided for in this Indenture, and the City shall not be entitled with respect to such Bonds Similarly Secured to give any consent or take any other action provided for in this Indenture.

Section 11.10. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity, by statute or by contract.

Section 11.11. Direction by Owners.

Anything herein to the contrary notwithstanding, the Owners of at least 25% of the aggregate outstanding principal of the Bonds shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the choice of remedies and the time, method, and place of conducting a proceeding for any remedy available to the Trustee hereunder, under each Supplemental Indenture, or otherwise, or exercising any trust or power conferred upon the Trustee, including the power to direct or withhold directions with respect to any remedy available to the Trustee or the Owners, provided, (i) such direction shall not be otherwise than in accordance with Applicable Laws and the provisions hereof, (ii) that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (iii) that the Trustee shall have the right to decline to follow any such direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction.

ARTICLE XII

GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. Representations as to Trust Estate.

(a) The City represents and warrants that it is authorized by Applicable Laws to authorize and issue the Bonds Similarly Secured, to execute and deliver this Indenture and to pledge the Trust Estate in the manner and to the extent provided in this Indenture, and that the Pledged Revenues and the Trust Estate are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

(b) The City shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Trust Estate and all the rights of the Owners and the Trustee, under this Indenture against all claims and demands of all Persons whomsoever.

(c) The City will take all steps reasonably necessary and appropriate, and will direct the Trustee to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds Similarly Secured to the fullest extent permitted by the PID Act and other Applicable Laws.

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

Section 12.2. Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less

than 10% in principal amount of any Bonds Similarly Secured then Outstanding or their representatives duly authorized in writing.

Section 12.3. General.

The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of this Indenture.

ARTICLE XIII

SPECIAL COVENANTS

Section 13.1. Further Assurances; Due Performance.

(a) At any and all times the City will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for better conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues, Funds, Accounts and properties constituting the Pledged Revenues, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The City will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

Section 13.2. Additional Obligations or Other Liens; Additional Bonds.

(a) The City reserves the right, subject to the provisions contained in this Section 13.2, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from the Pledged Revenues. Additionally, the City has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of Pledged Revenues securing payment of the Bonds Similarly Secured.

(b) Other than Refunding Bonds issued to refund all or a portion of the Bonds Similarly Secured or Additional Bonds issued in accordance with this Section, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omit to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired.

(c) The City reserves the right to issue Additional Bonds, but shall be under no obligation to issue Additional Bonds, to finance the Actual Costs of the Phase #1 Improvements or to pay amounts due to the Developer pursuant to the Phase #1 Reimbursement Agreement, but only in accordance with the conditions set forth below:

(i) The Trustee shall receive a certificate from the City Representative certifying that (A) the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in this Indenture and (B) the Developer is not delinquent with respect to fees or any other funds or

commitments to be paid to the City in accordance with the Development Agreement or the Phase #1 Reimbursement Agreement;

(ii) The Trustee and the City shall receive a certificate from the Developer, through an authorized representative, certifying that the Developer is not in default beyond any applicable notice and cure period in the performance and observance of any of the terms, provisions and conditions applicable to the Developer contained in the Phase #1 Reimbursement Agreement, the Development Agreement or any continuing disclosure agreement entered into by the Developer relating to any Bonds Similarly Secured or Additional Obligations, unless any defaults under the foregoing agreements (except for defaults under any continuing disclosure agreements entered into by the Developer which defaults shall be cured) are disclosed in a certificate from the Developer to the City and the City elects to proceed with the issuance of the Additional Bonds regardless of the existence of such default or defaults;

(iii) The Trustee and the City shall receive a certificate from the Administrator certifying that the Developer is not delinquent with respect to the payment of Assessments or any ad valorem taxes (other than any ad valorem taxes being contested in good faith);

(iv) The City and the Trustee shall receive a certificate from the Developer, through an authorized representative, certifying that no less than thirty (30) certificates of occupancy have been issued for single-family lots located within Phase #1 of the District;

(v) All Phase #1 Improvements have been completed and accepted by the City pursuant to the terms of the Phase #1 Construction, Funding, and Acquisition Agreement and the Phase #1 Reimbursement Agreement;

(vi) The principal (including sinking fund installments) of the Additional Bonds must be scheduled to mature on September 1 of the years in which principal is scheduled to mature;

(vii) The interest on the Additional Bonds must be scheduled to be paid on March 1 and September 1 of the years in which interest is scheduled to be paid;

(viii) The Reserve Account Requirement shall be increased by an amount equal to twenty-five percent (25%) of the Maximum Annual Debt Service on the proposed Additional Bonds to be issued as of the Closing Date of such series of Additional Bonds; provided, however, that the Reserve Account Requirement will not be increased by more than 10% of the principal amount of the Additional Bonds (or if the Additional Bonds are issued with more than 2% net original issue discount or premium, 10% of the proceeds of the Additional Bonds); provided further, however, the Reserve Account Requirement shall not exceed the least of (i) Maximum Annual Debt Service on the Bonds Similarly Secured, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds Similarly Secured or the combined original issue price of the Bonds Similarly Secured;

(ix) The issuance of such Additional Bonds shall not cause the amount of the Annual Installments to be collected in any year after the issuance of such Additional

Bonds to exceed the amount of the Annual Installments collected in the year of the issuance of such Additional Bonds; and

(x) The maximum principal amount of Additional Bonds that may be issued, subject to the approval of the City, in total, is the lesser of (i) the then outstanding balance of the Phase #1 Reimbursement Agreement and (ii) the then outstanding Assessments, less the Assessments required to pay the principal of the Bonds.

(d) Notwithstanding the provisions of Section 13.2(c) above, Refunding Bonds issued to refund all or a portion of the Bonds Similarly Secured shall not be required to meet the requirements set forth in Section 13.2(c)(iv) or Section 13.2(c)(v).

Section 13.3. Books of Record.

(a) The City shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the City, which relate to the Pledged Revenues, the Pledged Funds, the Trust Estate, and the Bonds Similarly Secured.

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

#### ARTICLE XIV

#### PAYMENT AND CANCELLATION OF THE BONDS SIMILARLY SECURED AND SATISFACTION OF THE INDENTURE

Section 14.1. Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds Similarly Secured secured hereby are fully paid or provision is made for their payment as provided in this Article.

Section 14.2. Satisfaction of Indenture.

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds Similarly Secured, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds Similarly Secured have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Owners of such Bonds Similarly Secured, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds Similarly Secured has been paid so that the City may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person

entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 14.3. Bonds Similarly Secured Deemed Paid.

All Outstanding Bonds Similarly Secured 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 Similarly Secured are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee for such purpose, shall be sufficient to pay when due the principal of and interest on of the Bonds Similarly Secured to become due on such Bonds Similarly Secured 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 and/or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds Similarly Secured to become due on such Bonds Similarly Secured on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if any Bonds Similarly Secured are then rated, the Trustee shall have received written confirmation from each rating agency then publishing a rating on such Bonds Similarly Secured that such deposit will not result in the reduction or withdrawal of the rating on such Bonds Similarly Secured. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds Similarly Secured on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

ARTICLE XV

MISCELLANEOUS

Section 15.1. Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee.

Section 15.2. Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 15.3. Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds Similarly Secured and the amount, maturity, number, and date of holding the same shall be proved by the Register.

Any request, declaration or other instrument or writing of the Owner of any Bond Similarly Secured shall bind all future Owners of such Bond Similarly Secured in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

Section 15.4. Waiver of Personal Liability.

No member, officer, agent, or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds Similarly Secured; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

Section 15.5. Notices to and Demands on City and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any City Certificate, shall be in writing and shall be telexed, cabled, delivered by hand, mailed by first-class mail, postage prepaid, or transmitted by facsimile or e-mail and addressed as follows:

If to the City: City of Celina, Texas  
142 North Ohio  
Celina, Texas 75009  
Attention: City Manager

If to the Trustee  
or the Paying Agent/Registrar: U.S. Bank National Association  
Attention: Bond Operations  
111 Fillmore Avenue East  
St. Paul, Minnesota 55107-1402

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if,



and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond Similarly Secured notice of (i) any substitution of the Trustee; or (ii) the redemption or defeasance of all Bonds Similarly Secured Outstanding.

(c) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

#### Section 15.6. Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this

Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds Similarly Secured pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

Section 15.7. Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas.

Section 15.8. Payment on Business Day.

In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds Similarly Secured or the date fixed for redemption of any Bonds Similarly Secured or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 15.9. Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original.

Section 15.10. No Boycott of Israel.

To the extent this Indenture constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Indenture. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

Section 15.11. Iran, Sudan, and Foreign Terrorist Organizations.

The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made

solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

Section 15.12. No Discrimination Against Fossil Fuel Companies.

To the extent this Indenture constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Indenture. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

Section 15.13. No Discrimination Against Firearm Entities and Firearm Trade Associations.

(a) To the extent this Indenture constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Indenture. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions:

(i) 'discriminate against a firearm entity or firearm trade association,' a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm

trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association;

(ii) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and

(iii) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

(b) The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CITY OF CELINA, TEXAS

By: \_\_\_\_\_,  
Mayor Pro Tem

Attest:

\_\_\_\_\_  
Assistant City Secretary

[CITY SEAL]

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

(c) Form of Bond.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

United States of America  
State of Texas

CITY OF CELINA, TEXAS  
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
PHASE #1 PROJECT)

|                      |                      |                         |                     |
|----------------------|----------------------|-------------------------|---------------------|
| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>DATE OF DELIVERY</u> | <u>CUSIP NUMBER</u> |
| _____ %              | September 1, 20__    | _____                   | _____               |

The City of Celina, Texas (the "City"), for value received, hereby promises to pay, solely from the Trust Estate, to

\_\_\_\_\_

or registered assigns, on the Maturity Date, as specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 1 and September 1 of each year, commencing September 1, 2022, until maturity or prior redemption.

Capitalized terms appearing herein that are defined terms in the Indenture defined below, have the meanings assigned to them in the Indenture. Reference is made to the Indenture for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in St. Paul, Minnesota (the "Designated Payment/Transfer Office"), of U.S. Bank National Association, as trustee and paying agent/registrar (the "Trustee", which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee

to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth calendar day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated February 1, 2022 and issued in the aggregate principal amount of \$\_\_\_\_\_ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of February 1, 2022 (the "Indenture"), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Actual 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 payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying costs of issuance.

The Bonds are limited obligations of the City payable solely from the Trust Estate as defined in the Indenture. Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the City, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the City to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$100,000 and any multiple of \$1,000 in excess thereof.

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

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

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|

\* maturity

**Term Bonds Maturing September 1, 20**

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|

\* maturity

**Term Bonds Maturing September 1, 20**

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|

\* maturity

**Term Bonds Maturing September 1, 20**

| <u>Redemption Date</u> | <u>Sinking Fund<br/>Installment (\$)</u> |
|------------------------|--|
|------------------------|--|



\* maturity

At least forty-five (45) days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by the Indenture, the Trustee shall select for redemption, pursuant to the provisions of the Indenture, a principal amount of Bonds of such maturity equal to the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in 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 mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption and not previously credited to a sinking fund redemption.

The City reserves the right and option to redeem Bonds maturing on or after September 1, 20\_\_ before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20\_\_, such redemption date or dates to be fixed by the City, at the redemption price of par plus accrued interest to the date of redemption.

Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on the first day of any month, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, pursuant to the provisions of the Indenture, from amounts on deposit in the Redemption Fund as a result of Prepayments, other transfers to the Redemption Fund pursuant to the Indenture, or as a result of unexpended amounts transferred from the Project Fund as provided in the Indenture.

The Trustee shall give notice of any redemption of Bonds by sending notice by United States mail, first-class, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the redemption price of the Bonds to be redeemed before giving of a

notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds, and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the rights of the holders of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the holders of all the Bonds, to waive compliance by the City with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the holder of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such holder and upon all future holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Trustee, and upon delivery to the Trustee of such certifications and/or opinion of counsel as may be required under the Indenture for the transfer of this Bond. Upon satisfaction of such requirements, one or more new fully registered Bonds of the same Stated Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Trustee shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond redeemed in part.

The City, the Trustee, and any other Person may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the Person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Trustee shall be affected by notice to the contrary.

The City has reserved the right to issue Additional Bonds on the terms and conditions specified in the Indenture.

**NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF CELINA, TEXAS, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.**

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the

total indebtedness of the City, including the Bonds, does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City.

\_\_\_\_\_  
Mayor Pro Tem, City of Celina, Texas

\_\_\_\_\_  
Assistant City Secretary, City of Celina, Texas

[City Seal]

(d) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond:

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §  
OF PUBLIC ACCOUNTS § REGISTER NO. \_\_\_\_\_  
§  
THE STATE OF TEXAS §

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this \_\_\_\_\_

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

[SEAL]

(e) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,  
Dallas, Texas, as Trustee

DATED: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

(f) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto  
(print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Social Security or other identifying number: \_\_\_\_\_) the within Bond and  
all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_  
attorney to transfer the within Bond on the books kept for registration hereof, with full power of  
substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed By:  
\_\_\_\_\_

\_\_\_\_\_  
Authorized Signatory

NOTICE: The signature on this Assignment  
must correspond with the name of the  
registered owner as it appears on the face of  
the within Bond in every particular and must be  
guaranteed in a manner acceptable to the  
Trustee.

(g) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this  
Exhibit A, except for the following alterations:

(i) immediately under the name of the Bond the heading "INTEREST RATE"  
and "MATURITY DATE" shall both be completed with the expression "As Shown Below,"  
and the reference to the "CUSIP NUMBER" shall be deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date as  
specified above, the sum of \_\_\_\_\_ DOLLARS" shall be deleted and the  
following will be inserted: "on September 1 in each of the years, in the principal  
installments and bearing interest at the per annum rates set forth in the following  
schedule:

| <u>Years</u> | <u>Principal Amount (\$)</u> | <u>Interest Rate (%)</u> |
|--------------|------------------------------|--------------------------|
|--------------|------------------------------|--------------------------|

(Information to be inserted from Section 3.2(a)(iii) hereof); and

(iii) the Initial Bond shall be numbered T-1.

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**APPENDIX B**

**FORM OF SERVICE AND ASSESSMENT PLAN**

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# SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT

CELINA TEXAS

## SERVICE AND ASSESSMENT PLAN

January 11, 2022

**PREPARED BY:**

**MUNICAP, INC.**  
— PUBLIC FINANCE —

# SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT

## SERVICE AND ASSESSMENT PLAN

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**APPENDIX A - PID MAP**

**APPENDIX B - ESTIMATED COSTS OF THE AUTHORIZED IMPROVEMENTS**

**APPENDIX C - LEGAL DESCRIPTIONS**

**APPENDIX D - DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS**

**APPENDIX E - HOMEBUYER DISCLOSURE**

**APPENDIX F - ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX RATE EQUIVALENTS**

**APPENDIX G - PHASE #1 ASSESSMENT ROLL**

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## ***I. PLAN DESCRIPTION AND DEFINED TERMS***

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### **A. INTRODUCTION**

On October 12, 2021, (the “Creation Date”) the City Council of the City of Celina Texas (the “City”), Texas passed and approved Resolution No. 2021-96R approving and authorizing the creation of the Sutton Fields East Public Improvement District (the “PID”) to finance the costs of certain public improvements for the benefit of property in such public improvement district, all of which was located within the extraterritorial jurisdiction of the City at the time the PID was created.

The property in the PID is proposed to be developed in multiple phases, and the PID will finance public improvements as the property is developed. Assessments will be imposed on the property that receives a special benefit from the Authorized Improvements for the public improvements to be constructed.

Chapter 372 of the Texas Local Government Code, the “Public Improvement District Assessment Act” (as amended, the “PID Act”), governs the creation and operation of public improvement districts within the State of Texas. The Sutton Fields East Public Improvement District Service and Assessment Plan (the “Service and Assessment Plan”) has been prepared in accordance with the PID Act and specifically Sections 372.013, 372.014, 372.015 and 372.016, which address the requirements of a service and assessment plan and the assessment roll. According to Section 372.013 of the PID Act, a service plan “must (i) cover a period of at least five years; (ii) define the annual indebtedness and the projected costs for improvements; and (iii) include a copy of the notice form required by Section 5.014, Property Code.” The service plan is described in Section IV of this Service and Assessment Plan. The copy of the notice form required by Section 5.014 of the Texas Property Code, as amended, is attached hereto as Appendix E.

Section 372.014 of the PID Act requires that “an assessment plan must be included in the annual service plan.” The assessment plan is described in Section V of this Service and Assessment Plan.

Section 372.015 of the PID Act requires that “the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district.” The method of assessing the costs of the Authorized Improvements and apportionment of such costs to the property in the PID is included in Section V of this Service and Assessment Plan.

Section 372.016 of the PID Act requires that “after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter.” The Assessment Roll for the PID is currently included as Appendix G of this Service and Assessment Plan and additional Assessment Rolls may be added to this Service and Assessment Plan in the future. The Assessments as shown on each Assessment Roll are based on the method of assessment and apportionment of costs described in Section V of this Service and Assessment Plan.

## B. DEFINITIONS

Capitalized terms used herein shall have the meanings ascribed to them as follows:

**“Actual Cost(s)”** means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a payment request in a form that has been reviewed and approved by the City. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, City permit fees, development fees), insurance premiums, and miscellaneous expenses.

Actual Costs include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent of the eligible Actual Costs described in a payment request in a form that has been reviewed and approved by the City. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

**“Additional Interest”** means the 0.50% additional interest rate charged on Assessments (if applicable) pursuant to Section 372.018 of the PID Act.

**“Additional Interest Component”** means the amount collected by application of the Additional Interest.

**“Additional Interest Reserve”** has the meaning set forth in Section V.G of this Service and Assessment Plan.

**“Administrative Expenses”** mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the PID, including, but not limited to, the costs of: (i) creating and organizing the PID, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the PID, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) paying

and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses in one year shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

**“Administrator”** means the employee or designee of the City, identified in any indenture of trust relating to the Bonds or in any other agreement approved by the City Council, who shall have the responsibilities provided for herein.

**“Annual Installment”** means, with respect to each Parcel, each annual payment of: (i) the Assessments including both principal and interest, as shown on the Assessment Roll attached hereto as Appendix G, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) the Additional Interest Component designated for the Additional Interest Reserve described in Section V of this Service and Assessment Plan, and (iii) the Administrative Expenses.

**“Annual Service Plan Update”** has the meaning set forth in the second paragraph of Section IV of this Service and Assessment Plan.

**“Assessed Property”** means the property that benefits from the Authorized Improvements to be provided by the PID on which Assessments have been imposed as shown in each Assessment Roll, as each Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes all Parcels within the PID other than Non-Benefited Property.

**“Assessment”** means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and the PID Act. An Assessment for a Parcel consists of the Annual Installments to be collected in all years including the portion of those Annual Installments collected to pay Administrative Expenses and interest on all Assessments.

**“Assessment Ordinance”** means each Assessment Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments against the respective Assessed Property.

**“Assessment Revenues”** mean the revenues actually received by or on behalf of the City from the collection of Assessments.

**“Assessment Roll”** means, as applicable, the Phase #1 Assessment Roll or any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an Annual Service

Plan Update, as each may be updated, modified, or amended from time to time in accordance with the procedures set forth in this Service and Assessment Plan and in the PID Act.

**“Authorized Improvements”** mean those public improvements described in Appendix B of this Service and Assessment Plan and Section 372.003 of the PID Act, constructed and installed in accordance with this Service and Assessment Plan, and any future updates and/or amendments.

**“Bonds”** mean any bonds issued by the City in one or more series and secured in whole or in part by the Assessment Revenues.

**“Budgeted Cost(s)”** means the amounts budgeted to construct the Authorized Improvements as used in the preparation of this Service and Assessment Plan.

**“Certification for Payment”** means the certificate to be provided by the Developer, or his designee, to substantiate the Actual Cost of one or more Authorized Improvements.

**“City”** means the City of Celina, Texas.

**“City Council”** means the duly elected governing body of the City.

**“County”** means Denton County, Texas.

**“Delinquent Collection Costs”** mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

**“Developer”** means MM Sutton Fields East, LLC, a Texas limited liability company.

**“Development Agreement”** means that certain Sutton Fields East Development Agreement by and between the City and the Developer, approved by the City on August 10, 2021, related to development of the property within the PID, and as the same may be amended from time to time.

**“Equivalent Units”** mean, as to any Parcel the number of dwelling units by lot type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix F attached hereto.

**“Future Phase(s)”** means Phases that are fully developed after Phase #1, as such areas are generally depicted and described in Appendix A.

**“Future Phase Improvements”** means those Authorized Improvements associated with any Future Phase(s).

**“Homeowner Association”** means a homeowner’s association or property owners’ association established for the benefit of property owners within the boundaries of the PID.

**“Homeowner Association Property”** means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, a Homeowner’s Association.

**“Lot”** means a tract of land described as a “lot” in a subdivision plat recorded in the official public records of Denton County, Texas.

**“Lot Type”** means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the City Council as shown in Appendix F. In the case of single family residential lots, the Lot Type shall be further defined by classifying the residential lots by the estimated average home value for each home at the time of assessment levy, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the lot, as determined by the Administrator and confirmed by the City Council.

**“Mustang SUD”** means Mustang Special Utility District.

**“Non-Benefited Property”** means Parcels that accrue no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property and easements that create an exclusive use for a public utility provider to the extent they accrue no special benefit. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.E.

**“Parcel”** or **“Parcels”** means a parcel or parcels within the PID identified by either a tax map identification number assigned by the Denton Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Denton County.

**“Phase”** means one or more Parcels within the PID that will be developed in the same general time period. The Parcels within a Phase will be assessed in connection with the issuance of Phased PID Bonds or upon the execution of a reimbursement agreement related to such Phase for Authorized Improvements (or the portion thereof) designated in an update to this Service and Assessment Plan that specially benefit the Parcels within the Phase.

**“Phase #1”** means the initial Phase to be developed and generally shown in Appendix A, as specifically depicted and described as the sum of all Parcels shown in Appendix G.

**“Phase #1 Assessed Property”** means all Parcels within Phase #1 other than Non-Benefited Property and shown in the Phase #1 Assessment Roll against which an Assessment relating to the Phase #1 Improvements is levied.



**“Phase #1 Assessment Revenues”** mean the actual revenues received by or on behalf of the City from the collection of Assessments levied against Phase #1 Assessed Property, or the Annual Installments thereof, for the Phase #1 Improvements.

**“Phase #1 Assessment Roll”** means the document included in this Service and Assessment Plan as Appendix G, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service Plan Update.

**“Phase #1 Bonds”** mean those certain City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project) that are secured primarily by Phase #1 Assessment Revenues. The term Phase #1 Bonds may also include any additional bonds issued in the future to construct or acquire the Phase #1 Improvements currently being constructed pursuant to the Phase #1 Reimbursement Agreement and which, if issued, will also be secured by the Phase #1 Assessment Revenues.

**“Phase #1 Improvements”** mean the Authorized Improvements which only benefit Phase #1 Assessed Property, which are described in Section III.

**“Phase #1 Maximum Assessment Per Unit”** means for Phase #1, an Assessment per unit related to the Phase #1 Improvements for each applicable Lot Type as follows:

Lot Type 1 (60 Ft) - \$43,378.06

Lot Type 2 (50 Ft) - \$36,148.38

**“Phase #1 Reimbursement Agreement”** means that certain Sutton Fields East Public Improvement District Phase #1 Reimbursement Agreement dated as of January 11, 2022 by and between the City and the Developer in which the Developer agrees to fund certain Actual Costs of the Phase #1 Improvements and the City agrees to reimburse the Developer from a portion the Phase #1 Assessment Revenues for a portion of such Actual Costs funded by the Developer with interest as permitted by the PID Act.

**“Phased PID Bonds”** mean bonds issued to fund Authorized Improvements (or a portion thereof) in a Phase. In connection with the Phased PID Bonds, Assessments will be levied only on Parcels located within the Phase in question.

**“PID”** has the meaning set forth in Section I.A of this Service and Assessment Plan.

**“PID Act”** means Texas Local Government Code Chapter 372, Public Improvement District Assessment Act, Subchapter A, Public Improvement Districts, as amended.

**“Prepayment Costs”** mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the City as a result of any prepayment of an Assessment.

**“Public Property”** means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Denton County, the City, a school district or any other public agency, whether in fee simple or through an exclusive use easement.

**“Service and Assessment Plan”** means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

**“TIRZ No. 14”** means the Tax Increment Reinvestment Zone No. 14, City of Celina, Texas.

**“TIRZ Ordinance”** means an ordinance adopted by the City Council authorizing the use of TIRZ Revenues for project costs under the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, relating to the Authorized Improvements as provided for in the Tax Increment Reinvestment Zone No. 14 Project Plan and Financing Plan (including amendments or supplements thereto).

**“TIRZ Revenues”** mean, for each year, the amounts paid by the City and the County, if any, from TIRZ No. 14 tax increment fund pursuant to the TIRZ Ordinance to reduce an Annual Installment on Parcels within the PID, as calculated each year by the Administrator in collaboration with the City and the County (in the event of County participation), in accordance with Section VI of this Service and Assessment Plan.

**“Trustee”** means the fiscal agent or trustee as specified in the Trust Indenture, including a substitute fiscal agent or trustee.

**“Trust Indenture”** means an indenture of trust, ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended, and/or supplemented from time to time.

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## **II. PROPERTY INCLUDED IN THE PID**

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### **A. PROPERTY INCLUDED IN THE PID**

The PID is presently located within the extraterritorial jurisdiction of the City and contains approximately 110 acres of land. A map of the property within the PID is shown on Appendix A to this Service and Assessment Plan.

At completion, the PID is expected to consist of approximately 450 single family residential units, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID.

The property within the PID is proposed to be developed as follows:

**Table II-A**  
**Proposed Development**

| <b>Proposed Development</b> | <b>Quantity</b> | <b>Measurement</b> |
|-----------------------------|-----------------|--------------------|
| Single-Family - 60 Ft       | 87              | Units              |
| Single-Family - 50 Ft       | 363             | Units              |
| <b>Total</b>                | <b>450</b>      | <b>Units</b>       |

### **B. PROPERTY INCLUDED IN PHASE #1**

Phase #1 consists of approximately 52 acres and is projected to consist of 245 single family residential units, to be developed as Phase #1, as further described in Section III. A map of the property within Phase #1 is shown in Appendix A.

The property within Phase #1 is proposed to be developed as follows:

**Table II-B**  
**Proposed Development – Phase #1**

| <b>Proposed Development</b> | <b>Quantity</b> | <b>Measurement</b> |
|-----------------------------|-----------------|--------------------|
| Single-Family - 60 Ft       | 42              | Units              |
| Single-Family - 50 Ft       | 203             | Units              |
| <b>Total</b>                | <b>245</b>      | <b>Units</b>       |

### **C. PROPERTY INCLUDED IN FUTURE PHASES**

As Future Phases are developed, Phased PID Bonds may be issued and/or related reimbursement agreements may be executed for each new Phase. In connection with the issuance of each new Phased PID Bond and/ or each related reimbursement agreement, this Service and Assessment Plan will be updated to add additional details of each new Phase(s) as shown for Phase #1 in Section II.B. A map of the projected property within each Future Phase is shown in Appendix A. The Future

Phase(s) are shown for illustrative purposes only and are subject to adjustment. The current Parcels in the PID are shown on the Phase #1 Assessment Roll included as Appendix G and additional Assessment Rolls may be added to this Service and Assessment Plan as the Future Phase(s) are developed.

The estimated number of units at the build-out of the PID is based on the land use approvals for the property, the anticipated subdivision of property in the PID, and the Developer's estimate of the highest and best use of the property within the PID.

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### ***III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS***

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#### **A. AUTHORIZED IMPROVEMENT OVERVIEW**

##### 372.003. Authorized Improvements

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement may include:

- (i) landscaping;
- (ii) erection of fountains, distinctive lighting, and signs;
- (iii) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- (iv) construction or improvement of pedestrian malls;
- (v) acquisition and installation of pieces of art;
- (vi) acquisition, construction, or improvement of libraries;
- (vii) acquisition, construction, or improvement of off-street parking facilities;
- (viii) acquisition, construction, improvement, or rerouting of mass transportation facilities;
- (ix) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (x) the establishment or improvement of parks;
- (xi) projects similar to those listed in Subdivisions (i)-(x);
- (xii) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (xiii) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
- (xiv) payment of expenses incurred in the establishment, administration and operation of the district; and
- (xv) the development, rehabilitation, or expansion of affordable housing

After analyzing the public improvement projects authorized by the PID Act, the City has determined at this time to undertake only Authorized Improvements listed in Section III.B and III.C. below and shown in the opinion of probable costs shown in Appendix B and on the diagrams included as Appendix D for the benefit of the Assessed Property. Any change to the list of Authorized Improvements will require the approval of the City and an update to this Service and Assessment Plan.

## **B. DESCRIPTIONS AND COSTS OF PHASE #1 IMPROVEMENTS**

The Phase #1 Improvements descriptions are presented below as provided by the project engineer. The Budgeted costs of the Phase #1 Improvements are shown in Table III-A. The costs shown in Table III-A are estimates and may be revised in Annual Service Plan Updates, including such other improvements as deemed necessary to further improve the properties within the PID.

### Roadway Improvements

The road improvement portion of the Phase #1 Improvements consists of the construction of road improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Phase #1 Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### Water Improvements

The water improvements portion of the Phase #1 Improvements consists of construction and installation of a looped water main network, which includes waterlines, valves, fire hydrants, and appurtenances, necessary for the portion of the water distribution system that will service the Phase #1 Assessed Property. The water improvements will be designed and constructed in accordance with Mustang SUD standards and specifications and will be owned and operated by Mustang SUD.

### Sanitary Sewer Improvements

The sanitary sewer improvement portion of the Phase #1 Improvements consists of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Phase #1 Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with Mustang SUD standards and specifications and will be owned and operated by Mustang SUD.

### Storm Drainage Improvements

The storm drainage improvement portion of the Phase #1 Improvements consist of reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, junction boxes, inlets, headwalls, and appurtenances necessary to provide adequate drainage to the Phase #1 Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### Other Soft and Miscellaneous Improvements

The other soft and miscellaneous portion of the Phase #1 Improvements consist of site preparation, district formation costs, and other soft costs.

**Table III-A**  
**Estimated Authorized Improvement Costs – Phase #1**

| <b>Authorized Improvements</b>       | <b>Total<sup>1</sup></b> |
|--------------------------------------|--------------------------|
| Roadway improvements                 | \$1,777,930              |
| Water improvements                   | \$753,000                |
| Sanitary sewer improvements          | \$829,945                |
| Storm drainage improvements          | \$1,730,660              |
| Other soft and miscellaneous costs   | \$2,379,539              |
| <b>Total Authorized Improvements</b> | <b>\$7,471,074</b>       |

<sup>1</sup>Costs provided by Barraza Consulting Group, LLC. The figures shown in Table III-A may be revised in Annual Service Plan Updates and may be reallocated between line items so long as the total Authorized Improvements amount does not change.

**C. FUTURE PHASES**

As Future Phases are developed and Phased PID Bonds are issued and/or related reimbursement agreements are executed, this SAP will be amended to identify the specific Future Phase Improvements that confer a special benefit to the property inside each Future Phase (e.g. a Table III-B will be added to show the costs for the specific Authorized Improvements financed within the specific Future Phase being developed.)

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## ***IV. SERVICE PLAN***

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### **A. SOURCES AND USES OF FUNDS**

The PID Act requires the service plan to cover a period of at least five years. The service plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during the five year period. It is anticipated that it will take approximately 18 months for the Phase #1 Improvements to be constructed.

The Budgeted Costs for the Phase #1 Improvements and the expenses incurred in the establishment, administration, and operation of the PID allocable to Phase #1 are \$9,408,774 as shown in Table IV-A. The service plan shall be reviewed and updated at least annually for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll(s). Any update to this Service and Assessment Plan is herein referred to as an “Annual Service Plan Update.”

As Future Phases are developed in connection with the issuance of Phased PID Bonds and/ or execution of a related reimbursement agreement, this Service and Assessment Plan will be amended (e.g. Table IV-B will be amended to include Phase #2, etc.).

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**Table IV-A**  
**Estimated Sources and Uses – Phase #1**

| Sources of Funds                                     | Phase #1<br>Bonds  | Phase #1<br>Reimbursement<br>Agreement | Total              |
|--|--------------------|--|--------------------|
| Par amount (Phase #1 Bonds)                          | \$8,060,000        | \$0                                    | \$8,060,000        |
| Assessment amount (Phase #1 Reimbursement Agreement) | \$0                | \$1,100,000                            | \$1,100,000        |
| Other funding sources <sup>1</sup>                   | \$0                | \$248,774                              | \$248,774          |
| <b>Total Sources</b>                                 | <b>\$8,060,000</b> | <b>\$1,348,774<sup>2</sup></b>         | <b>\$9,408,774</b> |
| <b>Uses of Funds</b>                                 |                    |  |                    |
| <i>Authorized Improvements<sup>3</sup>:</i>          |                    |  |                    |
| Roadway improvements                                 | \$1,777,930        | \$0                                    | \$1,777,930        |
| Water improvements                                   | \$753,000          | \$0                                    | \$753,000          |
| Sanitary sewer improvements                          | \$829,945          | \$0                                    | \$829,945          |
| Storm drainage improvements                          | \$1,730,660        | \$0                                    | \$1,730,660        |
| Other soft and miscellaneous costs                   | \$1,030,765        | \$1,348,774                            | \$2,379,539        |
| <i>Subtotal</i>                                      | <i>\$6,122,300</i> | <i>\$1,348,774</i>                     | <i>\$7,471,074</i> |
| <i>Bond Issuance Costs:</i>                          |                    |  |                    |
| Cost of issuance                                     | \$523,900          | \$0                                    | \$523,900          |
| Capitalized interest                                 | \$604,500          | \$0                                    | \$604,500          |
| Reserve fund   | \$522,500          | \$0                                    | \$522,500          |
| Administrative Expense                               | \$45,000           | \$0                                    | \$45,000           |
| Underwriter's discount                               | \$241,800          | \$0                                    | \$241,800          |
| <i>Subtotal</i>                                      | <i>\$1,937,700</i> | <i>\$0</i>                             | <i>\$1,937,700</i> |
| <b>Total Uses</b>                                    | <b>\$8,060,000</b> | <b>\$1,348,774</b>                     | <b>\$9,408,774</b> |

<sup>1</sup>The other funding sources represent projects costs of the Phase #1 Improvements to be paid by the Developer without reimbursement from the City.

<sup>2</sup> These funds will be made available at the time of closing the Phase #1 Bonds.

<sup>3</sup> See Table III-A for details.

As Future Phases are developed, Bonds may be issued and/or a reimbursement agreement may be executed to finance the Authorized Improvements required for each new Phase.

## **B. FIVE YEAR SERVICE PLAN**

The annual projected costs and annual projected indebtedness is shown by Table IV-B on the following page. The annual projected costs and indebtedness is subject to revision, and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**Table IV-B**  
**Five Year Service Plan**  
**Annual Projected Costs and Annual Projected Indebtedness – Phase #1**

| <b>Year</b>  | <b>Annual Projected Cost</b> | <b>Annual Projected Indebtedness</b> | <b>Other Funding Sources</b> | <b>Projected Phase #1 Annual Installments</b> |
|--------------|------------------------------|--------------------------------------|------------------------------|---|
| 2022         | \$9,408,774                  | \$9,160,000                          | \$248,774                    | \$45,000                                      |
| 2023         | \$0                          | \$0                                  | \$0                          | \$156,700                                     |
| 2024         | \$0                          | \$0                                  | \$0                          | \$670,373                                     |
| 2025         | \$0                          | \$0                                  | \$0                          | \$668,819                                     |
| 2026         | \$0                          | \$0                                  | \$0                          | \$666,989                                     |
| 2027         | \$0                          | \$0                                  | \$0                          | \$669,884                                     |
| <b>Total</b> | <b>\$9,408,774</b>           | <b>\$9,160,000</b>                   | <b>\$248,774</b>             | <b>\$2,877,765</b>                            |

The annual projected costs shown in Table IV-B are the annual expenditures relating to the Phase #1 Improvements shown in Table III-A, and the costs associated with creating the PID and issuing the Phase #1 Bonds. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer. As Future Phases are developed, in association with issuing Bonds and/or execution of a reimbursement agreement for each Future Phase, a table will be added to identify the Authorized Improvements to be financed by each new series of Bonds and/or reimbursement agreement and the projected indebtedness resulting from each additional series of Bonds and/or reimbursement agreement.

**C. HOMEBUYER DISCLOSURE**

The PID Act requires that this Service and Assessment Plan and each Annual Service Plan update include a copy of the notice form required by Section 5.014 of the Texas Property Code. The homebuyer disclosure is attached hereto as Appendix E and may be updated in an Annual Service Plan Update.

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## ***V. ASSESSMENT PLAN***

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### **A. INTRODUCTION**

The PID Act requires the City Council to apportion the costs of the Authorized Improvements on the basis of special benefits conferred upon the property because of the Authorized Improvements. The PID Act provides that the costs of the Authorized Improvements may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

The proposed bond issuance program entails a series of bond financings that are intended to finance the public infrastructure required for the development. This financing will necessarily be undertaken in phases to coincide with the private investment and development of the Authorized Improvements. Following the issuance of the Phase #1 Bonds and approval of the Phase #1 Reimbursement Agreement, subsequent financings may be issued in the future as subsequent Future Phases are gradually constructed.

The purpose of this gradual issuance of bonds in phases is to mirror the actual private development of the Authorized Improvements. The bonds to be issued are most prudently and efficiently utilized when directly coinciding with construction of public infrastructure needed for private development that is to occur once the infrastructure is completed; it is most effective to issue the Bonds when the infrastructure is needed, not before. Furthermore, there is no economic advantage, and several disadvantages, to issuing debt and encumbering property within the PID prior to the need for the Authorized Improvements.

For purposes of this Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Authorized Improvements shall be allocated as described below:

1. The estimated costs of the Authorized Improvements shall be allocated on the basis of Equivalent Units once such property is developed, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements to Parcels similarly benefited.
2. The City Council has concluded that larger more expensive homes are likely to be built on the larger lots, and that larger more expensive homes are likely to make greater use of and receive greater benefit from the Authorized Improvements. In determining the relative values of Parcels, the City Council has taken into consideration (i) the type of development (i.e., residential, commercial, etc.), (ii) single-family lot sizes and the size of homes likely to be built on lots of different sizes, (iii) current and projected home prices provided by the Developer, (iv) the Authorized Improvements to be provided and the estimated costs, and (v) the ability of different property types to utilize and benefit from the Authorized

Improvements.

3. The Assessed Property is classified into different Lot Types as described in Appendix F based on the type and size of proposed development on each Parcel.
4. Equivalent Units are calculated for each Lot Type based on the relative average home value of each Lot Type.

At this time, it is impossible to determine with absolute certainty the amount of special benefit each Parcel within Future Phases will receive from the direct Authorized Improvements that will benefit each individual Phase and that are to be financed with Phased PID Bonds. Therefore, Parcels will only be assessed for the special benefits conferred upon the Parcel at this time because of the Phase #1 Improvements.

In connection with the issuance of Phased PID Bonds and/or execution of related reimbursement agreements, this Service and Assessment Plan will be updated to reflect the special benefit each Parcel of Assessed Property within a Future Phase receives from the specific Authorized Improvements funded with those Phased PID Bonds issued and/ or reimbursement agreement executed with respect to that Future Phases. Prior to assessing Parcels located within Future Phases in connection with issuance of Phased PID Bonds and/ or execution of a reimbursement agreement, each owner of the Parcels to be assessed must acknowledge that the Authorized Improvements to be financed confer a special benefit on their Parcel and must consent to the imposition of the Assessments to pay for the Actual Costs of such Authorized Improvements.

This section of this Service and Assessment Plan currently (i) describes the special benefit received by each Parcel within Phase #1 of the PID as a result of the Phase #1 Improvements, as applicable, (ii) provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments to be levied on the Phase #1 Assessed Property for such improvements, and (iii) establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Phase #1 Improvements to Parcels in a manner that results in equal shares of the Actual Costs of such improvements being apportioned to Parcels similarly benefited. The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

As Future Phases are developed, in connection with the issuance of Phased PID Bonds and/or execution of a related reimbursement agreement this Service and Assessment Plan will be updated based on the City's determination of the assessment methodology for each Future Phase.

## **B. SPECIAL BENEFIT**

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and

Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment of the PID shown in Table IV-A are authorized by the PID Act. These Authorized Improvements are provided specifically for the benefit of the Assessed Property.

Each owner of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed use of the property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Developer has evaluated the potential use of the property and has determined that the highest and best use of the property is the use intended and the legal use for the property as described in Section II of this Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

The special assessments will repay financing that is on advantageous terms, as the Bonds issued to finance the Authorized Improvements will pay interest that is exempt from federal income tax. As a result, all other terms being equal (e.g., maturity, fixed vs. variable rate, credit quality), the tax-exempt bonds will have a lower interest rate than debt that is not tax-exempt. The Bonds also have a longer term than other available financings and may either be repaid or assumed by a buyer at the buyer’s option. As a result of these advantageous terms, the financing provided by the PID is the most beneficial means of financing the Authorized Improvements.

Each owner of the Assessed Property will ratify, confirm, accept, agree to and approve: (i) the determinations and finding by the City Council as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved.

Funding the Actual Costs of the Authorized Improvements through the PID has been determined by the City Council to be the most beneficial means of doing so. As a result, the Authorized Improvements result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

In summary, the Authorized Improvements result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed best use of the property and provide a special benefit to the Assessed Property as a result;
2. The Developer has consented to the imposition of the Assessments for the purpose of providing the Authorized Improvements and the Developer is acting in its interest by consenting to this imposition;
3. The Authorized Improvements are required for the highest and best use of the property;
4. The highest and best use of the Assessed Property is the use of the Assessed Property that is most valuable (including any costs associated with the use of the Assessed Property);
5. Financing of the costs of the Authorized Improvement through the PID is determined to be the most beneficial means of providing for the Authorized Improvements; and,
6. As a result, the special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

### **C. ASSESSMENT METHODOLOGY**

The costs of the Authorized Improvements may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the Assessments. The costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

#### *1. Assessment Methodology for the Phase #1 Improvements*

For purpose of this Service and Assessment Plan, the City Council has determined that the Actual Costs of the Phase #1 Improvements to be financed with the Phase #1 Bonds and Phase #1 Reimbursement Agreement shall be allocated to the Phase #1 Assessed Property by spreading the entire Assessment across the Parcels within Phase #1 based on the estimated number of Equivalent Units anticipated to be developed on each Parcel.

Based on the Budgeted Costs of the Phase #1 Improvements, as set forth in Table III-A, the City Council has determined that the benefit to Phase #1 Assessed Property of the Phase #1 Improvements is at least equal to the Assessments levied on the Phase #1 Assessed Property.

Upon subsequent divisions of any Parcel within Phase #1, the Assessment applicable to it will then be apportioned pro rata based on the estimated Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Parcel based on the ratio of the estimated Equivalent Units at the time residential Lots are platted to the total estimated Equivalent Units for Lots in the platted Parcel, as determined by the Administrator and confirmed by the City Council.

The Assessment and Annual Installments for each Parcel or Lot located within Phase #1 is shown on the Phase #1 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

## 2. *Assessment Methodology for Future Phases*

When any given Future Phases is developed, and Phased PID Bonds for that Future Phases are to be issued and/ or a related reimbursement agreement is executed, this Service and Assessment Plan will be amended to determine the assessment methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited within that Phase.

## **D. ASSESSMENTS**

The Assessments will be levied on each Parcel within Phase #1 according to the Assessment Roll, attached hereto as Appendix G. The Annual Installments of the Assessments will be collected at the time and in the amounts shown on the Assessment Roll, subject to any revisions made during an Annual Service Plan Update. Non-Benefitted Property will not be subject to any Assessments.

See Appendix F for Assessment per unit, leverage, and estimated tax rate equivalent calculation details.

## **E. ADMINISTRATIVE EXPENSES**

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown on each Assessment Roll, which may be revised based on actual costs incurred in Annual Service Plan Updates.

## **F. ADDITIONAL INTEREST RESERVE**

Pursuant to the PID Act, the interest rate for any portion of the Assessments which secure a series of Bonds may exceed the actual interest rate per annum paid on the related Bonds by no more than one half of one percent (0.50%) (the “Additional Interest”). The interest rate used to determine the Assessments that secure the Phase #1 Bonds is one half of one percent (0.50%) per annum higher than the actual rate paid on the Phase #1 Bonds, with the Additional Interest Component of the Annual Installments allocated to fund a reserve to be used for paying interest associated with a prepayment and to offset any possible delinquency related costs (the “Additional Interest Reserve”). The Additional Interest Reserve shall be funded until it reaches 5.50% of the outstanding Phase #1

Bonds unless otherwise stipulated in the Bond documents. Once the Additional Interest Reserve is funded in full, the City may allocate the Additional Interest Component of the Annual Installments as provided in the applicable Trust Indenture. No Additional Interest will be collected from any portion of an Assessment which secures a reimbursement obligation and not a series of Bonds.

#### **G. TIRZ ANNUAL CREDIT**

Pursuant to the TIRZ Ordinance, the City has agreed to use TIRZ Revenues representing 13.22% of the City's increments generated from each Parcel in the PID to offset a portion of such Parcel's Assessments annually (the "TIRZ Annual Credit"). Currently the County is not participating in TIRZ No. 14. The Annual Installment for each Parcel in the PID shall be calculated by taking into consideration any TIRZ Annual Credit applicable to the Parcel in the PID then on deposit in TIRZ No. 14 tax increment fund. The TIRZ Annual Credit applicable to each Parcel in the PID shall be calculated as described under Section VI of this Service and Assessment Plan.

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## ***VI. TERMS OF THE ASSESSMENTS***

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### **A. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN PHASE #1**

The Assessment and Annual Installments for each Assessed Property located within the PID is shown on the Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

The Annual Installments shall be collected from the Assessed Property in an amount sufficient to pay (i) principal and interest on the Phase #1 Bonds and Phase #1 Reimbursement Agreement (ii) to fund the Additional Interest Reserve described in Section V, and (iii) to pay Administrative Expenses related to the PID. The Annual Installment for each Parcel in the PID shall be calculated by taking into consideration any available capitalized interest applicable to the Parcel.

### **B. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN FUTURE PHASES**

As Future Phases are developed, this Service and Assessment Plan will be amended to determine the Assessment and Annual Installments for each Assessed Property located within Future Phases (e.g., an Appendix will be added as the Assessment Roll for Phase #2, etc.). The Assessments shall not exceed the benefit received by the Assessed Property.

### **C. REALLOCATION OF ASSESSMENTS**

#### **1. Subdivision**

Upon the subdivision of any Parcel, the Assessment for the Parcel prior to the subdivision shall be reallocated among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel
- B = the Assessment for the Parcel prior to subdivision
- C = the estimated number of Equivalent Units to be built on each new subdivided Parcel
- D = the sum of the estimated number of Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of Equivalent Units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of Equivalent Units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

## **2. Consolidation**

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

### **D. MANDATORY PREPAYMENT OF ASSESSMENTS**

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act.
2. If at any time the Assessment per Unit on a Parcel exceeds the applicable Phase #1 Maximum Assessment per Unit calculated in this Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by this Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the City prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Unit for the Parcel exceeds the applicable Phase #1 Maximum Assessment per Unit calculated in this Service and Assessment Plan.
3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

### **E. REDUCTION OF ASSESSMENTS**

1. If after all Authorized Improvements to be funded with a series of Bonds and/ or reimbursement agreement have been completed and Actual Costs for such Authorized Improvements are less than the Actual Costs or Budgeted Costs of the Authorized Improvements used to calculate the Assessments securing such series of Bonds and/ or related reimbursement agreement, resulting in excess Bond proceeds being available to redeem Bonds and/ or reduce obligations under a reimbursement agreement, as the case may be, and such excess proceeds shall be applied to

redeem Bonds and/ or the obligations under a reimbursement agreement may be reduced as provided in the Indenture or the terms of the reimbursement agreement, then the Assessment securing such series of Bonds and/ or related reimbursement agreement for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the reduced Actual Costs. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds and/ or amounts due under a related reimbursement agreement. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

2. If all the Authorized Improvements are not undertaken, resulting in excess Bonds proceeds being available to redeem Bonds and/ or a need to reduce the obligations under a reimbursement agreement, and such excess proceeds shall be applied to redeem Bonds and/ or reduce obligations under a reimbursement agreement, as the case may be, as provided in the Indenture or the terms of the reimbursement agreement, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the City Council to reflect only the amounts required to repay the Bonds and/ or repay obligations under a reimbursement agreement, including interest on the Bonds (including Additional Interest) and/ or interest due under a reimbursement agreement and Administrative Expenses. The City Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on number of units, if determined by the City Council to be the most fair and practical means of reducing the Assessments for each Parcel, such that the sum of the resulting reduced Assessments equals the amount required to repay the Bonds and/ or repay the obligations under a reimbursement agreement, including interest thereon and Administrative Expenses. The principal portion of the Assessment for each Parcel shall be reduced pro rata to the reduction in the Assessments for each Parcel such that the sum of the resulting reduced principal portion of the Bonds and/ or obligations under a reimbursement agreement is equal to the outstanding principal amount of the Bonds and/ or reimbursement agreement.

## **F. PAYMENT OF ASSESSMENTS**

### **1. Payment in Full**

- (a) The Assessment for any Parcel may be paid in full at any time. Such payment shall include all Prepayment Costs. If prepayment in full will result in redemption of Bonds, the payment amount shall be reduced by the amount, if any, of interest through the date of redemption of Bonds and reserve funds applied to the redemption under the Trust Indenture, net of any other costs applicable to the redemption of Bonds.
- (b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.
- (c) Upon payment in full of the Assessment and all Prepayment Costs, the City shall deposit the payment in accordance with the Trust Indenture; whereupon, the Assessment shall be reduced

to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.

- (d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part in an amount sufficient to allow for a convenient redemption of Bonds as determined by the Administrator. Upon the payment of such amounts for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

## **2. Payment in Annual Installments**

The PID Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the PID Act authorizes the Assessment to be paid in installments and additionally allows the City to collect interest, administrative expenses and other authorized charges in installments. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown on the Assessment Roll, as updated as provided for herein, which include interest, Administrative Expenses, and payments required for the Additional Interest Reserve. Payment of the Annual Installments shall commence with tax bills mailed after the initial issuance of Bonds.

Each Assessment shall be paid with interest of no more than the actual interest rate paid on the Phase #1 Bonds and the Phase #1 Reimbursement Agreement, as applicable, and as described below. The Phase #1 Assessment Roll sets forth for each year the Annual Installment for each Parcel within Phase #1 based on an interest rate of 4.50%, and, with respect to the portion of the Assessment to be collected from the Phase #1 Assessed Property to secure the Phase #1 Bonds, an additional interest at the rate of 0.5% for the Additional Interest Reserve. Interest on the portion of the Assessments collected from the Phase #1 Assessed Property that secure the Phase #1 Reimbursement Agreement shall be paid based on an interest rate of 4.50% per annum for years 1 through 30 (2022-2052) in accordance with the Phase #1 Reimbursement Agreement. Each Assessment shall be paid at a rate not to exceed five hundred basis points above the highest average index rate for tax-exempt bond reported in a daily or weekly bond index approved by the City and reported in the month prior to the date of the establishment of the Assessments and continuing for a period of five years from such date. Such rate shall then adjust and shall not exceed two hundred basis points above the bond index rate described above and shall continue until the Assessments are paid in full. The index approved by the City is the Bond Buyer Index for which the highest average rate during 30 days prior to the levy of Assessments was █%. The City has determined that the portion of the Assessments that secure the City's obligation under the Phase #1 Reimbursement Agreement shall bear interest at the interest rate of 4.50% per annum for years 1 through 30 (2022-2052), which rates are equal to or less than the initial maximum allowable rate of interest of █% for years 1 through 5 and equal to the maximum allowable rate of interest following the fifth Annual Installment, which would be █%. Furthermore, the Annual Installments may not exceed the amounts shown on the Assessment Roll.

The Annual Installments shall be reduced to equal the actual costs of repaying the Phase #1 Bonds and/or Phase #1 Reimbursement Agreement 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 City reserves and shall have the right and option to refund the Bonds and/or issue additional Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installments so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds, and such refunding bonds shall constitute Bonds for purposes of this Service and Assessment Plan.

#### **G. COLLECTION OF ANNUAL INSTALLMENTS**

No less frequently than annually, the Administrator shall prepare, and the City Council shall consider, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include updated Assessment Rolls and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment shall be reduced by any credits applied under the applicable Trust Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any existing deposits for a prepayment reserve and for Parcels located within Phase #1, and any applicable TIRZ Annual Credit. Annual Installments shall be collected by the City in the same manner and at the same time as ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated as of September 1 and updated annually. 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 relating to the Phase #1 Bonds and the Phase #1 Reimbursement Agreement will be due when billed and will be delinquent if not paid prior to February 1, 2023.

#### **H. SURPLUS FUNDS REMAINING IN THE PHASE # 1 BOND ACCOUNT**

If proceeds from the Phase #1 Bonds remain after all of the Phase #1 Improvements are constructed and accepted by the City, the proceeds may be utilized in accordance with the applicable Trust Indenture.

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## VII. THE ASSESSMENT ROLL

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### A. PHASE #1 ASSESSMENT ROLL

The City Council has evaluated each Parcel in Phase #1 (based on numerous factors such as the applicable zoning for developable area, the use of proposed Homeowner Association Property, the Public Property, the types of public improvements, and other development factors deemed relevant by the City Council) to determine the amount of Assessed Property within the Phase #1.

The Phase #1 Assessed Property will be assessed for the special benefits conferred upon the property resulting from the Phase #1 Improvements. Table VII-A summarizes the \$9,408,774 in special benefit received by the Phase #1 Assessed Property from the Phase #1 Improvements (including both the portion to be paid from with proceeds of the Phase #1 Bonds as well as from funds contributed under the Phase #1 Reimbursement Agreement), the costs of the PID formation, and the Phase #1 Bond issuance costs. The par amount of the Phase #1 Bonds and the principal amount due pursuant to the terms of the Phase #1 Reimbursement Agreement is, collectively, \$9,160,000, which is less than the benefit received by the Phase #1 Assessed Property. Accordingly, the total Assessment to be applied to all the Phase #1 Assessed Property is \$9,160,000 plus, interest, Additional Interest, and annual Administrative Expenses. The Assessment for each Phase #1 Assessed Property is calculated based on the allocation methodologies described in Section V.C. The Phase #1 Assessment Roll is attached hereto as Appendix G.

**Table VII-A**  
**Phase #1**  
**Special Benefit Summary**

| <b>Special Benefit</b>                                 | <b>Total Cost</b>  |
|--|--------------------|
| Total Authorized Improvements <sup>1</sup>             | \$7,471,074        |
| <u>Estimated PID Formation/Bond Costs of Issuance:</u> |                    |
| Cost of issuance                                       | \$523,900          |
| Capitalized interest                                   | \$604,500          |
| Reserve fund   | \$522,500          |
| Administrative Expense                                 | \$45,000           |
| Underwriter's discount                                 | \$241,800          |
| <i>Subtotal Estimated Bond Issuance Costs</i>          | <i>\$1,937,700</i> |
| <b>Total Special Benefit</b>                           | <b>\$9,408,774</b> |
| <u>Special Benefit:</u>                                |                    |
| Total Special Benefit                                  | \$9,408,774        |
| Projected Assessment                                   | \$9,160,000        |
| <b>Excess Benefit</b>                                  | <b>\$248,774</b>   |

<sup>1</sup>See Table III-A for details.

## **B. FUTURE PHASES ASSESSMENT ROLLS**

As Future Phases are developed, this SAP will be amended to determine the Assessment for each Parcel or Lot located within such Future Phases (e.g. an appendix will be added as the Assessment Roll for Future Phases).

## **C. ANNUAL ASSESSMENT ROLL UPDATES**

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Phase #1 Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by this Service and Assessment Plan or in the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.F of this Service and Assessment Plan.

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## ***VIII. MISCELLANEOUS PROVISIONS***

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### **A. ADMINISTRATIVE REVIEW**

The City may elect to designate a third party to serve as Administrator. The City shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the PID Act, an owner of an Assessed Parcel claiming that a calculation error has been made in the Assessment Roll(s), including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the City Council for approval to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll(s) pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the City Council, the decision of the City Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

### **B. TERMINATION OF ASSESSMENTS**

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable “Notice of the PID Assessment Termination”.

### **C. AMENDMENTS**

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.



The City Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels:(i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, collection costs, and other charges imposed by the Service and Assessment Plan.

#### **D. ADMINISTRATION AND INTERPRETATION OF PROVISIONS**

The City Council shall administer the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Trust Indenture, such determination shall be conclusive.

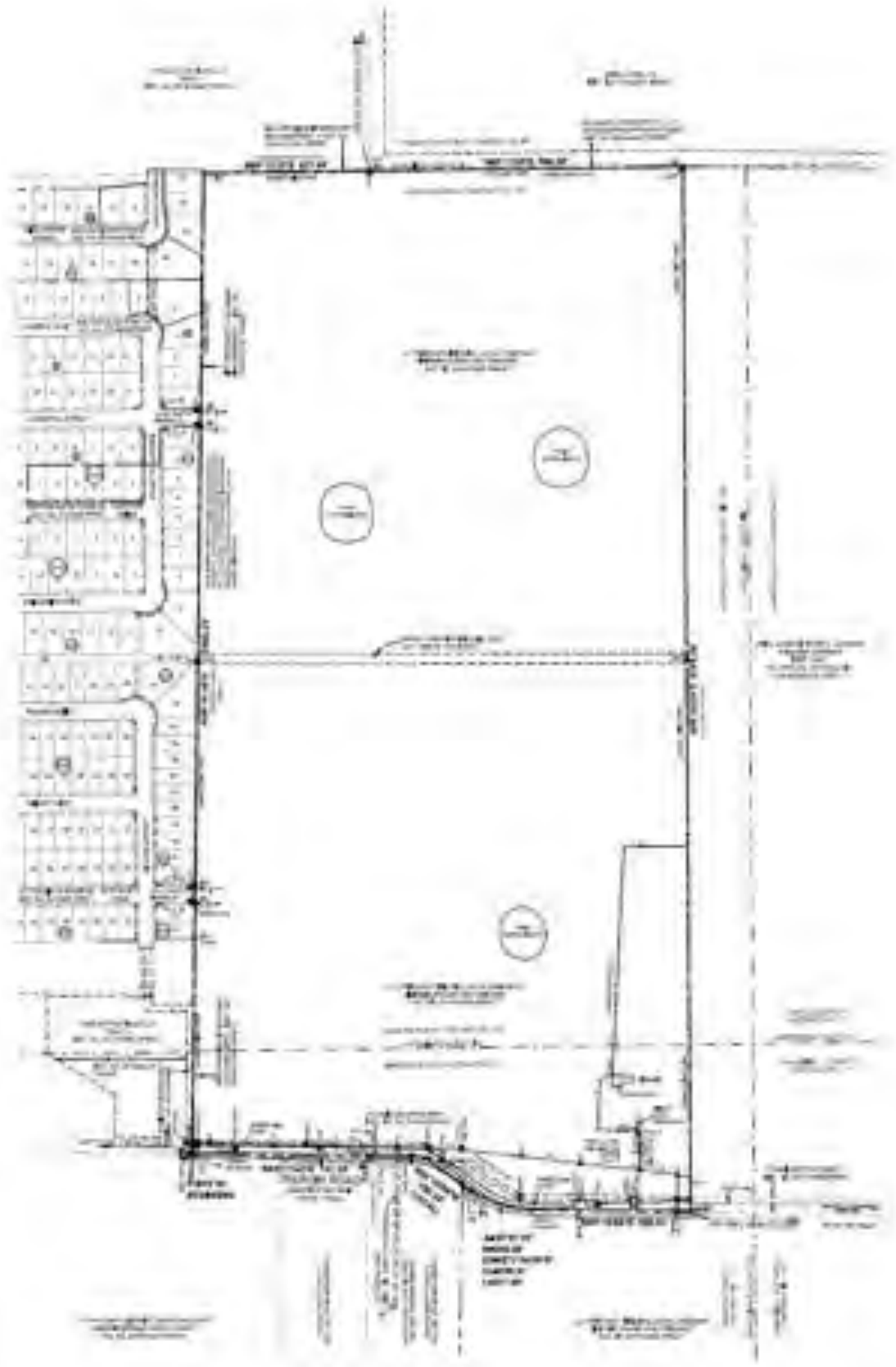
#### **E. SEVERABILITY**

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

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**APPENDIX A**  
**PID MAP**



S:\2019\2019011-00 Sutton Fields East - Carey\Trace\06-CAD\04-EXHIBITS\201906-06\Sutton Fields East Concept Plan 07262021.dwg Jul 26, 2021 - 1:24 pm chmcock



**Sutton Fields East Concept Plan 6**

data summary

|                           |         |         |
|---------------------------|---------|---------|
| Gross Site Area:          | 110 AC. |         |
| Residential Lots          | Acres   | Gross % |
| Public Open Space         | 93.9    | 85%     |
| Detention                 | 8.3     | 8%      |
|                           | 7.8     | 7%      |
| Residential Product Type: | Lots    | %       |
| 50'x 115' Lot             | 363     | 81%     |
| 60'x 115' Lot             | 87      | 19%     |
| Total Lots                | 450     | 100%    |

**APPENDIX B**  
**ESTIMATED COSTS OF AUTHORIZED IMPROVEMENTS**

COMMUNITY NAME: Sutton Fields East  
 PHASES: Full Development  
 CITY OR TOWN: Celina ETJ

GROSS ACREAGE: 110.4  
 NET ACREAGE: 110.4  
 TOTAL LOTS: 450  
 TOTAL DENSITY: 4.08



CREATED BY: CH  
 REVIEWED BY: AB  
 CREATED: 06/03/21  
 REVISED: 11/05/21

| Direct Phase Costs                       | TOTALS               | PHASE 1             | PHASE 2              | NOTES |
|--|----------------------|---------------------|----------------------|-------|
| 1 Site Preparation                       | \$ 1,663,803         | \$ 810,468          | \$ 853,335           |       |
| 2 Water System                           | \$ 1,755,790         | \$ 753,000          | \$ 1,002,790         |       |
| 3 Sanitary Sewer System                  | \$ 1,465,970         | \$ 829,945          | \$ 636,025           |       |
| 4 Storm Drain System                     | \$ 3,283,930         | \$ 1,730,660        | \$ 1,553,270         |       |
| 5 Roadway Improvements                   | \$ 4,965,685         | \$ 1,777,930        | \$ 3,187,755         |       |
| 6 Screening Walls & Landscaping          | \$ 172,518           | \$ -                | \$ 172,518           |       |
| 7 Park Amenities & Trails                | \$ 197,400           | \$ 3,000            | \$ 194,400           |       |
| 8 Prof. & Other Soft Cost                | \$ 2,452,829         | \$ 1,166,071        | \$ 1,286,758         |       |
| 9 Contingency 0%                         | \$ 321,491           | \$ -                | \$ 321,491           |       |
| 10 District Formation/ Legal/ Consulting | \$ 800,000           | \$ 400,000          | \$ 400,000           |       |
|  | \$ 17,079,416        | \$ 7,471,074        | \$ 9,608,342         |       |
| Major Improvements Costs                 | TOTALS               | PHASE 1             | FUTURE PHASES        | NOTES |
| 1 Site Preparation                       | \$ -                 |                     |                      |       |
| 2 Water System                           | \$ -                 |                     |                      |       |
| 3 Sanitary Sewer System                  | \$ -                 |                     |                      |       |
| 4 Storm Drain System                     | \$ -                 |                     |                      |       |
| 5 Roadway Improvements                   | \$ -                 |                     |                      |       |
| 6 Screening Walls                        | \$ -                 |                     |                      |       |
| 7 Landscape & Hardscape                  | \$ -                 |                     |                      |       |
| 8 Park Amenities & Trails                | \$ -                 |                     |                      |       |
| 9 Prof. & Other Soft Cost                | \$ -                 |                     |                      |       |
| 10 Contingency 0%                        | \$ -                 |                     |                      |       |
| 12 District Formation Costs              | \$ -                 |                     |                      |       |
| 13                                       | \$ -                 |                     |                      |       |
|  | \$ -                 | \$ -                | \$ -                 |       |
| Private Costs                            | TOTALS               | PHASE 1             | FUTURE PHASES        | NOTES |
| 1 Site Preparation                       | \$ 1,203,750         | \$ 655,375          | \$ 548,375           |       |
| 2 Water System                           | \$ -                 | \$ -                | \$ -                 |       |
| 3 Sanitary Sewer System                  | \$ -                 | \$ -                | \$ -                 |       |
| 4 Storm Drain System                     | \$ -                 | \$ -                | \$ -                 |       |
| 5 Roadway Improvements                   | \$ -                 | \$ -                | \$ -                 |       |
| 6 Screening & Retaining Walls            | \$ 872,278           | \$ 302,200          | \$ 570,078           |       |
| 7 Franchise Utilities & Street Lights    | \$ 1,450,000         | \$ 785,000          | \$ 665,000           |       |
| 8 Park Amenities & Trails                | \$ 254,400           | \$ 30,000           | \$ 224,400           |       |
| 9 Prof. & Other Soft Cost                | \$ 493,384           | \$ 258,783          | \$ 234,601           |       |
| 10 Contingency 0%                        | \$ 213,691           | \$ 101,568          | \$ 112,123           |       |
| 11                                       | \$ -                 | \$ -                | \$ -                 |       |
|  | \$ 4,487,503         | \$ 2,132,926        | \$ 2,354,577         |       |
| <b>TOTALS</b>                            | <b>\$ 21,566,919</b> | <b>\$ 9,604,000</b> | <b>\$ 11,962,920</b> |       |
| <i>per lot</i>                           | <b>\$ 47,926</b>     | <b>\$ 39,200</b>    | <b>\$ 58,356</b>     |       |
| 50' Lots                                 | 363                  | 203                 | 160                  |       |
| 60' Lots                                 | 87                   | 42                  | 45                   |       |
| Total Lots                               | <b>450</b>           | <b>245</b>          | <b>205</b>           |       |

**THIS OPINION OF PROBABLE COST WAS PREPARED BASED ON BEST AVAILABLE INFORMATION AND SHOULD BE USED FOR PROJECT EVALUATION ONLY.**

**NOTES**

- 1 Development cost does not include: City/District/County Fees, Bonds, & Permits
- 2 Development cost does not include: Rock Excavation.
- 3 Professional Fees do not include: Land Entitlements, Feasibility, Boundary Survey, Topographic Survey, Tree Survey, Tree Mitigation, Impact Fees, Flood Studies, Environmental, Wetlands, SWPPP Administration, or Traffic Studies.

**APPENDIX C**  
**LEGAL DESCRIPTION**

## PROPERTY METES AND BOUNDS DESCRIPTION

BEING that certain tract of land situated in the Jacob Rue Survey, Abstract No. 1109, and the Hiram Rue Survey, Abstract No. 1111, in Denton County, Texas, and being part of that certain tract of land described in deed to Jo Lynn Carey Ninemire, Laura Jean Carey Ninemire, and Mark Carlton Carey recorded in Document No. 2014-16824, of the Real Property Records of Denton County, Texas (RPRDCT), and being more particularly described as follows:

BEGINNING at a 60D nail in asphalt found in the approximate center of Parvin Road (undedicated public road), said nail being an ell corner of a line described in Boundary Line Agreement recorded in Instrument No. 2005-122140, RPRDCT, from which a 3/8-inch iron rod found bears North 89°11'44" West, a distance of 1163.46 feet;

THENCE North 00°41'45" East, with a line described in said Boundary Line Agreement, as located on a west line of said Carey tract, a distance of 2985.21 feet to a 1/2-inch iron rod found for corner;

THENCE North 89°13'31" East, with a line described in said Boundary Line Agreement, as located on the most northerly line of said Carey tract, a distance of 527.69 feet to a capped 5/8-inch iron rod found for corner;

THENCE North 89°13'50" East, with the most northerly line of said Carey tract, and the south line of that certain tract of land described in deed to Smiley Road, Ltd. recorded in Instrument No. 2006-2064, RPRDCT, a distance of 998.50 feet to a 1/2-inch iron rod found for corner at the most northerly northeast corner of said Carey tract, and the northwest corner of that certain tract of land described as First Tract in deed to Brice Jackson, Bobby C. Jackson, and Nolan P. Jackson recorded in Volume 4910, Page 2975 (Document No. 2001-R0089934), RPRDCT;

THENCE South 00°26'26" East, with the most northerly east line of said Carey tract and the west line of said Jackson tract, passing at a called distance of 3155.56 feet an interior ell corner of said Carey tract, continuing in all, a total distance of 3181.36 feet to a 3/8-inch iron rod found for corner in said approximate center of Parvin Road;

THENCE North 89°16'58" West, over and across said Carey tract, and with the approximate center of Parvin Road, a distance of 505.81 feet to a point for corner at the beginning of a tangent curve to the right;

THENCE northwesterly, continuing over and across said Carey tract, and said approximate center of Parvin Road, and with said curve having a central angle of 33°01'00", a radius of 350.00 feet, a chord which bears North 72°46'28" West, a chord distance of 198.91 feet, and an arc distance of 201.69 feet to the end of said curve, a point for corner;

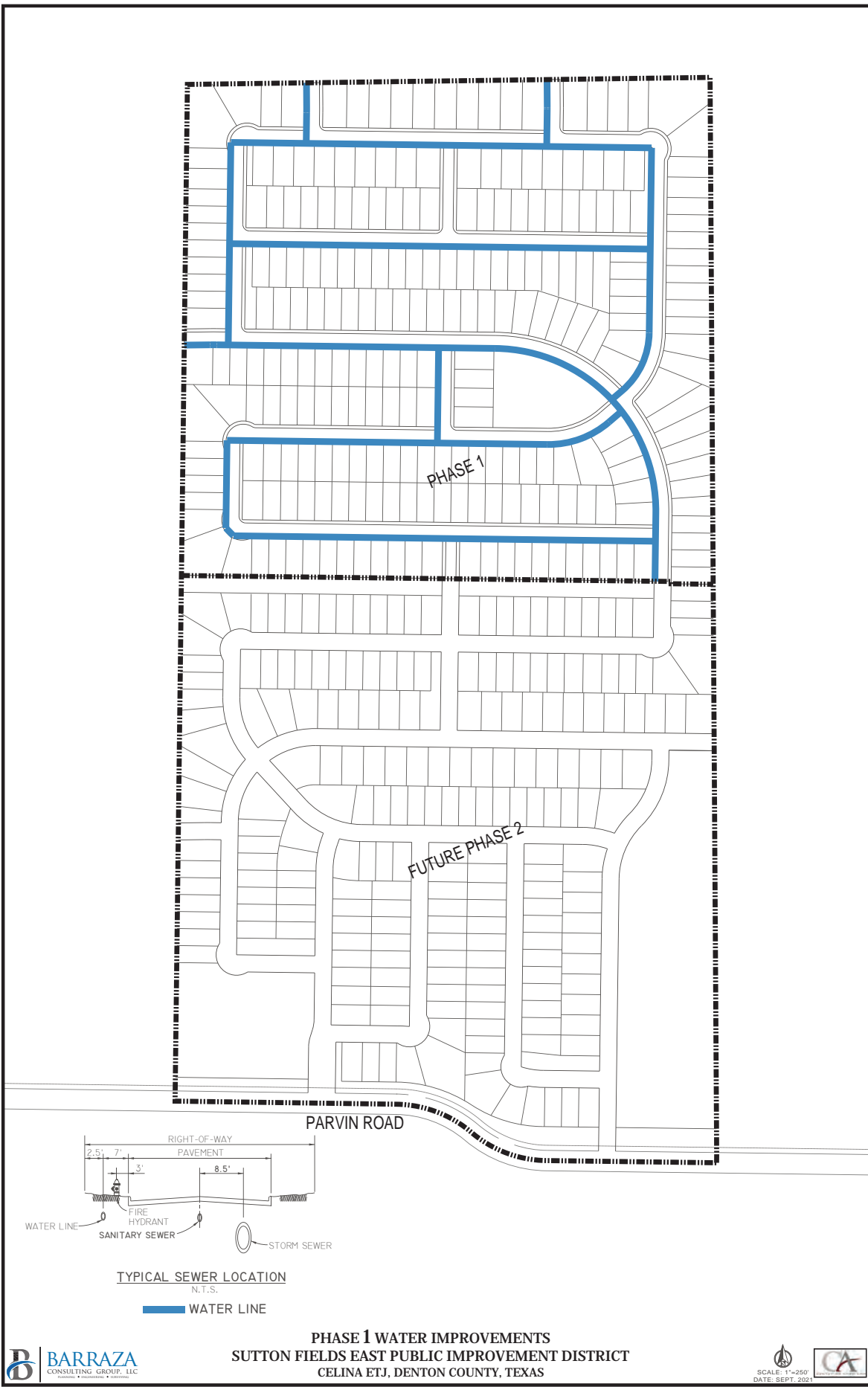
THENCE North 56°15'58" West, continuing over and across said Carey tract, and said approximate center of Parvin Road, passing at a distance of 38.18 feet a PK nail found at the northeast corner of that certain tract of land described in deed to Mark Carey and Cathi Carey recorded in Document No. 2007-985, RPRDCT (Save and Excepted as Tract 2 in said Carey deed recorded in Document No. 2014-16824, RPRDCT), continuing with the northerly line of said Mark Carey and Cathi Carey tract, in all, a total distance of 180.24 feet to a point for corner;

THENCE North 89°11'44" West, continuing with said approximate center of Parvin Road, and with said northerly line of the Mark Carey and Cathi Carey tract, passing at a distance of 181.00 feet a PK nail found at the northwest corner of said Mark Carey and Cathi Carey tract, and the northeast corner of that certain tract of land Save and Excepted as Tract 1 in said Carey deed recorded in Document No. 2014-16824, RPRDCT, passing the called northwest corner of said Tract 1 at a distance of 456.77 feet, continuing with said approximate center of Parvin Road, in all, a total distance of 741.18 feet to the POINT OF BEGINNING, containing an area of 109.926 acres of land.



**APPENDIX D**  
**DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS**

S:\2019\2019011-00 Sutton Fields East - Careys Transit\06-CAD\04-EXHIBITS\201906-06Sutton Fields East PH1 Water\09242021.dwg Sep 24, 2021 - 1:22 pm dbarrack



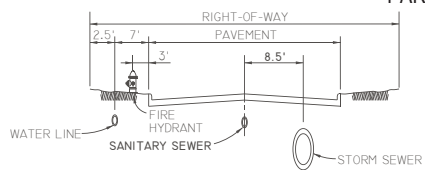
S:\2019\2019011-00 Sutton Fields East - Carays Tract\06-CAD\04-EXHIBIT S201906-06\Sutton Fields East PH1 Sewers 09242021.dwg Sep 24, 2021 - 1:23 pm on work



PHASE 1

FUTURE PHASE 2

PARVIN ROAD



TYPICAL SEWER LOCATION  
N.T.S.

SEWER LINE

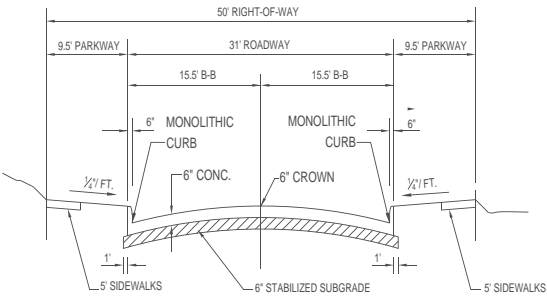
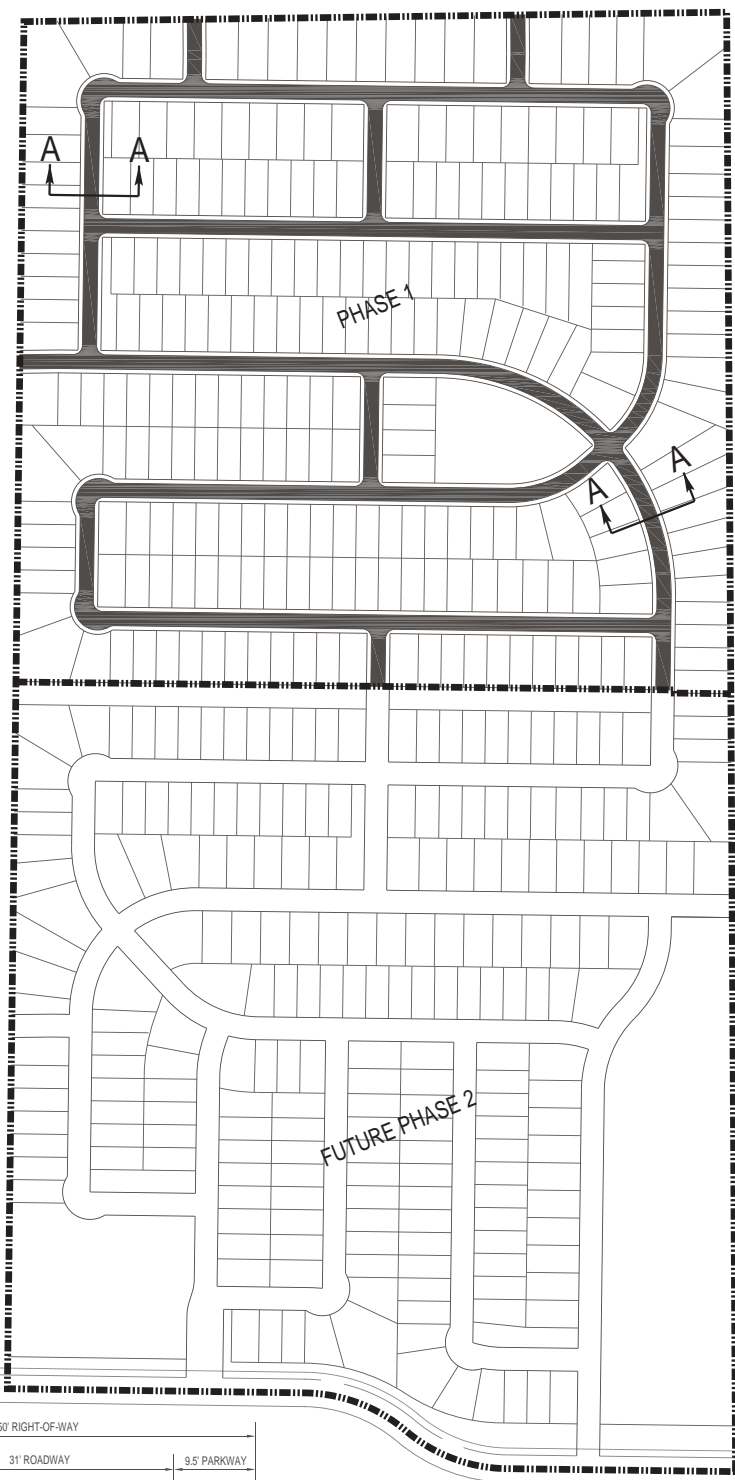


**PHASE 1 SEWER IMPROVEMENTS**  
**SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT**  
**CELINA ETJ, DENTON COUNTY, TEXAS**

SCALE: 1"=250'  
DATE: SEPT. 2021



S:\2019\2019\11-00 Sutton Fields East - Carays Tract\06-CAD\04-EXHIBIT S\201906-06\Sutton Fields East PID Ph1 Roads 05242021.dwg Sep 24, 2021 - 1:20 pm - dlancock



TYPICAL 31' A-A ROADWAY PAVING SECTION  
SCALE: NTS

**PHASE 1 ROADWAY IMPROVEMENTS**  
**SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT**  
**CELINA ETJ, DENTON COUNTY, TEXAS**



**APPENDIX E**  
**HOMEBUYER DISCLOSURE**

AFTER RECORDING RETURN TO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_]<sup>1</sup>

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO  
CITY OF CELINA, TEXAS  
CONCERNING THE FOLLOWING PROPERTY

\_\_\_\_\_  
STREET ADDRESS

**LOT TYPE** \_\_\_\_\_ **PRINCIPAL ASSESSMENT: \$** \_\_\_\_\_

As the purchaser of the real property described above, you are obligated to pay assessments to the City of Celina, Texas (the "City"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within ***Sutton Fields East Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the City. The exact amount of each annual installment will be approved each year by the City Council in the annual service plan update for the district. More information about the assessments, including the amounts and due dates, may be obtained from the City.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

\_\_\_\_\_

<sup>1</sup> To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

\_\_\_\_\_  
SIGNATURE OF  
PURCHASER

\_\_\_\_\_  
SIGNATURE OF  
PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

\_\_\_\_\_  
SIGNATURE OF SELLER

\_\_\_\_\_  
SIGNATURE OF SELLER]<sup>2</sup>

---

<sup>2</sup> To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.





The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

\_\_\_\_\_  
SIGNATURE OF SELLER

\_\_\_\_\_  
SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF DENTON

§

§

The foregoing instrument was acknowledged before me by \_\_\_\_\_ and \_\_\_\_\_, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this \_\_\_\_\_, 20\_\_.

Notary Public, State of Texas]<sup>4</sup>

\_\_\_\_\_

<sup>4</sup> To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

**APPENDIX F**  
**ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX RATE**  
**EQUIVALENTS**

**Appendix F**

For purposes of calculating and allocating the Assessments, the Assessed Property has been classified in one of two Lot Types.

“**Lot Type 1**” means lots identified as such on the Assessment Roll, being lots typically with a Lot width of approximately 60 feet, as provided by the development standards shown in the Development Agreement.

“**Lot Type 2**” means lots identified as such on the Assessment Roll, being lots typically with a Lot width of approximately 50 feet, as provided by the development standards shown in the Development Agreement.

**A) Proposed Development**

Table F-1 shows the proposed residential units to be developed within the PID.

**Table F-1**  
**Proposed Development within the PID**

| <b>Description</b>    | <b>Proposed Development</b> |              |
|-----------------------|-----------------------------|--------------|
| Single-Family - 60 Ft | 87                          | Units        |
| Single-Family - 50 Ft | 363                         | Units        |
| <b>Total</b>          | <b>450</b>                  | <b>Units</b> |

Table F-2 shows the proposed residential units within Phase #1.

**Table F-2**  
**Proposed Development – Phase #1**

| <b>Description</b>    | <b>Proposed Development</b> |              |
|-----------------------|-----------------------------|--------------|
| Single-Family - 60 Ft | 42                          | Units        |
| Single-Family - 50 Ft | 203                         | Units        |
| <b>Total</b>          | <b>245</b>                  | <b>Units</b> |

**B) Calculation of Equivalent Units**

As explained under Section IV.D, for purpose of this Service and Assessment Plan, the City Council has determined that the Actual Costs of the Phase #1 Improvements to be financed with the Phase #1 Bonds and the Phase #1 Reimbursement Agreement shall be allocated to the Phase #1 Assessed Property by spreading the entire Assessment across the Parcels within Phase #1 based on the estimated Equivalent Units.

For purposes of this Service and Assessment Plan, the City Council has determined that the Assessments shall be allocated to Phase #1 Assessed Property on the basis of the average home value of each Lot Type, and that such method of allocation will result in the imposition of equal

shares of the Assessments on Parcels similarly benefited. In determining the average home value of each Lot Type, the City Council has taken into consideration (i) the type of lots (i.e., 60 Ft, 50 Ft, etc.); (ii) current and projected home prices; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the City Council has determined that allocating the Assessments among Parcels based on average home value is best accomplished by creating classifications of benefited Parcels based on the “Lot Types” defined above. These classifications (from Lot Type 1 (60 Ft Lots) representing the highest value to Lot Type 2 (50 Ft Lot) representing the lowest value for residential lots are set forth in Table F-3. Assessments are allocated to each Lot Type on the basis of the average home value for each class of lots. This is accomplished by giving each Lot Type an Equivalent Unit factor. Equivalent Units are the ratio of the average value of lots within each assessment class, setting the Equivalent Unit factor for Lot Type 1 (60 Ft Lots) to 1.0.

**Table F-3**  
**Equivalent Unit Factors**

| <b>Lot Type</b>    | <b>Estimated<br/>Average Unit<br/>Value</b> | <b>Equivalent Unit<br/>Factor</b> |
|--------------------|---|-----------------------------------|
| Lot Type 1 (60 Ft) | \$378,000                                   | 1.00 per dwelling unit            |
| Lot Type 2 (50 Ft) | \$315,000                                   | 0.83 per dwelling unit            |

The total estimated Equivalent Units for Phase #1 are shown in Table F-4 as calculated based on the Equivalent Unit factors shown in Table F-3, estimated Lot Types and number of units estimated to be built within Phase #1.

**Table F-4**  
**Estimated Equivalent Units - Phase #1**

| <b>Lot Type</b>               | <b>Planned No.<br/>of units</b> | <b>Equivalent<br/>Unit Factor</b> | <b>Total<br/>Equivalent Units</b> |
|-------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Lot Type 1 (60 Ft)            | 42                              | 1.00                              | 42.00                             |
| Lot Type 2 (50 Ft)            | 203                             | 0.83                              | 169.17                            |
| <b>Total Equivalent Units</b> | <b>245</b>                      |                                   | <b>211.17</b>                     |

**C) Allocation of Assessments to Lots within Phase #1**

As shown in Section IV of this Service and Assessment Plan, the total amount of the Phase #1 Bonds and the amount due under the Phase #1 Reimbursement Agreement, which represents the total Assessment to be allocated on all Parcels within Phase #1, is \$9,160,000. As shown in Table F-4, there are a total of 211.17 estimated Equivalent Units in Phase #1, resulting in an Assessment per Equivalent Unit of \$43,378.06.

The Assessment per dwelling unit or acre is calculated as the product of (i) \$43,378.06 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, The Assessment for a Lot Type 1 (60 Ft Lot) dwelling unit is \$43,378.06 (i.e. \$43,378.06 x 1.00). The Assessment for a Lot Type 2 (50 Ft Lot) dwelling unit is \$36,148.38 (i.e. \$43,378.06 x 0.83). Table F-5 sets forth the Assessment per dwelling unit for each Lot Type in Phase #1.

**Table F-5**  
**Assessment Per Unit – Phase #1**

| Type               | Planned No. of Units | Assessment per Equivalent Unit | Equivalent Unit Factor | Assessment per Unit           | Total Assessments  |
|--------------------|----------------------|--------------------------------|------------------------|-------------------------------|--------------------|
| Lot Type 1 (60 Ft) | 42                   | \$43,378.06                    | 1.00                   | \$43,378.06 per dwelling unit | \$1,821,878        |
| Lot Type 2 (50 Ft) | 203                  | \$43,378.06                    | 0.83                   | \$36,148.38 per dwelling unit | \$7,338,122        |
| <b>Total</b>       | <b>245</b>           |                                |                        |                               | <b>\$9,160,000</b> |

The projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table F-6.

**Table F-6**  
**Projected Leverage – Phase #1**

| Description        | Planned No. of Units | Estimated Finished Lot Value per unit | Projected Home Value per unit | Assessment per Unit <sup>1</sup> | Leverage (Lot Value) | Leverage (Home Value) |
|--------------------|----------------------|---------------------------------------|-------------------------------|----------------------------------|----------------------|-----------------------|
| Lot Type 1 (60 Ft) | per dwelling unit    | \$84,750                              | \$378,000                     | \$43,378.06                      | 1.95                 | 8.71                  |
| Lot Type 2 (50 Ft) | per dwelling unit    | \$70,000                              | \$315,000                     | \$36,148.38                      | 1.94                 | 8.71                  |

The projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table F-7.

**Table F-7**  
**Estimated Tax Rate Equivalent per unit – Phase #1**

| Description        | Planned No. of Units | Estimated Finished Lot Value per unit | Projected Home Value per unit | Projected Average Annual Installment per unit | Tax Rate Equivalent (per \$100 Lot Value) <sup>1</sup> | Tax Rate Equivalent (per \$100 Home Value) <sup>1</sup> |
|--------------------|----------------------|---------------------------------------|-------------------------------|---|--|---|
| Lot Type 1 (60 Ft) | 42                   | \$84,750                              | \$378,000                     | \$3,162                                       | \$3.73   | \$0.84  |
| Lot Type 2 (50 Ft) | 203                  | \$70,000                              | \$315,000                     | \$2,635                                       | \$3.76   | \$0.84  |

<sup>1</sup>Tax Rate Equivalent does not include any TIRZ Annual Credit Amount.

The Assessment and Annual Installments for each Parcel or Lot located within Phase #1 is shown on the Phase #1 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

**APPENDIX G**  
**PHASE #1 ASSESSMENT ROLL**

**Appendix G-1**  
**Phase #1 Assessment Roll**

**Parcel  
Equivalent Units  
Assessment**

**All Parcels  
211.17  
\$9,160,000**

| <b>Year<sup>1</sup></b> | <b>Principal<sup>2</sup></b> | <b>Interest<sup>2</sup></b> | <b>Principal<sup>3</sup></b> | <b>Interest<sup>3</sup></b> | <b>Administrative Expenses<sup>4</sup></b> | <b>Additional Interest<sup>5</sup></b> | <b>Capitalized Interest</b> | <b>Total Annual Installment<sup>6</sup></b> |
|-------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|--|--|-----------------------------|---|
| 9/30/22                 | \$0                          | \$241,800                   | \$0                          | \$0                         | \$45,000                                   | \$0                                    | (\$241,800)                 | \$45,000                                    |
| 9/30/23                 | \$0                          | \$362,700                   | \$21,000                     | \$49,500                    | \$45,900                                   | \$40,300                               | (\$362,700)                 | \$156,700                                   |
| 9/30/24                 | \$150,000                    | \$362,700                   | \$22,000                     | \$48,555                    | \$46,818                                   | \$40,300                               | \$0                         | \$670,373                                   |
| 9/30/25                 | \$155,000                    | \$355,950                   | \$23,000                     | \$47,565                    | \$47,754                                   | \$39,550                               | \$0                         | \$668,819                                   |
| 9/30/26                 | \$160,000                    | \$348,975                   | \$24,000                     | \$46,530                    | \$48,709                                   | \$38,775                               | \$0                         | \$666,989                                   |
| 9/30/27                 | \$170,000                    | \$341,775                   | \$25,000                     | \$45,450                    | \$49,684                                   | \$37,975                               | \$0                         | \$669,884                                   |
| 9/30/28                 | \$175,000                    | \$334,125                   | \$26,000                     | \$44,325                    | \$50,677                                   | \$37,125                               | \$0                         | \$667,252                                   |
| 9/30/29                 | \$185,000                    | \$326,250                   | \$27,000                     | \$43,155                    | \$51,691                                   | \$36,250                               | \$0                         | \$669,346                                   |
| 9/30/30                 | \$195,000                    | \$317,925                   | \$27,000                     | \$41,940                    | \$52,725                                   | \$35,325                               | \$0                         | \$669,915                                   |
| 9/30/31                 | \$200,000                    | \$309,150                   | \$29,000                     | \$40,725                    | \$53,779                                   | \$34,350                               | \$0                         | \$667,004                                   |
| 9/30/32                 | \$210,000                    | \$300,150                   | \$30,000                     | \$39,420                    | \$54,855                                   | \$33,350                               | \$0                         | \$667,775                                   |
| 9/30/33                 | \$220,000                    | \$290,700                   | \$31,000                     | \$38,070                    | \$55,952                                   | \$32,300                               | \$0                         | \$668,022                                   |
| 9/30/34                 | \$230,000                    | \$280,800                   | \$32,000                     | \$36,675                    | \$57,071                                   | \$31,200                               | \$0                         | \$667,746                                   |
| 9/30/35                 | \$240,000                    | \$270,450                   | \$33,000                     | \$35,235                    | \$58,212                                   | \$30,050                               | \$0                         | \$666,947                                   |
| 9/30/36                 | \$250,000                    | \$259,650                   | \$34,000                     | \$33,750                    | \$59,377                                   | \$28,850                               | \$0                         | \$665,627                                   |
| 9/30/37                 | \$260,000                    | \$248,400                   | \$36,000                     | \$32,220                    | \$60,564                                   | \$27,600                               | \$0                         | \$664,784                                   |
| 9/30/38                 | \$275,000                    | \$236,700                   | \$37,000                     | \$30,600                    | \$61,775                                   | \$26,300                               | \$0                         | \$667,375                                   |
| 9/30/39                 | \$285,000                    | \$224,325                   | \$39,000                     | \$28,935                    | \$63,011                                   | \$24,925                               | \$0                         | \$665,196                                   |
| 9/30/40                 | \$300,000                    | \$211,500                   | \$40,000                     | \$27,180                    | \$64,271                                   | \$23,500                               | \$0                         | \$666,451                                   |
| 9/30/41                 | \$315,000                    | \$198,000                   | \$42,000                     | \$25,380                    | \$65,557                                   | \$22,000                               | \$0                         | \$667,937                                   |
| 9/30/42                 | \$330,000                    | \$183,825                   | \$43,000                     | \$23,490                    | \$66,868                                   | \$20,425                               | \$0                         | \$667,608                                   |
| 9/30/43                 | \$345,000                    | \$168,975                   | \$45,000                     | \$21,555                    | \$68,205                                   | \$18,775                               | \$0                         | \$667,510                                   |
| 9/30/44                 | \$360,000                    | \$153,450                   | \$47,000                     | \$19,530                    | \$69,569                                   | \$17,050                               | \$0                         | \$666,599                                   |
| 9/30/45                 | \$375,000                    | \$137,250                   | \$49,000                     | \$17,415                    | \$70,960                                   | \$15,250                               | \$0                         | \$664,875                                   |
| 9/30/46                 | \$395,000                    | \$120,375                   | \$51,000                     | \$15,210                    | \$72,380                                   | \$13,375                               | \$0                         | \$667,340                                   |
| 9/30/47                 | \$415,000                    | \$102,600                   | \$53,000                     | \$12,915                    | \$73,827                                   | \$11,400                               | \$0                         | \$668,742                                   |
| 9/30/48                 | \$435,000                    | \$83,925                    | \$55,000                     | \$10,530                    | \$75,304                                   | \$9,325                                | \$0                         | \$669,084                                   |
| 9/30/49                 | \$455,000                    | \$64,350                    | \$58,000                     | \$8,055                     | \$76,810                                   | \$7,150                                | \$0                         | \$669,365                                   |
| 9/30/50                 | \$475,000                    | \$43,875                    | \$60,000                     | \$5,445                     | \$78,346                                   | \$4,875                                | \$0                         | \$667,541                                   |
| 9/30/51                 | \$500,000                    | \$22,500                    | \$61,000                     | \$2,745                     | \$79,913                                   | \$2,500                                | \$0                         | \$668,658                                   |
| <b>Total</b>            | <b>\$8,060,000</b>           | <b>\$6,903,150</b>          | <b>\$1,100,000</b>           | <b>\$872,100</b>            | <b>\$1,825,564</b>                         | <b>\$740,150</b>                       | <b>(\$604,500)</b>          | <b>\$18,896,464</b>                         |

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Bonds.

<sup>2</sup>Represents the principal and interest on the Phase #1 Bonds. Interest is calculated using an interest rate of 4.50%.

<sup>3</sup>Represents the principal and interest due under the Phase #1 Reimbursement Agreement. Interest is calculated using an interest rate of 4.50%.

<sup>4</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>5</sup>Additional Interest is only charged on the Assessments associated with the Phase #1 Bonds.

<sup>6</sup>Annual Installment does not include any TIRZ Annual Credit Amount.



**Appendix G-2**  
**Phase #1 Assessment Roll by Lot Type**

**Parcel  
Equivalent Units  
Assessment**

**Lot Type 1 (60 Ft)**  
**\$43,378.06**  
**1.00**

| <b>Year<sup>1</sup></b> | <b>Principal<sup>2</sup></b> | <b>Interest<sup>2</sup></b> | <b>Principal<sup>3</sup></b> | <b>Interest<sup>3</sup></b> | <b>Administrative Expenses<sup>4</sup></b> | <b>Additional Interest<sup>5</sup></b> | <b>Capitalized Interest</b> | <b>Total Annual Installment<sup>6</sup></b> |
|-------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|--|--|-----------------------------|---|
| 9/30/22                 | \$0                          | \$1,145                     | \$0                          | \$0                         | \$213                                      | \$0                                    | (\$1,145)                   | \$213                                       |
| 9/30/23                 | \$0                          | \$1,718                     | \$99                         | \$234                       | \$217                                      | \$191                                  | (\$1,718)                   | \$742                                       |
| 9/30/24                 | \$710                        | \$1,718                     | \$104                        | \$230                       | \$222                                      | \$191                                  | \$0                         | \$3,175                                     |
| 9/30/25                 | \$734                        | \$1,686                     | \$109                        | \$225                       | \$226                                      | \$187                                  | \$0                         | \$3,167                                     |
| 9/30/26                 | \$758                        | \$1,653                     | \$114                        | \$220                       | \$231                                      | \$184                                  | \$0                         | \$3,159                                     |
| 9/30/27                 | \$805                        | \$1,619                     | \$118                        | \$215                       | \$235                                      | \$180                                  | \$0                         | \$3,172                                     |
| 9/30/28                 | \$829                        | \$1,582                     | \$123                        | \$210                       | \$240                                      | \$176                                  | \$0                         | \$3,160                                     |
| 9/30/29                 | \$876                        | \$1,545                     | \$128                        | \$204                       | \$245                                      | \$172                                  | \$0                         | \$3,170                                     |
| 9/30/30                 | \$923                        | \$1,506                     | \$128                        | \$199                       | \$250                                      | \$167                                  | \$0                         | \$3,172                                     |
| 9/30/31                 | \$947                        | \$1,464                     | \$137                        | \$193                       | \$255                                      | \$163                                  | \$0                         | \$3,159                                     |
| 9/30/32                 | \$994                        | \$1,421                     | \$142                        | \$187                       | \$260                                      | \$158                                  | \$0                         | \$3,162                                     |
| 9/30/33                 | \$1,042                      | \$1,377                     | \$147                        | \$180                       | \$265                                      | \$153                                  | \$0                         | \$3,163                                     |
| 9/30/34                 | \$1,089                      | \$1,330                     | \$152                        | \$174                       | \$270                                      | \$148                                  | \$0                         | \$3,162                                     |
| 9/30/35                 | \$1,137                      | \$1,281                     | \$156                        | \$167                       | \$276                                      | \$142                                  | \$0                         | \$3,158                                     |
| 9/30/36                 | \$1,184                      | \$1,230                     | \$161                        | \$160                       | \$281                                      | \$137                                  | \$0                         | \$3,152                                     |
| 9/30/37                 | \$1,231                      | \$1,176                     | \$170                        | \$153                       | \$287                                      | \$131                                  | \$0                         | \$3,148                                     |
| 9/30/38                 | \$1,302                      | \$1,121                     | \$175                        | \$145                       | \$293                                      | \$125                                  | \$0                         | \$3,160                                     |
| 9/30/39                 | \$1,350                      | \$1,062                     | \$185                        | \$137                       | \$298                                      | \$118                                  | \$0                         | \$3,150                                     |
| 9/30/40                 | \$1,421                      | \$1,002                     | \$189                        | \$129                       | \$304                                      | \$111                                  | \$0                         | \$3,156                                     |
| 9/30/41                 | \$1,492                      | \$938                       | \$199                        | \$120                       | \$310                                      | \$104                                  | \$0                         | \$3,163                                     |
| 9/30/42                 | \$1,563                      | \$871                       | \$204                        | \$111                       | \$317                                      | \$97                                   | \$0                         | \$3,162                                     |
| 9/30/43                 | \$1,634                      | \$800                       | \$213                        | \$102                       | \$323                                      | \$89                                   | \$0                         | \$3,161                                     |
| 9/30/44                 | \$1,705                      | \$727                       | \$223                        | \$92                        | \$329                                      | \$81                                   | \$0                         | \$3,157                                     |
| 9/30/45                 | \$1,776                      | \$650                       | \$232                        | \$82                        | \$336                                      | \$72                                   | \$0                         | \$3,149                                     |
| 9/30/46                 | \$1,871                      | \$570                       | \$242                        | \$72                        | \$343                                      | \$63                                   | \$0                         | \$3,160                                     |
| 9/30/47                 | \$1,965                      | \$486                       | \$251                        | \$61                        | \$350                                      | \$54                                   | \$0                         | \$3,167                                     |
| 9/30/48                 | \$2,060                      | \$397                       | \$260                        | \$50                        | \$357                                      | \$44                                   | \$0                         | \$3,169                                     |
| 9/30/49                 | \$2,155                      | \$305                       | \$275                        | \$38                        | \$364                                      | \$34                                   | \$0                         | \$3,170                                     |
| 9/30/50                 | \$2,249                      | \$208                       | \$284                        | \$26                        | \$371                                      | \$23                                   | \$0                         | \$3,161                                     |
| 9/30/51                 | \$2,368                      | \$107                       | \$289                        | \$13                        | \$378                                      | \$12                                   | \$0                         | \$3,166                                     |
| <b>Total</b>            | <b>\$38,169</b>              | <b>\$32,691</b>             | <b>\$5,209</b>               | <b>\$4,130</b>              | <b>\$8,645</b>                             | <b>\$3,505</b>                         | <b>(\$2,863)</b>            | <b>\$89,486</b>                             |

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Bonds.

<sup>2</sup>Represents the principal and interest on the Phase #1 Bonds. Interest is calculated using an interest rate of 4.50%.

<sup>3</sup>Represents the principal and interest due under the Phase #1 Reimbursement Agreement. Interest is calculated using an interest rate of 4.50%.

<sup>4</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>5</sup>Additional Interest is only charged on the Assessments associated with the Phase #1 Bonds.

<sup>6</sup>Annual Installment does not include any TIRZ Annual Credit Amount.

**Appendix G-3**  
**Phase #1 Assessment Roll by Lot Type**

**Parcel**  
**Equivalent Units**  
**Assessment**

**Lot Type 2 (50 Ft)**  
**\$36,148**  
**0.83**

| Year <sup>1</sup> | Principal <sup>2</sup> | Interest <sup>2</sup> | Principal <sup>3</sup> | Interest <sup>3</sup> | Administrative Expenses <sup>4</sup> | Additional Interest <sup>5</sup> | Capitalized Interest | Total Annual Installment <sup>6</sup> |
|-------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------------------------|----------------------|---------------------------------------|
| 9/30/22           | \$0                    | \$954                 | \$0                    | \$0                   | \$178                                | \$0                              | (\$954)              | \$178                                 |
| 9/30/23           | \$0                    | \$1,431               | \$83                   | \$195                 | \$181                                | \$159                            | (\$1,431)            | \$618                                 |
| 9/30/24           | \$592                  | \$1,431               | \$87                   | \$192                 | \$185                                | \$159                            | \$0                  | \$2,646                               |
| 9/30/25           | \$612                  | \$1,405               | \$91                   | \$188                 | \$188                                | \$156                            | \$0                  | \$2,639                               |
| 9/30/26           | \$631                  | \$1,377               | \$95                   | \$184                 | \$192                                | \$153                            | \$0                  | \$2,632                               |
| 9/30/27           | \$671                  | \$1,349               | \$99                   | \$179                 | \$196                                | \$150                            | \$0                  | \$2,644                               |
| 9/30/28           | \$691                  | \$1,319               | \$103                  | \$175                 | \$200                                | \$147                            | \$0                  | \$2,633                               |
| 9/30/29           | \$730                  | \$1,287               | \$107                  | \$170                 | \$204                                | \$143                            | \$0                  | \$2,641                               |
| 9/30/30           | \$770                  | \$1,255               | \$107                  | \$166                 | \$208                                | \$139                            | \$0                  | \$2,644                               |
| 9/30/31           | \$789                  | \$1,220               | \$114                  | \$161                 | \$212                                | \$136                            | \$0                  | \$2,632                               |
| 9/30/32           | \$829                  | \$1,184               | \$118                  | \$156                 | \$216                                | \$132                            | \$0                  | \$2,635                               |
| 9/30/33           | \$868                  | \$1,147               | \$122                  | \$150                 | \$221                                | \$127                            | \$0                  | \$2,636                               |
| 9/30/34           | \$908                  | \$1,108               | \$126                  | \$145                 | \$225                                | \$123                            | \$0                  | \$2,635                               |
| 9/30/35           | \$947                  | \$1,067               | \$130                  | \$139                 | \$230                                | \$119                            | \$0                  | \$2,632                               |
| 9/30/36           | \$987                  | \$1,025               | \$134                  | \$133                 | \$234                                | \$114                            | \$0                  | \$2,627                               |
| 9/30/37           | \$1,026                | \$980                 | \$142                  | \$127                 | \$239                                | \$109                            | \$0                  | \$2,623                               |
| 9/30/38           | \$1,085                | \$934                 | \$146                  | \$121                 | \$244                                | \$104                            | \$0                  | \$2,634                               |
| 9/30/39           | \$1,125                | \$885                 | \$154                  | \$114                 | \$249                                | \$98                             | \$0                  | \$2,625                               |
| 9/30/40           | \$1,184                | \$835                 | \$158                  | \$107                 | \$254                                | \$93                             | \$0                  | \$2,630                               |
| 9/30/41           | \$1,243                | \$781                 | \$166                  | \$100                 | \$259                                | \$87                             | \$0                  | \$2,636                               |
| 9/30/42           | \$1,302                | \$725                 | \$170                  | \$93                  | \$264                                | \$81                             | \$0                  | \$2,635                               |
| 9/30/43           | \$1,361                | \$667                 | \$178                  | \$85                  | \$269                                | \$74                             | \$0                  | \$2,634                               |
| 9/30/44           | \$1,421                | \$606                 | \$185                  | \$77                  | \$275                                | \$67                             | \$0                  | \$2,631                               |
| 9/30/45           | \$1,480                | \$542                 | \$193                  | \$69                  | \$280                                | \$60                             | \$0                  | \$2,624                               |
| 9/30/46           | \$1,559                | \$475                 | \$201                  | \$60                  | \$286                                | \$53                             | \$0                  | \$2,634                               |
| 9/30/47           | \$1,638                | \$405                 | \$209                  | \$51                  | \$291                                | \$45                             | \$0                  | \$2,639                               |
| 9/30/48           | \$1,717                | \$331                 | \$217                  | \$42                  | \$297                                | \$37                             | \$0                  | \$2,640                               |
| 9/30/49           | \$1,796                | \$254                 | \$229                  | \$32                  | \$303                                | \$28                             | \$0                  | \$2,642                               |
| 9/30/50           | \$1,875                | \$173                 | \$237                  | \$21                  | \$309                                | \$19                             | \$0                  | \$2,634                               |
| 9/30/51           | \$1,973                | \$89                  | \$241                  | \$11                  | \$315                                | \$10                             | \$0                  | \$2,639                               |
| <b>Total</b>      | <b>\$31,807</b>        | <b>\$27,242</b>       | <b>\$4,341</b>         | <b>\$3,442</b>        | <b>\$7,204</b>                       | <b>\$2,921</b>                   | <b>(\$2,386)</b>     | <b>\$74,572</b>                       |

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Bonds.

<sup>2</sup>Represents the principal and interest on the Phase #1 Bonds. Interest is calculated using an interest rate of 4.50%.

<sup>3</sup>Represents the principal and interest due under the Phase #1 Reimbursement Agreement. Interest is calculated using an interest rate of 4.50%.

<sup>4</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>5</sup>Additional Interest is only charged on the Assessments associated with the Phase #1 Bonds.

<sup>6</sup>Annual Installment does not include any TIRZ Annual Credit Amount.

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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[CLOSING DATE]

Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201-7932  
United States

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IN REGARD to the authorization and issuance of the “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)” (the “Bonds”), dated February 1, 2022, in the principal amount of \$\_\_\_\_\_, we have examined the legality and validity of the issuance thereof by the City of Celina, Texas (the “City”) solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, or the history or prospects of the collection of the Pledged Revenues, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds, and have not assumed any responsibility with respect thereto. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Indenture.

THE BONDS are issued in fully registered form only and mature on September 1 in each of the years specified in an Indenture of Trust (the “Indenture”), dated as of February 1, 2022, with U.S. Bank National Association, as trustee (the “Trustee”), approved by the City Council of the City pursuant to an ordinance (the “Ordinance”) adopted by the City Council of the City authorizing the issuance of the Bonds, unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Indenture.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings had in connection with the issuance of the Bonds, including the Indenture, the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been authorized, issued and delivered in accordance with law; that the Bonds are valid, legally binding and enforceable limited obligations of the City in accordance with their terms payable solely from the Trust Estate, except to the extent the

enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally.

2. Assuming continuing compliance after the date hereof by the City with the provisions of the Indenture and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (i) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to Section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof.

We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

**APPENDIX D-1**

**FORM OF CITY DISCLOSURE AGREEMENT**

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**CITY OF CELINA, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
PHASE #1 PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER**

This Continuing Disclosure Agreement of the Issuer dated as of February 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and between the City of Celina, Texas (the “Issuer”), MuniCap, Inc., (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (in such capacity, the “Dissemination Agent”) with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)” (the “Bonds”). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator, and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the Indenture of Trust dated as of February 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, as amended or supplemented, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Additional Obligations” shall have the meaning assigned to such term in the Indenture.

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean an employee of the Issuer or third-party designee of the Issuer who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The initial Administrator is MuniCap, Inc.

“Affiliate” shall have the meaning assigned to such term in Section 22 of this Disclosure Agreement.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Service Plan Update” shall have the meaning assigned to such term in the Indenture.

“Assessment” shall have the meaning assigned to the term “Assessments” in the Indenture.

“Assessed Property” shall mean, collectively, all Assessed Parcels.

“Audited Financial Statements” shall mean the audited financial statements of the Issuer that have been prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer and that have been audited by an independent certified public accountant.

“Authorized Improvements” shall have the meaning assigned to such term in the Indenture.

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

“Developer” shall mean Sutton Fields East, L.P., a Texas limited partnership, and its designated successors and assigns.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of Developer relating to the Bonds dated as of February 1, 2022 executed and delivered by the Developer, the Administrator and the Dissemination Agent.

“Disclosure Representative” shall mean the Director of Finance of the Issuer or his or her designee, or such other officer or employee as the Issuer, may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Sutton Fields East Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the Issuer’s fiscal year, currently the calendar year from October 1 through September 30.

“Foreclosure Proceeds” shall have the meaning assigned to such term in the Indenture.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reporting pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

“Phase #1” shall have the meaning assigned to such term in the Indenture.

“Phase #1 Improvements” shall mean the Authorized Improvements which only benefit property within Phase #1 of the District, as described in Section III of the Service and Assessment Plan.

“Participating Underwriter” shall mean FMSbonds, Inc. and its successors and assigns.

“PID Act” means Chapter 372, Texas Local Government Code, as amended.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have meaning assigned to such term in the Indenture.

“Trustee” shall mean U.S. Bank National Association, Dallas, Texas, and its successors, and any other corporation or association that may at any time be substituted in its place.

**SECTION 3. Provision of Annual Financial Information and Audited Financial Statements.**

(a) Commencing with the Fiscal Year ending September 30, 2022, the Issuer shall provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB (i) not later than six (6) months after the end of the Issuer’s Fiscal Year, its Annual Financial Information and (ii) not later than twelve (12) months after the end of the Issuer’s Fiscal Year, its Audited Financial Statements. In each case, the Annual Financial Information and the

Audited Financial Statements, as applicable, may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer's Fiscal Year changes, it shall file notice of such change (including the date of the new Fiscal Year) with the MSRB prior to the next date by which the Issuer otherwise would be required to provide the Annual Financial Information or Audited Financial Statements, as applicable, pursuant to Section 4 of this Disclosure Agreement. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(b) Upon delivery by the Issuer of the Annual Financial Information or the Audited Financial Statements, as applicable, to the Dissemination Agent together, with written instructions to file such information or financial statements, as applicable, with the MSRB, the Dissemination Agent shall:

(i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Financial Information or the Audited Financial Statements, as applicable, on the respective dates required in subsection (a); and

(ii) file the Annual Financial Information or the Audited Financial Statements, as applicable, on the respective dates required, containing or incorporating by reference the information set forth in Section 4 hereof;

(c) If the Issuer has provided the Dissemination Agent with the completed Annual Financial Information or the Audited Financial Statements, as applicable, together with written instructions to file such financial information or financial statements with the MSRB and the Dissemination Agent has filed such financial information or financial statements with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Financial Information or the Audited Financial Statements, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB, which such financial information or financial statements shall include a filing receipt from the MSRB.

**SECTION 4. Content and Timing of Annual Financial Information and Audited Financial Statements.** The Annual Financial Information and the Audited Financial Statements shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent, the following:

(a) *Annual Financial Information.* Within six (6) months after the end of each Fiscal Year, the Annual Financial Information of the Issuer (any or all of which may be unaudited) being:

(i) Tables setting forth the following information, as of the end of such Fiscal Year:

(A) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding;

(B) The amounts in the funds and accounts under the Indenture securing the Bonds and a description of the related investments; and

(C) The assets and liabilities of the Trust Estate.

(ii) Financial information and operating data with respect to the Issuer of the general type, in substantially similar form to that shown in the tables provided under Sections 4(a)(ii)(A) and 4(a)(ii)(B) of Exhibit B attached hereto. Such information shall be provided: (a) as of the end of the Fiscal Year (for tables in Section 4(a)(ii)(A) of Exhibit B), and (b) both as of the end of the Fiscal Year and through February 1 of the calendar year immediately succeeding such Fiscal Year (for tables in Section 4(a)(ii)(B) of Exhibit B).

(iii) Updates to the information in the Service and Assessment Plan or the Annual Service Plan Update as most recently amended or supplemented, including any changes to the methodology for levying the Assessments in Phase #1.

(iv) Until building permits have been issued for parcels or lots representing, in the aggregate, ninety-five percent (95%) of the total the Assessments levied within Phase #1, the Annual Financial Information (in the Annual Service Plan Update or otherwise) shall include the number of certificates of occupancy (“COs”) issued for new homes completed in Phase #1 during such Fiscal Year and the aggregate number of COs issued for new homes completed within Phase #1 since filing the initial Annual Financial Information for Fiscal Year ending September 30, 2022.

(v) If the total amount of delinquencies greater than 150 days equals or exceeds ten percent (10%) of the amount of Assessments due in any fiscal year, a list of delinquent property owners.

(vi) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer’s audited financial statements during such Fiscal Year.

(b) *Audited Financial Statements.* Within twelve (12) months after the end of each Fiscal Year, the Audited Financial Statements of the Issuer, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If such audited financial statements are not complete within twelve (12) months after the end of each Fiscal Year, then the Issuer shall provide unaudited financial statements within such period and shall provide audited financial statements for the applicable Fiscal Year when and if the audit report on such statements becomes available.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated MuniCap, Inc., as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer’s staff, shall prepare the Annual Financial Information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of the Annual Financial Information and Audited Financial Statements under this Section 4.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final

offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of Owners, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds,  
if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

Any sale by the Developer of real property within Phase #1 in the ordinary course of the Developer's business will not constitute a Listed Event for the purposes of paragraph (10) above.

For these purposes, any event described in paragraph (12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer intends the words used in paragraphs (15) and (16) above and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. For the avoidance of doubt, the incurrence of Additional Obligations will constitute the incurrence of a material Financial Obligation for which a notice of a Listed Event in accordance with Section must be filed with the MSRB.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent, in writing, to immediately file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Additionally, the Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide Audited Financial Statements (or unaudited financial statements, if Audited Financial Statements are not available) or Annual Financial Information, as applicable, as required under this Disclosure Agreement. See Exhibit A hereto for a form for submitting "Notice to MSRB of Failure to File."

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made pursuant to Sections 4 and 5 of this Disclosure Agreement. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, promptly, and not more than three (3) Business Days after obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative in writing of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than the Business Day immediately following the day on which it receives written instructions from the Issuer. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Participating Underwriter, the Trustee, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8 (as to Bond calls only), 10, 13, 14, or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after occurrence of the event, notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (b).

SECTION 6. Termination of Reporting Obligations. The obligations of the Issuer, the Administrator, and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to the Bonds under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent. If the Issuer discharges the Dissemination Agent, the Issuer shall use best efforts to appoint a successor Dissemination Agent within 30 days of such discharge. If at any time there is not any other



designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. The Issuer will give prompt written notice to the Developer, or any other party responsible for providing quarterly information pursuant to the Disclosure Agreement of Developer, of any change in the identity of the Dissemination Agent under the Disclosure Agreement of Developer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Financial Information or Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Audited Financial Statements for the fiscal year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Agreement. If the Issuer chooses to include any information in any Annual Financial Information, Audited Financial Statements or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information, Audited Financial Statements or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of Developer by the Developer, and a default under the Disclosure Agreement of Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Financial Information and the Audited Financial Statements) prepared by the Issuer pursuant to this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Administrative Expenses collected from the property owners in Phase #1, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Dissemination Agent for losses, expenses or liabilities arising from information provided to the Dissemination Agent by the Developer or the failure of the Developer to provide information to the Dissemination Agent as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent shall not be responsible for the Issuer's failure to submit a complete Annual Financial Information or Audited Financial Statements to the MSRB. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer

or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Administrative Expenses collected from the property owners in Phase #1, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties, or the failure of any third party to provide information to the Administrator as and when required under this Disclosure Agreement, or the failure of the Developer to provide information to the Administrator as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(c) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR

DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE ADMINISTRATOR, OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT OR THE ADMINISTRATOR IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

SECTION 12. Assessments Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments. Failure to adhere to such expected timeline shall not constitute a default by the Issuer under this Disclosure Agreement, the Indenture, the Bonds or any other document related to the Bonds.

SECTION 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator, or Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, the Administrator, or Dissemination Agent in other than that person's official capacity.

SECTION 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 15. Sovereign Immunity. The Dissemination Agent and the Administrator agree that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their respective services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent and the Administrator, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in Phase #1, for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 18. Anti-Boycott Verification. To the extent this Disclosure Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Dissemination Agent and the Administrator, each respectively, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Disclosure Agreement. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

SECTION 19. Iran, Sudan and Foreign Terrorist Organizations. The Dissemination Agent and the Administrator, each respectively, represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,  
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or  
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to enable the Issuer to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Dissemination Agent and the Administrator, each respectively, and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

SECTION 20. No Discrimination Against Fossil-Fuel Companies. To the extent this Disclosure Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Dissemination Agent and the Administrator, each respectively, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will

not boycott energy companies during the term of this Disclosure Agreement. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, “boycott energy companies” shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable Federal or Texas law; or (B) does business with a company described by (A) above.

SECTION 21. No Discrimination Against Firearm Entities and Firearm Trade Associations. To the extent this Disclosure Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Dissemination Agent and the Administrator, each respectively, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Disclosure Agreement. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, (a) ‘discriminate against a firearm entity or firearm trade association’ (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. As used in the foregoing verification, (b) ‘firearm entity’ means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (i.e., weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (i.e., devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (i.e., a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (as defined by Section 250.001, Texas Local Government Code), and (c) ‘firearm trade association’ means a person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or

more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

SECTION 22. Affiliate. As used in Sections 18 through 21, the Dissemination Agent and Administrator, each respectively, understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17.C.F.R. § 230.405, and exists to make a profit.

SECTION 23. Disclosure of Interested Parties. Pursuant to Section 2252.908(c)(4), Texas Government Code, as amended, the Dissemination Agent hereby certifies it is a publicly traded business entity and is not required to file a Certificate of Interested Parties Form 1295 related to this Disclosure Agreement.

SECTION 24. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 25. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The Issuer, the Administrator and the Dissemination Agent agree that electronic signatures to this Disclosure Agreement may be regarded as original signatures.

*[Signature pages follow.]*

CITY OF CELINA, TEXAS  
(as Issuer)

By: \_\_\_\_\_  
Assistant City Manager



HTS CONTINUING DISCLOSURE SERVICES,  
a division of Hilltop Securities Inc.  
(as Dissemination Agent)

By: \_\_\_\_\_  
Authorized Officer

MUNICAP, INC.,  
(as Administrator)

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE  
[ANNUAL FINANCIAL INFORMATION][AUDITED FINANCIAL STATEMENTS]**

Name of Issuer: City of Celina, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)  
Date of Delivery: \_\_\_\_\_, 20\_\_  
CUSIP Numbers: [Insert CUSIP Numbers]

NOTICE IS HEREBY GIVEN that the City of Celina, Texas, has not provided [an Annual Financial Information] [Audited Financial Statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement of Issuer dated as of February 1, 2022, between the Issuer, MuniCap, Inc., as Administrator and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as Dissemination Agent. The Issuer anticipates that [the Annual Financial] [Audited Financial Statements] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

HTS Continuing Disclosure Services, a division of  
Hilltop Securities Inc.,  
on behalf of the City of Celina, Texas  
(solely in its capacity as Dissemination Agent)

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Celina, Texas

**EXHIBIT B**

**CITY OF CELINA, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
PHASE #1 PROJECT)**

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**ANNUAL FINANCIAL INFORMATION\***

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Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP Nos: [Insert CUSIP Nos]

**DISSEMINATION AGENT**

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Contact Person: \_\_\_\_\_

**Section 4(a)(i)(A)**

**BONDS OUTSTANDING**

| CUSIP Number | Maturity Date | Interest Rate | Original Principal Amount | Outstanding Principal Amount | Outstanding Interest Amount |
|--------------|---------------|---------------|---------------------------|------------------------------|-----------------------------|
|              |               |               |                           |                              |                             |
|              |               |               |                           |                              |                             |
|              |               |               |                           |                              |                             |

**Section 4(a)(i)(B)**

**INVESTMENTS**

| Fund/Account Name | Investment Description | Par Value | Book Value | Market Value |
|-------------------|------------------------|-----------|------------|--------------|
|                   |                        |           |            |              |
|                   |                        |           |            |              |

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\* Excluding Audited Financial Statements of the Issuer

**Section 4(a)(i)(A)**

**ASSETS AND LIABILITIES OF PLEDGED TRUST ESTATE**

**ASSETS**

Bonds (Principal Balance) \_\_\_\_\_  
 Funds and Accounts [list] \_\_\_\_\_  
 TOTAL ASSETS \_\_\_\_\_

**LIABILITIES**

Outstanding Bond Principal \_\_\_\_\_  
 Outstanding Program Expenses (if any) \_\_\_\_\_  
 TOTAL LIABILITIES \_\_\_\_\_

**EQUITY**

Assets Less Liabilities \_\_\_\_\_  
 Parity Ratio \_\_\_\_\_

**Form of Accounting**        Cash        Accrual        Modified Accrual

**Section 4(a)(ii)(A)**

**FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AS OF THE END OF THE FISCAL YEAR**

**Debt Service Requirements on the Bonds**

| <u>Year Ending</u><br><u>(September 30)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
|---|------------------|-----------------|--------------|

**Top Phase #1 Assessment Payers<sup>(1)</sup>**

| <u>Property Owner</u> | <u>No. of</u><br><u>Parcels/Lots</u> | <u>Percentage of</u><br><u>Parcels/Lots</u> | <u>Outstanding</u><br><u>Assessments</u> | <u>Percentage of</u><br><u>Total</u><br><u>Assessments</u> |
|-----------------------|--------------------------------------|---|--|--|
|-----------------------|--------------------------------------|---|--|--|

<sup>(1)</sup> Does not include those owing less than one percent (1%) of total Assessments.

**Assessed Value of the Phase #1 of the District**

The [YEAR] certified total assessed value for the land in the Phase #1 of the District is approximately \$[AMOUNT] according to the Denton Central Appraisal District.

**Section 4(a)(ii)(B)**

**FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AS OF THE END OF THE FISCAL YEAR AND AS OF FEBRUARY 1 OF THE NEXT SUCCEEDING YEAR**

**Foreclosure History Related to the Assessments**

| <u>Time Period</u>                      | <u>Parcels in Foreclosure Proceedings</u> | <u>Delinquent Phase #1 Assessment Amount</u> |                          | <u>Foreclosure Proceeds Received</u> |
|---|---|--|--------------------------|--------------------------------------|
|   |   | <u>in Foreclosure Proceedings</u>            | <u>Foreclosure Sales</u> |                                      |
| [FISCAL YEAR END]                       |   | \$   |                          | \$                                   |
| [FEB. 1 OF CURRENT YEAR] <sup>(1)</sup> |   | \$   |                          | \$                                   |

<sup>(1)</sup> As of February 1, 20\_\_.

**Collection and Delinquency History of Assessments**

| <u>Time Period</u>                      | <u>Total Phase #1 Assessment Levied</u> | <u>Parcels Levied<sup>(1)</sup></u> | <u>Delinquent Amount as of 2/1</u> |                    | <u>Delinquent Amount as of 8/1</u> |                               | <u>Total Assessments Collected<sup>(2)</sup></u> |
|---|---|-------------------------------------|------------------------------------|--------------------|------------------------------------|-------------------------------|--|
|   |   |                                     | <u>of 2/1</u>                      | <u>% as of 2/1</u> | <u>of 8/1</u>                      | <u>Delinquent % as of 8/1</u> |  |
| [FISCAL YEAR END]                       | \$                                      |                                     | \$                                 | %                  | \$                                 | %                             | \$   |
| [FEB 1. OF CURRENT YEAR] <sup>(3)</sup> | \$                                      |                                     | \$                                 | %                  | N/A                                | N/A                           | \$   |

<sup>(1)</sup> Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

<sup>(2)</sup> [Does/does not] include interest and penalties.

<sup>(3)</sup> Collected as of February 1, 20\_\_.

**History of Prepayment of Assessments**

| <u>Time Period</u>                      | <u>Number of Prepayments</u> | <u>Amount of Prepayments</u> | <u>Bond Call Date</u> | <u>Amount of Bonds Redeemed</u> |
|---|------------------------------|------------------------------|-----------------------|---------------------------------|
| [FISCAL YEAR END]                       |                              | \$                           |                       | \$                              |
| [FEB. 1 OF CURRENT YEAR] <sup>(1)</sup> |                              | \$                           |                       | \$                              |

<sup>(1)</sup> As of February 1, 20\_\_.

**ITEMS REQUIRED BY SECTION 4(a)(iii) - (vi)**

[Insert a line item for each applicable listing]

## EXHIBIT C

### BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES<sup>1</sup>

| <u>Date</u> | <u>Delinquency<br/>Clock (Days)</u> | <u>Activity</u>   |
|-------------|-------------------------------------|---|
| January 31  |                                     | Assessments are due.  |
| February 1  | 1                                   | Assessments delinquent if not received.<br><br>Upon receipt but no later than February 15, Issuer forwards payment to Trustee for all collections received, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.<br><br>Issuer and/or Administrator should be aware of actual and specific delinquencies<br><br>Administrator should be aware if Reserve Fund needs to be utilized for debt service payments during the corresponding Fiscal Year. <b>If there is to be a shortfall of any Annual Installments due to be paid that Fiscal Year, the Dissemination Agent should be immediately notified in writing.</b><br><br>Issuer and/or Administrator should determine if previously collected surplus funds, if any, plus actual Annual Installment collections will be fully adequate for debt service in the corresponding March and September. |
| March 1     | 28/29                               | Issuer and/or Administrator should be aware of actual and specific delinquencies.<br><br>Trustee pays bond interest payments to Owners.<br><br>Issuer, or the Trustee on behalf of the Issuer, to notify Dissemination Agent in writing of the occurrence of draw on the Reserve Fund and, following receipt of   |

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<sup>1</sup> Illustrates anticipated dates and procedures for pursuing the collection of delinquent Assessments, which dates and procedures shall be in accordance with Chapters 31, 32, 33 and 34, Texas Tax Code, as amended (the "Code"), and the County Tax/Assessor Collector's procedures, and are subject to adjustment by the Issuer. If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

such notice, Dissemination Agent to notify MSRB of such draw or the Reserve Fund.

**April 1**

**59/60**

At this point, if total delinquencies are under 5% and if there is adequate funding for September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure delinquency. **For properties delinquent by more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of foreclosure, in accordance with the County Tax/Assessor Collector's procedures.**

**If there are over 5% delinquencies or if there is insufficient funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of the Bond Fund such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties, in accordance with the County Tax/Assessor Collector's procedures.**

**July 1**

**152/153**

Issuer, or the Administrator on behalf of the Issuer, determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments, in accordance with the County Tax/Assessor Collector's procedures.

**Issuer and/or Administrator to notify Dissemination Agent in writing for disclosure to MSRB of all delinquencies.**

**Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent in writing of the commencement of preliminary foreclosure activity.**

If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.

If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and



if instructed by the Owners under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.

August 15

197/198

The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those Owners who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than August 15 (day 197/198).

**Foreclosure action to be filed with the court.**

**Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status in writing. Dissemination Agent notifies Owners.**

If Owners and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

A committee of not less than 25% of the Owners may request a meeting with the City Manager or Director of Finance to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day 30 if it is apparent that a Reserve Fund draw is required. Further, if delinquencies exceed 5%, Owners may also request a meeting with the Issuer at any time to discuss the Issuer's plan and progress on collection and foreclosure activity. If the Issuer is not diligently proceeding with the foreclosure process, the Owners may seek an action for mandamus or specific performance to direct the Issuer to pursue the collections of delinquent Special Assessments.

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**APPENDIX D-2**

**FORM OF DEVELOPER DISCLOSURE AGREEMENT**

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**CITY OF CELINA, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT PHASE #1 PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER**

This Continuing Disclosure Agreement of Developer dated as of February 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and among MM Sutton Fields East, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. as dissemination agent (the “Dissemination Agent”) with respect to the “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)” (the “Bonds”). The Developer, the Administrator and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of February 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean the Issuer or the person or independent firm designated by the Issuer who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The Issuer has selected MuniCap, Inc. as the initial Administrator.

“Affiliates” shall mean an entity that owns property within Phase #1 and is controlled by, controls, or is under common control of the Developer.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall mean Assessments as defined in the Indenture.

“Business Day” means any day other than a Saturday, Sunday, legal holiday, or day on which banking institutions in the City where the Designated Payment/Transfer Office of the Paying Agent/Registrar (as each term is defined in the Indenture) is located are required or authorized by law or executive order to close.

“Certification Letter” shall mean a certification letter provided by the Developer or any Significant Homebuilder, pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean MM Sutton Fields East, LLC, a Texas limited liability company, and each other Person, through assignment, who assumes the obligations, requirements or covenants to construct one or more of the Phase #1 Improvements and their designated successors and assigns.

“Developer Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of Issuer dated as of February 1, 2022 executed and delivered by and among the Issuer, the Administrator and the Dissemination Agent.

“Dissemination Agent” shall mean HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Sutton Fields East Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Homebuilder(s)” shall mean any merchant homebuilder who enters into a Lot Sale Agreement with the Developer, and the successors and assigns of such homebuilder under such Lot Sale Agreement.

“Issuer” shall mean the City of Celina, Texas.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum for the Bonds dated January 11, 2022.

“Listed Events” shall mean, collectively, Developer Listed Events and Significant Homebuilder Listed Events.

“Lot Sale Agreement” shall mean, with respect to lots or land within Phase #1 of the District, any Lot Sale Agreement between a Homebuilder and the Developer to purchase lots or to purchase land.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

“Participating Underwriter” shall mean FMSbonds, Inc. and its successors and assigns.

“Person” shall mean any legal person, including any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

“Phase #1” shall have the meaning assigned to such term in the Service and Assessment Plan.

“Phase #1 Improvements” shall have the meaning assigned to such term in the Service and Assessment Plan.

“Private Improvements” shall have the meaning assigned to such term in the Limited Offering Memorandum.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning June 30, 2022.

“Quarterly Filing Date” shall mean for each Quarterly Ending Date, the fifteenth calendar day of the second month following such Quarterly Ending Date being May 15, August 15, November 15, and February 15.

“Quarterly Information” shall have the meaning assigned to such term in Section 3 of this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report described in Section 3 of this Disclosure Agreement and substantially similar to that attached as Exhibit A hereto.

“Reporting Party” shall mean the Developer and/or Significant Homebuilder, as applicable.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Significant Homebuilder” shall mean a Homebuilder that then owns five percent (5%)<sup>1</sup> or more of the single-family residential lots within Phase #1.

“Significant Homebuilder Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Trustee” shall mean U.S. Bank National Association, national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as trustee, or any successor trustee pursuant to the Indenture.

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<sup>1</sup> At closing of the Bonds, based on the Service and Assessment Plan, five percent (5%) of the total single family residential lots within Phase #1 is currently equal to approximately 12 lots.

Section 3. Quarterly Reports.

(a) The Developer and any Significant Homebuilder, with respect to its acquired real property, shall, at its cost and expense, provide, or cause to be provided, to the Administrator, not more than ten (10) days after each Quarterly Ending Date, beginning with June 30, 2022, the information required for the preparation of the Quarterly Report (with respect to each party, the “Quarterly Information”). The Reporting Party shall provide, or cause to be provided to the Administrator, such Quarterly Information until such party’s obligations terminate pursuant to Section 7 of this Disclosure Agreement. For the avoidance of doubt, if the Developer elects, the Developer may, but shall not be obligated to provide any Quarterly Information on behalf of any Significant Homebuilder. The Developer shall remain obligated with respect to any real property acquired by a Significant Homebuilder until an acknowledgment of assignment with respect to such real property is delivered in accordance with Section 6 of this Disclosure Agreement, at which time Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property so transferred.

(b) The Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by each Reporting Party pursuant to subsection (a) above and (ii) provide to the Reporting Party, each Quarterly Report for review no later than twenty (20) days after each Quarterly Ending Date. Each Reporting Party shall review the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide to the Administrator the Certification Letter and authorize the Administrator to provide such Quarterly Report and Certification Letter to the Issuer and Dissemination Agent pursuant to subsection (c) below. In all cases, each Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all of the Quarterly Information provided by such party contained in the Quarterly Report.

(c) The Administrator shall provide to the Dissemination Agent, no later than thirty-five (35) days after each Quarterly Ending Date, the Quarterly Report containing the information described in this Section 3 and the Certification Letter(s) provided by each Reporting Party. The Dissemination Agent shall file the Quarterly Report and the Certification Letter(s) with the MSRB and provide a copy of such report to the Issuer and the Participating Underwriter within ten (10) days of the Dissemination Agent’s receipt thereof pursuant to this subsection 3(c); provided, however, that the Quarterly Report and the Certification Letter(s) must be submitted to the MSRB not later than each Quarterly Filing Date. In the event that any Reporting Party or the Administrator does not provide the information required by subsection (a) or (b) of this Section, as applicable, in a timely manner and, as a result, either an incomplete Quarterly Report is filed with the MSRB, or a Quarterly Report is not filed with the MSRB by each Quarterly Filing Date, the Dissemination Agent shall, and is hereby directed to, file a notice of failure to provide Quarterly Information or failure to file a Quarterly Report with the MSRB in substantially the form attached as Exhibit B, as soon as practicable. If incomplete Quarterly Information is provided by any Reporting Party to the Administrator, the Dissemination Agent shall not be responsible for any failure to submit a complete Quarterly Report to the MSRB in connection with such failure. If each Reporting Party timely provides the required Quarterly Information to the Administrator as described in this Section 3, the failure of the Administrator to provide the information to the Dissemination Agent, or the failure of the Dissemination Agent to provide such information to the parties required under this Section 3(c) in a timely manner, shall not be deemed a default by the Reporting Party under this Disclosure Agreement.



(d) The Quarterly Report shall include the Quarterly Report. Such Quarterly Report shall be in a form similar to that as attached in Exhibit A hereof and shall include:

(i) In a form similar to Table 3(d)(i) in Exhibit A attached hereto, the composition of the property within Phase #1 subject to the Assessments, as of the Quarterly Ending Date, including:

- A. The number of single-family residential parcels;
- B. The number of acres of single-family residential parcels;
- C. The number of platted single-family residential lots;
- D. The number of single-family residential lots identified in the original Service and Assessment Plan; and
- E. An explanation as to any change to the number of lots/parcels within Phase #1 from the original Service and Assessment Plan;

(ii) In a form similar to Table 3(d)(ii) in Exhibit A attached hereto, the landowner composition of Phase #1, including:

- A. The number of lots owned by each type of landowner (i.e., Developer, Homebuilders, end-user); and
- B. The percentage of single-family residential lots relative to the total single-family residential lots for the Developer, each Homebuilder, and end-users (end-users reported collectively), as of the Quarterly Ending Date;

(iii) In a form similar to Table 3(d)(iii) in Exhibit A attached hereto, for each parcel designated as single-family residential, lot absorption statistics by lot type, on a quarter over quarter basis for Phase #1, including:

- A. The number of single-family lots platted in Phase #1;
- B. The number of single-family lots in Phase #1 closed with a Homebuilder;
- C. The number of single-family lots in Phase #1 owned by the Developer and under contract (but not closed) with a Homebuilder; and
- D. The number of single-family lots in Phase #1 owned by the Developer and not closed or under contract with a Homebuilder;

(iv) In a form similar to Table 3(d)(iv) in Exhibit A attached hereto, for each parcel designated as single-family residential, for each Homebuilder, broken down by lot type and phase, on a quarter over quarter basis:

- A. The number of homes under construction in Phase #1;

- B. The number of completed homes not under contract with end-users in Phase #1;
- C. The number of homes under contract with end-users in Phase #1;
- D. The number of homes closed with end-users in Phase #1; and
- E. The average sales price of homes closed with end-users.

(v) In a form similar to Table 3(d)(v) in Exhibit A attached hereto, materially adverse changes or determinations to permits/approvals for the development of Phase #1 that necessitate changes to the land use plans of the Developer;

(vi) In a form similar to Table 3(d)(vi) in Exhibit A attached hereto, the occurrence of any new or modified mortgage debt on the land owned by the Developer, including the amount, interest rate and terms of repayment; and

(vii) Until completion of the Phase #1 Improvements, in a form similar to Table 3(d)(vii) in Exhibit A attached hereto, with respect to each category of the Phase #1 Improvements, as set forth in the Service and Assessment Plan, the Developer shall provide or cause to be provided the construction budget and timeline for the Phase #1 Improvements to the Administrator for inclusion in each Quarterly Report, including:

A. Total budgeted costs of all Phase #1 Improvements;

B. Total actual costs of the Phase #1 Improvements drawn from the Phase #1 Improvements Account of the Project Fund and the Developer Improvement Account of the Project Fund, as of the Quarterly Ending Date;

C. Total actual costs of Phase #1 Improvements financed with other sources of funds (non-bond financed), as of the Quarterly Ending Date;

D. Forecast completion date;

E. Actual Issuer acceptance date; and

F. Narrative update on construction milestones for the Phase #1 Improvements since the date of the prior Quarterly Report.

(e) Each such Quarterly Report shall include, in a form similar to Table 3(e)(i) in Exhibit A attached hereto, with respect to any amenities or Private Improvements, the Developer shall provide or cause to be provided the following information to the Administrator for inclusion in each Quarterly Report:

(i) Total expected construction budget;

(ii) Total costs spent to date;

(iii) Status of construction; and

- (iv) Expected or actual completion date.

Section 4. Event Reporting Obligations.

(a) Pursuant to the provisions of this Section 4, each of the following is a Developer Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within Phase #1, on a parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within Phase #1 to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Developer Listed Event under this Section 4(a) nor a breach or default of this Disclosure Agreement; provided that the Developer has complied with all legal requirements relating to the protest of such value, including the posting of a bond, if required;

(ii) Material damage to or destruction of any development or improvements within Phase #1, including the Phase #1 Improvements;

(iii) Material default by the Developer or any of the Developer's Affiliates on any loan with respect to the acquisition, development or permanent financing of Phase #1 undertaken by the Developer or any of the Developer's Affiliates;

(iv) Material default by the Developer or any of Developer's Affiliates on any loan secured by property within Phase #1 owned by the Developer or any of the Developer's Affiliates;

(v) The commencement of any bankruptcy, insolvency or similar filing of the Developer or any of the Developer's Affiliates or any determination that the Developer or any of the Developer's Affiliates is unable to pay its debts as they become due;

(vi) The consummation of a merger, consolidation, or acquisition of the Developer, or the sale of all or substantially all of the assets of the Developer or any of the Developer's Affiliates, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(vii) The filing of any lawsuit with a claim for damages, in excess of \$1,000,000 against the Developer or any of the Developer's Affiliates that may adversely affect the completion of development of Phase #1 or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's Affiliates;

(viii) Any change in the legal structure, chief executive officer or controlling ownership of the Developer; and

(ix) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Sections 5 or 6 herein.

(b) Pursuant to the provisions of this Section 4, each of the following occurrences related to any Significant Homebuilder is a Significant Homebuilder Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within Phase #1 on a lot or parcel owned by such Significant Homebuilder; provided, however, that the exercise of any right of such Significant Homebuilder as a landowner within Phase #1 to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Significant Homebuilder Listed Event under this Section 4(b) nor a breach or default of this Disclosure Agreement;

(ii) The commencement of any bankruptcy, insolvency or similar filing of such Significant Homebuilder or any determination that such Significant Homebuilder is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Homebuilder or the sale of all or substantially all of the assets of the Significant Homebuilder, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iv) Any change in the type of legal entity, chief executive officer or controlling ownership of such Significant Homebuilder;

(v) Early termination of or material default by such Significant Homebuilder under a Lot Sale Agreement; and

(vi) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 6 herein.

(c) Whenever the Developer obtains knowledge of the occurrence of a Developer Listed Event, the Developer shall promptly notify the Issuer, the Administrator and the Dissemination Agent in writing and the Developer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Developer becomes aware of the occurrence of such Developer Listed Event. If the Developer timely notifies the Dissemination Agent of the occurrence of a Developer Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Participating Underwriter in a timely manner shall not be deemed a default by the Developer under this Disclosure Agreement.

Whenever a Significant Homebuilder obtains knowledge of the occurrence of a Significant Homebuilder Listed Event, the applicable Significant Homebuilder shall promptly notify the Issuer, the Administrator and the Dissemination Agent in writing and such Significant Homebuilder shall direct the Dissemination Agent in writing to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer, the Developer and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Significant Homebuilder becomes aware of the occurrence of such Significant Homebuilder Listed Event. If the Significant Homebuilder timely notifies the Dissemination Agent of the occurrence of a Significant

Homebuilder Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Participating Underwriter in a timely manner shall not be deemed a default by the Significant Homebuilder under this Disclosure Agreement.

Any notice under the two (2) preceding paragraphs shall be accompanied with the text of the disclosure that the Developer or Significant Homebuilder, as applicable, desires to make, the written authorization of the Developer or the Significant Homebuilder, as applicable, for the Dissemination Agent to disseminate such information as provided herein, and the date the Developer or Significant Homebuilder, as applicable, desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the Developer or Significant Homebuilder, as applicable, becomes aware of the occurrence of the Developer Listed Event or Significant Homebuilder Listed Event, as applicable).

The Developer and each Significant Homebuilder, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to such Reporting Party and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Reporting Party, regardless if such Person is providing Quarterly Information on behalf of any other Reporting Party. In all cases, the Developer or the Significant Homebuilder, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the Developer or the Significant Homebuilder, as applicable, shall have the sole responsibility to ensure that any notice required to be filed with the MSRB under this Section 4 is actually filed within ten (10) Business Days after the Developer or Significant Homebuilder, as applicable, becomes aware of the occurrence of the applicable Listed Event.

(d) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer, the Developer and the Significant Homebuilder, if applicable, of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Developer or Significant Homebuilder, as applicable, to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer or Significant Homebuilder, as applicable, and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer and Significant Homebuilder, as applicable, as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Issuer, the Developer, Significant Homebuilder, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(e) If the Dissemination Agent has been notified in writing by the Developer or Significant Homebuilder to report the occurrence of a Listed Event in accordance with subsections (c) or (d) of this Section 4, the Dissemination Agent shall file a notice of such occurrence with the MSRB within one (1) Business Day after its receipt of such written instructions from the Developer or Significant Homebuilder, as applicable; provided that all such notices must be filed no later than the date specified in subsection (c) of this Section 4 for such Listed Event. The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer

and the Developer of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Developer to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Issuer, the Developer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

Section 5. Assumption of Reporting Obligations by Developers.

The Developer shall cause each Person, who, through assignment, assumes the obligations, requirements or covenants to construct one or more of the Phase #1 Improvements to assume and comply with the disclosure obligations of the Developer under this Disclosure Agreement. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement and assumption from each Person who assumes the obligations, requirements or covenants to construct one or more of the Phase #1 Improvements, in substantially the form attached as Exhibit E (the “Developer Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Section 4(a)(ix) above, the Developer shall direct the Dissemination Agent to file a copy of each Developer Acknowledgment with the MSRB, in accordance with Sections 4(c) and 4(e) above. Upon any such transfer to a Person, and such Person’s delivery of written acknowledgement of assumption of Developer’s obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Person arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall require that any Person comply with obligations of this Section 5 with respect to any subsequent transfers by such Person to any individual or entity meeting the definition of a “Developer” in the future.

Section 6. Assumption of Reporting Obligations by Significant Homebuilders.

If a Homebuilder acquires ownership of real property in Phase #1 resulting in such Homebuilder becoming a Significant Homebuilder, the Developer shall cause such Significant Homebuilder to comply with the Developer’s disclosure obligations under Sections 3(d)(iv) and 4(b) hereof, with respect to such acquired real property until such party’s disclosure obligations terminate pursuant to Section 7 of this Disclosure Agreement; provided, however, a Significant Homebuilder who is also a Developer shall be required to provide the disclosure information required by Sections 3 and 4(a), as applicable, pursuant to Section 5 above. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement from each Significant Homebuilder, in substantially the form attached as Exhibit F (the “Significant Homebuilder Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Sections 4(a)(ix) and 4(b)(vi) above, the Developer or Significant Homebuilder, as applicable, shall direct the Dissemination Agent to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with Sections 4(c) and

4(e) above. Upon any such transfer to a Significant Homebuilder, and such Significant Homebuilder's delivery of written acknowledgement of assumption of Developer's obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Significant Homebuilder arising from or in connection with such disclosure obligations under this Disclosure Agreement.

Section 7. Termination of Reporting Obligations.

(a) The reporting obligations of the Developer under this Disclosure Agreement shall terminate upon the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) the date when (A) all of the Phase #1 Improvements are complete and (B) the Developer no longer owns at least five percent (5%)<sup>2</sup> of the single family residential lots (proposed or actual) within Phase #1, as of the applicable Quarterly Ending Date.

(b) The reporting obligations of a Significant Homebuilder, if any, under this Disclosure Agreement shall terminate upon the earlier of when (i) none of the Bonds remain Outstanding, or (ii) the Significant Homebuilder no longer owns at least five percent (5%)<sup>2</sup> of the single family residential lots within Phase #1, as of the applicable Quarterly Ending Date.

(c) Upon receipt of written notice from a Reporting Party or the Dissemination Agent that the reporting obligations of a Reporting Party have terminated in accordance with subsection (a) or (b) of this Section 7, the Administrator shall provide written notice to the applicable Reporting Party, the Participating Underwriter, the Issuer, and the Dissemination Agent in substantially the form attached as Exhibit C, thereby, terminating such Reporting Party's reporting obligations under this Disclosure Agreement (the "Termination Notice"). If such Termination Notice with respect to a Reporting Party occurs while any of the Bonds remain Outstanding, the Administrator shall immediately provide, or cause to be provided, the Termination Notice to the Dissemination Agent, and the Dissemination Agent shall provide such Termination Notice to the MSRB, the Issuer, the Trustee, the applicable Reporting Party and the Participating Underwriter on or before the next succeeding Quarterly Filing Date.

(d) The obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, or (ii) termination of all Reporting Parties' reporting obligations in accordance with subsection (a) or (b) of this Section 7 and any Termination Notice required by subsection (c) of this Section 7 has been provided to the MSRB, the Issuer, the Trustee, the Dissemination Agent, the Reporting Parties, and the Participating Underwriter, as applicable.

Section 8. Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. The Issuer may, from time to time, appoint or engage a successor Dissemination Agent to assist the Developer, any Person that has executed a Developer Acknowledgement pursuant to Section 5 hereof or any Significant

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<sup>2</sup> At closing of the Bonds, based on the Service and Assessment Plan, five percent (5%) of the total single family residential lots (proposed or actual) within Phase #1 is currently equal to approximately 12 lots.

Homebuilder that has executed a Significant Homebuilder Acknowledgment pursuant to Section 6 hereof in carrying out their obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time with sixty (60) days' notice to the Issuer, the Developer and the Administrator; provided, however, that if the Dissemination Agent is serving in the same capacity under the Disclosure Agreement of Issuer, the Dissemination Agent shall resign under the Disclosure Agreement of Issuer simultaneously with its resignation hereunder; provided, further, that if the Issuer is the Dissemination Agent, the Issuer may not resign without first appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. Pursuant to the Disclosure Agreement of Issuer, the Issuer has agreed to provide written notice to each of the Developer, any Person that has executed a Developer Acknowledgment pursuant to Section 5 hereof or any Significant Homebuilder that has executed a Significant Homebuilder Acknowledgment pursuant to Section 6 hereof of any change in the identity of the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may jointly amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Developer or Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer or any Significant Homebuilder, or the type of business conducted; and

(b) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent or the Issuer may be made without the respective party's prior written consent (which consent will not be unreasonably withheld or delayed).

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administrator shall describe such amendment in the next related Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Developer. The Developer shall provide, or cause to be provided, at its cost and expense, an executed copy of any amendment or waiver entered into under this Section 9 to the Issuer, the Administrator, the Dissemination Agent, and the Participating Underwriter.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer or any Significant Homebuilder from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in addition to that which is required by this Disclosure Agreement. If the Developer or Significant Homebuilder chooses to include any information in any Quarterly Report or notice of occurrence of a Developer Listed Event or Significant Homebuilder Listed Event, as applicable, in addition to that which is specifically required by this Disclosure



Agreement, the Developer or the Significant Homebuilder, as applicable, shall have no obligation under this Disclosure Agreement to update such information or include it in any future Quarterly Report or notice of occurrence of a Developer Listed Event or Significant Homebuilder Listed Event.

Section 11. Content of Disclosures. In all cases, the Developer or Significant Homebuilder, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures, whether provided under Section 3, 4 or 10 of this Disclosure Agreement.

Section 12. Default. In the event of a failure of the Developer, any Significant Homebuilder or the Administrator to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Developer, Significant Homebuilder and/or the Administrator to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer, Significant Homebuilder or the Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by the Developer, or any Significant Homebuilder, as applicable, shall not be deemed a default under the Disclosure Agreement of Issuer by the Issuer, and a default under the Disclosure Agreement of Issuer by the Issuer shall not be deemed a default under this Disclosure Agreement by the Developer, any Significant Homebuilder or the Administrator. Additionally, a default by the Developer of its obligations under this Disclosure Agreement shall not be deemed a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement; and, likewise, a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement shall not be deemed a default of the Developer of the Developer's obligations under this Disclosure Agreement.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Quarterly Report) prepared by the Developer, Significant Homebuilder and/or the Administrator pursuant to this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Developer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Dissemination Agent shall not in any event incur any liability with respect to (i) any

action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to hold harmless the Administrator, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE DEVELOPER, OR ANY SIGNIFICANT HOMEBUILDER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY ANY OTHER PARTY TO THIS DISCLOSURE AGREEMENT OR A SIGNIFICANT HOMEBUILDER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 14. No Personal Liability. No covenant, stipulation, obligation or agreement of the Developer, any Significant Homebuilder, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Developer, any Significant Homebuilder, the Administrator or Dissemination Agent in other than that person's official capacity.

Section 15. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Administrator, the Dissemination Agent, the Issuer, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 17. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in Phase #1, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

Section 18. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of Phase #1, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

Section 20. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 21. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[Signature pages follow.]*

HTS CONTINUING DISCLOSURE SERVICES,  
a division of Hilltop Securities Inc.  
(solely in its capacity as Dissemination Agent)

By: \_\_\_\_\_  
Authorized Officer

MM SUTTON FIELDS EAST, LLC,  
a Texas limited liability company  
(as Developer)

By: MMM Ventures, LLC  
a Texas limited liability company  
Its Manager

By: 2M Ventures, LLC  
a Delaware limited liability company  
Its Manager

By: \_\_\_\_\_  
Name: Mehrdad Moayedi  
Its: Manager

MUNICAP, INC.  
(as Administrator)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**CITY OF CELINA, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022  
(SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
PHASE #1 PROJECT)**

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**DEVELOPER QUARTERLY REPORT**  
*[INSERT QUARTERLY ENDING DATE]*

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Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP Numbers: [Insert CUSIP Numbers]

**DISSEMINATION AGENT**

Name: HTS Continuing Disclosure Services, a division of Hilltop Securities Inc.

Address:

City:

Telephone: (\_\_\_\_) - \_\_\_\_\_

Contact Person: Attn: \_\_\_\_\_

[Remainder of page intentionally left blank]

**QUARTERLY INFORMATION**

**TABLE 3(d)(i)**

**PHASE #1 OVERVIEW**

(as of [*Insert Quarterly Ending Date*])

| NUMBER OF SINGLE-FAMILY PARCELS, ACREAGE OF SUCH PARCELS AND<br>NUMBER OF PLATTED SINGLE-FAMILY LOTS IN PHASE #1 SUBJECT TO<br>ASSESSMENTS: |                         |  |   |  |  |
|---|-------------------------|--|---|--|--|
|   | Phase #1 <sup>(1)</sup> |  | Original Service<br>and Assessment<br>Plan <sup>(2)</sup> |  | Explanation as to any change in<br>Lots/Parcels from Original<br>Service and Assessment Plan |
| Single-Family   |                         |  |   |  |  |
| Total SF<br>Parcels/Acres   |                         |  |   |  |  |
| Lot Type  | -                       |  | -   |  |  |
| 50' Lot   |                         |  |   |  |  |
| 60' Lot   |                         |  |   |  |  |
| [Future SF]   |                         |  |   |  |  |
| <i>Total SF Lots:</i>   |                         |  |   |  |  |

<sup>(1)</sup> Single-family lots represent the number of platted single-family lots in Phase #1, as of [*Insert Quarterly Ending Date*].

<sup>(2)</sup> Single-family lots represent the number of planned single-family lots included in the original Service and Assessment Plan.

[Remainder of page intentionally left blank]



**TABLE 3(d)(ii)**

| LANDOWNER COMPOSITION (as of <i>[Insert Quarterly Ending Date]</i> ) |   |   |
|--|---|---|
| OF PHASE #1  |   |   |
| Landowner Composition  | Number of Actual Single-Family Residential Lots Owned | Percentage of Total Actual Single-Family Residential Lots |
| <b>Developer Owned</b>   |   |   |
| 50' Lot  |   |   |
| 60' Lot  |   |   |
| [Future SF]  |   |   |
| <i>Total Developer Owned SF Lots:</i>                                |   |   |
| <b>[Homebuilder] Owned<sup>(1)</sup></b>                             |   |   |
| 50' Lot  |   |   |
| 60' Lot  |   |   |
| [Future SF]  |   |   |
| <i>Total Homebuilder Owned SF Lots:</i>                              |   |   |
| <b>End-User Owned</b>  |   |   |
| 50' Lot  |   |   |
| 60' Lot  |   |   |
| [Future SF]  |   |   |
| <i>Total End-User Owned SF Lots:</i>                                 |   |   |
| <i>Total Development:</i>  |   |   |

<sup>(1)</sup> Add additional rows for each Homebuilder.

[Remainder of page intentionally left blank]

FOR EACH PARCEL DESIGNATED AS SINGLE-FAMILY RESIDENTIAL:  
**TABLE 3(d)(iii)**

| <b>DEVELOPER ABSORPTION STATISTICS FOR SINGLE-FAMILY RESIDENTIAL IN PHASE #1</b> |   |                      |            |           |           |           |           |           |           |           |           |  |
|--|---|----------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
|  |   | Q<br>20__            | Q<br>20__  | Q<br>20__ | Q<br>20__ | Q<br>20__ | Q<br>20__ | Q<br>20__ | Q<br>20__ | Q<br>20__ | Q<br>20__ |  |
| <b># of platted S.F. lots:</b>   | <b>50'</b>  |                      |            |           |           |           |           |           |           |           |           |  |
|  | <b>60'</b>  |                      |            |           |           |           |           |           |           |           |           |  |
|  | <b>TOTAL</b>  |                      |            |           |           |           |           |           |           |           |           |  |
| <b># of S.F. lots closed with Homebuilders:</b>                                  | <b>Homebuilder 1</b>                                    | <b>50'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <b>60'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <i>Subtotal</i>      |            |           |           |           |           |           |           |           |           |  |
|  | <b>Homebuilder 2</b>                                    | <b>50'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <b>60'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <i>Subtotal</i>      |            |           |           |           |           |           |           |           |           |  |
|  | <b>Homebuilder 3</b>                                    | <b>50'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <b>60'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <i>Subtotal</i>      |            |           |           |           |           |           |           |           |           |  |
|  | <b>TOTAL</b>  |                      |            |           |           |           |           |           |           |           |           |  |
|  | <b># of S.F. lots under contract with Homebuilders:</b> | <b>Homebuilder 1</b> | <b>50'</b> |           |           |           |           |           |           |           |           |  |
|  |   |                      | <b>60'</b> |           |           |           |           |           |           |           |           |  |
| <i>Subtotal</i>  |   |                      |            |           |           |           |           |           |           |           |           |  |
| <b>Homebuilder 2</b>   |   | <b>50'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <b>60'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <i>Subtotal</i>      |            |           |           |           |           |           |           |           |           |  |
| <b>Homebuilder 3</b>   |   | <b>50'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <b>60'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <i>Subtotal</i>      |            |           |           |           |           |           |           |           |           |  |
| <b>TOTAL</b>   |   |                      |            |           |           |           |           |           |           |           |           |  |
| <b># of S.F. lots not under contract with Homebuilders:</b>                      |   | <b>50'</b>           |            |           |           |           |           |           |           |           |           |  |
|  |   | <b>60'</b>           |            |           |           |           |           |           |           |           |           |  |
|  | <b>TOTAL</b>  |                      |            |           |           |           |           |           |           |           |           |  |

**TABLE 3(d)(iv)**

| <b>[Homebuilder] ABSORPTION STATISTICS FOR SINGLE-FAMILY RESIDENTIAL LOTS IN PHASE #1<sup>(1)</sup></b> |                |                           |                           |                           |                           |                           |                           |                           |                           |
|---|----------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   |                | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> | <b>Q__</b><br><b>20__</b> |
| <b># of S.F. homes under construction:</b>  | <b>50'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>60'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>TOTAL</b>   |                           |                           |                           |                           |                           |                           |                           |                           |
| <b># of completed S.F. homes NOT under contract with end-user:</b>                                      | <b>50'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>60'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>TOTAL</b>   |                           |                           |                           |                           |                           |                           |                           |                           |
| <b># of S.F. homes under contract with end-user:</b>  | <b>50'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>60'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>TOTAL</b>   |                           |                           |                           |                           |                           |                           |                           |                           |
| <b># of S.F. homes delivered to end-users:</b>  | <b>50'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>60'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>TOTAL</b>   |                           |                           |                           |                           |                           |                           |                           |                           |
| <b>Average home prices of homes delivered to end-users:</b>   | <b>50'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>60'</b>     |                           |                           |                           |                           |                           |                           |                           |                           |
|   | <b>AVERAGE</b> |                           |                           |                           |                           |                           |                           |                           |                           |

<sup>(1)</sup> Additional tables to be added for each Homebuilder

**STATUS OF DEVELOPMENT IN PHASE #1:**

**TABLE 3(d)(v)**

| <b>PERMITS/APPROVALS</b>                          |   |
|---|---|
| <b>Change or Determination to Permit/Approval</b> | <b>Description of the Change to the Land Use Plan</b> |
|   |   |
|   |   |

**TABLE 3(d)(vi)**

| OCCURRENCE OF ANY NEW OR MODIFIED MORTGAGE DEBT |        |        |               |                    |
|---|--------|--------|---------------|--------------------|
| Borrower  | Lender | Amount | Interest Rate | Terms of Repayment |
|   |        |        |               |                    |
|   |        |        |               |                    |

**STATUS OF PHASE #1 IMPROVEMENTS:**

**TABLES 3(d)(vii)(A)-(F)**

| PHASE #1 IMPROVEMENTS BUDGET AND TIMELINE OVERVIEW      |                |   |  |                          |                               |
|---|----------------|---|--|--------------------------|-------------------------------|
|   | Budgeted Costs | Actual Costs Draw from [Phase #1 Improvements Account] [Developer Improvement Account] as of [Insert Quarterly Ending Date] | Actual Costs financed with sources other than Bond proceeds as of [Insert Quarterly Ending Date] | Forecast Completion Date | Actual Issuer Acceptance Date |
| Total costs required to complete Phase #1 Improvements: |                |   |  |                          |                               |
| Phase #1 Improvements:                                  |                |   |  |                          |                               |
| • Street  | \$ _____       | \$ _____  | \$ _____   | \$ _____                 | \$ _____                      |
| • Water   | \$ _____       | \$ _____  | \$ _____   | \$ _____                 | \$ _____                      |
| • Sanitary Sewer  | \$ _____       | \$ _____  | \$ _____   | \$ _____                 | \$ _____                      |
| • Storm Drainage  | \$ _____       | \$ _____  | \$ _____   | \$ _____                 | \$ _____                      |
| • Landscape, Hardscaping and Parks                      | \$ _____       | \$ _____  | \$ _____   | \$ _____                 | \$ _____                      |
| • Soft Costs  | \$ _____       | \$ _____  | \$ _____   | \$ _____                 | \$ _____                      |

Narrative update on construction milestones for Phase #1 Improvements since last Quarterly Report:

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---



---

STATUS OF PRIVATE IMPROVEMENTS:

**TABLES 3(e)(i)-(iv)**

| PRIVATE IMPROVEMENTS BUDGET AND TIMELINE OVERVIEW |                                    |   |                        |                                    |
|---|------------------------------------|---|------------------------|------------------------------------|
| Private Improvements                              | Total Expected Construction Budget | Total Costs spent as of<br>[Insert Quarterly Ending Date] | Status of Construction | Expected or Actual Completion Date |
| <i>List each private improvement by category:</i> |                                    |   |                        |                                    |
| [ _____ ]   | \$ _____                           | \$ _____  | \$ _____               | \$ _____                           |
| [ _____ ]   | \$ _____                           | \$ _____  | \$ _____               | \$ _____                           |
| [ _____ ]   | \$ _____                           | \$ _____  | \$ _____               | \$ _____                           |
| [ _____ ]   | \$ _____                           | \$ _____  | \$ _____               | \$ _____                           |
| [ _____ ]   | \$ _____                           | \$ _____  | \$ _____               | \$ _____                           |
|   | \$ _____                           | \$ _____  | \$ _____               | \$ _____                           |

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO  
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of Celina, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022  
(Sutton Fields East Public Improvement District Phase #1 Project)  
(the “Bonds”)  
CUSIP Numbers: [insert CUSIP Numbers]  
Date of Delivery: \_\_\_\_\_, 20\_\_  
SECTION 1.

NOTICE IS HEREBY GIVEN that \_\_\_\_\_, a  
\_\_\_\_\_ (the [“Developer”][“Significant Homebuilder”]) has not provided the  
[Quarterly Information][Quarterly Report] for the period ending on [*Insert Quarterly Ending Date*]  
with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer dated  
as of February 1, 2022, by and among MM Sutton Fields East, LLC, a Texas limited liability  
company (the “Developer”), MuniCap, Inc., as the “Administrator” and HTS Continuing  
Disclosure Services, a division of Hilltop Securities Inc., as the “Dissemination Agent.” The  
[Developer] [“Significant Homebuilder”] anticipates that the [Quarterly Information][Quarterly  
Report] will be [provided][filed] by \_\_\_\_\_.

Dated: \_\_\_\_\_

HTS Continuing Disclosure Services, a division of  
Hilltop Securities Inc.  
on behalf of the Developer  
(acting solely in its capacity as  
Dissemination Agent)

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Celina, Texas

\_\_\_\_\_  
<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).

**EXHIBIT C**

**TERMINATION NOTICE**

[DATE]

Name of Issuer: City of Celina, Texas  
 Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022  
 (Sutton Fields East Public Improvement District Phase #1 Project)  
 (the "Bonds")  
 CUSIP Numbers. [insert CUSIP Numbers]  
 Date of Delivery: \_\_\_\_\_, 20\_\_

FMSbonds, Inc.  
 5 Cowboys Way, Suite 300-25  
 Frisco, Texas 75034

HTS Continuing Disclosure Services, a division of  
 Hilltop Securities Inc.

City of Celina, Texas  
 142 N. Ohio Street  
 Celina, Texas 75009

MM Sutton Fields East, LLC  
 1800 Valley View Lane, Suite 300  
 Farmers Branch, Texas 75234

NOTICE IS HEREBY GIVEN that that \_\_\_\_\_, a  
 \_\_\_\_\_ (the ["Developer"<sup>1</sup>]["Significant Homebuilder"]) is no longer  
 responsible for providing [any Quarterly Information][the Quarterly Report] with respect to the  
 Bonds, thereby, terminating such party's reporting obligations under the Continuing Disclosure  
 Agreement of Developer dated as of February 1, 2022, by and among MM Sutton Fields East,  
 LLC, a Texas limited liability company (the "Developer"), MuniCap, Inc., as the "Administrator"  
 and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as the  
 "Dissemination Agent."

Dated: \_\_\_\_\_

MuniCap, Inc.  
 on behalf of the Developer  
 (solely in its capacity as Administrator)

By: \_\_\_\_\_

Title: \_\_\_\_\_

---

<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).

**EXHIBIT D**

**CERTIFICATION LETTER**

[DATE]

Name of Issuer: City of Celina, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022  
(Sutton Fields East Public Improvement District Phase #1 Project)  
(the "Bonds")  
CUSIP Numbers. [insert CUSIP Numbers]  
Date of Delivery: \_\_\_\_\_, 20\_\_

Re: Quarterly Report for Sutton Fields East Public Improvement District – Phase #1

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer dated as of February 1, 2022 by and among MM Sutton Fields East, LLC<sup>1</sup> (the "Developer"), MuniCap, Inc., as the "Administrator", and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as the "Dissemination Agent," this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer][\_\_\_\_\_, as a "Significant Homebuilder"], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer][Significant Homebuilder], constitutes the [portion of the] Quarterly Report required to be furnished by the [Developer][Significant Homebuilder]. Any and all Quarterly Information, provided by the [Developer][Significant Homebuilder], contained in this Quarterly Report for the three month period ending on [Insert Quarterly Ending Date], to the best of my knowledge, is true and correct, as of [insert date].

Please do not hesitate to contact our office if you have and questions or comments.

MM SUTTON FIELDS EAST, LLC,  
a Texas limited liability company  
(as Developer)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OR

[SIGNIFICANT HOMEBUILDER]

(as Significant Homebuilder)

By: \_\_\_\_\_  
Title: \_\_\_\_\_

<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).



**EXHIBIT E**

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT  
OF DEVELOPER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

**Re: Sutton Fields East Public Improvement District Phase #1 – Continuing Disclosure  
Obligation**

Dear \_\_\_\_\_,

Per [*Insert name of applicable agreement*], as of \_\_\_\_\_, 20\_\_, you have been assigned and have assumed the obligations, requirements or covenants to construct one or more of the Phase #1 Improvements (as defined in the Disclosure Agreement of Developer) within Phase #1 of the Sutton Fields East Public Improvement District (the “District”).

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer dated as of December February 1, 2022 (the “Disclosure Agreement of Developer”) by and among MM Sutton Fields East, LLC (the “Initial Developer”), MuniCap, Inc. (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (the “Dissemination Agent”) with respect to the “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project),” any person that, through assignment, assumes the obligations, requirements or covenants to construct one or more of the Phase #1 Improvements within Phase #1 of the District is defined as a Developer.

As a Developer, pursuant to Section 6 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

MM SUTTON FIELDS EAST, LLC,  
a Texas limited liability company (as Developer)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Acknowledged by:

**[INSERT ASSIGNEE NAME]**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT F**

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT  
OF SIGNIFICANT HOMEBUILDER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

**Re: Sutton Fields East Public Improvement District Phase #1 – Continuing Disclosure  
Obligation**

Dear \_\_\_\_\_,

As of \_\_\_\_\_, 20\_\_, you own \_\_\_\_ lots within Phase #1 of the Sutton Fields East Public Improvement District (the “District”), which is equal to approximately \_\_\_% of the single-family residential lots within Phase #1.

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer dated as of February 1, 2022 (the “Disclosure Agreement of Developer”) by and among MM Sutton Fields East, LLC (the “Initial Developer”), MuniCap, Inc. (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (the “Dissemination Agent”) with respect to the “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project),” any person or entity that owns twelve (12) or more of the single-family residential lots within Phase #1 of the District is defined as a Significant Homebuilder.

As a Significant Homebuilder, pursuant to Section 6 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations under Sections 3(d)(iv) and 4(b) of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

[SIGNIFICANT HOMEBUILDER]

(as Significant Homebuilder)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX E**

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

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**Integra Realty Resources**

**Dallas**

**Appraisal of Real Property**

**Sutton Fields East Public Improvement District, Phase #1**

A Proposed Residential Subdivision

North of Parvin Road, east of FM-1385

Celina ETJ, Denton County, Texas 75078

**Prepared For:**

City of Celina and FMSbonds, Inc.

**Effective Date of the Appraisal:**

April 1, 2023

**Report Format:**

Appraisal Report – Comprehensive Format

**IRR - Dallas**

File Number: 191-2021-1023







November 23, 2021

Mr. Jason Laumer  
City Manager  
City of Celina  
142 N. Ohio Street  
Celina, TX 75009

Mr. R.R. "Tripp" Davenport, III  
Director  
FMSbonds, Inc.  
5 Cowboys Way, Suite 300-25  
Frisco, TX 75034

SUBJECT:       Market Value Appraisal  
                  Sutton Fields East Public Improvement District, Phase #1  
                  North of Parvin Road, east of FM-1385  
                  Celina ETJ, Denton County, Texas 75078  
                  IRR - Dallas File No. 191-2021-1023

Dear Messrs. Laumer and Davenport, III:

Integra Realty Resources – Dallas is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the fee simple market value as of the effective appraisal date as follows:

- Prospective Market Value of Phase #1 at Completion (245 Residential Lots) as of April 1, 2023

The clients for the assignment are the City of Celina and FMSbonds, Inc., and the intended use is for the underwriting of a proposed public improvement district bond transaction. This appraisal is not for purposes of determining the amount of any assessments to be levied by the City nor it is the basis upon which a determination of the benefit any constructed or installed public improvements will have on properties within the "PID".

Mr. Jason Laumer  
City of Celina  
November 23, 2021  
Page 2

Mr. R.R. "Tripp" Davenport, III  
FMSbonds, Inc.

The subject represents Phase #1 as part of the Sutton Fields East Public Improvement District which encompasses a total of 109.926 gross acres and is eventually planned to be developed within two phases with a total of 450 single-family lots. Phase #1 is planned to be developed with a total of 245 lots on 51.890 gross acres with two typical lot dimensions (203 lots - 50' x 115' or 5,750 square feet and 42 lots - 60' x 115' or 6,900 square feet) in a subdivision to be known as Sutton Fields East. All lots are designed for front access and are located within the Prosper ISD. An amenity center with pool and playground is planned within Phase #1. Substantial completion of Phase #1 is expected by April 1, 2023. Access to Phase #1 is provided from existing interior streets developed in the adjacent Sutton Fields subdivision. The subdivision will be developed under the guidelines of a Development Agreement with the city of Celina allowing for single-family residential uses according to the concept plan.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR's available report types.

Based upon the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

| <b>Value Conclusions</b>  |                    |               |                  |
|---|--------------------|---------------|------------------|
| Parcel  | Interest Appraised | Date of Value | Value Conclusion |
| Prospective Market Value of Phase #1 at Completion (245 Residential Lots) | Fee Simple         | April 1, 2023 | \$16,125,000     |





---

### **Extraordinary Assumptions and Hypothetical Conditions**

---

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of April 1, 2023, the effective appraisal date.
2. All information relative to the subject property (Sutton Fields East Public Improvement District) including land areas, lot totals, lot sizes, and other pertinent data that was provided by Barraza Consulting Group, LLC (engineering/planning/surveying), MM Sutton Fields East, LLC (owner/developer), the City of Celina, and the Denton Central Appraisal District is assumed to be correct.
3. The subject is proposed construction. Therefore, this report contains a prospective opinion of value. As such, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to this prospective effective date.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

---

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

---

The value conclusion(s) in this report consider the impact of COVID-19 on the subject property.

The opinions of value expressed in this report are based on estimates and forecasts which are prospective in nature and subject to considerable risk and uncertainty. Events may occur which could cause the performance of the property to differ materially from the estimates contained herein, such as changes in the economy, interest rates, capitalization rates, and behavior of investors, lenders, and consumers. Additionally, the concluded opinions and forecasts are based partly on data obtained from interviews and third-party sources, which are not always completely reliable. Although the findings are considered reasonable based on available evidence, IRR is not responsible for the effects of future, unforeseen occurrences.

Mr. Jason Laumer  
City of Celina  
November 23, 2021  
Page 4

Mr. R.R. "Tripp" Davenport, III  
FMSbonds, Inc.

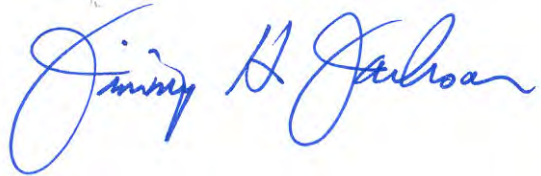
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - DALLAS**



Shelley Sivakumar  
Director  
Licensed Residential Real Estate Appraiser  
Texas Certificate # TX 1333354-L  
Telephone: (972) 696-0687  
Email: ssivakumar@irr.com



Jimmy H. Jackson, MAI  
Senior Managing Director  
Certified General Real Estate Appraiser  
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Ernest Gatewood  
Senior Director  
Certified General Real Estate Appraiser  
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Email: egatewood@irr.com



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# Quality Assurance

## IRR Quality Assurance Program

At IRR, delivering a quality report is a top priority. Integra has an internal Quality Assurance Program in which managers review material and pass an exam in order to attain IRR Certified Reviewer status. By policy, every Integra valuation assignment is assessed by an IRR Certified Reviewer who holds the MAI designation, or is, at a minimum, a named Director with at least ten years of valuation experience.

This quality assurance assessment consists of reading the report and providing feedback on its quality and consistency. All feedback from the IRR Certified Reviewer is then addressed internally prior to delivery. The intent of this internal assessment process is to maintain report quality.

## Designated IRR Certified Reviewer

The IRR Certified Reviewer who provided the quality assurance assessment for this assignment is Jimmy H. Jackson, MAI.

# Summary of Salient Facts and Conclusions

|                                 |   |
|---------------------------------|---|
| Property Name                   | Sutton Fields East Public Improvement District, Phase #1                          |
| Address                         | North of Parvin Road, east of FM-1385<br>Celina ETJ, Denton County, Texas 75078   |
| Property Type                   | Land - Residential Subdivision  |
| Owner of Record                 | MM Sutton Fields East, LLC  |
| Tax ID                          | 52714   |
| Land Area:                      |   |
| Phase #1 Land Area              | 51.890 acres; 2,260,328 SF  |
| Proposed Lots - Phase #1        | 245 lots (203 lots - 50' x 115' or 5,750 SF and 42 lots - 60' x 115' or 6,900 SF) |
| Zoning Designation              | Development Agreement, City of Celina, TX   |
| Highest and Best Use            | Single-family residential use   |
| Exposure Time; Marketing Period | 6 - 12 months; 6 - 12 months  |
| Effective Date of the Appraisal | April 1, 2023   |
| Date of the Report              | November 23, 2021   |

## Value Conclusions

|                                    |              |                         |
|------------------------------------|--------------|-------------------------|
| 50' Frontage Lots                  | \$71,250     | (\$1,425/Front Footage) |
| 60' Frontage Lots                  | \$85,500     | (\$1,425/Front Footage) |
| Cumulative Retail Value, Phase #1* | \$18,054,750 | (\$73,693 Average/Lot)  |

\*This figure does not reflect market value as if sold in a single transaction.

## Value Conclusions

| Appraisal Premise   | Interest Appraised | Date of Value | Value Conclusion |
|---|--------------------|---------------|------------------|
| Prospective Market Value of Phase #1 at Completion (245 Residential Lots) | Fee Simple         | April 1, 2023 | \$16,125,000     |

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Celina and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

## Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of April 1, 2023, the effective appraisal date.
2. All information relative to the subject property (Sutton Fields East Public Improvement District) including land areas, lot totals, lot sizes, and other pertinent data that was provided by Barraza Consulting Group, LLC (engineering/planning/surveying), MM Sutton Fields East, LLC (owner/developer), the City of Celina, and the Denton Central Appraisal District is assumed to be correct.
3. The subject is proposed construction. Therefore, this report contains a prospective opinion of value. As such, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to this prospective effective date.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## General Information

### Identification of Subject

The subject represents Phase #1 as part of the Sutton Fields East Public Improvement District which encompasses a total of 109.926 gross acres and is eventually planned to be developed within two phases with a total of 450 single-family lots. Phase #1 is planned to be developed with a total of 245 lots on 51.890 gross acres with two typical lot dimensions (203 lots - 50' x 115' or 5,750 square feet and 42 lots - 60' x 115' or 6,900 square feet) in a subdivision to be known as Sutton Fields East. All lots are designed for front access and are located within the Prosper ISD. An amenity center with pool and playground is planned within Phase #1. Substantial completion of Phase #1 is expected by April 1, 2023. Access to Phase #1 is provided from existing interior streets developed in the adjacent Sutton Fields subdivision. The subdivision will be developed under the guidelines of a Development Agreement with the city of Celina allowing for single-family residential uses according to the concept plan.

A legal description of the property is in the addendum.

#### Property Identification

|                 |   |
|-----------------|---|
| Property Name   | Sutton Fields East Public Improvement District                        |
| Address         | North side of Parvin Road, east of FM-1385<br>Celina ETJ, Texas 75078 |
| Tax ID          | 52714   |
| Owner of Record | MM Sutton Fields East, LLC  |

Following is a brief summary of the Sutton Fields East Public Improvement District, Phase #1:

#### Sutton Fields East Public Improvement District, Phase #1

| Premise  | Location                              | Acres  | Density  | Typical Lot Dimensions |            | Total Lots | Projected       |
|----------|---------------------------------------|--------|----------|------------------------|------------|------------|-----------------|
|          |                                       |        | Per Acre | 60' x 115'             | 50' x 115' |            | Completion Date |
| Phase #1 | North of Parvin Road, east of FM-1385 | 51.890 | 4.7      | 42                     | 203        | 245        | April 1, 2023   |
|          |                                       |        |          | 17%                    | 83%        | 100%       |                 |

## Sale History

The most recent closed sale of the subject is summarized as follows:

|                             |  |
|-----------------------------|--|
| Sale Date                   | October 20, 2021   |
| Seller                      | Jo Lynn Carey Ninemire, Laura Jean Carey Varner, and Mark Carlton Carey  |
| Buyer                       | MM Sutton Fields East, LLC   |
| Sale Price                  | \$9,343,710  |
| Recording Instrument Number | 192973   |
| Comments                    | The sale price equates to \$85,000 per surveyed acre based upon a land size of 109.926 acres or \$20,764/paper lot based on a total of 450 lots. |

The subject was placed into the public improvement district after the acquisition. As we are provided prospective valuations of the subject property, the purchase price is not relevant to our valuations.

To the best of our knowledge, no other sale or transfer of ownership has occurred within the past three years.

## Pending Transactions

The subject's 245 lots in Phase #1 are part of a larger 450-lot contract with two volume homebuilders (First Texas Homes and Pacesetter Homes) which also includes the future lots in Phase #2 as follows:

| Lot Contract Summary - Sutton Fields East |       |                  |            |            |                 |          |          |              |             |                 |  |
|---|-------|------------------|------------|------------|-----------------|----------|----------|--------------|-------------|-----------------|--|
| Phase 1                                   |       | Typical Lot Size |            |            | Base Lot Prices |          |          | Lot Price/FF |             | Absorption      |  |
| Home Builder                              | Phase | 50' x 115'       | 60' x 115' | Total Lots | 50' Lots        | 60' Lots | 50' Lots | 60' Lots     | Units/Month | Total (Months±) |  |
| First Texas Homes                         | 1     | 31               | 42         | 73         | \$70,750        | \$84,750 | \$1,415  | \$1,413      | 6.3         | 11.6            |  |
| Pacesetter Homes                          | 1     | 172              | 0          | 172        | \$70,000        | N/A      | \$1,400  | N/A          | 9.8         | 17.6            |  |
| <b>Phase 1 Totals</b>                     |       | <b>203</b>       | <b>42</b>  | <b>245</b> |                 |          |          |              | <b>16.1</b> |                 |  |
| Phase 2                                   |       |                  |            |            |                 |          |          |              |             |                 |  |
| First Texas Homes                         | 2     | 32               | 45         | 77         | \$75,750        | \$90,750 | \$1,515  | \$1,513      | 5.0         | 15.4            |  |
| Pacesetter Homes                          | 2     | 128              | 0          | 128        | \$75,000        | N/A      | \$1,500  | N/A          | 8.3         | 15.4            |  |
| <b>Phase 2 Totals</b>                     |       | <b>160</b>       | <b>45</b>  | <b>205</b> |                 |          |          |              | <b>13.3</b> |                 |  |
| <b>Overall Totals</b>                     |       | <b>363</b>       | <b>87</b>  | <b>450</b> |                 |          |          |              |             |                 |  |

All lots are contracted with an annual 6% escalation, a \$500/lot marketing fee, a \$1,500/lot amenity fee, and a \$1,500/lot CCN fee.

The contracted lot sales prices are well supported by current market lot sales data and our opinion of values (\$71,250/lot or \$1,425/FF – 50' lots and \$85,500/lot or \$1,425/FF – 60' lots).

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the fee simple market value as of the effective appraisal date as follows:

- Prospective Market Value of Phase #1 at Completion (245 Residential Lots) as of April 1, 2023

This appraisal is not for purposes of determining the amount of any assessments to be levied by the City nor it is the basis upon which a determination of the benefit any constructed or installed public improvements will have on properties within the PID. The date of the report is November 23, 2021. The appraisal is valid only as of the stated effective date.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also, Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of As Is Market Value

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015); also, Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)*



## Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

*Source:* Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

## Intended Use and User

The intended use of the appraisal is to estimate underwriting of a proposed public improvement district bond transaction. The clients and intended users are the City of Celina and FMSbonds, Inc. The appraisal is not intended for any other use or user. No party or parties other than the City of Celina and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in this report.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP)
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute
- Applicable state appraisal regulations

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Comprehensive Format. This format contains the greatest depth and detail of IRR’s available report types.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for another client within the three-year period immediately preceding acceptance of this assignment.

**Appraiser Competency**

No steps were necessary to meet the competency provisions established under USPAP. The assignment participants have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, appraiser competency provisions are satisfied for this assignment. Appraiser qualifications and state credentials are included in the addenda of this report.

## Scope of Work

The appraisal development and reporting processes require gathering and analyzing information about the assignment elements necessary to properly identify the appraisal problem. The scope of work decision includes the research and analyses necessary to develop credible assignment results, given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

### Research and Analysis

The type and extent of the research and analysis conducted are detailed in individual sections of the report. The steps taken to verify comparable data are disclosed in the addenda of this report. Although effort has been made to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### Subject Property Data Sources

The legal and physical features of the subject property, including size of the site, flood plain data, seismic zone designation, property zoning, existing easements and encumbrances, access and exposure, and condition of the improvements (as applicable) were confirmed and analyzed.

The financial data of the subject, including statistics reports, historical absorption figures, and tax and assessment records was analyzed. This information, as well as trends established by confirmed market indicators, is used to forecast future performance of the subject property.

### Inspection

Shelley Sivakumar and Ernest Gatewood conducted an on-site inspection of the property on October 21, 2021. Jimmy H. Jackson, MAI, did not inspect the subject property.

## Valuation Methodology

Three approaches to value are typically considered when developing a market value opinion for real property. These are the cost approach, the sales comparison approach, and the income capitalization approach. Use of the approaches in this assignment is summarized as follows:

| <b>Approaches to Value</b>       |                                 |                          |
|----------------------------------|---------------------------------|--------------------------|
| <b>Approach</b>                  | <b>Applicability to Subject</b> | <b>Use in Assignment</b> |
| Cost Approach                    | Not Applicable                  | Not Utilized             |
| Sales Comparison Approach        | Applicable                      | Utilized                 |
| Income Capitalization Approach   | Not Applicable                  | Not Utilized             |
| Subdivision Development Approach | Applicable                      | Utilized                 |

The Sales Comparison Approach involves research, verification, and comparison of sales of other vacant lots. The sales are then adjusted for value-related differences. Because Texas is not a full disclosure state, sales prices must be obtained from grantors, grantees, brokers, lenders, other persons involved in the transaction, or other appraisers when the information is believed to be reliable. In many cases, the sources of the information wish to remain anonymous and are not included; however, the sale data is used only if the data is believed to be accurate, and the sources of the information are kept on file.

The Cost Approach involves research, verification, and comparison of sales of other vacant land with the subject land. The sales are then adjusted for value-related differences. Because Texas is not a full disclosure state, sales prices must be obtained from grantors, grantees, brokers, lenders, other persons involved in the transaction, or other appraisers when the information is believed to be reliable. In many cases, the sources of the information wish to remain anonymous and are not included; however, the sale data is used only if the data is believed to be accurate, and the sources of the information are kept on file. Cost figures were obtained from the developer and compared to cost figures on competing developments. The cost figures are based on actual costs provided by the developer. Developer's profit is based on profit expectations reported by developers as well as actual profit on similar developments.

In the Income Capitalization Approach, the retail value of the lots has been estimated. The individual lot values are based on lot sales in competing developments. The absorption rates, expenses, and discount rates are also based on competing developments. The indicated value by the Income Capitalization Approach is based on the sellout of the lots with deductions for holding costs and discounted to a net present value.

In the Subdivision Development Approach, the retail value of the lots has been estimated. The individual lot values are based on lot sales in competing developments. The absorption rates, expenses, and discount rates are also based on competing developments. The indicated value by the Income Capitalization Approach is based on the sellout of the lots with deductions for holding costs and discounted to a net present value.

## Economic Analysis

### Denton County Area Analysis

Denton County is located in Texas approximately 878 square miles in size and has a population density of 1,043 persons per square mile.

#### Population

Denton County has an estimated 2021 population of 915,999, which represents an average annual 3.0% increase over the 2010 census of 662,614. Denton County added an average of 23,035 residents per year over the 2010-2021 period, and its annual growth rate exceeded the Dallas MSA rate of 1.8%.

Looking forward, Denton County's population is projected to increase at a 1.7% annual rate from 2021-2026, equivalent to the addition of an average of 16,335 residents per year. Denton County's growth rate is expected to exceed that of the Dallas MSA, which is projected to be 1.5%.

#### Population Trends

|                                       | Population  |               |                 | Compound Ann. % Chng |             |
|---------------------------------------|-------------|---------------|-----------------|----------------------|-------------|
|                                       | 2010 Census | 2021 Estimate | 2026 Projection | 2010 - 2021          | 2021 - 2026 |
| Denton County, TX                     | 662,614     | 915,999       | 997,675         | 3.0%                 | 1.7%        |
| Dallas-Fort Worth-Arlington, TX Metro | 6,366,542   | 7,735,087     | 8,313,926       | 1.8%                 | 1.5%        |
| Texas                                 | 25,145,561  | 29,570,729    | 31,576,003      | 1.5%                 | 1.3%        |
| USA                                   | 308,745,538 | 330,946,040   | 340,574,349     | 0.6%                 | 0.6%        |

Source: Claritas

## Employment

Total employment in Denton County was estimated at 257,341 jobs as of September 2020. Between year-end 2010 and 2020, employment rose by 81,428 jobs, equivalent to a 46.3% increase over the entire period. These figures reflect a net gain of 91,340 jobs through 2019, followed by losses in 2020 with the onset of the COVID-19 pandemic. Denton County's rate of employment growth over the last decade surpassed that of the Dallas MSA, which experienced an increase in employment of 20.8% or 598,747 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Denton County unemployment rate has been consistently lower than that of the Dallas MSA, with an average unemployment rate of 4.7% in comparison to a 5.3% rate for the Dallas MSA. A lower unemployment rate is a positive indicator.

Recent data shows that the Denton County unemployment rate is 6.0% in comparison to a 6.8% rate for the Dallas MSA, a positive sign that is consistent with the fact that Denton County has outperformed the Dallas MSA in the rate of job growth over the past two years.

### Employment Trends

| Year                              | Total Employment (Year End) |          |            |          | Unemployment Rate (Ann. Avg.) |            |
|-----------------------------------|-----------------------------|----------|------------|----------|-------------------------------|------------|
|                                   | Denton County               | % Change | Dallas MSA | % Change | Denton County                 | Dallas MSA |
| 2010                              | 175,913                     |          | 2,876,418  |          | 7.1%                          | 8.1%       |
| 2011                              | 183,823                     | 4.5%     | 2,943,465  | 2.3%     | 6.6%                          | 7.6%       |
| 2012                              | 189,769                     | 3.2%     | 3,044,114  | 3.4%     | 5.7%                          | 6.6%       |
| 2013                              | 199,183                     | 5.0%     | 3,127,712  | 2.7%     | 5.3%                          | 6.1%       |
| 2014                              | 211,482                     | 6.2%     | 3,254,583  | 4.1%     | 4.4%                          | 5.0%       |
| 2015                              | 224,936                     | 6.4%     | 3,360,668  | 3.3%     | 3.6%                          | 4.1%       |
| 2016                              | 233,551                     | 3.8%     | 3,441,839  | 2.4%     | 3.4%                          | 3.9%       |
| 2017                              | 244,353                     | 4.6%     | 3,526,930  | 2.5%     | 3.3%                          | 3.7%       |
| 2018                              | 253,596                     | 3.8%     | 3,606,436  | 2.3%     | 3.2%                          | 3.5%       |
| 2019                              | 267,253                     | 5.4%     | 3,719,023  | 3.1%     | 3.0%                          | 3.3%       |
| 2020*                             | 257,341                     | -3.7%    | 3,475,165  | -6.6%    | 6.6%                          | 7.1%       |
| Overall Change 2010-2020          | 81,428                      | 46.3%    | 598,747    | 20.8%    |                               |            |
| Avg Unemp. Rate 2010-2020         |                             |          |            |          | 4.7%                          | 5.3%       |
| Unemployment Rate - February 2021 |                             |          |            |          | 6.0%                          | 6.8%       |

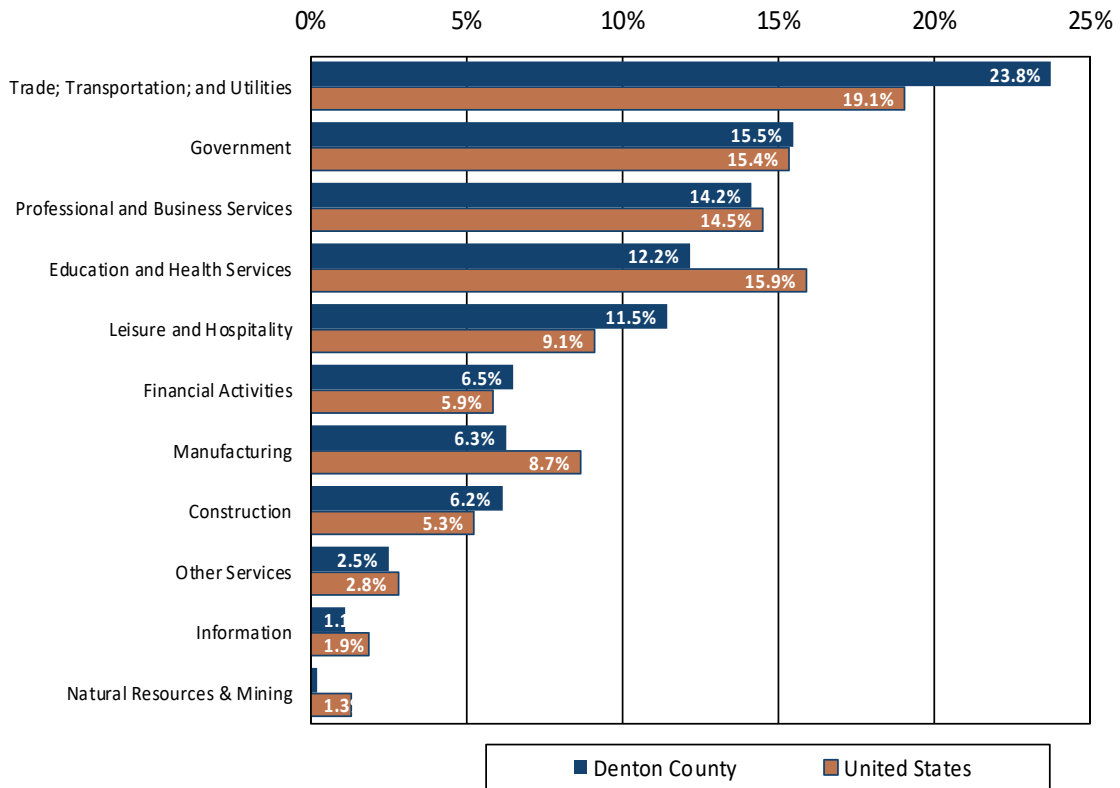
\*Total employment data is as of September 2020; unemployment rate data reflects the average of 12 months of 2020.

Source: U.S. Bureau of Labor Statistics and Moody's Analytics. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

### Employment Sectors

The composition of the Denton County job market is depicted in the chart below. A complete data set is not available for the Dallas MSA, so Denton County will be compared to the United States. Total employment for the two areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Denton County jobs in each category.

**Employment Sectors - 2020**



Source: U.S. Bureau of Labor Statistics and Moody's Analytics



Denton County has greater concentrations than the United States in the following employment sectors:

1. Trade; Transportation; and Utilities, representing 23.8% of Denton County payroll employment compared to 19.1% for the nation overall. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Government, representing 15.5% of Denton County payroll employment compared to 15.4% for the nation overall. This sector includes employment in local, state, and federal government agencies.
3. Leisure and Hospitality, representing 11.5% of Denton County payroll employment compared to 9.1% for the nation overall. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
4. Financial Activities, representing 6.5% of Denton County payroll employment compared to 5.9% for the nation overall. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.

Denton County is underrepresented in the following sectors:

1. Professional and Business Services, representing 14.2% of Denton County payroll employment compared to 14.5% for the nation overall. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
2. Education and Health Services, representing 12.2% of Denton County payroll employment compared to 15.9% for the nation overall. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Manufacturing, representing 6.3% of Denton County payroll employment compared to 8.7% for the nation overall. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.
4. Other Services, representing 2.5% of Denton County payroll employment compared to 2.8% for the nation overall. This sector includes establishments that do not fall within other defined categories, such as private households, churches, and laundry and dry-cleaning establishments.



## Major Employers

Major employers in Denton County are shown in the following table.

| <b>Major Employers - Denton County, TX</b>  |                     |
|---|---------------------|
| Name  | Number of Employees |
| 1 Peterbilt Motors                          | 3,075               |
| 2 Texas Health Presbyterian Hospital Denton | 1,076               |
| 3 Medical City - Denton                     | 950                 |
| 4 Sally Beauty Company, Inc.                | 950                 |
| 5 Safran Electrical & Power                 | 700                 |
| 6 Flowers Baking Company                    | 480                 |
| 7 Jostens, Inc.                             | 450                 |
| 8 ESAB Victor Technologies                  | 450                 |
| 9 Tetra Pak Materials, L.P.                 | 425                 |
| 10 Fastenal                                 | 380                 |

Source: <https://dentonedp.com/business/major-employers>

## Major Employers

Major employers in the DFW metro area are shown in the following table.

| <b>Major Employers - DFW Metro</b> |                     |
|------------------------------------|---------------------|
| Name                               | Number of Employees |
| 1 AMR Corporation                  | 24,700              |
| 2 Bank of America Corporation      | 20,000              |
| 3 Texas Health Resources Inc.      | 19,230              |
| 4 Dallas ISD                       | 18,314              |
| 5 Baylor Health Care System        | 17,097              |
| 6 AT&T                             | 15,800              |
| 7 Lockheed Martin Aeronautics      | 14,126              |
| 8 JP Morgan Chase & Co.            | 13,500              |
| 9 UT-Southwestern Medical Center   | 13,122              |
| 10 City of Dallas                  | 12,836              |

Source: <http://www.destinationdfw.com/Largest-Employers-in-Dallas-Fort-Worth-Texas/>

### Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area, and annual changes in Gross Domestic Product (GDP) are a gauge of economic growth.

Economic growth, as measured by annual changes in GDP, has been considerably higher in Denton County than the Dallas MSA overall during the past eight years. Denton County has grown at a 5.6% average annual rate while the Dallas MSA has grown at a 3.4% rate. However, Denton County has recently underperformed the Dallas MSA. GDP for Denton County rose by 0.6% in 2019 while The Dallas MSA's GDP rose by 1.7%.

Denton County has a per capita GDP of \$33,614, which is 46% less than the Dallas MSA's GDP of \$62,370. This means that Denton County industries and employers are adding relatively less value to the economy than their counterparts in the Dallas MSA.

### Gross Domestic Product

| Year                       | (\$,000s)     |          | (\$,000s)   |          |
|----------------------------|---------------|----------|-------------|----------|
|                            | Denton County | % Change | Dallas MSA  | % Change |
| 2012                       | 20,409,592    |          | 374,743,312 |          |
| 2013                       | 21,705,420    | 6.3%     | 385,095,956 | 2.8%     |
| 2014                       | 23,479,236    | 8.2%     | 400,172,423 | 3.9%     |
| 2015                       | 25,459,994    | 8.4%     | 419,840,896 | 4.9%     |
| 2016                       | 26,963,370    | 5.9%     | 432,613,158 | 3.0%     |
| 2017                       | 28,807,388    | 6.8%     | 448,957,236 | 3.8%     |
| 2018                       | 29,632,544    | 2.9%     | 464,389,967 | 3.4%     |
| 2019                       | 29,822,538    | 0.6%     | 472,334,266 | 1.7%     |
| Compound % Chg (2012-2019) |               | 5.6%     |             | 3.4%     |
| GDP Per Capita 2019        | \$33,614      |          | \$62,370    |          |

Source: U.S. Bureau of Economic Analysis and Moody's Analytics; data released December 2020. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2012 dollars.

### Household Income

Denton County is more affluent than the Dallas MSA. Median household income for Denton County is \$96,160, which is 27.1% greater than the corresponding figure for the Dallas MSA.

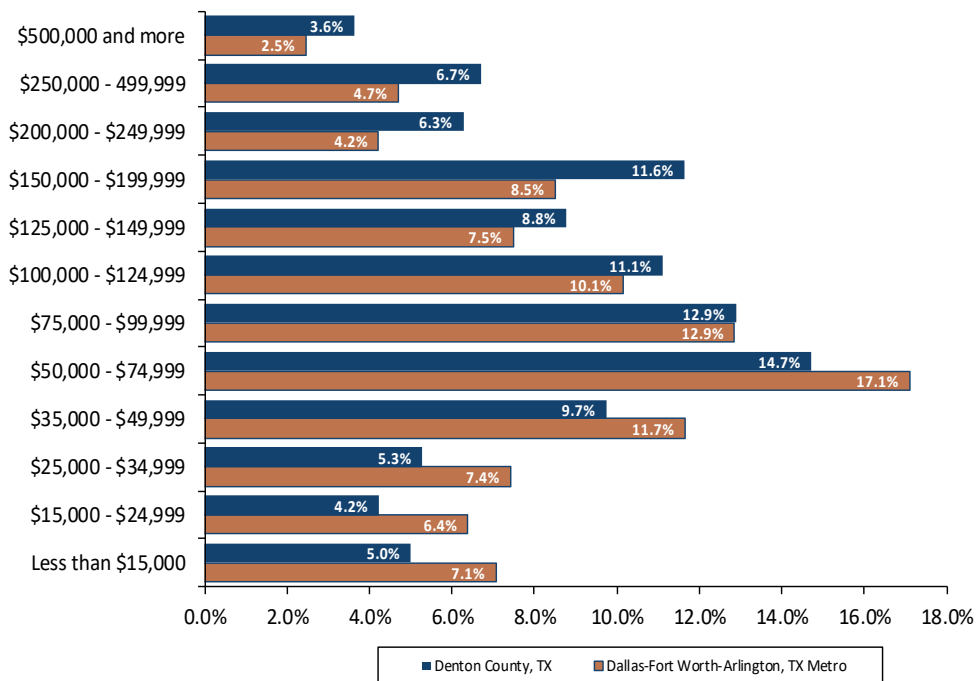
#### Median Household Income - 2021

|  | Median   |
|--|----------|
| Denton County, TX  | \$96,160 |
| Dallas-Fort Worth-Arlington, TX Metro                          | \$75,635 |
| Comparison of Denton County, TX to Dallas-Fort Worth-Arlington | + 27.1%  |

Source: Claritas

The following chart shows the distribution of households across twelve income levels. Denton County has a greater concentration of households in the higher income levels than the Dallas MSA. Specifically, 61% of Denton County households are at the \$75,000 or greater levels in household income as compared to 50% of Dallas MSA households. A lesser concentration of households is apparent in the lower income levels, as 15% of Denton County households are below the \$35,000 level in household income versus 21% of Dallas MSA households.

#### Household Income Distribution - 2021



Source: Claritas



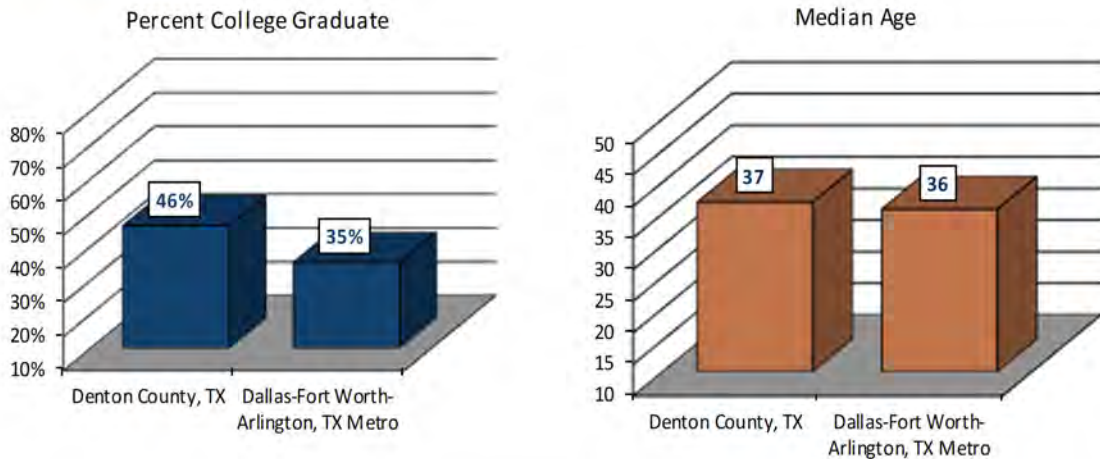
### Education and Age

Residents of Denton County have a higher level of educational attainment than those of the Dallas MSA. An estimated 46% of Denton County residents are college graduates with four-year degrees, versus 35% of Dallas MSA residents. People in Denton County are slightly older than their Dallas MSA counterparts. The median age for Denton County is 37 years, while the median age for the Dallas MSA is 36 years.

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#### Education & Age - 2021

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Source: Claritas

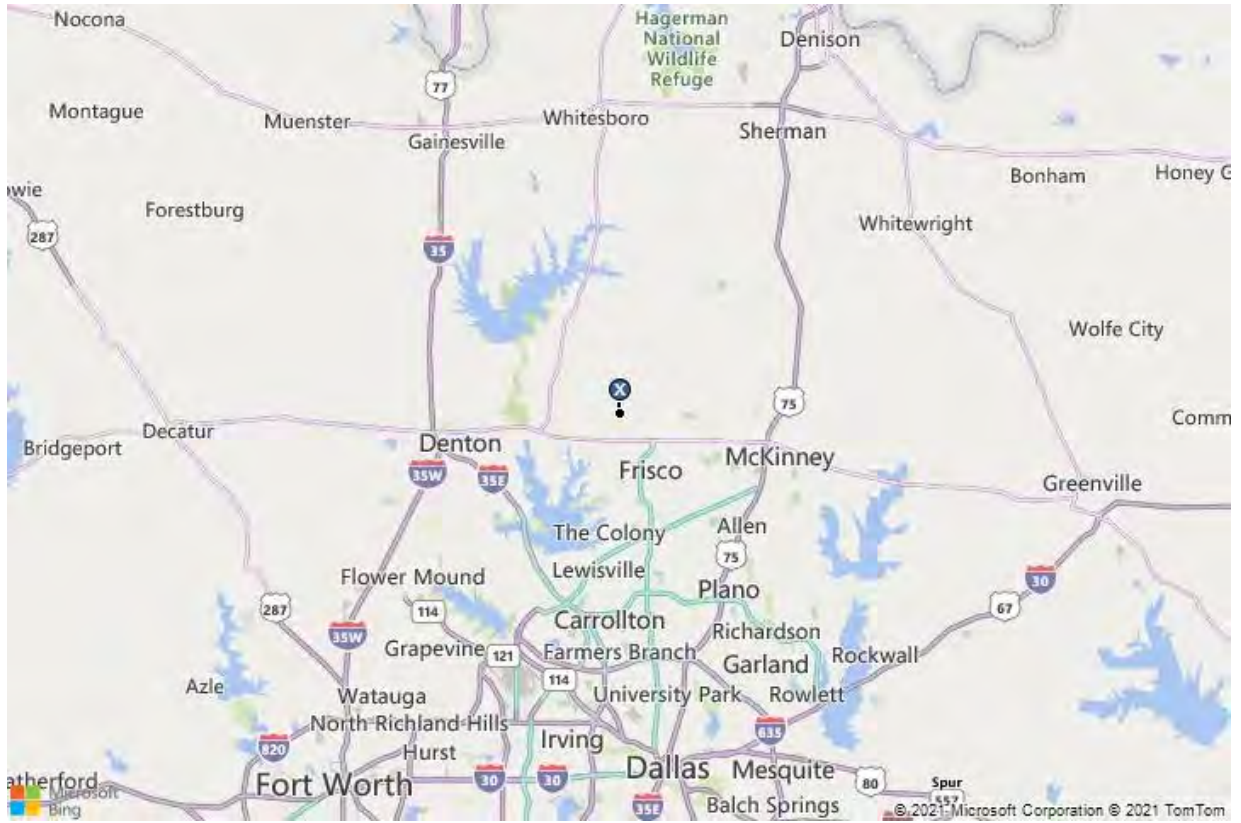
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### Conclusion

The Denton County economy will benefit from a growing population base and higher income and education levels. Denton County experienced growth in the number of jobs and has maintained a consistently lower unemployment rate than the Dallas MSA over the past decade. It is anticipated that the Denton County economy will improve, and employment will grow, strengthening the demand for real estate.



### Area Map



## Surrounding Area Analysis

### Boundaries

The subject is located in the southeastern sector of Denton County, Texas in the extraterritorial jurisdiction of the city of Celina. This area is generally delineated as follows:

|              |                      |
|--------------|----------------------|
| <b>North</b> | FM-428               |
| <b>South</b> | US-380               |
| <b>East</b>  | Denton County limits |
| <b>West</b>  | US-377               |

A map identifying the location of the property follows this section.

### Access and Linkages

Primary access to the area is provided by US-380, a major arterial that crosses the Dallas-Fort Worth metro area in an east/west direction as well as by the Dallas North Tollway extension, a major arterial that crosses the Dallas area in a north/south direction. Access to the subject from US-380 is provided via FM-1385 to Parvin Road, and travel time from the major arterial to the subject is about five minutes. Overall, vehicular access is average.

The Dallas-Fort Worth International Airport is located about 45 miles from the property; travel time is about an hour, depending on traffic conditions. The Dallas CBD, the economic and cultural center of the region, is approximately 40 miles from the property.

## Demographic Factors

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

| <b>Surrounding Area Demographics</b>   |               |               |                |                      |  |
|--|---------------|---------------|----------------|----------------------|--|
|  | 3-Mile Radius | 5-Mile Radius | 10-Mile Radius | Denton County,<br>TX | Dallas-Fort Worth-<br>Arlington, TX<br>Metro |
| 2021 Estimates                         |               |               |                |                      |  |
| Population 2010                        | 720           | 3,198         | 77,920         | 662,614              | 6,366,542                                    |
| Population 2021                        | 926           | 5,270         | 139,566        | 915,999              | 7,735,087                                    |
| Population 2026                        | 1,011         | 5,797         | 153,344        | 997,675              | 8,313,926                                    |
| Compound % Change 2010-2021            | 2.3%          | 4.6%          | 5.4%           | 3.0%                 | 1.8%   |
| Compound % Change 2021-2026            | 1.8%          | 1.9%          | 1.9%           | 1.7%                 | 1.5%   |
| Households 2010                        | 245           | 1,100         | 25,116         | 240,289              | 2,296,410                                    |
| Households 2021                        | 315           | 1,815         | 44,713         | 328,998              | 2,764,947                                    |
| Households 2026                        | 344           | 1,996         | 48,991         | 357,880              | 2,966,316                                    |
| Compound % Change 2010-2021            | 2.3%          | 4.7%          | 5.4%           | 2.9%                 | 1.7%   |
| Compound % Change 2021-2026            | 1.8%          | 1.9%          | 1.8%           | 1.7%                 | 1.4%   |
| Median Household Income 2021           | \$107,653     | \$109,483     | \$124,292      | \$96,160             | \$75,635                                     |
| Average Household Size                 | 3.0           | 2.9           | 3.1            | 2.8                  | 2.8  |
| College Graduate %                     | 40%           | 39%           | 48%            | 46%                  | 35%  |
| Median Age                             | 39            | 39            | 35             | 37                   | 36   |
| Owner Occupied %                       | 78%           | 81%           | 84%            | 67%                  | 62%  |
| Renter Occupied %                      | 22%           | 19%           | 16%            | 33%                  | 38%  |
| Median Owner Occupied Housing Value    | \$482,489     | \$412,295     | \$375,265      | \$340,942            | \$260,197                                    |
| Median Year Structure Built            | 2007          | 2009          | 2010           | 2001                 | 1991   |
| Average Travel Time to Work in Minutes | 36            | 37            | 38             | 31                   | 31   |

Source: Claritas

As shown above, the current population within a five-mile radius of the subject is 5,270, and the average household size is 2.9. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Denton County overall, the population within a five-mile radius is projected to grow at a faster rate.

Median household income is \$109,483, which is higher than the household income for Denton County. Residents within a five-mile radius have a lower level of educational attainment than those of Denton County, while median owner-occupied home values are considerably higher.



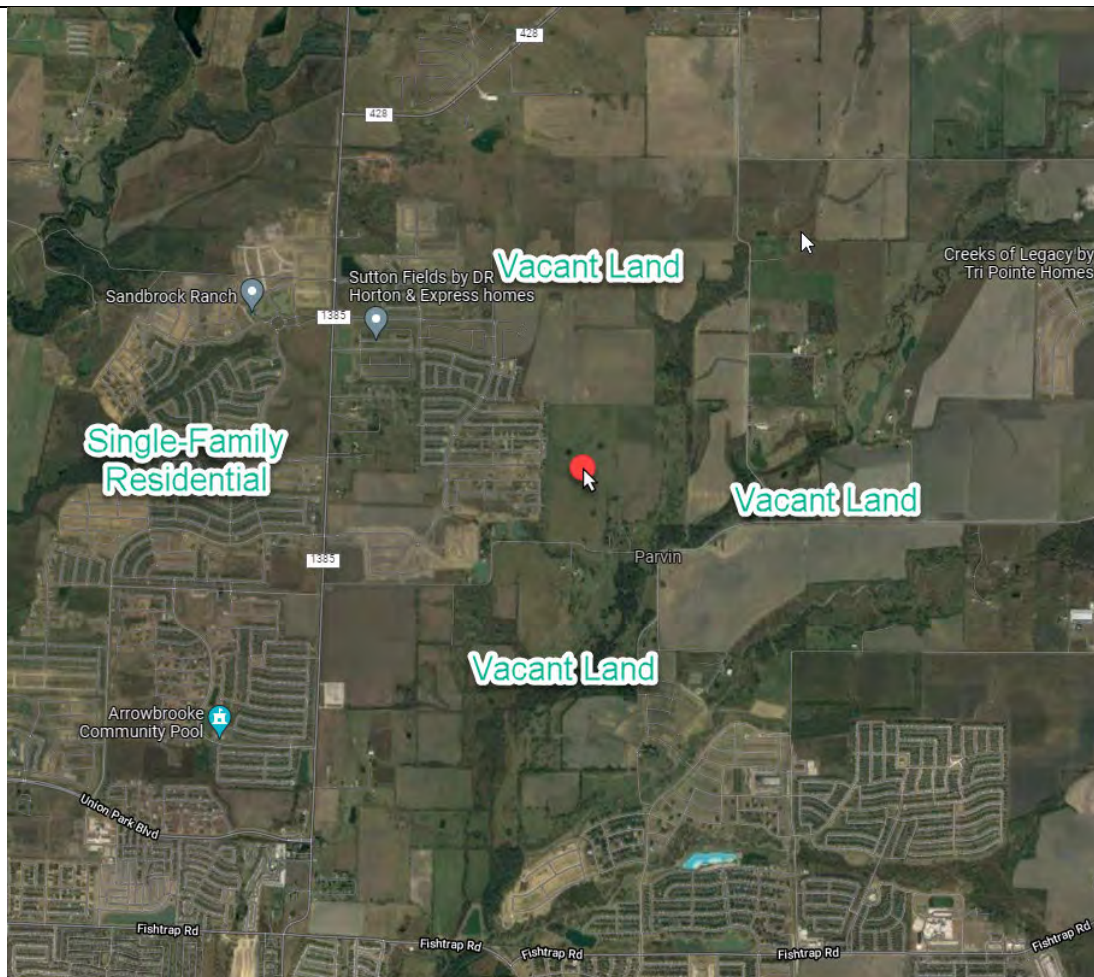
**Land Use**

In the immediate vicinity of the subject, predominant land uses are a mixture of single-family residential and agricultural uses. Other land use characteristics are summarized as follows:

**Surrounding Area Land Uses**

|                                   |                  |
|-----------------------------------|------------------|
| Character of Area                 | Suburban         |
| Predominant Age of Improvements   | New to 50± years |
| Predominant Quality and Condition | Average          |
| Approximate Percent Developed     | 60%              |
| Infrastructure/Planning           | Average          |

**Subject’s Immediate Surroundings**





## Development Activity and Trends

Following is a summary of recent development trends which affect the neighborhood area and include nearby developments within and near the City of Celina, as well as the nearby Town of Prosper as follows:

**Celina, Texas** – the Celina City Council recently approved the new “Downtown Master Plan” for the future improvements, amenities and development of the downtown area. The plans encompass rezoning and expanding historic preservation efforts.

**Prosper Independent School District** is a public-school district encompassing 57.75 square miles with a student enrollment of approximately 12,000 students. The district is comprised of 12 elementary schools, four middle schools, and two high schools. The district is known for their academic excellence as well as several state championships

**Providence** is a 500-acre master-planned residential development located at the northeast quadrant of FM-2931 and US-380 in Denton County. The development features amenities typically found in a higher-end community, yet its homes sell for \$287,000 to \$392,000. Providence harkens back to the early 1900s, a pedestrian-friendly development with short-block streets and small setbacks. Homes are designed in a neo-traditional, Cape Cod style. Eight different models are available, with some featuring wrap-around porches. Amenities at Providence include an 8,200-square-foot, two-story clubhouse with 24-hour fitness facility, a water park with two water slides, three swimming pools, gardens, irrigated soccer and baseball fields, hike and bike trails, and three stocked lakes.

**Savannah** is a 575-acre Huffines development located at the northwest corner of FM-1385 and US-380 in Denton County. Approximately 18 acres have been developed as a school site and community center. The 20,000-square foot club house includes a spectacular ballroom with 45' soaring cathedral ceiling, two sitting areas, plasma TV, an elegant library with huge fireplace and a commercial kitchen set up for catering, cooking shows, and future summer burger café. The facility also includes a complete weight room with marble locker rooms with separate men's and women's saunas, a jetted gunite hot tub on the verandah overlooking pool. Outdoor recreation at the Club Savannah includes regulation baseball field, sand volleyball court, four lighted regulation tennis courts, full court covered basketball court/rollerblading, a party pavilion, irrigated landscaped soccer field, play structure, and numerous picnic areas. In addition, the project includes a recreation/swim center, Junior Olympic swimming pool with racing lanes for the Savannah Swim Team, a separate adult pool with water volleyball, 16' and 25' tall open-air inner tube slides, separate waterslide pool which cascades three feet to main pool, and a 15'-tall rock waterfall in surrounding lake. Other amenities include a huge rock grotto in pool, spray park beach entry kiddie pool with island, and separate covered sand beach. The park system includes a six-acre stocked lake surrounding Club Savannah, a one-acre stocked lake at the development's entry, motorized paddle boats, a six-foot-wide hike and bike trail system, extensive landscaping, greenbelts, and mature trees. Home prices range from \$234,000 to \$730,000.

**Windsong Ranch (aka Three Stones/Mahard Ranch/Prosper Ranch)** is a \$1.2 billion master-planned community located north of US-380 between FM-423 and Fields Road (future Teel Parkway) and approximately 2.5 miles west of the Dallas North Tollway in Prosper, Texas. The 2,030±-acre development is projected to eventually include approximately 2,470 single-family homes featuring 50 acres of park land, hike/bike trails, and multiple lighted sports fields. The community is also to include a three-building amenity complex which includes a community coffee shop, marketing center, outdoor gathering spaces, poolside pavilion with fireplace, a fitness center/exercise room, play areas, lap pool, and a resort-style pool (lagoon). Homebuilders include Highland Homes, American Legend Homes, Belclaire Homes, Britton Homes, Chesmar Homes, Darling Homes, David Weekley Custom Classics, Drees Homes, Huntington Homes, MainVue Homes, and Shaddock Homes. Home prices are ranging from \$400,000 to \$1,075,000. To date, 1,101 lots have been developed.

**Star Trail** – a 1,000-acre residential community being developed by Blue Star Land in Prosper. A total of 1,734 homes are eventually planned with 898 lots being completed to date. Home prices are ranging from \$400,000 to \$1,004,000. This development is located at the northwest corner of Prosper Trail and the Dallas North Tollway.

**Sutton Fields** is a master-planned subdivision being developed by Centurion America Development Group and located on the east side of FM-1385, north of US-380. The planned development is one of a series of large residential community developments near the towns of Prosper and Celina and is eventually to be developed with 2,413± homes. A total of 1,462 lots have been developed with home prices ranging from \$251,000 to \$516,000.

**Creeks of Legacy** is a master-planned development located at the northeast corner of Frontier Parkway and Legacy Drive in Celina. The community is located in the Prosper ISD. A total of 641 lots have been developed with home prices ranging from \$289,000 to \$559,000. Homebuilders include Beazer Homes, First Texas Homes, KB Homes, Lennar Homes, and Megatel Homes.

**Creeks of Legacy West** is located adjacent to Creeks of Legacy at the northwest corner of Frontier Parkway and Legacy Drive in Celina. This development is located in the Prosper ISD. A total of 398 lots have been developed with home prices are ranging from \$280,000 to \$482,000. Homebuilders are KB Homes and DR Horton Homes.

**Green Meadows** - Addison-based Tomlin Investments is developing a \$2 billion master-planned community on 1,408 acres with approximately 3,939 homes known as Green Meadows. A total of 396 lots have been developed to date. This development is located about 40 miles north of Dallas. The development offers a \$4.5 million amenity center, multiple resort-style pools, dog park, community garden, playgrounds, sand volleyball courts, grilling area, party center, and daycare center. Homes are ranging from \$280,000 to \$650,000 in the initial phases.

**Light Farms (aka Light Ranch)** is a 1,070-acre master-planned development in Celina and located in the Prosper ISD. The development has access from the future extension of the Dallas North Tollway. Amenities include a fitness center, four pools, tennis court complex, and a central lawn with gazebo for events. Homebuilders in the community include American Legend Homes, Britton Homes, MainVue Homes, Drees Homes, Highland Homes, Horizon Homes, Huntington Homes, K. Hovnanian Homes, and Shaddock Homes. Home prices are ranging from \$275,000 to \$600,000.

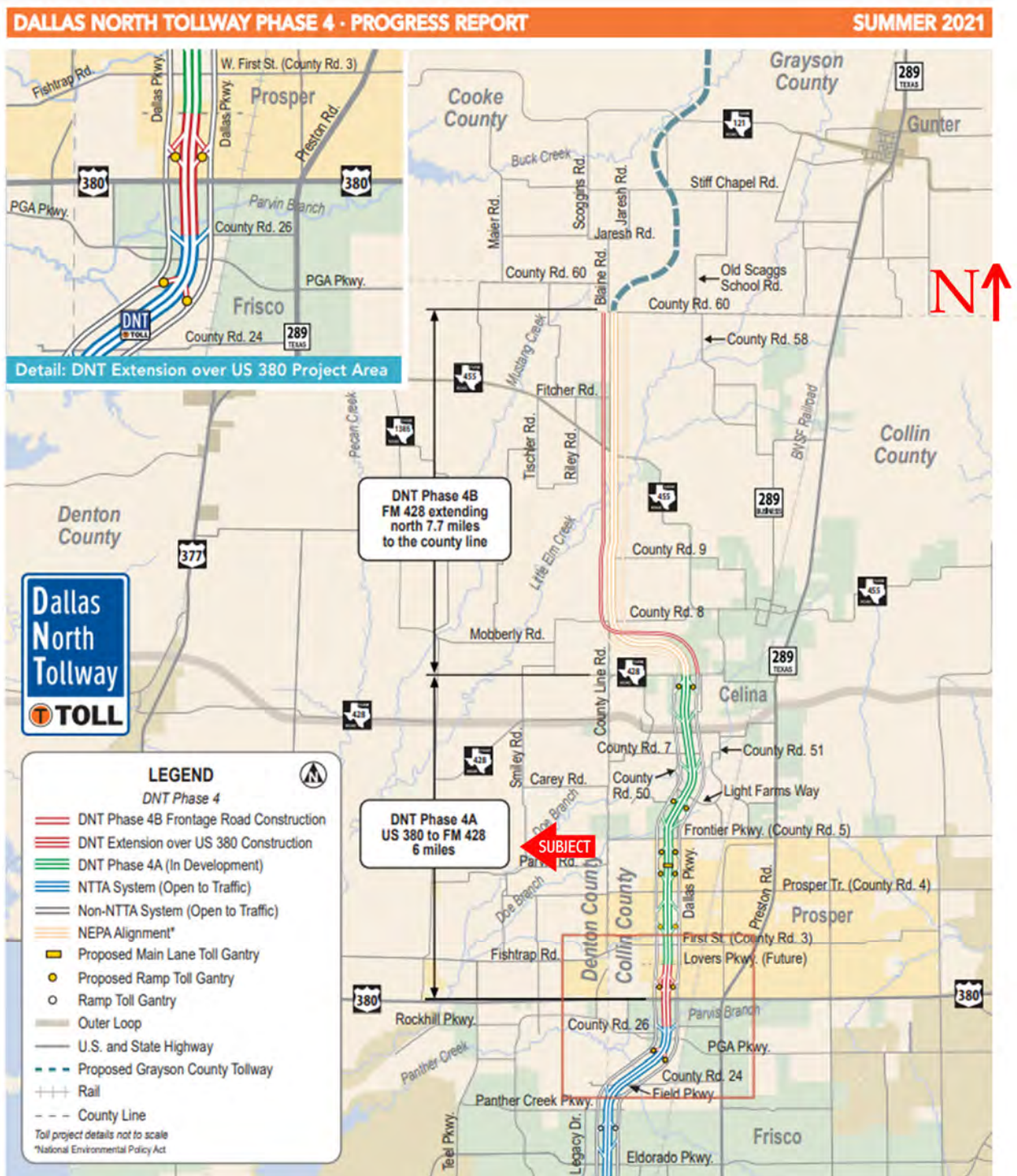
**Collin College-Central Park** – A \$162 million, five-year growth plan that would build campuses in Wylie, Celina, and Farmersville. Collin College is planning a \$36 million, 120,000 square-foot facility near CR-88 and CR-86 in Celina to serve 1,500 students.

**Texas Health Recovery & Wellness Center** is a 65,000 square-foot health care campus in Prosper located on US-380, west of the Dallas North Tollway offering care for adolescents struggling with drug and alcohol addiction and other behavioral illnesses.

**Collin County Area Regional Transit – CCART**: CCART is the rural and urban bus service for Collin County. CCART offers a curb-to-curb transit service within Collin County for the cities of Plano, Frisco, Allen, Wylie, Farmersville, Melissa, Prosper, Princeton, Celina, Anna, Blue Ridge, Josephine, Nevada, Fairview, Lucas, Murphy, and Lavon.

**Dallas North Tollway Northern Extension, Phase 4** when complete is expected to extend the “Tollway” northward from US-380 an additional 17.6 miles into Grayson County (to FM-121) providing a link from the Dallas Central Business District and cities located within Dallas, Collin, Denton, and Grayson counties. The NTTA Board approved the schematic design and environmental evaluation in June 2011 for the Phase 4A/4B/5A extension project.

The extension will be a limited access toll road with six main lanes and four frontage road lanes. Collin County is currently working on the southbound service lanes on the Dallas North Tollway from US-380 to FM-428. This project will allow two lanes north and two lanes south on the service roads. Construction of the DNT extension over US-380 began in early 2020. Design of the frontage road between the Grayson County line and FM-428 continues as well as the environmental engineering work on the DNT 4A project. Following is the current progress “Summer 2021” map of the extension:



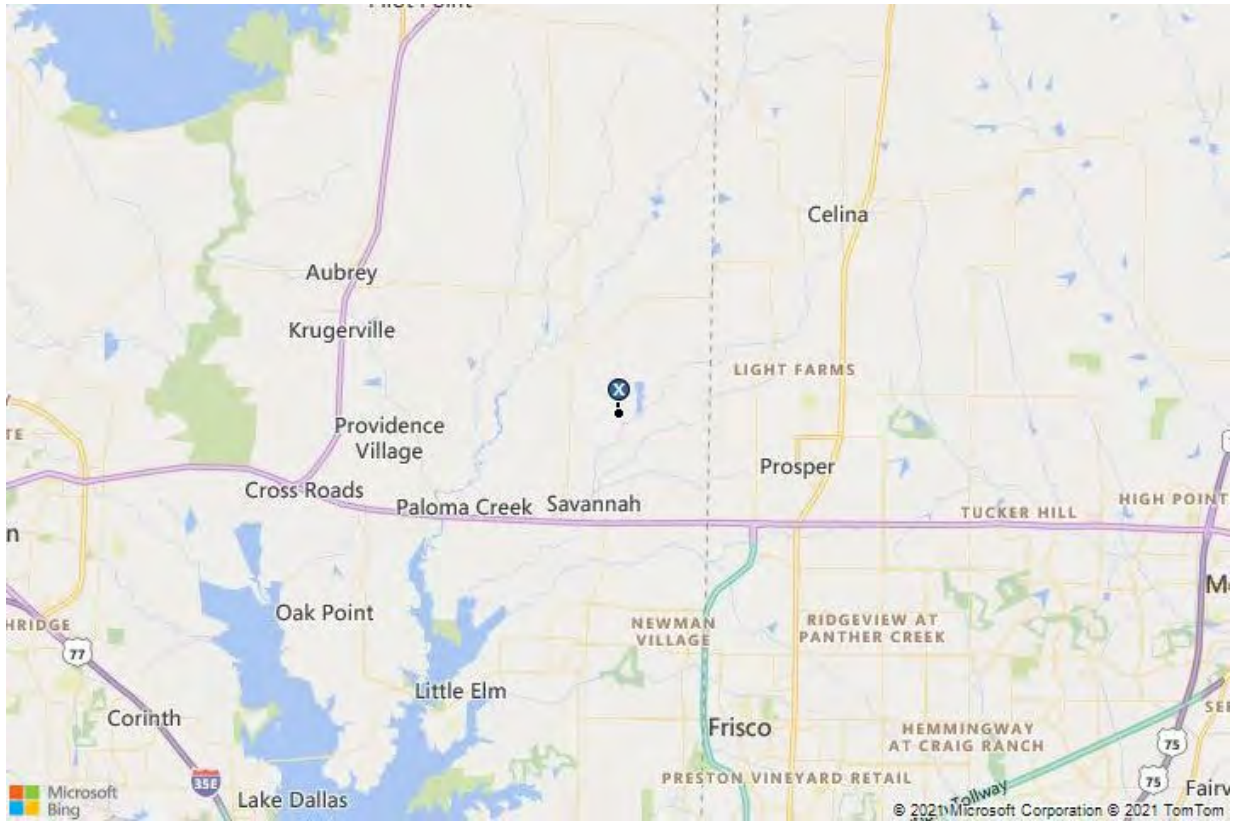
### Outlook and Conclusions

The area is in the growth stage of its life cycle. Given the history of the area and the growth trends, it is anticipated that property values will increase in the near future.





### Surrounding Area Map

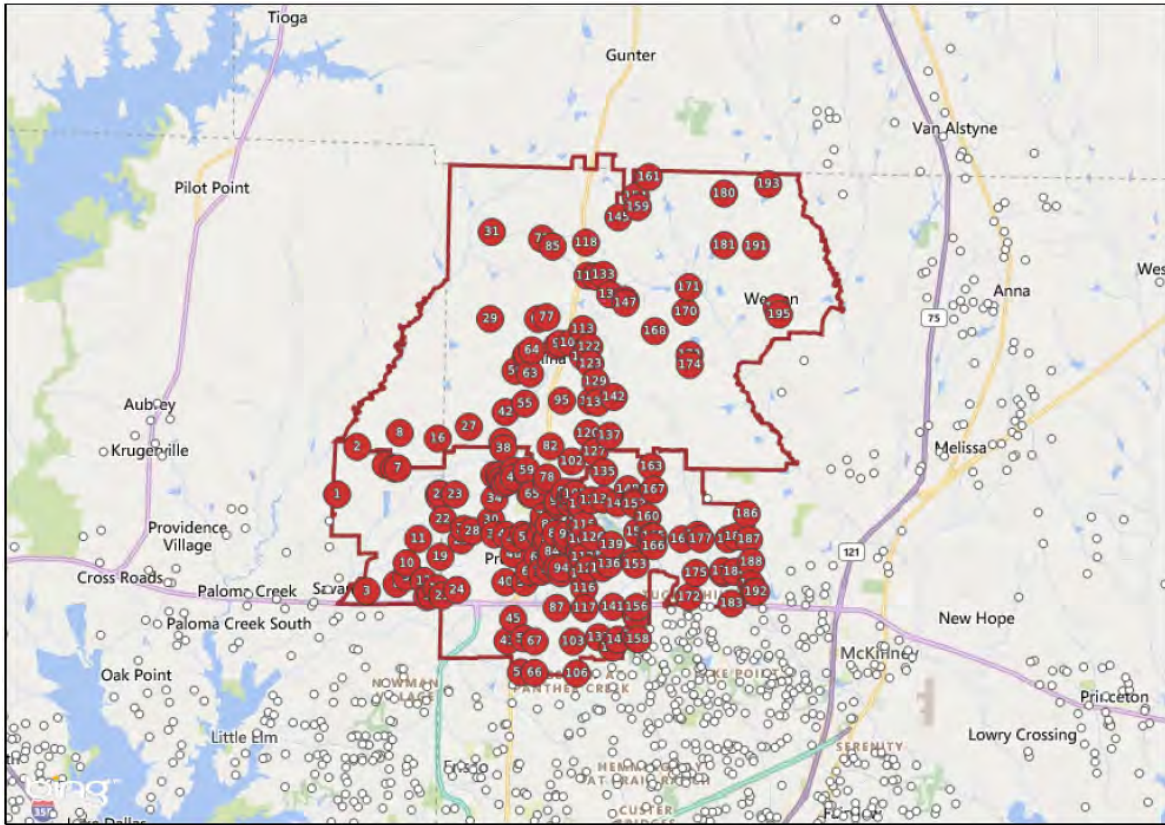


## Residential Analysis

When analyzing the financially feasible and maximally productive use of the site, all of the uses that are both physically possible and legally permissible must be considered. For the subject, the primary potential use is considered to be single-family residential development. As mentioned, the subject is proposed with single-family lots. Thus, an important factor affecting development of the subject is the surrounding land usage. The neighborhood is predominantly vacant land that is being developed into single-family residential uses. The immediate area surrounding the subject is residential in nature.

During the past decade, the residential real estate market has seen many positive changes. With the steady increase in multifamily residential rental rates, coupled with the low interest rates and the large numbers pertaining to job growth, there has been a trend of individuals choosing to purchase homes rather than to rent apartments and multifamily housing. Furthermore, with the decline in the availability of vacant developable land, population growth has quickly expanded into the suburban areas of the Dallas/Fort Worth area. As such, the proposed absorption of single-family home lots in the subject's neighborhood will be analyzed using historical absorption data provided by Metrostudy, a locally recognized information provider, as well as information obtained from area market participants and developers. It is important to note that our absorption data is based on historical trends. Inasmuch as we are forecasting an economy for this area that is at least equal to recent trends, using these historical trends is felt to be quite justifiable. The subject development is physically located within the city of Celina ETJ in Denton County and is within the Prosper Independent School District in close proximity to the Celina ISD. Therefore, data obtained from Metrostudy as of Second Quarter 2021 for the combined area of "Prosper ISD and Celina ISD", as shown in the following map, will be analyzed with a summary of the details following.

### Defined Submarket Map Area – Combined Prosper ISD and Celina ISD



TX | Collin Co. (2021)  
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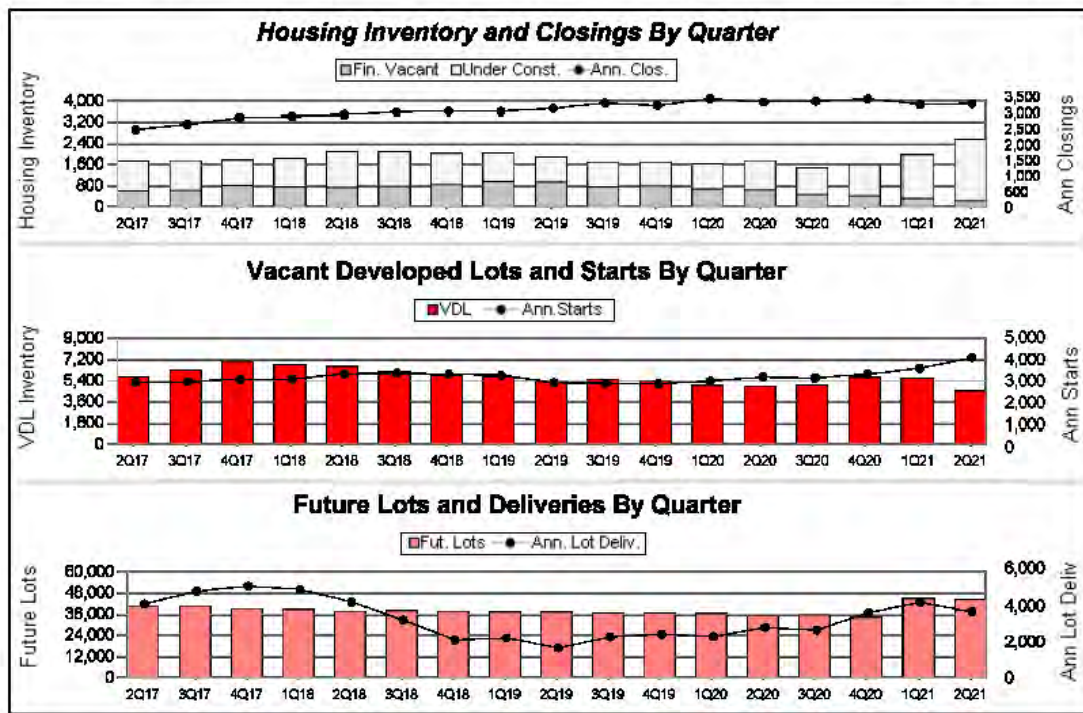
**metrostudy**  
Sales: 1-800-227-8839 A hantec powered Company

Following is a chart provided by Metrostudy summarizing the historical home/lot absorption from the past several years for the combined Prosper ISD and Celina ISD submarket area.



**Historical Housing Chart – Combined Prosper ISD and Celina ISD**

| Historical Housing Activity Summary |          |          |       |        |       |           |              |            |            |       |            |          |               |
|-------------------------------------|----------|----------|-------|--------|-------|-----------|--------------|------------|------------|-------|------------|----------|---------------|
| Current Selections                  |          |          |       |        |       |           |              |            |            |       |            |          |               |
| Qtr                                 | Qtr Clos | Ann Clos | Model | FinVac | UC    | Total Inv | Total Supply | Qtr Starts | Ann Starts | VDL   | VDL Supply | Fut Lots | Ann Lot Deliv |
| 2Q17                                | 741      | 2,507    | 105   | 617    | 1,126 | 1,846     | 8.8          | 808        | 2,969      | 5,708 | 23.1       | 40,884   | 4,137         |
| 3Q17                                | 748      | 2,675    | 119   | 629    | 1,129 | 1,877     | 8.4          | 777        | 2,994      | 6,330 | 25.4       | 40,619   | 4,836         |
| 4Q17                                | 797      | 2,879    | 134   | 811    | 960   | 1,905     | 7.9          | 825        | 3,107      | 7,033 | 27.2       | 39,145   | 5,119         |
| 1Q18                                | 627      | 2,913    | 140   | 751    | 1,089 | 1,980     | 8.2          | 702        | 3,112      | 6,778 | 26.1       | 38,773   | 4,941         |
| 2Q18                                | 795      | 2,967    | 140   | 735    | 1,362 | 2,237     | 9.0          | 1,052      | 3,356      | 6,606 | 23.6       | 37,904   | 4,254         |
| 3Q18                                | 823      | 3,042    | 142   | 773    | 1,313 | 2,228     | 8.8          | 814        | 3,393      | 6,168 | 21.8       | 38,204   | 3,231         |
| 4Q18                                | 821      | 3,066    | 147   | 844    | 1,192 | 2,183     | 8.5          | 776        | 3,344      | 5,830 | 20.9       | 37,859   | 2,141         |
| 1Q19                                | 629      | 3,068    | 152   | 970    | 1,084 | 2,206     | 8.6          | 652        | 3,294      | 5,734 | 20.9       | 37,222   | 2,250         |
| 2Q19                                | 885      | 3,158    | 147   | 952    | 935   | 2,034     | 7.7          | 713        | 2,955      | 5,345 | 21.7       | 37,403   | 1,694         |
| 3Q19                                | 987      | 3,322    | 143   | 751    | 940   | 1,834     | 6.6          | 787        | 2,928      | 5,541 | 22.7       | 36,712   | 2,301         |
| 4Q19                                | 741      | 3,242    | 141   | 788    | 917   | 1,846     | 6.8          | 753        | 2,905      | 5,373 | 22.2       | 36,594   | 2,448         |
| 1Q20                                | 843      | 3,456    | 140   | 692    | 947   | 1,779     | 6.2          | 776        | 3,029      | 5,018 | 19.9       | 36,424   | 2,313         |
| 2Q20                                | 777      | 3,348    | 135   | 648    | 1,113 | 1,896     | 6.8          | 894        | 3,210      | 4,966 | 18.6       | 35,348   | 2,831         |
| 3Q20                                | 1,023    | 3,384    | 130   | 474    | 1,013 | 1,617     | 5.7          | 744        | 3,167      | 5,059 | 19.2       | 35,820   | 2,685         |
| 4Q20                                | 806      | 3,449    | 127   | 422    | 1,187 | 1,736     | 6.0          | 925        | 3,339      | 5,680 | 20.4       | 34,202   | 3,646         |
| 1Q21                                | 681      | 3,287    | 118   | 324    | 1,661 | 2,103     | 7.7          | 1,048      | 3,611      | 5,640 | 18.7       | 44,890   | 4,233         |
| 2Q21                                | 800      | 3,310    | 124   | 225    | 2,343 | 2,692     | 9.8          | 1,389      | 4,106      | 4,548 | 13.3       | 44,505   | 3,688         |



Dallas/Ft. Worth Residential Survey (2Q21)  
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### Defined Submarket Area

As shown in the chart on the previous page, the absorption of homes/lots within the submarket area has been stable since 2017. According to Metrostudy, the submarket area absorbed the following total homes/lots from 2017 thru Second Quarter 2021:

- 2017 – 3,107 homes/lots absorbed
- 2018 – 3,344 homes/lots absorbed
- 2019 – 2,905 homes/lots absorbed
- 2020 – 3,339 homes/lots absorbed
- 2021 Q2 – 2,437 homes/lots absorbed

Thus, since 2017 (4.5 years), the annual average of homes/lots absorbed was 3,363 homes/lots. However, utilizing the more recent 12-month absorption of homes/lots, from July 2020 thru June 2021, the annual average of homes/lots absorbed significantly increases to 4,106 homes/lots in the combined submarket.

According to Metrostudy, the existing supply of available housing is currently substantially below ideal levels in the submarket. The number of vacant developed lots in the submarket has decreased from a high of 7,033 vacant lots in Fourth Quarter 2017 to 4,548 vacant lots in Second Quarter 2021 as developers try to meet demand.

Based upon the Metrostudy absorption figures of the past 4.5 years, there is currently only a 16±-month ( $4,548 \text{ lots} \div 3,363 \text{ lots} = 1.4\pm\text{-years}$ ) total supply of existing lots available in the submarket. This total supply is considered to be well below the optimum lot supply levels of 2.0 to 2.5 years per Metrostudy. Also, when utilizing the more current 12-month absorption of 4,106 home/lots, the total supply of existing lots available in the subject's defined submarket decreases further to only 13±-months ( $4,548 \text{ lots} \div 4,106 \text{ lots/year} = 1.1\pm\text{-years}$ ), which is substantially below the low end of optimum lot supply levels in the submarket.

Thus, the total lot supply within the subject's submarket is estimated to be between 1.1± to 1.4± years (13± to 16± months). Currently, this total lot supply is considered to be well below the optimum lot supply levels. Also, taking into consideration that new developments require a typical nine to 12-month construction period, with increasing demand and dwindling lot supply, it appears that additional lot product in the submarket is feasible at the current time.

We will now narrow our residential analysis to the absorption history of specific competing subdivisions in the subject's market area with similar lot features and amenities relative to the subject to determine the projected absorption and feasibility of the subject's proposed lots as follows.

## Subject Neighborhood

The similarities considered to be most important are lot size, home price range, and amenity features. The tables that follow detail the active subdivisions, including the subject's subdivision, that are considered to compete with the subject's lots. Our analysis will be presented beginning with the 50' frontage lots followed by individual analysis of the 60' frontage lots. All data is per Metrostudy as of Second Quarter 2021.

### Competitive Supply – 50' Frontage Lots

| Competitive Supply                                | 50' Frontage Lots |                     |                |                         |                          |
|---|-------------------|---------------------|----------------|-------------------------|--------------------------|
|   | School District   | Home Prices (000's) | Available Lots | Typical Lot Dimensions  | Typical Lot SF           |
| <b>Bluewood</b><br>Celina, Texas                  | Celina            | \$298-\$409         | 70             | 50' x 115'              | 5,750                    |
| <b>Cambridge Crossing</b><br>Celina, Texas        | Celina            | \$406-\$655         | 102            | 50' x 124'              | 6,200                    |
| <b>Chalk Hill</b><br>Celina, Texas                | Celina            | \$283-\$390         | 68             | 50' x<br>100'/110'/120' | 5,000 - 5,500 -<br>6,000 |
| <b>Glen Crossing</b><br>Celina, Texas             | Celina            | \$363-\$469         | 113            | 50' x 120'              | 6,000                    |
| <b>Homestead at Ownsby Farms</b><br>Celina, Texas | Celina            | \$358-\$582         | 141            | 50' x 120'              | 6,000                    |
| <b>Sutton Fields</b><br>Celina, Texas             | Prosper           | \$251-\$405         | 38             | 50' x 115'              | 5,750                    |
| <b>Total</b>                                      |                   |                     | <b>532</b>     |                         |                          |
| Subject: Sutton Fields East PID                   | Prosper ISD       |                     |                | 50' x 115'              | 5,750                    |
| Source: Metrostudy as of Second Quarter 2021      |                   |                     |                |                         |                          |

The competitive supply presented above recognizes residential developments which are located in the subject's immediate and surrounding vicinity. The lot sizes, home prices, and amenities in the subdivisions shown are generally similar relative to the subject's 50' frontage lots. Thus, the competing residential developments are considered to be the immediate competition for the subject's proposed lots and are believed to accurately reflect the potential absorption levels for the subject's lots at this time.

Having addressed the immediate competition, we will estimate the approximate absorption time frame for the subject by analyzing absorption trends of the previously shown developments.

### Absorption Analysis – 50' Frontage Lots

The following table outlines the monthly absorption of the residential developments listed in the competitive supply. It should be noted that all data is as of Second Quarter 2021.

| Monthly Absorption Performance 50' Frontage Lots |                |                  |            |             |               |
|--|----------------|------------------|------------|-------------|---------------|
| Subdivisions                                     | Available Lots | Building Starts* | No. Months | Units/Month | Months Supply |
| Bluewood   | 70             | 189              | 15         | 12.6        | 5.6           |
| Cambridge Crossing                               | 102            | 66               | 12         | 5.5         | 18.5          |
| Chalk Hill                                       | 68             | 89               | 6          | 14.8        | 4.6           |
| Glen Crossing                                    | 113            | 73               | 12         | 6.1         | 18.6          |
| Homestead at Ownsby Farms                        | 141            | 94               | 15         | 6.3         | 22.5          |
| Sutton Fields                                    | 38             | 369              | 18         | 20.5        | 1.9           |
| <b>Totals/Averages</b>                           | <b>532</b>     | <b>880</b>       |            | <b>65.8</b> | <b>8.1</b>    |
| <b>Average Units/Month</b>                       |                |                  |            | <b>11.0</b> |               |

Subject: Sutton Fields East PID  
Source: Metrostudy as of Second Quarter 2021

Based upon the number of available lots and average absorption per month, the 532 lots remaining within these residential developments indicates only an 8.1±-month supply (0.7± years). This appears to be representative of a significant under-supply of lots within the subject's projected price/lot size range.

Overall, the competing residential developments indicate an absorption range of 5.5 units to 20.5 units per month, with an overall average of 11.0 units per month. To summarize, it is important to note the following facts:

- Five of the six residential developments presented (except for Homestead at Ownsby) are projected to be sold out within 18.6± months. Thus, it is reasonable that the subject, upon completion, may capture a portion of the demand that these projects currently enjoy.
- The subject's competitive supply is significantly under-supplied with only an 8.1± month-supply of developed lots.
- At the effective date of this appraisal, all of the subject's 50' lots are under contract to two volume homebuilders (First Texas Homes and Pacesetter Homes). The lot contracts are summarized in the following exhibit:

| Lot Contract Summary - Sutton Fields East |       |                  |            |            |                 |          |          |              |             |                 |  |
|---|-------|------------------|------------|------------|-----------------|----------|----------|--------------|-------------|-----------------|--|
| Phase 1                                   |       | Typical Lot Size |            |            | Base Lot Prices |          |          | Lot Price/FF |             | Absorption      |  |
| Home Builder                              | Phase | 50' x 115'       | 60' x 115' | Total Lots | 50' Lots        | 60' Lots | 50' Lots | 60' Lots     | Units/Month | Total (Months±) |  |
| First Texas Homes                         | 1     | 31               | 42         | 73         | \$70,750        | \$84,750 | \$1,415  | \$1,413      | 6.3         | 11.6            |  |
| Pacesetter Homes                          | 1     | 172              | 0          | 172        | \$70,000        | N/A      | \$1,400  | N/A          | 9.8         | 17.6            |  |
| <b>Phase 1 Totals</b>                     |       | <b>203</b>       | <b>42</b>  | <b>245</b> |                 |          |          |              | <b>16.1</b> |                 |  |
| Phase 2                                   |       | Typical Lot Size |            |            | Base Lot Prices |          |          | Lot Price/FF |             | Absorption      |  |
| First Texas Homes                         | 2     | 32               | 45         | 77         | \$75,750        | \$90,750 | \$1,515  | \$1,513      | 5.0         | 15.4            |  |
| Pacesetter Homes                          | 2     | 128              | 0          | 128        | \$75,000        | N/A      | \$1,500  | N/A          | 8.3         | 15.4            |  |
| <b>Phase 2 Totals</b>                     |       | <b>160</b>       | <b>45</b>  | <b>205</b> |                 |          |          |              | <b>13.3</b> |                 |  |
| <b>Overall Totals</b>                     |       | <b>363</b>       | <b>87</b>  | <b>450</b> |                 |          |          |              |             |                 |  |

All lots are contracted with an annual 6% escalation, a \$500/lot marketing fee, a \$1,500/lot amenity fee, and a \$1,500/lot CCN fee.

- The overall total lot supply within the subject's submarket is estimated to be between 1.1± to 1.4± years (13± to 16± months) which is considered to be well below the optimum lot supply levels of 2.0 – 2.5 years.

### Absorption Projection – 50' Frontage Lots

Thus, the preceding data supports a projected absorption on a quarterly basis for the subject's lots with 50' frontages at 10.0 units per month (30.0 units per quarterly period) which is slightly below the overall average of the competitive supply (11.0 upm) and has considered the subject's lot contracts with two volume homebuilders. As such, our absorption projection is considered reasonable based upon the lot supply and demand levels within the subject's submarket area for 50' frontage lots.

### Competitive Supply – 60' Frontage Lots

| Competitive Supply                           | 60' Frontage Lots |                     |                |                        |                |
|--|-------------------|---------------------|----------------|------------------------|----------------|
|  | School District   | Home Prices (000's) | Available Lots | Typical Lot Dimensions | Typical Lot SF |
| <b>Bluewood</b><br>Celina, Texas             | Celina            | \$390-\$536         | 60             | 60' x 115'             | 6,900          |
| <b>Creeks of Legacy</b><br>Celina, Texas     | Prosper           | \$390-\$530         | 21             | 60' x 125'             | 7,500          |
| <b>Lilyana</b><br>Celina, Texas              | Prosper           | \$355-\$541         | 44             | 60' x 120'             | 7,200          |
| <b>Windsong Ranch</b><br>Prosper, Texas      | Prosper           | \$397-\$725         | 149            | 61'/66' x 130'         | 7,930 - 8,580  |
| <b>Sutton Fields</b><br>Celina, Texas        | Prosper           | \$331-\$516         | 156            | 60' x 115'             | 6,900          |
| <b>Wellspring Estates</b><br>Celina, Texas   | Prosper           | \$570-\$793         | 25             | 60' x 125'             | 7,500          |
| <b>Mustang Lakes</b><br>Celina, Texas        | Prosper           | \$448-\$785         | 21             | 60' x 125'             | 7,500          |
| <b>Total</b>                                 |                   |                     | <b>476</b>     |                        |                |
| Subject: Sutton Fields East PID              | Prosper ISD       |                     |                | 60' x 115'             | 6,900          |
| Source: Metrostudy as of Second Quarter 2021 |                   |                     |                |                        |                |

The competitive supply presented above recognizes residential developments which are located in the subject's immediate and surrounding vicinity. The lot sizes, home prices, and amenities in the subdivisions shown are generally similar relative to the subject's 60' frontage lots. Thus, the competing residential developments are considered to be the immediate competition for the subject's proposed lots and are believed to accurately reflect the potential absorption levels for the subject's lots at this time.

Having addressed the immediate competition, we will estimate the approximate absorption time frame for the subject by analyzing absorption trends of the previously shown developments.

### Absorption Analysis – 60' Frontage Lots

The following table outlines the monthly absorption of the residential developments listed in the competitive supply. It should be noted that all data is as of Second Quarter 2021.

| Monthly Absorption Performance 60' Frontage Lots |                |                  |            |             |               |
|--|----------------|------------------|------------|-------------|---------------|
| Subdivisions                                     | Available Lots | Building Starts* | No. Months | Units/Month | Months Supply |
| Bluewood   | 60             | 26               | 6          | 4.3         | 13.8          |
| Creeks of Legacy                                 | 21             | 87               | 18         | 4.8         | 4.3           |
| Lilvana  | 44             | 55               | 6          | 9.2         | 4.8           |
| Windsong Ranch                                   | 149            | 190              | 18         | 10.6        | 14.1          |
| Sutton Fields                                    | 156            | 163              | 12         | 13.6        | 11.5          |
| Wellspring Estates                               | 25             | 48               | 9          | 5.3         | 4.7           |
| Mustang Lakes                                    | 21             | 59               | 12         | 4.9         | 4.3           |
| <b>Totals/Averages</b>                           | <b>476</b>     | <b>628</b>       |            | <b>52.7</b> | <b>9.0</b>    |
| <b>Average Units/Month</b>                       |                |                  |            | <b>7.5</b>  |               |

Subject: Sutton Fields East PID  
Source: Metrostudy as of Second Quarter 2021

Based upon the number of available lots and average absorption per month, the 476 lots remaining within these residential developments indicates only a 9.0±-month supply (0.8± years). This appears to be representative of a significant under-supply of lots within the subject's projected price/lot size range.

Overall, the competing residential developments indicate an absorption range of 4.3 units to 13.6 units per month, with an overall average of 7.5 units per month. To summarize, it is important to note the following facts:

- All seven of the residential developments presented are projected to be sold out within 14.1± months. Thus, it is reasonable that the subject, upon completion, may capture a portion of the demand that these projects currently enjoy.
- The subject's competitive supply is significantly under-supplied with only a 9.0± month-supply of developed lots.
- At the effective date of this appraisal, all of the subject's 60' lots are under contract to one volume homebuilders (First Texas Homes). The lot contracts are summarized in the following exhibit:

| Lot Contract Summary - Sutton Fields East |       |                  |            |            |                 |          |          |              |             |                 |  |
|---|-------|------------------|------------|------------|-----------------|----------|----------|--------------|-------------|-----------------|--|
| Phase 1                                   |       | Typical Lot Size |            |            | Base Lot Prices |          |          | Lot Price/FF |             | Absorption      |  |
| Home Builder                              | Phase | 50' x 115'       | 60' x 115' | Total Lots | 50' Lots        | 60' Lots | 50' Lots | 60' Lots     | Units/Month | Total (Months±) |  |
| First Texas Homes                         | 1     | 31               | 42         | 73         | \$70,750        | \$84,750 | \$1,415  | \$1,413      | 6.3         | 11.6            |  |
| Pacesetter Homes                          | 1     | 172              | 0          | 172        | \$70,000        | N/A      | \$1,400  | N/A          | 9.8         | 17.6            |  |
| <b>Phase 1 Totals</b>                     |       | <b>203</b>       | <b>42</b>  | <b>245</b> |                 |          |          |              | <b>16.1</b> |                 |  |
| Phase 2                                   |       |                  |            |            |                 |          |          |              |             |                 |  |
| First Texas Homes                         | 2     | 32               | 45         | 77         | \$75,750        | \$90,750 | \$1,515  | \$1,513      | 5.0         | 15.4            |  |
| Pacesetter Homes                          | 2     | 128              | 0          | 128        | \$75,000        | N/A      | \$1,500  | N/A          | 8.3         | 15.4            |  |
| <b>Phase 2 Totals</b>                     |       | <b>160</b>       | <b>45</b>  | <b>205</b> |                 |          |          |              | <b>13.3</b> |                 |  |
| <b>Overall Totals</b>                     |       | <b>363</b>       | <b>87</b>  | <b>450</b> |                 |          |          |              |             |                 |  |

All lots are contracted with an annual 6% escalation, a \$500/lot marketing fee, a \$1,500/lot amenity fee, and a \$1,500/lot CCN fee.

- The overall total lot supply within the subject's submarket is estimated to be between 1.1± to 1.4± years (13± to 16± months) which is considered to be well below the optimum lot supply levels of 2.0 – 2.5 years.

### Absorption Projection – 60' Frontage Lots

Thus, the preceding data supports a projected absorption on a quarterly basis for the subject's lots with 60' frontages at 7.0 units per month (21.0 units per quarterly period) which is supported by the overall average of the competitive supply (7.5 upm) and has considered the subject's lot contracts with one volume homebuilder. As such, our absorption projection is considered reasonable based upon the lot supply and demand levels within the subject's submarket area for 60' frontage lots.

### Overall Absorption Summary Projection

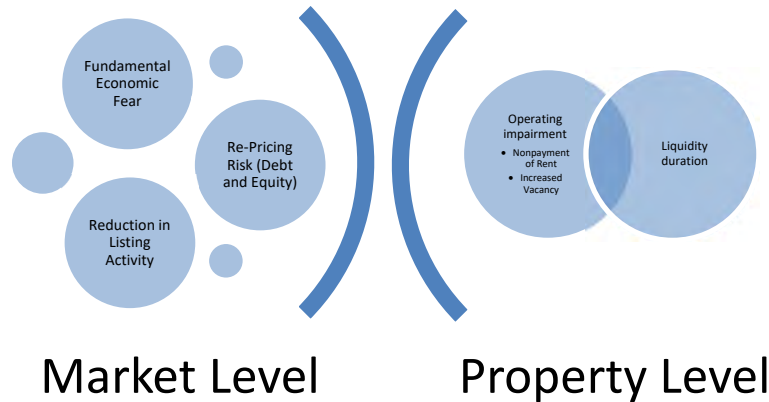
Our quarterly absorption projections are summarized as follows for the subject's Phase #1 lots:

| Projected Quarterly Absorption Summary |           |           |           |           |           |           |           | Total Aborp. Period |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------|-----------|
| Lot Type                               | Apr-23    | Jul-23    | Oct-23    | Jan-24    | Apr-24    | Jul-24    | Oct-24    | Lots                | (Months±) |
| 50' Lots                               | 30        | 30        | 30        | 30        | 30        | 30        | 23        | 203                 | 20.3      |
| 60' Lots                               | 21        | 21        | 0         | 0         | 0         | 0         | 0         | 42                  | 6.0       |
| <b>Totals</b>                          | <b>51</b> | <b>51</b> | <b>30</b> | <b>30</b> | <b>30</b> | <b>30</b> | <b>23</b> | <b>245</b>          |           |

As shown, the overall absorption for the subject's 245 lots in Phase #1 is estimated to be 20.3± months (50' lots) and 6.0± months (60' lots).

## COVID-19 Impact on Current Valuations

Transaction indicators are the best measure of any impact on values due to COVID-19. At the beginning of the pandemic, many transactions were tabled, and market data was scarce. After an initial lull in activity, price discovery has occurred in many markets across different property types and transactions are getting done. Market instability remains a factor on various levels:



Based on discussions and interviews with a wide range of market participants including brokers, lenders, asset managers, owners, property managers and others, a variety of concerns, and opportunities, are apparent.

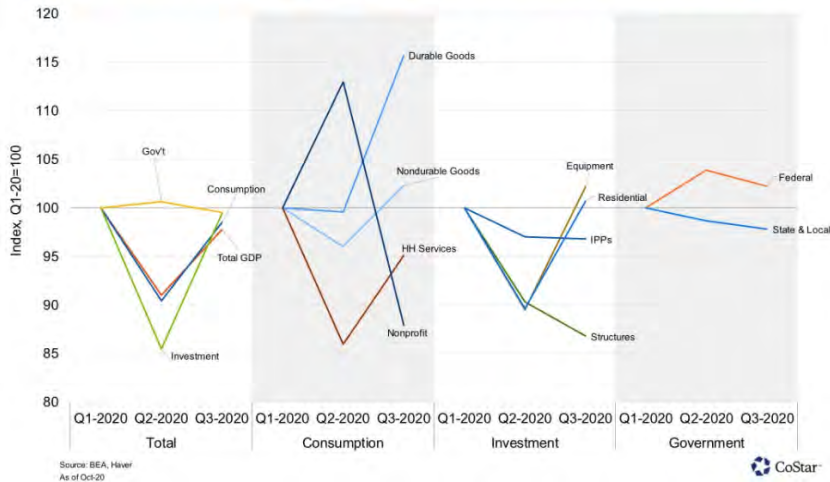
### The Virus

The second wave began in 4Q20 across virtually the entire country. Infection rates are exploding with many states and local governments restricting movement and social gatherings. The stock market rose to new highs in 4Q20 on the news of multiple promising vaccine options expected to first become widely available to health care workers and then the general public by mid-2021. In the interim, volatility will remain with starts and stops in economic activity. A widely distributed vaccine is critical for employers to be able to safely bring workers back to the office, public schools to remain open with consistency and perceived safe use of public transportation in getting people to work.

### Macro-Economic Impacts

Not surprisingly, 3Q20 GDP was up significantly but varies considerably by segment (Consumption, Investment, Government) as illustrated in the graph below. Consumption of goods are up while consumption of services remains off notably due in large part to households remaining in various levels of lockdown in many parts of the country. Warehouses and manufacturing are winners – hotels, retail, and restaurants remain weak.

**GDP Recovers, but Plenty of Movement Under Surface**

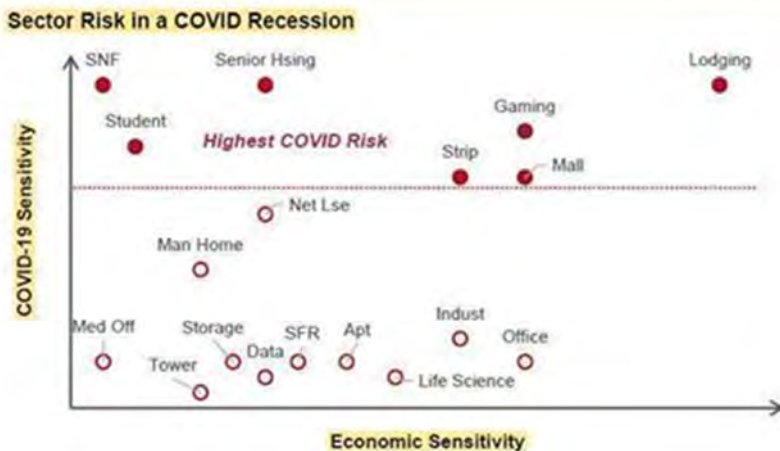


The prospect for a significant stimulus package remains uncertain. State and local finances are troubling not to mention the outlook for employers and workers, particularly in the service sector, who remain on the downside of a K shaped recovery.

After initially ramping up cash reserves to cover bad loans, many larger lending institutions have begun reducing those set asides as the expectation of losses is on the decline. Many smaller to mid-size banks, which have typically been the primary capital source to local, service-oriented businesses, may not be so fortunate.

**Impact by Property Type, Class & Location**

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) have been less affected than for example lodging and malls where social distancing is more difficult.





**Rates of Return and Valuation Methodology**

Offsetting the increased risk due to uncertainty in the property markets is the Fed’s monetary policy of holding rates down to enhance liquidity in the debt markets. While many financial institutions have lowered their loan to value ratios as a risk management tool, the cost of borrowing is at historic lows for assets with sustainable cash flow and solid sponsors. The result is downward pressure on rates of return where leverage is attainable but offset to some extent by a rise in equity return requirements. As transactions continue to occur, the overall impact on rates of return, and how they are responding differently by property type and location, is becoming apparent.

Some market participants believe the answer to market value lies in capitalization rates while others believe rates are not moving. Instead, the value impact is limited to cash flow loss plus profit until re-stabilization occurs. Once again, the answers vary by property type and location.

The following valuation tempers the various inputs given the wide range of data in the market. Care must be taken not to “double hit” the analysis by modeling lower net income via lower performance projections and at the same time raising the return requirements, particularly in light of a low interest rate environment.

**Market Sentiment/Participant Interviews**

In addition to transaction data, which is slowly materializing, we have interviewed market participants (developers, investors, lenders, brokers) as a leading indicator of where the market is currently, and where they believe the market is heading. These survey results have been analyzed and incorporated into our analysis and conclusions.

**Conclusion**

This heightened uncertainty forms the basis of defined risk. Considering the subject’s relative sensitivity to the COVID-19 risks as of the effective date of the valuation, Integra rates the relative risks of the subject property as of the effective date as follows:

**Risk Analysis**

|                                       |  |
|---------------------------------------|--|
| Property Type Sensitivity to Risk     | Single-family development type is low risk                   |
| Property Location Sensitivity to Risk | Single-family development location is low risk               |
| Cost of Capital Impact/Risk           | Single-family development cost of capital impact risk is low |
| Property Operations Risk              | Single-family development operations risk is low             |



## Property Analysis

### Location

The property (Sutton Fields East Public Improvement District, Phase #1) is located north of Parvin Road, east of FM-1385 in Celina ETJ, Denton County, Texas and is within the Prosper Independent School District

### Land Description and Analysis

#### Land Description

|                         |   |
|-------------------------|---|
| Land Area, Phase #1     | 51.890 acres; 2,260,328 SF                                |
| Unit Mix/Phase #1       | 245 lots (203 lots - 50' x 115' and 42 lots - 60' x 115') |
| Source of Land Area     | Engineering Report  |
| Shape                   | Rectangular   |
| Corner                  | No  |
| Topography              | Generally level and at street grade                       |
| Drainage                | No problems reported or observed                          |
| Environmental Hazards   | None reported or observed                                 |
| Ground Stability        | No problems reported or observed                          |
| Flood Area Panel Number | 48121C0270G   |
| Date                    | April 18, 2011  |
| Zone                    | X   |
| Description             | Outside the 500-year flood plain                          |
| Insurance Required?     | No  |

#### Zoning; Other Regulations

|                            |                                       |
|----------------------------|---------------------------------------|
| Zoning Jurisdiction        | City of Celina                        |
| Zoning Designation         | Development Agreement, City of Celina |
| Description                | Development Agreement, City of Celina |
| Legally Conforming?        | Appears to be legally conforming      |
| Zoning Change Likely?      | No                                    |
| Permitted Uses             | Single-family residential use         |
| Other Land Use Regulations | None reported or observed             |

#### Utilities

|         |                                  |
|---------|----------------------------------|
| Service | Provider                         |
| Water   | Mustang Special Utility District |
| Sewer   | Mustang Special Utility District |



Subject



Subject



Parvin Road

**General Description - Sutton Fields East Public Improvement District, Phase #1**

The subject represents Phase #1 as part of the Sutton Fields East Public Improvement District which encompasses a total of 109.926 gross acres and is eventually planned to be developed within two phases with a total of 450 single-family lots. Phase #1 is planned to be developed with a total of 245 lots on 51.890 gross acres with two typical lot dimensions (203 lots - 50' x 115' or 5,750 square feet and 42 lots - 60' x 115' or 6,900 square feet) in a subdivision to be known as Sutton Fields East. All lots are designed for front access and are located within the Prosper ISD. An amenity center with pool and playground is planned within Phase #1. Substantial completion of Phase #1 is expected by April 1, 2023. Access to Phase #1 is provided from existing interior streets developed in the adjacent Sutton Fields subdivision. The subdivision will be developed under the guidelines of a Development Agreement with the city of Celina allowing for single-family residential uses according to the concept plan.

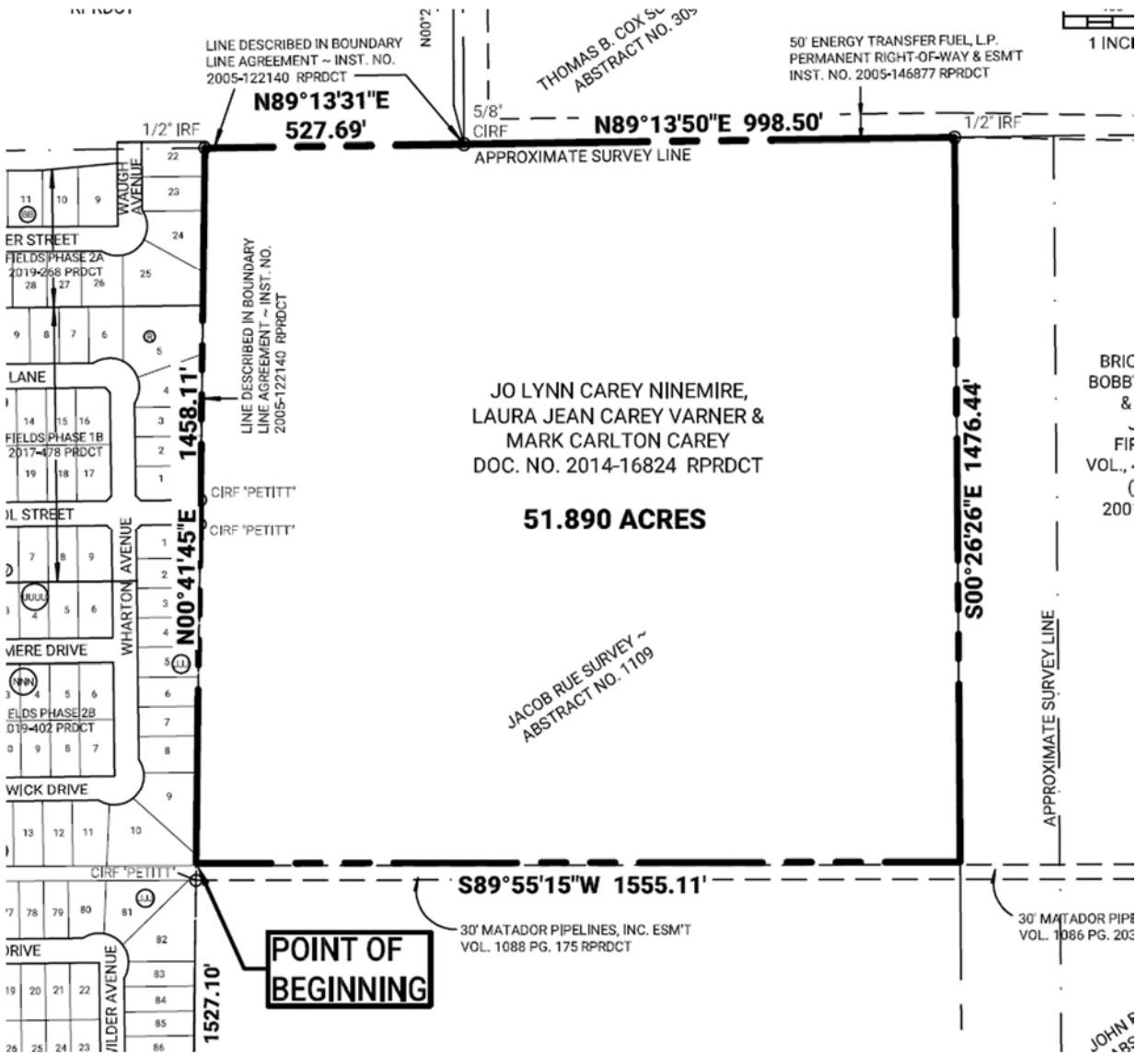
The Sutton Fields East Public Improvement District, Phase #1 is summarized in the following exhibit:

| <b>Sutton Fields East Public Improvement District, Phase #1</b> |                                       |              |                 |                               |                   |                   |                        |
|---|---------------------------------------|--------------|-----------------|-------------------------------|-------------------|-------------------|------------------------|
| <b>Premise</b>  | <b>Location</b>                       | <b>Acres</b> | <b>Density</b>  | <b>Typical Lot Dimensions</b> |                   | <b>Total Lots</b> | <b>Projected</b>       |
|   |                                       |              | <b>Per Acre</b> | <b>60' x 115'</b>             | <b>50' x 115'</b> |                   | <b>Completion Date</b> |
| Phase #1  | North of Parvin Road, east of FM-1385 | 51.890       | 4.7             | 42                            | 203               | 245               | April 1, 2023          |
| <b>Percentage</b>   |                                       |              |                 | <b>17%</b>                    | <b>83%</b>        | <b>100%</b>       |                        |



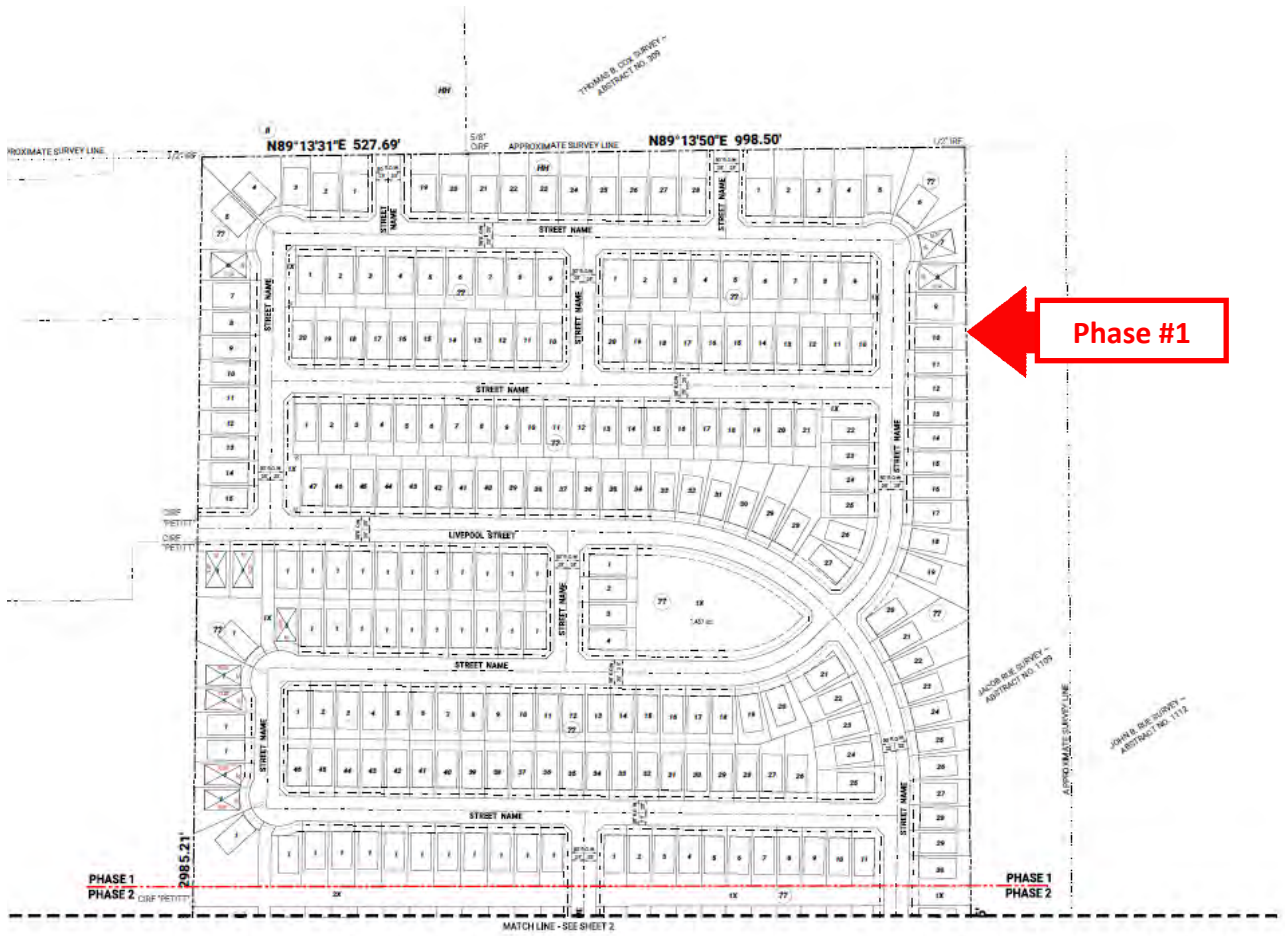


### Survey – Phase #1





### Preliminary Plat – Phase #1



PRELIMINARY PLAT  
SUTTON FIELDS EAST  
PHASE 1 & 2



### Improvement Area Exhibits









## **Allocation of Authorized Improvements**

The Phase #1 Improvements descriptions are presented below as provided by the project engineer. The Budgeted costs of the Phase #1 Improvements are shown in Table III-A. The costs shown in Table III-A are estimates and may be revised in Annual Service Plan Updates, including such other improvements as deemed necessary to further improve the properties within the PID.

### **Roadway Improvements**

The road improvement portion of the Phase #1 Improvements consists of the construction of road improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Phase #1 Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### **Water Improvements**

The water improvements portion of the Phase #1 Improvements consists of construction and installation of a looped water main network, which includes waterlines, valves, fire hydrants, and appurtenances, necessary for the portion of the water distribution system that will service the Phase #1 Assessed Property. The water improvements will be designed and constructed in accordance with Mustang SUD standards and specifications and will be owned and operated by Mustang SUD.

### **Sanitary Sewer Improvements**

The sanitary sewer improvement portion of the Phase #1 Improvements consists of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Phase #1 Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with Mustang SUD standards and specifications and will be owned and operated by Mustang SUD.

### **Storm Drainage Improvements**

The storm drainage improvement portion of the Phase #1 Improvements consist of reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, junction boxes, inlets, headwalls, and appurtenances necessary to provide adequate drainage to the Phase #1 Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### **Other Soft and Miscellaneous Improvements**

The other soft and miscellaneous portion of the Phase #1 Improvements consist of site preparation, district formation costs, and other soft costs.

**Table III-A**  
**Estimated Authorized Improvement Costs – Phase #1**

| <b>Authorized Improvements</b>       | <b>Total<sup>1</sup></b> |
|--------------------------------------|--------------------------|
| Roadway improvements                 | \$1,777,930              |
| Water improvements                   | \$753,000                |
| Sanitary sewer improvements          | \$829,945                |
| Storm drainage improvements          | \$1,730,660              |
| Other soft and miscellaneous costs   | \$2,379,539              |
| <b>Total Authorized Improvements</b> | <b>\$7,471,074</b>       |

<sup>1</sup>Costs provided by Barraza Consulting Group, LLC. The figures shown in Table III-A may be revised in Annual Service Plan Updates and may be reallocated between line items so long as the total Authorized Improvements amount does not change.

## Real Estate Taxes

Real estate tax assessments are administered by the Denton Central Appraisal District and are estimated by jurisdiction on a county basis for the subject. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The assessed value is certified in October. Real estate taxes and assessments for the current tax year are shown in the following table.

| Taxes and Assessments - 2021 |             |                |              |             |                       |                  |   |       |
|------------------------------|-------------|----------------|--------------|-------------|-----------------------|------------------|---|-------|
| Tax ID                       | Total Acres | Assessed Value |              |             | Taxes and Assessments |                  |   |       |
|                              |             | Land           | Improvements | Total       | Tax Rate              | Ad Valorem Taxes | Assessments with Agricultural Exemption | Total |
| 52714                        | 92.9600     | \$3,819,513    | \$0          | \$3,819,513 | 1.717685%             | \$65,607         | \$17,476                                | \$300 |

The subject is currently assessed as part of a larger vacant tract of land comprised of 92.960 acres. It is also important to note that all of the subject’s undeveloped land is presently taxed under an agricultural exemption which serves to limit the taxable value of the site. As such, under development, the developer of the site may be liable for three years of back real estate taxes, plus interest annually. This is considered typical of properties located in growth corridors such as the subject. The impact of roll-back taxes due to the termination of the agricultural exemption is not reflected herein.

However, as we are providing a prospective valuation as complete for the subject property, the assessment as vacant land is irrelevant to our valuation. Furthermore, the estimated taxes for the subject’s residential lots will be based upon our market value opinions within the discounted cash flow statements within this report.

Texas is a non-disclosure State with a mandate to assess property at 100% of market value. Some Texas County Assessors are more successful at achieving the mandate than others. In Texas Counties with little or no transaction activity, values can lag the market. However, there is no limit on increases in the event of a re-assessment.

Property owners in Texas may protest ad valorem assessments using the one of two tests, 1) Market Value or 2) "Equal Appraisal". Market Value is self-explanatory. "Equal Appraisal" means there is a burden on the District's Assessor to ensure mass appraisal methods produce consistent results from property to property. To measure equality, the Appraisal Review Board will consider the assessed values of competing properties in the District. The process involves generation of "ratio study" in which, after appropriate adjustments, the "median value" is the conclusion of "Equal Appraisal".



## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible
- Legally permissible under the zoning regulations and other restrictions that apply to the site
- Financially feasible
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses

### Highest and Best Use As Vacant

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

#### Legally Permissible

The site is governed by a Development Agreement with the city of Celina, Texas allowing for detached, single-family residential use according to the concept plan. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only single-family residential use is given further consideration in determining the highest and best use of the site as vacant.

#### Financially Feasible

Based on our analysis of the market, there is currently adequate demand for single-family residential use in the subject's area. It appears that a newly developed single-family residential use on the site would have a value commensurate with its cost. Therefore, single-family residential use is considered to be financially feasible.

#### Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family residential use. Accordingly, it is our opinion that single-family residential use, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

**Conclusion**

Development of the site for single-family residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant.

**As Improved**

Development of the site, as proposed, with single-family uses is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property, as proposed.

**Most Probable Buyer**

Taking into account the functional utility of the site and area development trends, the probable buyer is a developer/homebuilder.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

| <b>Approaches to Value</b>       |                          |                   |
|----------------------------------|--------------------------|-------------------|
| Approach                         | Applicability to Subject | Use in Assignment |
| Cost Approach                    | Not Applicable           | Not Utilized      |
| Sales Comparison Approach        | Applicable               | Utilized          |
| Income Capitalization Approach   | Not Applicable           | Not Utilized      |
| Subdivision Development Approach | Applicable               | Utilized          |



## Sales Comparison Approach

To develop an opinion of the subject's lot values, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

The Sales Comparison Approach will be utilized to determine lot values for the individual lot types (50' and 60' frontage lots) which are summarized as follows:

| <b>Land Parcels</b> |       |       |       |                    |
|---------------------|-------|-------|-------|--------------------|
| Name                | SF    | Acres | Units | Unit of Comparison |
| 50' Frontage Lots   | 5,750 | 0.132 | 50    | Front Footages     |
| 60' Frontage Lots   | 6,900 | 0.158 | 60    | Front Footages     |

### 50' Frontage Lots (50' x 115'; 5,750 SF)

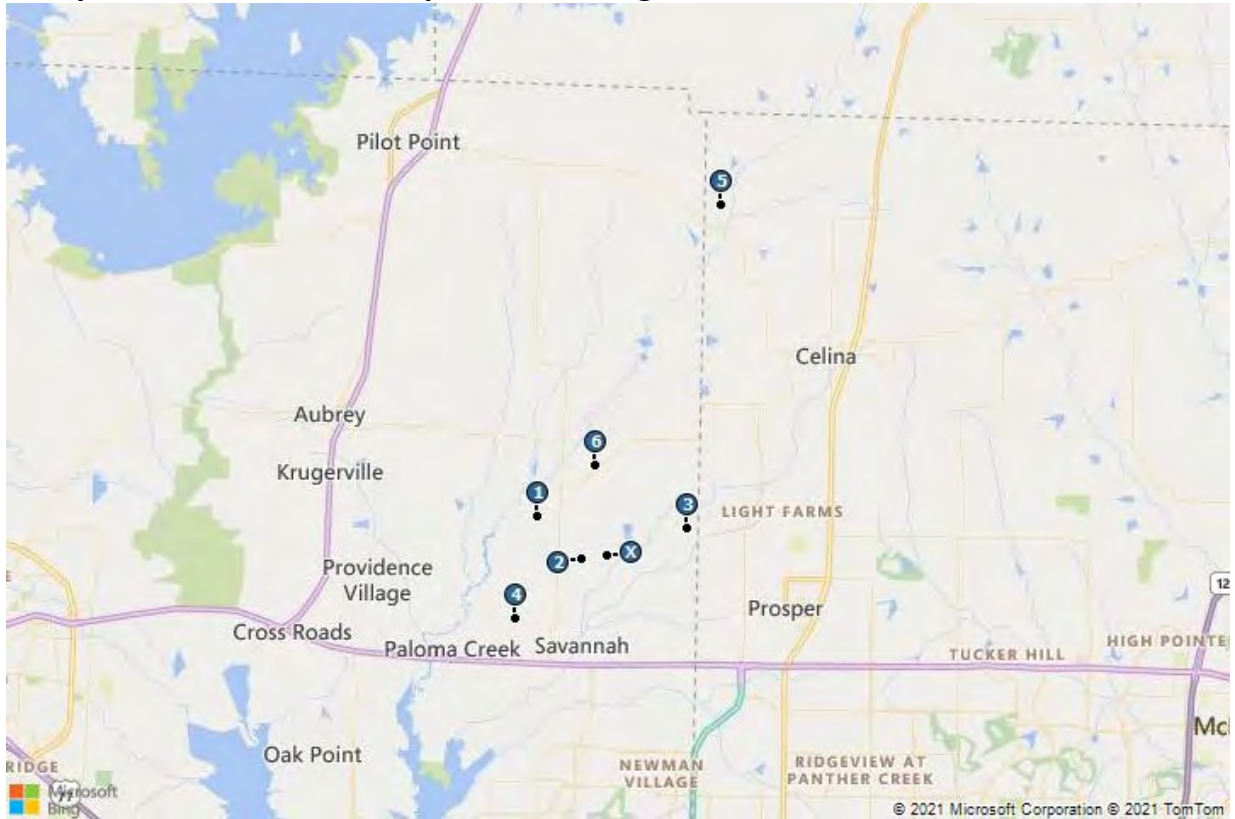
To apply the sales comparison approach to the 50' Frontage Lots, we searched for sale transactions within the following parameters:

- Location: Surrounding submarket area
- Size: 50' frontage lots
- Use: Single-family residential
- Transaction Date: 2019 to present

For this analysis, we use price per front footage as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

| Summary of Comparable Land Sales - 50' Frontage Lots  |  |                       |            |               |               |   |                  |            |
|---|--|-----------------------|------------|---------------|---------------|---|------------------|------------|
| No.   | Name/Address   | Sale Date;<br>Status  | Sale Price | SF;<br>Acres  | Front Footage | Zoning                                    | \$/Front Footage | \$/SF Land |
| 1   | Sandbrook Ranch, Phase 6 - 50' Lots<br>4409 Yellowstone Way<br>Aubrey<br>Denton County<br>TX   | Apr-21<br>Closed      | \$75,072   | 6,000<br>0.14 | 50            | Development Agreement                     | \$1,501          | \$12.51    |
| <i>Comments: Lots in this master-planned development are located in Denton ISD. Home prices are ranging from \$382,000 - \$435,000.</i>   |  |                       |            |               |               |   |                  |            |
| 2   | Sutton Fields II, Phases 8A & 8B - 50' Lots<br>North side of Crutchfield Drive, east of FM-1385<br>Celina<br>Denton County<br>TX             | Oct-21<br>In-Contract | \$60,000   | 5,750<br>0.13 | 50            | Planned Development                       | \$1,200          | \$10.43    |
| <i>Comments: Phases 8A and 8B are proposed to be developed with a total of 116 lots. The development is located in the Prosper ISD. Home prices are projected to range from \$240,000 to \$300,000 in these phases.</i>   |  |                       |            |               |               |   |                  |            |
| 3   | Creeks of Legacy West, Phase 2 - 50' Lots<br>Northwest of Frontier Parkway and Legacy Drive<br>Celina<br>Denton County<br>TX                 | Aug-20<br>Closed      | \$70,000   | 6,000<br>0.14 | 50            | Planned Development                       | \$1,400          | \$11.67    |
| <i>Comments: Phase 2 was completed in late July 2020. This sale represents a "bulk" purchase of 146 lots. Lots are located in the Prosper ISD. Home prices are ranging from \$300,000 to \$350,000.</i>   |  |                       |            |               |               |   |                  |            |
| 4   | Union Park, Phase 2D - 50' Lots<br>Northeast corner of Union Park Boulevard and Fish<br>Trap Road<br>Little Elm<br>Denton County<br>TX       | Sep-19<br>Closed      | \$63,538   | 6,000<br>0.14 | 50            | Single-Family                             | \$1,271          | \$10.59    |
| <i>Comments: Lots in this development are located in the Denton ISD. Home prices range from \$298,000 to \$365,000. Amenities include an amenity center with pool and trails.</i>   |  |                       |            |               |               |   |                  |            |
| 5   | Dynavest, Phase 1 - 50' Lots<br>East side of Dallas North Tollway, north of proposed<br>G. A. Moore Parkway<br>Celina<br>Collin County<br>TX | Jul-23<br>In-Contract | \$67,500   | 6,250<br>0.14 | 50            | Development Agreement,<br>Celina, TX      | \$1,350          | \$10.80    |
| <i>Comments: Lots in this proposed development are located in the Celina ISD.</i>   |  |                       |            |               |               |   |                  |            |
| 6   | Creek View Meadows, Phase 1 (50' Lots)<br>Northeast quadrant of FM-428 and FM-1385<br>Pilot Point ETJ<br>Denton County<br>TX                 | Mar-23<br>In-Contract | \$65,000   | 5,750<br>0.13 | 50            | Development Agreement,<br>Pilot Point, TX | \$1,300          | \$11.30    |
| <i>Comments: Phase 1 is planned to be developed with 355 lots with 50' frontages. All lots are contracted with 178 lots to D.R. Horton Homes, 89 lots to Pacesetter Homes, and 88 lots to Stonehollow Homes at the same front footage price of \$1,300. All lots are within the Celina ISD.</i> |  |                       |            |               |               |   |                  |            |
| <b>Subject</b><br>Sutton Fields East Public Improvement District<br>Celina ETJ, TX  |  |                       |            | 5,750<br>0.13 | 50            | Development Agreement, Celina, TX         |                  |            |

### Comparable Land Sales Map – 50' Frontage Lots





Sale 1  
Sandbrock Ranch, Phase 6 - 50' Lots



Sale 2  
Sutton Fields II, Phases 8A & 8B - 50' Lots



Sale 3  
Creeks of Legacy West, Phase 2 - 50' Lots



Sale 4  
Union Park, Phase 2D - 50' Lots



Sale 5  
Dynavest, Phase 1 - 50' Lots



Sale 6  
Creek View Meadows, Phase 1 (50' Lots)

**Adjustment Factors**

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

| <b>Adjustment Factor</b> | <b>Accounts For</b>   | <b>Comments</b>  |
|--------------------------|---|--|
| Effective Sale Price     | Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.  | No adjustments warranted.  |
| Real Property Rights     | Fee simple, leased fee, leasehold, partial interest, etc.   | No adjustments warranted.  |
| Financing Terms          | Seller financing, or assumption of existing financing, at non-market terms.                                 | No adjustments warranted.  |
| Conditions of Sale       | Extraordinary motivation of buyer or seller, assemblage, forced sale.                                       | No adjustments warranted.  |
| Market Conditions        | Changes in the economic environment over time that affect the appreciation and depreciation of real estate. | A 6% annual appreciation was applied to each sale for improving economic conditions.   |
| Location                 | Market or submarket area influences on sale price; surrounding land use influences.                         | <b>Sales 1, 3, &amp; 4</b> were adjusted downward by 15%, 10%, & 10% respectively for superior location. <b>Sales 5 &amp; 6</b> were adjusted upward by 10% for inferior location. |
| Access/Exposure          | Convenience to transportation facilities; ease of site access; visibility; traffic counts.                  | No adjustments warranted.  |
| Size                     | Inverse relationship that often exists between parcel size and unit value.                                  | No adjustments warranted.  |
| Shape and Topography     | Primary physical factors that affect the utility of a site for its highest and best use.                    | No adjustments warranted.  |
| Zoning                   | Government regulations that affect the types and intensities of uses allowable on a site.                   | No adjustments warranted.  |

The following table summarizes the adjustments we make to each sale.

| <b>Land Sales Adjustment Grid - 50' Frontage Lots</b> |  |                                     |  |  |   |  |  |
|---|--|-------------------------------------|--|--|---|--|--|
|   | <b>Subject</b>                                 | <b>Comparable 1</b>                 | <b>Comparable 2</b>                              | <b>Comparable 3</b>                            | <b>Comparable 4</b>   | <b>Comparable 5</b>  | <b>Comparable 6</b>                      |
| Name  | Sutton Fields East Public Improvement District | Sandbrock Ranch, Phase 6 - 50' Lots | Sutton Fields II, Phases 8A & 8B - 50' Lots      | Creeks of Legacy West, Phase 2 - 50' Lots      | Union Park, Phase 2D - 50' Lots                             | Dynavest, Phase 1 - 50' Lots   | Creek View Meadows, Phase 1 (50' Lots)   |
| Address   | North side of Parvin Road, east of FM-1385     | 4409 Yellowstone Way                | North side of Crutchfield Drive, east of FM-1385 | Northwest of Frontier Parkway and Legacy Drive | Northeast corner of Union Park Boulevard and Fish Trap Road | East side of Dallas North Tollway, north of proposed G. A. Moore Parkway | Northeast quadrant of FM-428 and FM-1385 |
| City  | Celina ETJ                                     | Aubrey                              | Celina   | Celina   | Little Elm  | Celina   | Pilot Point ETJ                          |
| County  | Denton   | Denton                              | Denton   | Denton   | Denton  | Collin   | Denton                                   |
| State   | Texas  | TX                                  | TX   | TX   | TX  | TX   | TX                                       |
| Sale Date   |  | Apr-21                              | Oct-21   | Aug-20   | Sep-19  | Jul-23   | Mar-23                                   |
| Sale Status   |  | Closed                              | In-Contract                                      | Closed   | Closed  | In-Contract  | In-Contract                              |
| Sale Price  |  | \$75,072                            | \$60,000   | \$70,000                                       | \$63,538  | \$67,500   | \$65,000                                 |
| Square Feet   | 5,750  | 6,000                               | 5,750  | 6,000  | 6,000   | 6,250  | 5,750                                    |
| Number of Front Footages                              | 50   | 50                                  | 50   | 50   | 50  | 50   | 50                                       |
| <b>Price per Front Footage</b>                        |  | <b>\$1,501</b>                      | <b>\$1,200</b>                                   | <b>\$1,400</b>                                 | <b>\$1,271</b>  | <b>\$1,350</b>   | <b>\$1,300</b>                           |
| Property Rights                                       |  | Fee Simple                          | Fee Simple                                       | Fee Simple                                     | Fee Simple  | Fee Simple   | Fee Simple                               |
| % Adjustment  |  | -                                   | -  | -  | -   | -  | -  |
| Financing Terms                                       |  | Cash to seller                      | Cash to seller                                   | Cash to seller                                 | Cash to seller  | Cash to seller   | Cash to seller                           |
| % Adjustment  |  | -                                   | -  | -  | -   | -  | -  |
| Conditions of Sale                                    |  | -                                   | -  | -  | -   | -  | -  |
| % Adjustment  |  | -                                   | -  | -  | -   | -  | -  |
| Market Conditions                                     | 4/1/2023                                       | Apr-21                              | Oct-21   | Aug-20   | Sep-19  | Jul-23   | Mar-23                                   |
| Annual % Adjustment                                   | 6%   | 12%                                 | 9%   | 16%  | 21%   | -2%  | 1%                                       |
| <b>Cumulative Adjusted Price</b>                      |  | <b>\$1,682</b>                      | <b>\$1,308</b>                                   | <b>\$1,624</b>                                 | <b>\$1,538</b>  | <b>\$1,323</b>   | <b>\$1,313</b>                           |
| Location  |  | -15%                                | -  | -10%   | -10%  | 10%  | 10%                                      |
| Access/Exposure                                       |  | -                                   | -  | -  | -   | -  | -  |
| Size  |  | -                                   | -  | -  | -   | -  | -  |
| Shape and Topography                                  |  | -                                   | -  | -  | -   | -  | -  |
| Zoning  |  | -                                   | -  | -  | -   | -  | -  |
| Net \$ Adjustment                                     |  | -\$252                              | \$0  | -\$162   | -\$154  | \$132  | \$131                                    |
| Net % Adjustment                                      |  | -15%                                | 0%   | -10%   | -10%  | 10%  | 10%                                      |
| <b>Final Adjusted Price</b>                           |  | <b>\$1,429</b>                      | <b>\$1,308</b>                                   | <b>\$1,462</b>                                 | <b>\$1,384</b>  | <b>\$1,455</b>   | <b>\$1,444</b>                           |
| Overall Adjustment                                    |  | -5%                                 | 9%   | 4%   | 9%  | 8%   | 11%                                      |
| <b>Range of Adjusted Prices</b>                       |  | <b>\$1,308 - \$1,462</b>            |  |  |   |  |  |
| <b>Average</b>  |  | <b>\$1,414</b>                      |  |  |   |  |  |
| <b>Indicated Value</b>                                |  | <b>\$1,425</b>                      |  |  |   |  |  |

### Land Value Conclusion – 50' Frontage Lots

Prior to adjustments, the sales reflect a range of \$1,200 - \$1,501 per front footage. After adjustment, the range is narrowed to \$1,308 - \$1,462 per front footage, with an average of \$1,414 per front footage. To arrive at an indication of value, we place equal emphasis on all of the sales.

Based upon the preceding analysis, we reach a retail value per 50' lot conclusion as follows:

### Land Value Conclusion

#### 50' Frontage Lots

|                                   |          |
|-----------------------------------|----------|
| Indicated Value per Front Footage | \$1,425  |
| Subject Front Footages            | 50       |
| Indicated Value                   | \$71,250 |

## 60' Frontage Lots (60' x 115'; 6,900 SF)

To apply the sales comparison approach to the 60' Frontage Lots, we searched for sale transactions within the following parameters:

- Location: Surrounding submarket area
- Size: 60' frontage lots
- Use: Single-family residential
- Transaction Date: 2020 to present

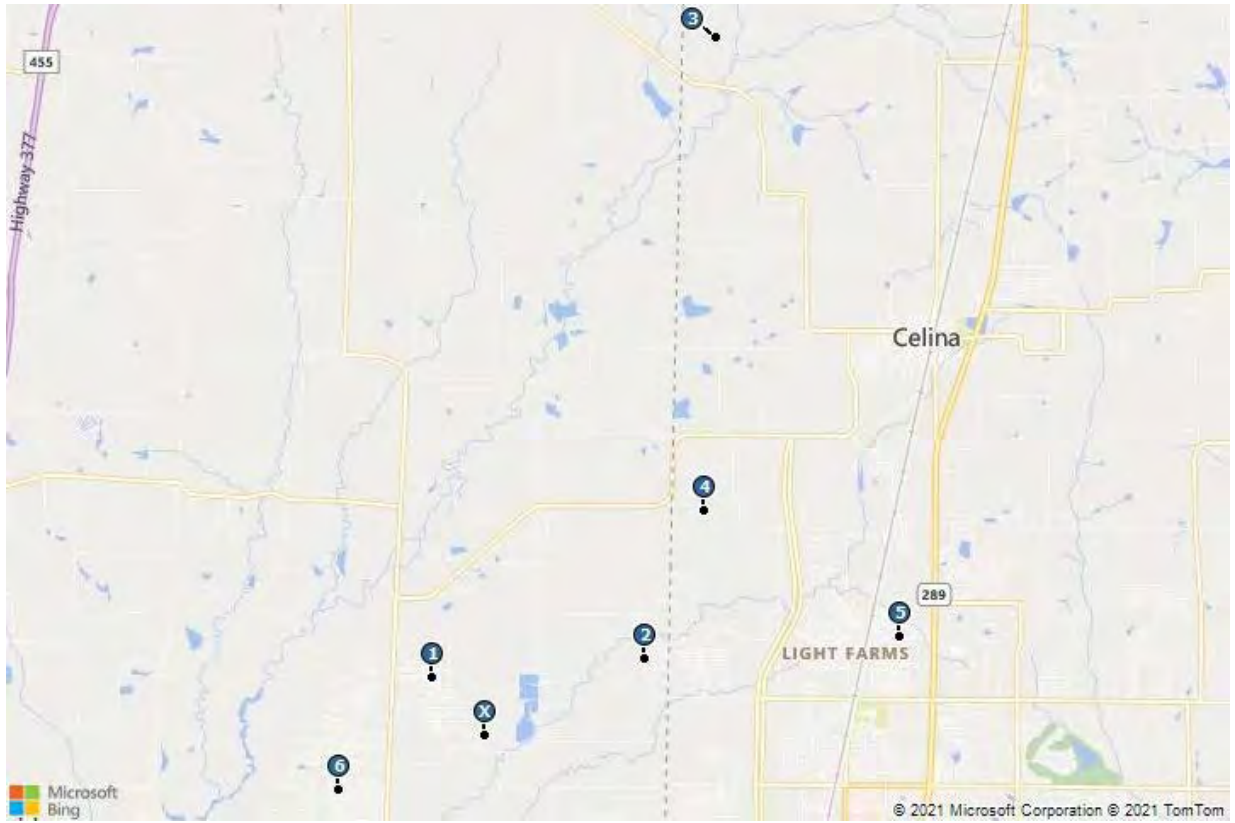
For this analysis, we use price per front footage as the appropriate unit of comparison. The most relevant sales are summarized in the following table.

**Summary of Comparable Lot Sales - 60' Frontage Lots**

| No.   | Name/Address  | Sale Date;<br>Status  | Sale Price | SF;<br>Acres  | Front Footage | Zoning                                   | \$/FF   | \$/SF Land |
|---|---|-----------------------|------------|---------------|---------------|--|---------|------------|
| 1   | Sutton Fields II, Proposed Phases 5 & 7 - 60' Lots<br>North and south sides of Crutchfield Drive, east of FM-1385<br>Celina<br>Denton County<br>TX    | Oct-21<br>In-Contract | \$78,000   | 6,900<br>0.16 | 60            | Planned Development                      | \$1,300 | \$11.30    |
| <i>Comments: Lots in proposed Phases 5 and 7 are located in the Prosper ISD. Home prices are projected to range from \$312,000 to \$390,000.</i>                                  |   |                       |            |               |               |  |         |            |
| 2   | Creeks of Legacy West, Phase 2 - 60' Lots<br>Northwest of Frontier Parkway and Legacy Drive<br>Celina<br>Denton County<br>TX                          | Aug-20<br>Closed      | \$78,000   | 7,200<br>0.17 | 60            | Planned Development                      | \$1,300 | \$10.83    |
| <i>Comments: Phase 2 was recently completed in July 2020. Lots are located in the Prosper ISD. Home prices are ranging from \$315,000 to \$400,000.</i>                           |   |                       |            |               |               |  |         |            |
| 3   | Dynavest, Phase 1 - 60' Lots<br>East side of Dallas North Tollway, north of proposed G. A. Moore Parkway<br>Celina<br>Collin County<br>TX             | Jul-23<br>In-Contract | \$81,000   | 7,500<br>0.17 | 60            | Development Agreement, Celina, TX        | \$1,350 | \$10.80    |
| <i>Comments: Lots in this proposed development are located in the Celina ISD.</i>   |   |                       |            |               |               |  |         |            |
| 4   | Cambridge Crossing - 60' Lots<br>Northeast quadrant of Legacy Drive and Punk Carter Parkway<br>Celina<br>Collin County<br>TX                          | Mar-22<br>In-Contract | \$84,000   | 7,800<br>0.18 | 60            | Planned Development                      | \$1,400 | \$10.77    |
| <i>Comments: This is a new phase currently under construction in this master-planned residential development. Lots are located in the Celina ISD.</i>                             |   |                       |            |               |               |  |         |            |
| 5   | The Homestead at Ownsby Farms, Phase 1 - 60' Lots<br>West side of John Campbell Trail, west of SH-289 (Preston Road)<br>Celina<br>Collin County<br>TX | Jun-20<br>Closed      | \$80,948   | 7,200<br>0.17 | 60            | Planned Development                      | \$1,349 | \$11.24    |
| <i>Comments: Lots in this development are located in the Celina ISD. Home prices are ranging from \$300,000 to \$400,000. The development is located in the Ownsby Farms PID.</i> |   |                       |            |               |               |  |         |            |
| 6   | ArrowBrooke, Phase 5-1 - 60' Lots<br>1333 Stoneleigh Place<br>Unincorporated<br>Denton County<br>TX   | Mar-21<br>Closed      | \$84,533   | 7,200<br>0.17 | 60            | Development Agreement                    | \$1,409 | \$11.74    |
| <i>Comments: Lots in this master-planned development are located in Denton ISD. Home prices are ranging from \$406,000 - \$456,000.</i>   |   |                       |            |               |               |  |         |            |
| <b>Subject</b><br>Sutton Fields East Public Improvement District<br>Celina ETJ, TX  |   |                       |            | 6,900<br>0.16 | 60            | Development Agreement, City of<br>Celina |         |            |



### Comparable Land Sales Map – 60' Frontage Lots







Sale 1  
Sutton Fields II, Proposed Phases 5 & 7 - 60' Lots



Sale 2  
Creeks of Legacy West, Phase 2 - 60' Lots



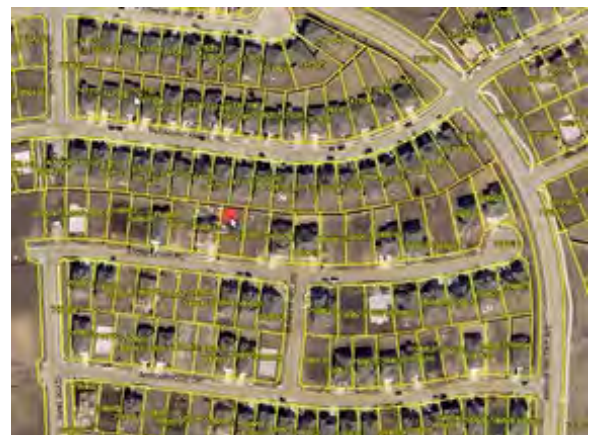
Sale 3  
Dynavest, Phase 1 - 60' Lots



Sale 4  
Cambridge Crossing - 60' Lots



Sale 5  
The Homestead at Ownsby Farms, Phase 1 - 60' Lots



Sale 6  
ArrowBrooke, Phase 5-1 - 60' Lots

### Adjustment Factors

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

| Adjustment Factor    | Accounts For  | Comments  |
|----------------------|---|---|
| Effective Sale Price | Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.  | No adjustments warranted.   |
| Real Property Rights | Fee simple, leased fee, leasehold, partial interest, etc.   | No adjustments warranted.   |
| Financing Terms      | Seller financing, or assumption of existing financing, at non-market terms.                                 | No adjustments warranted.   |
| Conditions of Sale   | Extraordinary motivation of buyer or seller, assemblage, forced sale.                                       | No adjustments warranted.   |
| Market Conditions    | Changes in the economic environment over time that affect the appreciation and depreciation of real estate. | A 6% annual appreciation was applied to each sale for improving economic conditions.  |
| Location             | Market or submarket area influences on sale price; surrounding land use influences.                         | <b>Sales 2, 5, &amp; 6</b> were adjusted downward by 10% for superior location. <b>Sale 3</b> was adjusted upward by 10% for inferior location. |
| Access/Exposure      | Convenience to transportation facilities; ease of site access; visibility; traffic counts.                  | No adjustments warranted.   |
| Size                 | Inverse relationship that often exists between parcel size and unit value.                                  | No adjustments warranted.   |
| Shape and Topography | Primary physical factors that affect the utility of a site for its highest and best use.                    | No adjustments warranted.   |
| Zoning               | Government regulations that affect the types and intensities of uses allowable on a site.                   | No adjustments warranted.   |

The following table summarizes the adjustments we make to each sale.

| <b>Lot Sales Adjustment Grid - 60' Frontage Lots</b> |  |   |  |  |  |   |                                   |
|--|--|---|--|--|--|---|-----------------------------------|
|  | <b>Subject</b>                                 | <b>Comparable 1</b>   | <b>Comparable 2</b>                            | <b>Comparable 3</b>  | <b>Comparable 4</b>  | <b>Comparable 5</b>   | <b>Comparable 6</b>               |
| Name   | Sutton Fields East Public Improvement District | Sutton Fields II, Proposed Phases 5 & 7 - 60' Lots          | Creeks of Legacy West, Phase 2 - 60' Lots      | Dynavest, Phase 1 60' Lots   | Cambridge Crossing - 60' Lots                              | The Homestead at Ownsby Farms, Phase 1 - 60' Lots               | ArrowBrooke, Phase 5-1 - 60' Lots |
| Address  | North side of Parvin Road, east of FM-1385     | North and south sides of Crutchfield Drive, east of FM-1385 | Northwest of Frontier Parkway and Legacy Drive | East side of Dallas North Tollway, north of proposed G. A. Moore Parkway | Northeast quadrant of Legacy Drive and Punk Carter Parkway | West side of John Campbell Trail, west of SH-289 (Preston Road) | 1333 Stoneleigh Place             |
| City   | Celina ETJ                                     | Celina  | Celina   | Celina   | Celina   | Celina  | Unincorporated                    |
| County   | Denton   | Denton  | Denton   | Collin   | Collin   | Collin  | Denton                            |
| State  | Texas  | TX  | TX   | TX   | TX   | TX  | TX                                |
| Sale Date  |  | Oct-21  | Aug-20   | Jul-23   | Mar-22   | Jun-20  | Mar-21                            |
| Sale Status  |  | In-Contract   | Closed   | In-Contract  | In-Contract  | Closed  | Closed                            |
| Sale Price   |  | \$78,000  | \$78,000                                       | \$81,000   | \$84,000   | \$80,948  | \$84,533                          |
| Square Feet  | 6,900  | 6,900   | 7,200  | 7,500  | 7,800  | 7,200   | 7,200                             |
| Acres  | 0.158  | 0.158   | 0.165  | 0.172  | 0.179  | 0.165   | 0.165                             |
| Front Foot   | 60   | 60  | 60   | 60   | 60   | 60  | 60                                |
| <b>Price per Front Footage</b>                       |  | <b>\$1,300</b>  | <b>\$1,300</b>                                 | <b>\$1,350</b>   | <b>\$1,400</b>   | <b>\$1,349</b>  | <b>\$1,409</b>                    |
| Property Rights                                      |  | Fee Simple  | Fee Simple                                     | Fee Simple   | Fee Simple   | Fee Simple  | Fee Simple                        |
| % Adjustment   |  | -   | -  | -  | -  | -   | -                                 |
| Financing Terms                                      |  | Cash to seller  | Cash to seller                                 | Cash to seller   | Cash to seller   | Cash to seller  | Cash to seller                    |
| % Adjustment   |  | -   | -  | -  | -  | -   | -                                 |
| Conditions of Sale                                   |  | -   | -  | -  | -  | -   | -                                 |
| % Adjustment   |  | -   | -  | -  | -  | -   | -                                 |
| Market Conditions                                    | 4/1/2023                                       | Oct-21  | Aug-20   | Jul-23   | Mar-22   | Jun-20  | Mar-21                            |
| Annual % Adjustment                                  | 6%   | 9%  | 16%  | -2%  | 6%   | 17%   | 12%                               |
| <b>Cumulative Adjusted Price</b>                     |  | <b>\$1,417</b>  | <b>\$1,508</b>                                 | <b>\$1,323</b>   | <b>\$1,484</b>   | <b>\$1,578</b>  | <b>\$1,578</b>                    |
| Location   |  | -   | -10%   | 10%  | -  | -10%  | -10%                              |
| Access/Exposure                                      |  | -   | -  | -  | -  | -   | -                                 |
| Size   |  | -   | -  | -  | -  | -   | -                                 |
| Shape and Topography                                 |  | -   | -  | -  | -  | -   | -                                 |
| Zoning   |  | -   | -  | -  | -  | -   | -                                 |
| Net \$ Adjustment                                    |  | \$0   | -\$151   | \$132  | \$0  | -\$158  | -\$158                            |
| Net % Adjustment                                     |  | 0%  | -10%   | 10%  | 0%   | -10%  | -10%                              |
| <b>Final Adjusted Price</b>                          |  | <b>\$1,417</b>  | <b>\$1,357</b>                                 | <b>\$1,455</b>   | <b>\$1,484</b>   | <b>\$1,421</b>  | <b>\$1,420</b>                    |
| Overall Adjustment                                   |  | 9%  | 4%   | 8%   | 6%   | 5%  | 1%                                |
| <b>Range of Adjusted Prices</b>                      |  | <b>\$1,357 - \$1,484</b>                                    |  |  |  |   |                                   |
| <b>Average</b>                                       |  | <b>\$1,426</b>  |  |  |  |   |                                   |
| <b>Indicated Value</b>                               |  | <b>\$1,425</b>  |  |  |  |   |                                   |

### Land Value Conclusion – 60' Frontage Lots

Prior to adjustments, the sales reflect a range of \$1,300 - \$1,409 per front footage. After adjustment, the range is narrowed to \$1,357 - \$1,484 per front footage, with an average of \$1,426 per front footage. To arrive at an indication of value, we place equal emphasis on all of the sales.

Based upon the above, we reach a retail value per 60' lot conclusion as follows:

| <b>Lot Value Conclusion</b>       |                 |
|-----------------------------------|-----------------|
| Indicated Value per Front Footage | \$1,425         |
| Lot Frontage                      | <u>60</u>       |
| Indicated Value                   | <u>\$85,500</u> |

## Cumulative Retail Lot Value – Phase #1

Following is the calculation for the total cumulative retail lot value for the subject's 245 proposed lots within Sutton Fields East Public Improvement District, Phase #1. **It is noted that this value represents a summation of the individual retail lot value opinions and should not be construed as the value as if sold in a single transaction.**

### Cumulative Retail Lot Value Calculation

| Total Lots | Typical Lot Dimension | Average Price/Lot | Price/FF | Total Cumulative Retail Value |
|------------|-----------------------|-------------------|----------|-------------------------------|
| 203        | 50' x 115'            | \$71,250          | \$1,425  | \$14,463,750                  |
| 42         | 60' x 115'            | \$85,500          | \$1,425  | \$3,591,000                   |
| <b>245</b> |                       | <b>\$73,693</b>   |          | <b>\$18,054,750</b>           |

As shown, the total cumulative retail lot value equates to \$18,054,750 or an overall average of \$73,693/lot.

## Summary of Net/Gross Value Conclusion

The preceding value was based on a retail sale of small batches of lots (less than 20 lots at a time). However, frequently entire subdivisions are sold to builders, or other investors, at a discount. These builders will then warehouse the land themselves, or the investors will resell the lots to builders over a longer-term takedown schedule. Thus, to determine the appropriate discount for the subject, we have assembled a number of bulk sales of other developed subdivision lots located throughout North Texas. The comparables presented represent the bulk sale of developed lots to homebuilders and/or investors. As shown below, the discount for the sales presented ranged from 3.9% to 18.6% of the retail value from 2019 to 2021. The data indicates that discounts for bulk lot sales appear to be decreasing in many submarket areas. As such, comparable bulk sales are limited in all submarkets in the Dallas /Fort Worth area indicating a strengthening economy and builders willing to pay retail lot prices.

Our bulk sale comparables from 2019 - 2021 are listed in the following summary table.

| Bulk Lot Sale Summary        |              |            |                |          |                |                  |           |
|------------------------------|--------------|------------|----------------|----------|----------------|------------------|-----------|
| Subdivision                  | Date of Sale | Total Lots | Lot Dimensions | Total SF | Bulk Price/Lot | Retail Price/Lot | N/G Ratio |
| <b>Sutton Fields</b>         | Jul-19       | 100        | 50' x 115'     | 5,750    | \$50,000       | \$61,000         | 82.0%     |
| Celina                       |              | 85         | 60' x 115'     | 6,900    | \$57,000       | \$70,000         | 81.4%     |
| <b>LakePointe</b>            | Jul-19       | 114        | 50' x 120'     | 6,000    | \$47,500       | \$51,000         | 93.1%     |
| Lavon                        |              | 109        | 60' x 120'     | 7,200    | \$54,900       | \$58,000         | 94.7%     |
| <b>Massey Meadows, Ph. 1</b> | May-19       | 186        | 70' x 120'     | 8,400    | \$70,000       | \$77,000         | 90.9%     |
| Midlothian                   |              |            |                |          |                |                  |           |
| <b>Ventana, Ph. 2</b>        | May-20       | 62         | 50' x 120'     | 6,000    | \$60,000       | \$66,250         | 90.6%     |
| Fort Worth                   |              |            |                |          |                |                  |           |
| <b>Inspiration, Ph. 9</b>    | Mar-20       | 125        | 50' x 120'     | 6,000    | \$76,125       | \$79,170         | 96.1%     |
| St. Paul                     |              |            |                |          |                |                  |           |
| <b>The Highlands</b>         | Feb-21       | 34         | 50' x 140'     | 7,000    | \$109,000      | \$115,000        | 94.8%     |
| Rockwall, Texas              |              |            |                |          |                |                  |           |
| <b>LakePointe, Phase 2</b>   | Pending/2021 | 118        | 50' x 120'     | 6,000    | \$48,825       | \$52,500         | 93.0%     |
| Lavon, Texas                 |              | 142        | 60' x 120'     | 7,200    | \$56,265       | \$60,500         | 93.0%     |

Source: Developers 2019-2021

Thus, when consideration is given to the subject's projected marketing periods of 20.3± months (50' lots) and 6.0± months (60' lots), a net to gross sales price ratio (average bulk sale value per lot/average retail sales price per lot) of 88% is deemed appropriate for the subject's lots.

### Net/Gross Value Conclusion

Based upon the preceding, it is our opinion that the net/gross market value for the subject's Phase #1 utilizing an overall average retail lot value of \$73,693/lot with a net/gross ratio of 88% is \$15,890,000 (R) or an overall average of \$64,857/lot (R).

#### Net/Gross Ratio Market Value Summary - Phase #1

|                               |                     |
|-------------------------------|---------------------|
| Average Lot Value             | \$73,693            |
| Total Lots                    | 245                 |
| N/G Ratio %                   | 88%                 |
| <b>Total Market Value (R)</b> | <b>\$15,890,000</b> |
| <b>Average/Lot</b>            | <b>\$64,857</b>     |

## Subdivision Development Approach (As Complete)

Having completed the retail valuation section of the assignment, we will now provide an opinion of the market value of the property to a single purchaser, as of this date. Obviously, this value will include a provision for compensating the developer/sponsor, i.e., profit for risk and expenditure of time. This value contemplates that the developer/sponsor of the subject would sell the subject property to another developer who would in turn sell the developed lots on a retail basis. This value represents the concept of market value to a single purchaser as of this date, wherein a portion of the overall real property rights or physical asset would typically be sold to its ultimate users over some future time period. Valuations involving such properties must fully reflect all appropriate deductions and discounts as well as the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are considered to be those which reflect all expenses associated with the disposition of the realty, as of the date of completion, as well as the cost of capital and entrepreneurial profit. This latter item of entrepreneurial profit is accounted for herein as part of the discount rate. Based on our experience, profit is not expensed as a line item as it is not realized until the project's expenses (including debt) are paid.

The various assumptions necessary to complete our Discounted Cash Flow Analysis for the developed subject subdivision as of April 1, 2023 are discussed in detail in the following paragraphs.

### Absorption

As discussed in detail in the "Single-Family Analysis" section of our analysis, our quarterly absorption projections are summarized as follows for the subject:

| Projected Quarterly Absorption Summary |           |           |           |           |           |           |           | Total Aborp. Period |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------------|-----------|
| Lot Type                               | Apr-23    | Jul-23    | Oct-23    | Jan-24    | Apr-24    | Jul-24    | Oct-24    | Lots                | (Months±) |
| 50' Lots                               | 30        | 30        | 30        | 30        | 30        | 30        | 23        | 203                 | 20.3      |
| 60' Lots                               | 21        | 21        | 0         | 0         | 0         | 0         | 0         | 42                  | 6.0       |
| <b>Totals</b>                          | <b>51</b> | <b>51</b> | <b>30</b> | <b>30</b> | <b>30</b> | <b>30</b> | <b>23</b> | <b>245</b>          |           |

As shown, the overall absorption for the subject's 245 lots in Phase 1 is estimated to be 20.3± months (50' lots) and 6.0± months (60' lots).

### Price/Value Increases Over the Sellout Period

An ongoing spike in home sales has reduced home inventories in North Texas to record lows. At the same time, the strong residential price gains that metro Dallas witnessed during the latter half of 2020 has persisted into the 2021. The pandemic is encouraging potential buyers to move from urban apartments to suburban homes with demand driven by strong job creation over the past decade, demographic trends, and significant in-migration from out-of-state buyers. Inflation is expected to make a brief run at the Fed's 2% target in early 2021. A resurgent economy that will benefit industries hurt by the Covid pandemic will help fuel the run. The move may not be sustained; however, due to labor market slack and some prices that will retreat.

### Trends in National Inflation and Interest Rates

| Year  | U.S. Prime | Increase in |                     |
|-------|------------|-------------|---------------------|
|       | Rate       | U.S. CPI    | Real Rate of Return |
| 2010  | 3.25%      | 1.50%       | 1.75%               |
| 2011  | 3.25%      | 3.00%       | 0.25%               |
| 2012  | 3.25%      | 1.70%       | 1.55%               |
| 2013  | 3.25%      | 1.50%       | 1.75%               |
| 2014  | 3.25%      | 1.30%       | 1.95%               |
| 2015  | 3.50%      | 0.70%       | 2.80%               |
| 2016  | 3.75%      | 1.40%       | 2.35%               |
| 2017  | 4.25%      | 2.11%       | 2.14%               |
| 2018  | 5.50%      | 1.95%       | 3.55%               |
| 2019  | 4.75%      | 2.29%       | 2.46%               |
| 2020  | 3.25%      | 0.13%       | 3.12%               |
| 06/21 | 3.25%      | 3.60%       | -0.35%              |

Source: Federal Reserve Bank of St. Louis, U.S. Financial Data

All increases are compared to the previous December figures

As shown in the preceding table, CPI increases ranged from 0.13% to 3.60% from 2010 through June 2021 with 3.25% to 5.50% prime rates resulting in real annual rates of returns ranging from -0.35% - 3.55% (with the most current real rate of return at a negative 0.35%). Thus, the real rates of return are substantially affected with fluctuations in the prime rates and the increases/decreases in the consumer price index. (The increase is calculated relative to the previous year-to-year December index rates).

Historically, in the sales contracts of the volume lot sales in the marketplace, the lot prices are typically adjusted upward at rates ranging from the prime rate (3.25%) to the prime rate, plus one percent (annually) up to 8.0%. Thus, for valuation purposes herein, we have estimated an annual appreciation on the sale of the subject units at 6% per year for the subject lots. This is considered reasonable given the supply of available housing product in the area and the historical collection of interest carry/appreciation by developers within the Dallas/Fort Worth and surrounding market areas.



## Expenses

**Cost of Sales** has been estimated at 2.5% of gross sales proceeds for various closing costs and title policies.

**Taxes** are paid by the developer annually. The estimation of taxes paid per period is based upon the premise that taxes are prorated at closing and are paid in arrears. Therefore, we have deducted taxes based upon the estimated retail market value of the unsold lots. The taxes are prorated in each calendar year based upon the projected sales in each period. Based upon our experience and information gathered from numerous reputable builders/developers and taxing authorities, this methodology and percentage estimate (2.0%) is well founded. Rollback taxes are not deducted herein.

**Marketing expense** is not included in this analysis as all of the subject lots are contracted to two volume homebuilders who traditionally provide for marketing.

**HOA dues** are not included as these fees belong to the Homeowner's Association and not to the developer.

**Management Expense/Entrepreneurial Coordination/Remuneration:** The last major deduction is that for Entrepreneurial (i.e., the developer/sponsor)/coordination talent expenditure. The Dictionary of Real Estate Appraisal defines entrepreneurial profit as a market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. Inasmuch as the discount rate will include a provision for return on the equity investment, this deduction will be for actual time and expenses only.

Typically, the developer will allow a budgeted line item equal to 0.5% to 2.0%, of sales and/or costs, depending on the size of the project, expertise required, and management developmental time involved. Based upon these items, an expense of 0.5% is deemed appropriate and will be a direct line-item deduction from the gross sales proceeds.



### Discount Rate

According to the Dictionary of Real Estate Appraisal, Sixth Addition, Discount Rate is defined as “an interest rate used to convert future payments or receipts into present value. The discount rate may or may not be the same as the internal rate of return (IRR), or yield rate, depending on how it is extracted from the market and/or used in the analysis.” Furthermore, Internal Rate of Return (IRR) is defined as “the annualized yield rate or rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of ownership. The IRR is the rate of discount that makes the net present value of the investment equal to zero. The IRR discounts all returns from the investment, including returns from its reversion, to equal the original capital outlay. This rate is similar to the equity yield rate. As a measure of investment performance, the IRR is the rate of discount that produces a profitability index of one and a net present value of zero. It may be used to measure profitability after income taxes, i.e., the after-tax equity yield rate.” In other words, it is a rate of profit (or loss) or a measure of performance. It is literally, an interest rate. The effective interest rate on a real estate investment is the equity investor's IRR. The yield to maturity on a bond is the bond holder's IRR, when the bond is held for its full term. The IRR is the rate of return on capital expressed as a ratio per unit of time; for example, 10% per annum. The discount rate utilized herein is essentially an anticipated IRR for the subject property, as estimated from investment performance realized by market participants. Although the investment vehicle being analyzed herein is real property, competition for investment dollars in other investment media is intense, and the prudent investment manager must carefully consider all options. Because of the element of risk involved in real estate investment versus alternative investment vehicles, the prudent investment manager must compare rates of return. The performance of real estate is dependent upon and could fluctuate with the degree of quality of management, unexpected competition, disasters, or economic cycles, particularly in the subject's market area. Therefore, it entails a greater degree of risk than instruments such as government-backed bonds or fixed-rate mortgages.

Following is a summary of yield comparisons as of April 1, 2021 provided by PwC Real Estate Investor, as published by PricewaterhouseCoopers in Second Quarter 2021.

#### YIELD COMPARISON

April 1, 2021

|  | 2016<br>AVERAGE | 2017<br>AVERAGE | 2018<br>AVERAGE | 2019<br>AVERAGE | 2020<br>AVERAGE | 2021<br>JANUARY | 2021<br>APRIL |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| PwC Yield Indicator (PYI) <sup>a</sup>   | 7.70%           | 7.65%           | 7.58%           | 7.47%           | 7.56%           | 7.58%           | 7.52%         |
| Long-Term Mortgages <sup>b</sup>         | 4.18%           | 4.59%           | 4.95%           | 4.71%           | 3.95%           | 4.39%           | 4.82%         |
| 10-Year Treasuries <sup>c</sup>          | 1.81%           | 2.37%           | 2.79%           | 2.21%           | 0.97%           | 0.93%           | 1.69%         |
| Consumer Price Index Change <sup>d</sup> | 1.63%           | 2.03%           | 2.50%           | 1.76%           | 1.19%           | 1.83%           | 8.37%         |
| <b>SPREAD TO PYI (Basis Points)</b>      |                 |                 |                 |                 |                 |                 |               |
| Long-Term Mortgages                      | 352             | 306             | 263             | 276             | 361             | 319             | 270           |
| 10-Year Treasuries                       | 589             | 528             | 479             | 526             | 659             | 665             | 583           |
| Consumer Price Index Change              | 607             | 562             | 508             | 571             | 755             | 575             | (85)          |

a. A composite IRR average of all markets surveyed (excluding hotels, development land, self-storage, and student housing).  
 b. Source: Survey; Select Commercial Funding; Commercial Loan Direct; conventional funding; 80% to 80% LTV loans; fixed rates; 6- to 30-year terms.  
 c. Source: Federal Reserve; the annual average change is the mean of the four corresponding quarters.  
 d. Source: U.S. Department of Labor; quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters.



One of the more comprehensive surveys of IRR's for real estate investments is performed within the PwC Real Estate Investor Survey, as published by PricewaterhouseCoopers. In its most recent Second Quarter 2021 National Land Yield Study, pretax IRRs for these higher risk properties currently range from 10% to 25%, with an average of 16.7% for mixed-use respondents regarding vacant land, which has a slightly inferior diminishing return asset as the subject - developed residential lots. This average is 110 basis points higher than six months ago (15.6%).

Exhibit DL-1  
**DISCOUNT RATES (IRRS)<sup>a</sup>**  
 Second Quarter 2021

|                         | CURRENT QUARTER | FOURTH QUARTER 2020 |
|-------------------------|-----------------|---------------------|
| <b>FREE &amp; CLEAR</b> |                 |                     |
| Range                   | 10.00% – 25.00% | 10.00% – 25.00%     |
| Average                 | 16.70%          | 15.60%              |
| Change                  |                 | + 110               |

a. Rate on unleveraged, all-cash transactions; including developer's profit

The subject's discount rate should be less than a typical land project, as the value to be determined is for a fully developed project that is available for immediate resale and which will ultimately possess less risk than that of the total development process. Therefore, a "risk-adjusted discount rate" is deemed appropriate herein.

RealtyRates.com in their most recent Second Quarter 2021 "Developer Survey" with First Quarter 2021 data summarizes discount rates for conventionally financed (interest-only interim or construction financing) subdivisions and Planned Development Districts (PUDs) in the State of Texas. Actual Rates are historical rates achieved by survey respondents, while Pro-Forma Rates reflect forward-looking revenue and development costs. Subdivision rates do include provisions for developer's profit, i.e., profit is not treated as a line item expense.

| RealtyRates.com DEVELOPER SURVEY - 2nd Quarter 2021 <sup>1</sup> |              |        |        |                 |        |        |
|--|--------------|--------|--------|-----------------|--------|--------|
| Texas - Subdivisions & PUDs                                      |              |        |        |                 |        |        |
|  | Actual Rates |        |        | Pro-Forma Rates |        |        |
|  | Min          | Max    | Avg    | Min             | Max    | Avg    |
| <b>Site-Built Residential</b>                                    | 13.69%       | 32.04% | 21.19% | 13.14%          | 30.76% | 20.34% |
| -100 Units   | 13.69%       | 27.62% | 20.24% | 13.14%          | 26.52% | 19.43% |
| 100-500 Units  | 14.03%       | 30.38% | 21.32% | 13.47%          | 29.17% | 20.47% |
| 500+ Units   | 14.37%       | 31.76% | 21.69% | 13.80%          | 30.49% | 20.82% |
| Mixed Use  | 14.72%       | 32.04% | 21.51% | 14.13%          | 30.76% | 20.65% |
| <b>Manufactured Housing</b>                                      | 13.50%       | 34.06% | 22.03% | 12.96%          | 32.70% | 21.15% |
| -100 Units   | 13.50%       | 29.62% | 21.13% | 12.96%          | 28.43% | 20.28% |
| 100-500 Units  | 13.84%       | 32.58% | 22.28% | 13.29%          | 31.27% | 21.39% |
| 500+ Units   | 14.18%       | 34.06% | 22.67% | 13.61%          | 32.70% | 21.78% |
| <b>Business Parks</b>  | 13.70%       | 31.56% | 20.99% | 13.15%          | 30.30% | 20.15% |
| -100 Acres   | 13.70%       | 27.44% | 20.16% | 13.15%          | 26.35% | 19.35% |
| 100-500 Acres  | 14.04%       | 30.19% | 21.23% | 13.48%          | 28.98% | 20.38% |
| 500+ Acres   | 14.38%       | 31.56% | 21.59% | 13.81%          | 30.30% | 20.73% |
| <b>Industrial Parks</b>  | 13.81%       | 27.03% | 19.00% | 13.26%          | 25.95% | 18.24% |
| -100 Acres   | 13.81%       | 23.50% | 18.28% | 13.26%          | 22.56% | 17.55% |
| 100-500 Acres  | 14.16%       | 25.86% | 19.21% | 13.59%          | 24.82% | 18.44% |
| 500+ Acres   | 14.50%       | 27.03% | 19.52% | 13.92%          | 25.95% | 18.74% |

\*1st Quarter 2021 Data Copyright 2021 RealtyRates.com™

As shown above, the minimum actual rates in Texas range from 13.69% for less than 100 units; 14.03% for 100 to 500+ units; and 14.37% for 500+ units with minimum pro-forma rates ranging from 13.14% to 13.80%.

The Sixth Edition of the Dictionary of Real Estate Appraisal defines this term as “a discount rate that is adjusted to offset one or more risk factors, i.e., when a future downswing in the business cycle is likely, the risk associated with a project may increase near the end of its term, necessitating a special adjustment to the discount rate. Such discount rates include all of the elements of risk associated with an income stream for a specified period adjusted to offset additional term risk”.<sup>1</sup> Thus, it is our opinion that a potential purchaser would expect to receive a much lower return on his investment for a completed project similar to the subject, which has a purchaser of the end product relative to that of a vacant tract of land awaiting eventual development (higher risk of escalating costs to site development and of the eventual timing of completion).

<sup>1</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, the Appraisal Institute, Chicago, Illinois



Based upon the preceding, an IRR that is below the lower end of the range as indicated in the National Land Yield Study as of Second Quarter 2021 (10% - 25%; 16.7% average) and slightly below the minimum rates provided by the RealtyRates "Developer Survey" for Texas of 13.69% for less than 100 units; 14.03% for 100 to 500+ units; and 14.37% for 500+ units with minimum pro-forma rates ranging from 13.14% to 13.80% is considered reasonable for the subject. Hence, taking into consideration the supply and demand levels within the subject's submarket area, we have selected a discount rate of 12% for the subject which takes into consideration the degree of risk, developer profit, and the liquidity inherent in a project such as the subject, as well as the current market conditions. It should be noted that our cash flow also deducts a straight 0.5% entrepreneurial coordination/remuneration (management cost) from all sales proceeds, which effectively increases the discount rate to approximately 12.5% for the subject. To be consistent with the timing of the cash flows, the annual income stream is discounted quarterly. With each of the required elements now identified, we are able to analyze the subject in the DCF analysis as shown on the following page.

### **Development Approach Conclusion – Sutton Fields East Public Improvement District, Phase #1**

Based upon the preceding, and the cash flow presented on the following page, our prospective opinion of value upon completion for the subject's Phase #1 lots is \$16,125,000, or an overall average of \$65,816/lot.



## Reconciliation and Conclusion of Values – Sutton Fields East Public Improvement District, Phase #1

In the previous sections, we have provided an opinion of the market value of the fee simple interest in the subject property using the following approaches to value. Following is a summary of the values indicated by these approaches.

The first approach used was the Sales Comparison Approach to value the subject’s Phase #1 by developed lot. This approach is based on the theory of substitution and implies that a purchaser would pay no more for an individual property/lot than it would cost to buy, or build, a substitute property. This approach is the most common technique for valuing individual lots, and it is the preferred method when comparable sales are available and is considered to provide a very good indication of value.

The second approach used in valuing the Phase #1 lots was the Net/Gross Ratio Approach to value. This is also sometimes known as a Sales Ratio study. This is a ratio study that uses sales prices as proxies for market values. In this instance we utilized market data to estimate value as a percentage of gross (or retail) sales price.

The final approach used in the valuation of the Phase #1 lots was the Subdivision Development Approach (Discounted Cash Flow method) utilizing a projection of the future individual lot sales, historical absorption data upon the development, and deducting taxes on the developed lots, costs of sales, marketing, and management expenses. In conclusion, the Development Approach is considered to provide a generally good indication of value for the subject.

### Reconciliation of Opinion of Value – Sutton Fields East Public Improvement District, Phase #1

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#### Summary of Prospective Market Value at Completion Indications

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|   |                     |
|---|---------------------|
| Net/Gross Ratio Market Value              | \$15,890,000        |
| Discounted Cash Flow Analysis             | \$16,125,000        |
| <b>Final Opinion of Prospective Value</b> | <b>\$16,125,000</b> |

---

## Conclusion

Following is our conclusion of the opinion of value for Sutton Fields East Public Improvement District, Phase #1:

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#### Value Conclusions

| Parcel  | Interest Appraised | Date of Value | Value Conclusion |
|---|--------------------|---------------|------------------|
| Prospective Market Value of Phase #1 at Completion (245 Residential Lots) | Fee Simple         | April 1, 2023 | \$16,125,000     |

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The value conclusion(s) in this report consider the impact of COVID-19 on the subject property.

The opinions of value expressed in this report are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the economy, interest rates, capitalization rates, and behavior of investors, lenders, and consumers. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third-party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot reasonably be foreseen at this time.

### **Exposure Time**

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 6 - 12 months.

### **Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 6 - 12 months.

## Certification

We certify that, to the best of our knowledge and belief:

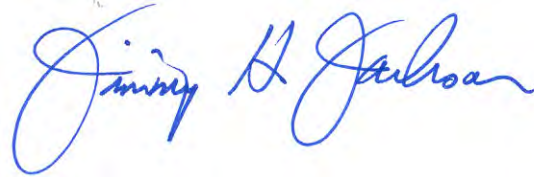
1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously appraised the property that is the subject of this report for another client within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Shelley Sivakumar and Ernest Gatewood made a personal inspection of the property that is the subject of this report. Jimmy H. Jackson, MAI has not personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Jimmy H. Jackson, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.



15. As of the date of this report, Ernest Gatewood has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



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Email: egatewood@irr.com

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.

6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report, but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Dallas, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – Dallas, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of April 1, 2023, the effective appraisal date.
2. All information relative to the subject property (Sutton Fields East Public Improvement District) including land areas, lot totals, lot sizes, and other pertinent data that was provided by Barraza Consulting Group, LLC (engineering/planning/surveying), MM Sutton Fields East, LLC (owner/developer), the City of Celina, and the Denton Central Appraisal District is assumed to be correct.
3. The subject is proposed construction. Therefore, this report contains a prospective opinion of value. As such, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to this prospective effective date.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

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The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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# **Addendum A**

## **Appraiser Qualifications**



## Jimmy H. Jackson, MAI

### Experience

Senior Managing Director with the Dallas, Lubbock/West Texas and Oklahoma City offices of Integra Realty Resources, a full-service real estate consulting and appraisal firm.

Jimmy H. Jackson, MAI has over 35 years of experience as a commercial appraiser as well as years of experience as a seasoned real estate investor. Prior to joining Integra Realty Resources, Jackson was one of the founding partners of JPP Capital Advisors as well as is one of the original two founding partners of Jackson Claborn, Inc. (JCI), a real estate consulting/valuation firm that was established in 1992. JCI grew to have one of the largest staffs of commercial and residential appraisers in the Southwest and has performed valuation and consulting on a vast number of commercial property types across Texas as well as the United States. Mr. Jackson holds the MAI designation and has been involved in the analysis of virtually all types of commercial and residential properties. Mr. Jackson's experience includes consultation and valuation of a wide array of property types including apartment developments, industrial facilities, retail developments, office buildings, single-family subdivisions, single-family residences, condominiums, hotels, golf courses, mixed-use developments, special-use projects and vacant land. In addition to typical real estate valuations and consultations, Mr. Jackson has experience in state and federal courts as an expert witness. Testimony has involved such varied issues as bankruptcy, taxation and condemnation. Mr. Jackson has also been involved in numerous real estate developments and personal real estate investments which includes land acquisition & development, ground-up office build-to-suit development, garden apartment development, student housing development, and single-family lot development.

A major philanthropic achievement for Mr. Jackson was consulting with and influencing family members to provide the start-up expertise as well as the seed funding in 1994 for the formation of The Parent Project for Muscular Dystrophy/PPMD ([www.parentprojectmd.org](http://www.parentprojectmd.org)). The PPMD organization has developed into a worldwide non-profit centered to provide research funds for children suffering from Duchenne Muscular Dystrophy. Since inception, the PPMD organization has directly funded more than \$50 million in direct research and assisted and helped leverage more than \$500 million of other research related to other genetic diseases through government grants and other private funding sources. In 2008, Mr. Jackson received a Humanitarian Award from Texas Gov. Rick Perry for charitable work associated with National Jewish Hospital/NJH in Denver. Mr. Jackson currently serves as a national trustee for NJH which is the #1 respiratory care hospital in the world.

Mr. Jackson graduated from Texas Tech University in 1984 with a B.B.A. in Finance with a Real Estate Emphasis. Mr. Jackson has served on numerous professional boards, including serving on the Ethics and Counseling Panel of the North Texas Chapter of the Appraisal Institute as well as serving on the Board of Directors as well as being Chair and Co-Chair of the Public Relations Committee.

As a college student, Mr. Jackson was a member of Phi Delta Theta social fraternity and the Texas Tech Finance Association. Mr. Jackson currently serves on the Advisory Board for the Jerry Rawls College of Business Administration (COBA) at Texas Tech University. Mr. Jackson has also served as a guest lecturer on real estate entrepreneurship to upper-level COBA students at Texas Tech over the years. Mr. Jackson and his wife Cherylon Harman Jackson (1984/Finance COBA/Texas Tech University) reside in Plano, Texas and are active members of Parkway Hills Baptist Church in Plano, Texas.

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14 NE 13th Street  
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# Jimmy H. Jackson, MAI

## Experience (Cont'd)

### Basic Core Real Estate Appraisal Services:

Feasibility Studies, Absorption Studies & Demographic Studies  
Highest & Best Use Studies for All Property Types  
3rd Party Appraisal Reviews  
Detrimental Conditions Valuation & Consulting  
Encroachment Analysis  
Land Use Studies & Planning/Zoning Studies  
Litigation/Litigation Support  
In-Depth Market Analysis for All Property Types  
Tax Assessment & Mass Appraisal Analysis  
Fair & Equitable Appraisal Analysis  
Right of Way Analysis Appraisals  
Mediation, Arbitration, & Dispute Resolution  
Portfolio Valuation & Analysis  
Retrospective Valuation Opinions

### Appraisal of All Property Types including The Following:

#### Residential

High-Rise Condominium and Garden-Style Multi-Family and Townhome Projects  
High-End Residential Property  
Historical Residential Property  
All types of Single-Family Appraisals (Conventional, Relocation, Unique / Historical Property)

#### Land

Acreage (Commercial Mixed-Use)  
Subdivided Land (Mixed-Use, Commercial and Industrial)  
Standard Single-Family Subdivision Lot development appraisals  
PID/MUD Single-Family Subdivision Lot development appraisals

#### Commercial, Office & Retail

Branch Banks / Financial Building  
Convenience Stores / Service Stations  
Convention Center / Hotel / Resort /Motel  
Office Building (High Rise, over three stories)  
Office Building (Low Rise, three stories or less)  
Parking Facility (Lot or Garage)  
Retail (Single Tenant or Free Standing)  
Shopping Center (Local, Strip, Neighborhood, Community, Etc.)  
Shopping Center (Power Center, Outlet Center, Lifestyle, Etc.)  
Shopping Center (Super Regional, Regional Mall)

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# Jimmy H. Jackson, MAI

## Experience (Cont'd)

### Industrial

Industrial (Heavy (Manufacturing))  
Industrial (Small Office Warehouse / Mfg.)  
Industrial Light (Distribution, Storage)

### Special Purpose

Automobile Dealerships  
Church Facilities  
Collegiate Student Housing  
Self-Serve and Full-Service Car Wash Facilities  
Self-Storage Facilities

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute

## Licenses

Texas, Certified General Real Estate Appraiser, TX 1324004 G, Expires November 2022  
Oklahoma, Certified General Real Estate Appraiser, 13279CGA, Expires September 2023

## Education

Mr. Jackson is a graduate of Texas Tech University where he received a Bachelor of Business Administration in Finance with a Real Estate Emphasis.

## Miscellaneous

Member of Region 8 Ethics and Counseling Regional Panel (1992-1995)  
Chair - Public Relations North Texas Chapter (2003, 2004)  
Co-Chair - Public Relations North Texas Chapter (2005)  
Board Member - North Texas Chapter (2005-2007)

### **Integra Realty Resources**

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# Shelley M. Sivakumar

## Experience

Director PID/MUD/SF Lot Development Valuation Specialist with the Dallas office of Integra Realty Resources Dallas, a full-service real estate consulting and appraisal firm.

Shelley Sivakumar has over 23 years of experience as a commercial appraiser representing Jackson Claborn, Inc. and later Integra Realty Resources. This extensive experience has formed a knowledge of the Texas real estate market with an understanding of the dynamics of market forces in both increasing, as well as declining markets. After graduating from the University of Texas at Dallas with a Bachelor of Science degree with a double major of Accounting/Finance, Ms. Sivakumar began her career in tax accounting. For the next 20 years, she managed a private multi-million-dollar individual asset portfolio. Since 1998, she has specialized in appraising master-planned residential developments and subdivisions including Public Improvement Districts in the Dallas/Fort Worth metroplex as well as outlying areas in Dallas, Collin, Rockwall, Ellis, Tarrant, Grayson, and Denton Counties. Ms. Sivakumar’s appraisal experience also includes single and multi-tenant office/medical buildings, retail developments, industrial facilities, educational centers, religious facilities, townhome developments, right-of-ways (road), as well as vacant land.

In her spare time, Ms. Sivakumar enjoys equestrian riding and working out. She has competed in the 100-mile “Hotter’N Hell Hundred” bike ride, one of the oldest and largest cycling events in the nation held in Wichita Falls, Texas every August.

## Licenses

Licensed Residential Real Estate Appraiser (Certificate No. TX 1333354-L)

## Education

University of Texas at Dallas, Dallas, Texas: Bachelor of Science 1978  
University of North Texas, Denton, Texas 1977  
Marshall University, Huntington, West Virginia: A.S. Degree 1974

## Appraisal Institute Courses

- |  |  |
|--|--|
| A Review of Disciplinary Cases                         | Market Analysis/STDB                             |
| Workfile Documentation for Appraisers                  | USPAP  |
| Basic Appraisal Procedures                             | Expert Witness for Commercial Appraisers         |
| General Appraiser Market Analysis Highest and Best Use | General Appraiser Site Valuation & Cost Approach |
| General Appraiser Sales Comparison Approach            | Commercial Appraisal Review                      |
| General Report Writing and Case Studies                | Fair Housing                                     |
| A Review of Disciplinary Cases                         | Market Analysis/STDB                             |
| Workfile Documentation for Appraisers                  | USPAP  |
| Appraising Residential Properties                      | Environmental Issues                             |
| Income Property Appraisal                              | Texas Real Estate Contracts                      |
| Real Estate Appraisal                                  | Texas Real Estate Agency                         |
| Basic Income Capitalization                            | Modern Real Estate Practice in Texas             |
| Essential Elements of Disclosure & Disclaimer          | Statistics, Modeling and Finance                 |
| Appraisal Math & Statistics                            | General Appraiser Income Approach                |
| Owner-Occupied Commercial Properties                   | Ad Valorem Tax Consultation                      |
| Land & Site Valuation                                  | The Dirty Dozen                                  |
| Residential Report Writing                             | Modern Green Building Concepts                   |
|  | Commercial Clients Want Appraisers to Know       |

ssivakumar@irr.com - (972) 696-0687

Sutton Fields East Public Improvement District, Phase #1

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**Licensed Residential  
Real Estate Appraiser**

Appraiser: **Shelley Marie Sivakumar**  
License #: **TX 1333354 L** License Expires: **02/28/2022**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Licensed Residential Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).



**Douglas E. Oldmixon**  
Commissioner

# Ernest Gatewood

## Experience

Senior Director PID/MUD/SF Lot Development Valuation Specialist with the Dallas office of Integra Realty Resources Dallas, a full-service real estate consulting and appraisal firm.

Mr. Gatewood has been in the appraisal field for almost 40 years. This extensive experience has formed knowledge of the Texas real estate market as well as select areas throughout the entire United States. This experience has formed an understanding of the dynamics of market forces in both increasing, as well as declining markets. Mr. Gatewood began his appraisal career in 1980 at Crosson Dannis, Inc. where he spent 10 years specializing in master-planned communities. Mr. Gatewood's appraisals were utilized in the funding of Legacy Business Park in Plano, Texas as well as Stonebridge Ranch in McKinney, Texas. In 1991, Mr. Gatewood joined Heartland (Seattle, Washington) as Acquisitions Director for Texas. In this role, Mr. Gatewood was key to the development of several single-family subdivisions, a property type which he still specializes into this day. From 1992 until 2017, Mr. Gatewood represented Jackson Claborn, Inc. as the Vice President of the Commercial Division where he has helped manage the production of the commercial appraisal practice which has enhanced JCI's strong commitment to client services.

Mr. Gatewood has experience in appraising commercial, industrial, multifamily, and investment-grade real property and related tangible assets to provide opinions of value for purposes of mortgage lending, sale or purchase, financial reporting, federal tax, capital lease testing, litigation support, allocation of purchase price, estate tax planning/settlement, ad valorem taxation, property exchange, internal planning, and partial taking/just compensation by eminent domain agencies.

Property types include vacant land, agricultural land, rights of way (road and pipeline), shopping centers, single-tenant retail buildings, CBD and suburban office projects, air rights, truck terminals, light industrial facilities, heavy manufacturing plants, corporate headquarters, hospitals, surgery centers, medical office buildings, self-storage facilities, religious facilities, hotels, mixed-use developments, apartment projects, convenience stores, and, single-family subdivision analyses.

## Licenses

Texas, Certified General Real Estate Appraiser, TX 1324355 G, Expires December 2022

Texas, Licensed Real Estate Salesman, 277705-32, Expires December 2021

## Education

Richland Junior College, Dallas, Texas

The University of North Texas, Denton, Texas

## Miscellaneous

An affiliate of the Appraisal Institute

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## Certified General Real Estate Appraiser

Appraiser: Ernest Elva Gatewood III

License #: TX 1324355 G

License Expires: 12/31/2022

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

  
Chelsea Buchholtz  
Commissioner

## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com





**Addendum B**  
**IRR Quality Assurance Survey**



# IRR Quality Assurance Survey

## We welcome your feedback!

At IRR, providing a quality work product and delivering on time is what we strive to accomplish. Our local offices are determined to meet your expectations. Please reach out to your local office contact so they can resolve any issues.

## Integra Quality Control Team

Integra does have a Quality Control Team that responds to escalated concerns related to a specific assignment as well as general concerns that are unrelated to any specific assignment. We also enjoy hearing from you when we exceed expectations! The members of this team are listed below. You can communicate with this team by clicking on the link below. If you would like a follow up call, please provide your contact information and a member of this Quality Control Team will call contact you.

Link to the IRR Quality Assurance Survey: [quality.irr.com](http://quality.irr.com)

| <b>Integra Regional Quality Managers</b> |                                 |  |
|--|---------------------------------|--|
| <b>Region</b>                            | <b>Regional Quality Manager</b> | <b>Title</b>                                   |
| Northeast Region                         | William Kimball,<br>MAI         | Senior Managing Director                       |
| Southeast Region                         | Leslie North,<br>MAI, AI-GRS    | Managing Director                              |
| Central Region                           | Gary Wright,<br>MAI, SRA        | Senior Managing Director                       |
| Southwest Region                         | Rusty Rich,<br>MAI, MRICS       | Senior Managing Director                       |
| West Region                              | Larry Close,<br>MAI             | Senior Managing Director                       |
| Corporate                                | Rob McPherson,<br>MAI, CCIM     | Director of Product Development<br>and Quality |



## **Addendum C**

### **Definitions**



# Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

## **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

## **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

## **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

## **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

**Entrepreneurial Incentive**

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

**Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

**Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

**Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

**Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.



**Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.



8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

### **Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also, Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.



### **Definition of Aggregate of Retail Values**

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*

### **Bulk Sale**

The sale of multiple parcels of real estate to one buyer in one transaction. A bulk sale may include dissimilar properties in different locations or a group of lots or units in the same project. Typically, the bulk sale price is less than the sum of the values of the individual parcels.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*

### **Bulk Value**

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*

### **Development Procedure**

In land valuation, a technique for valuing undeveloped acreage that involves discounting the cost of development and the probable proceeds from the sale of developed sites.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*

### **Subdivision Development Method**

A method of estimating land value when subdivision and developing a parcel of land is the highest and best use of that land. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or the completed improvements on those lots), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*

### **Allocation Method**

1) The process of separating the contributory value of a component or part of an asset from the total value of the asset. 2) A method of estimating land value in which sales of improved properties are analyzed to establish a typical ratio of land value to total property value and this ratio is applied to the property being appraised or the comparable sale being analyzed.”

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*



**Extraction**

1) A method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land. 2) A method of deriving capitalization rates from property sales when sale price and net operating income are known.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*

**Residual**

The quantity left over; in appraising, a term used to describe the results of an appraisal procedure in which known components of value are accounted for, thus solving for the quantity that is left over, such as land residual or building residual.

*(Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015)*



## **Addendum D**

### **Property Information**



## Tax Data

### Denton CAD

Property Search Results > 52714 CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C for Year 2021

Tax Year: 2021

#### Property

##### Account

|                           |                      |                    |  |
|---------------------------|----------------------|--------------------|--|
| Property ID:              | 52714                | Legal Description: | A1109A J. RUE, TR 2, 92.96 ACRES, OLD DCAD TR #2 |
| Geographic ID:            | A1109A-000-0002-0000 | Zoning:            |  |
| Type:                     | Real                 | Agent Code:        |  |
| Property Use Code:        |                      |                    |  |
| Property Use Description: |                      |                    |  |

##### Location

|                  |                   |         |      |
|------------------|-------------------|---------|------|
| Address:         | PROSPER, TX 75078 | Map ID: | PS01 |
| Neighborhood:    | PROSPER ISD LAND  |         |      |
| Neighborhood CD: | DS17013L          |         |      |

##### Owner

|                  |  |              |                 |
|------------------|--|--------------|-----------------|
| Name:            | CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C | Owner ID:    | 864799          |
| Mailing Address: | 2679 COUNTY ROAD 220<br>GAINESVILLE, TX 76240-8606                 | % Ownership: | 100.0000000000% |
|                  |  | Exemptions:  |                 |

#### Values

|                                       |   |             |                       |
|---------------------------------------|---|-------------|-----------------------|
| (+) Improvement Homesite Value:       | + | \$0         |                       |
| (+) Improvement Non-Homesite Value:   | + | \$0         |                       |
| (+) Land Homesite Value:              | + | \$0         |                       |
| (+) Land Non-Homesite Value:          | + | \$0         | Ag / Timber Use Value |
| (+) Agricultural Market Valuation:    | + | \$3,819,513 | \$17,476              |
| (+) Timber Market Valuation:          | + | \$0         | \$0                   |
| -----                                 |   |             |                       |
| (=) Market Value:                     | = | \$3,819,513 |                       |
| (-) Ag or Timber Use Value Reduction: | - | \$3,802,037 |                       |
| -----                                 |   |             |                       |
| (=) Appraised Value:                  | = | \$17,476    |                       |
| (-) HS Cap:                           | - | \$0         |                       |
| -----                                 |   |             |                       |
| (=) Assessed Value:                   | = | \$17,476    |                       |

#### Taxing Jurisdiction

Owner: CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C  
 % Ownership: 100.0000000000%  
 Total Value: \$3,819,513

| Entity | Description                       | Tax Rate | Appraised Value | Taxable Value | Estimated Tax |
|--------|-----------------------------------|----------|-----------------|---------------|---------------|
| CAD    | DENTON CENTRAL APPRAISAL DISTRICT | 0.000000 | \$17,476        | \$17,476      | \$0.00        |
| G01    | DENTON COUNTY                     | 0.224985 | \$17,476        | \$17,476      | \$39.32       |



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Denton CAD - Property Details

|                 |             |          |          |                             |          |
|-----------------|-------------|----------|----------|-----------------------------|----------|
| S17             | PROSPER ISD | 1.492700 | \$17,476 | \$17,476                    | \$260.86 |
| Total Tax Rate: |             | 1.717685 |          |                             |          |
|                 |             |          |          | Taxes w/Current Exemptions: | \$300.18 |
|                 |             |          |          | Taxes w/o Exemptions:       | \$300.18 |

Improvement / Building

No improvements exist for this property.

Land

| # | Type | Description | Acres   | Sqft       | Eff Front | Eff Depth | Market Value | Prod. Value |
|---|------|-------------|---------|------------|-----------|-----------|--------------|-------------|
| 1 | C1   | CROPLAND I  | 92.9600 | 4049337.60 | 0.00      | 0.00      | \$3,819,513  | \$17,476    |

Roll Value History

| Year | Improvements | Land Market | Ag Valuation | Appraised | HS Cap | Assessed |
|------|--------------|-------------|--------------|-----------|--------|----------|
| 2022 | N/A          | N/A         | N/A          | N/A       | N/A    | N/A      |
| 2021 | \$0          | \$3,819,513 | 17,476       | 17,476    | \$0    | \$17,476 |
| 2020 | \$0          | \$3,819,513 | 18,592       | 18,592    | \$0    | \$18,592 |
| 2019 | \$0          | \$3,819,513 | 19,057       | 19,057    | \$0    | \$19,057 |
| 2018 | \$0          | \$3,819,513 | 19,057       | 19,057    | \$0    | \$19,057 |
| 2017 | \$0          | \$3,819,513 | 19,057       | 19,057    | \$0    | \$19,057 |
| 2016 | \$0          | \$2,473,537 | 20,451       | 20,451    | \$0    | \$20,451 |
| 2015 | \$0          | \$2,471,864 | 20,451       | 20,451    | \$0    | \$20,451 |
| 2014 | \$0          | \$2,324,000 | 20,916       | 20,916    | \$0    | \$20,916 |
| 2013 | \$0          | \$2,324,000 | 18,592       | 18,592    | \$0    | \$18,592 |
| 2012 | \$0          | \$3,395,122 | 19,057       | 19,057    | \$0    | \$19,057 |
| 2011 | \$0          | \$3,395,122 | 19,057       | 19,057    | \$0    | \$19,057 |
| 2010 | \$0          | \$3,395,122 | 19,057       | 19,057    | \$0    | \$19,057 |
| 2009 | \$0          | \$3,395,122 | 21,381       | 21,381    | \$0    | \$21,381 |
| 2008 | \$0          | \$3,395,122 | 21,846       | 21,846    | \$0    | \$21,846 |

Deed History - (Last 3 Deed Transactions)

| # | Deed Date | Type | Description | Grantor              | Grantee  | Volume | Page | Deed Number |
|---|-----------|------|-------------|----------------------|--|--------|------|-------------|
| 1 | 2/24/2014 | GT   | GIFT DEED   | CAREY, SAMMIE        | CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C |        |      | 2014-16824  |
| 2 | 11/2/2006 | OZ   | PROBATE     | CAREY, SAMMIE & JOHN | CAREY, SAMMIE  |        |      | 2006-135680 |
| 3 | 3/7/1988  | Conv | CONVERSION  | P A INVESTMENT I J/V | CAREY, SAMMIE & JOHN   | 2336   | 541  |             |



## Denton CAD

Property Search Results > 635330 CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C for Year 2021

### Property

#### Account

|                           |                      |                    |  |
|---------------------------|----------------------|--------------------|--|
| Property ID:              | 635330               | Legal Description: | A1111A H. RUE,<br>TR 3B, 125.5234<br>ACRES |
| Geographic ID:            | A1111A-000-0003-000B | Zoning:            |  |
| Type:                     | Real                 | Agent Code:        |  |
| Property Use Code:        |                      |                    |  |
| Property Use Description: |                      |                    |  |

#### Location

|                  |                         |         |      |
|------------------|-------------------------|---------|------|
| Address:         |                         | Mapsc0: |      |
| Neighborhood:    | PROSPER ISD BRICK HOMES | Map ID: | PS01 |
| Neighborhood CD: | DS17013B                |         |      |

#### Owner

|                  |  |              |                 |
|------------------|--|--------------|-----------------|
| Name:            | CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C | Owner ID:    | 864799          |
| Mailing Address: | 2679 COUNTY ROAD 220<br>GAINESVILLE, TX 76240-8606                 | % Ownership: | 100.0000000000% |
|                  |  | Exemptions:  |                 |

### Values

|                                       |   |             |                       |
|---------------------------------------|---|-------------|-----------------------|
| (+) Improvement Homesite Value:       | + | \$0         |                       |
| (+) Improvement Non-Homesite Value:   | + | \$2,424     |                       |
| (+) Land Homesite Value:              | + | \$0         |                       |
| (+) Land Non-Homesite Value:          | + | \$0         | Ag / Timber Use Value |
| (+) Agricultural Market Valuation:    | + | \$5,157,468 | \$15,932              |
| (+) Timber Market Valuation:          | + | \$0         | \$0                   |
| -----                                 |   |             |                       |
| (=) Market Value:                     | = | \$5,159,892 |                       |
| (-) Ag or Timber Use Value Reduction: | - | \$5,141,536 |                       |
| -----                                 |   |             |                       |
| (=) Appraised Value:                  | = | \$18,356    |                       |
| (-) HS Cap:                           | - | \$0         |                       |
| -----                                 |   |             |                       |
| (=) Assessed Value:                   | = | \$18,356    |                       |

### Taxing Jurisdiction

Owner: CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C  
 % Ownership: 100.0000000000%  
 Total Value: \$5,159,892

| Entity | Description                       | Tax Rate | Appraised Value | Taxable Value | Estimated Tax |
|--------|-----------------------------------|----------|-----------------|---------------|---------------|
| C48    | PROSPER TOWN OF                   | 0.520000 | \$18,356        | \$18,356      | \$95.45       |
| CAD    | DENTON CENTRAL APPRAISAL DISTRICT | 0.000000 | \$18,356        | \$18,356      | \$0.00        |
| G01    | DENTON COUNTY                     | 0.224985 | \$18,356        | \$18,356      | \$41.30       |



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Denton CAD - Property Details

|                 |             |          |          |                             |          |
|-----------------|-------------|----------|----------|-----------------------------|----------|
| S17             | PROSPER ISD | 1.492700 | \$18,356 | \$18,356                    | \$274.00 |
| Total Tax Rate: |             | 2.237685 |          |                             |          |
|                 |             |          |          | Taxes w/Current Exemptions: | \$410.75 |
|                 |             |          |          | Taxes w/o Exemptions:       | \$410.75 |

Improvement / Building

|                        |             |             |               |              |             |                |
|------------------------|-------------|-------------|---------------|--------------|-------------|----------------|
| <b>Improvement #1:</b> | Misc Imp    | State Code: | D2            | Living Area: | 2128.0 sqft | Value: \$2,424 |
| Type                   | Description | Class CD    | Exterior Wall | Year Built   | SQFT        |                |
| BRN                    | BARN        | 1600        |               | 2000         | 1044.0      |                |
| BRN                    | BARN        | 1600        |               | 2000         | 1084.0      |                |

Land

| # | Type | Description        | Acres   | Sqft       | Eff Front | Eff Depth | Market Value | Prod. Value |
|---|------|--------------------|---------|------------|-----------|-----------|--------------|-------------|
| 1 | C1   | CROPLAND I         | 60.0000 | 2613600.00 | 0.00      | 0.00      | \$2,465,262  | \$11,280    |
| 2 | PI1  | IMPROVED PASTURE I | 65.5234 | 2854199.30 | 0.00      | 0.00      | \$2,692,206  | \$4,652     |

Roll Value History

| Year | Improvements | Land Market | Ag Valuation | Appraised | HS Cap | Assessed |
|------|--------------|-------------|--------------|-----------|--------|----------|
| 2022 | N/A          | N/A         | N/A          | N/A       | N/A    | N/A      |
| 2021 | \$2,424      | \$5,157,468 | 15,932       | 18,356    | \$0    | \$18,356 |
| 2020 | \$6,229      | \$5,157,468 | 16,914       | 23,143    | \$0    | \$23,143 |
| 2019 | \$3,008      | \$5,157,468 | 17,869       | 20,877    | \$0    | \$20,877 |
| 2018 | \$3,343      | \$5,157,468 | 18,197       | 21,540    | \$0    | \$21,540 |
| 2017 | \$3,676      | \$5,157,468 | 18,197       | 21,873    | \$0    | \$21,873 |
| 2016 | \$4,260      | \$3,276,161 | 20,080       | 24,340    | \$0    | \$24,340 |
| 2015 | \$3,670      | \$3,276,161 | 20,408       | 24,078    | \$0    | \$24,078 |
| 2014 | \$3,981      | \$3,276,161 | 20,561       | 24,542    | \$0    | \$24,542 |

Deed History - (Last 3 Deed Transactions)

| # | Deed Date | Type | Description | Grantor       | Grantee  | Volume | Page | Deed Number |
|---|-----------|------|-------------|---------------|--|--------|------|-------------|
| 1 | 2/24/2014 | GT   | GIFT DEED   | CAREY, SAMMIE | CAREY NINEMIRE, JO LYNN & CAREY VARNER, LAURA JEAN & CAREY, MARK C |        |      | 2014-16824  |





## Legal Description

### Phase #1 - 51.890 Acres

BEING that certain tract of land situated in the Jacob Rue Survey, Abstract No. 1109, in Denton County, Texas, and being part of that certain tract of land described in deed to Jo Lynn Carey Ninemire, Laura Jean Carey Varner, and Mark Carlton Carey recorded in Document No. 2014-16824, of the Real Property Records of Denton County, Texas (RPRDCT), and being more particularly described as follows:

COMMENCING at a 60D nail in asphalt found in the approximate center of Parvin Road (undedicated public road), said nail being an ell corner of a line described in Boundary Line Agreement recorded in Instrument No. 2005-122140, RPRDCT, from which a 3/8-inch iron rod found bears North 89°11'44" West, a distance of 1163.46 feet;

THENCE North 00°41'45" East, with a line described in said Boundary Line Agreement, as located on a west line of said Carey tract, a distance of 1527.10 feet to the POINT OF BEGINNING of the hereon tract described;

THENCE North 00°41'45" East, with a line described in said Boundary Line Agreement, as located on a west line of said Carey tract, a distance of 1458.11 feet to a 1/2-inch iron rod found for corner;

THENCE North 89°13'31" East, with a line described in said Boundary Line Agreement, as located on the most northerly line of said Carey tract, a distance of 527.69 feet to a capped 5/8-inch iron rod found for corner;

THENCE North 89°13'50" East, with the most northerly line of said Carey tract, and the south line of that certain tract of land described in deed to Smiley Road, Ltd. recorded in Instrument No. 2006-2064, RPRDCT, a distance of 998.50 feet to a 1/2-inch iron rod found for corner at the most northerly northeast corner of said Carey tract, and the northwest corner of that certain tract of land described as First Tract in deed to Brice Jackson, Bobby C. Jackson, and Nolan P. Jackson recorded in Volume 4910, Page 2975 (Document No. 2001-R0089934), RPRDCT;

THENCE South 00°26'26" East, with the most northerly east line of said Carey tract and the west line of said Jackson tract, for a distance of 1476.44 feet to a point for corner;

THENCE South 89°55'15" West, over and across said Carey tract, a distance of 1555.11 feet to the POINT OF BEGINNING, containing an area of 51.890 acres of land.



# Flood Map





# **Addendum E**

## **Comparable Data**



## Land Sales - 50' Frontage Lots



## Location & Property Identification

Property Name: Sandbrock Ranch, Phase 6 - 50' Lots  
Sub-Property Type: Residential, Single Family Lot  
Address: 4409 Yellowstone Way  
City/State/Zip: Aubrey, TX 76227  
County: Denton  
Submarket: Aubrey  
Market Orientation: Suburban  
Property Location: West side of Yellowstone Way, west of Horizon Lane  
IRR Event ID: 2675834



## Sale Information

Sale Price: \$75,072  
Effective Sale Price: \$75,072  
Sale Date: 04/28/2021  
Sale Status: Closed  
\$/Acre(Gross): \$545,185  
\$/Land SF(Gross): \$12.51  
\$/Unit: \$1,501 /Unit  
Grantor/Seller: Horizon/Deer Creek Development Corporation  
Grantee/Buyer: Highland Homes Dallas, LLC  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: The base lot price was set at \$73,600/lot in 1Q21 with an annual 6.0% escalation.  
Document Type: Deed  
Recording No.: 2021-77224  
Verified By: Shelley Sivakumar  
Verification Date: 07/07/2021  
Confirmation Source: Highland Homes  
Verification Type: Confirmed-Buyer

Legal/Tax/Parcel ID: Sandbrock Ranch, Phase 6, Block G, Lot 17/Tax ID 973417

Acres(Gross): 0.14  
Land-SF(Gross): 6,000  
No. of Units (Potential): 50  
Shape: Rectangular  
Topography: Level  
Frontage Desc.: Yellowstone Way  
Zoning Code: Development Agreement  
Zoning Desc.: Development Agreement  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Public Records

## Comments

Lots in this master-planned development are located in Denton ISD. Home prices are ranging from \$382,000 - \$435,000.

## Improvement and Site Data

**Sandbrock Ranch, Phase 6 - 50' Lots**



## Location & Property Identification

Property Name: Sutton Fields II, Phases 8A & 8B - 50' Lots

Sub-Property Type: Residential, Single Family Lot

Address: North side of Crutchfield Drive, east of FM-1385

City/State/Zip: Celina, TX 75009

County: Denton

Submarket: Celina

Market Orientation: Suburban

IRR Event ID: 2511985



## Sale Information

Sale Price: \$60,000

Effective Sale Price: \$60,000

Sale Date: 10/01/2021

Sale Status: In-Contract

\$/Acre(Gross): \$454,545

\$/Land SF(Gross): \$10.43

\$/Unit: \$1,200 /Unit

Grantor/Seller: CADG Sutton Fields II LLC

Grantee/Buyer: D.R. Horton Homes

Property Rights: Fee Simple

Financing: Cash to seller

Terms of Sale: The base lot price is set at \$60,000/lot (\$1,200/FF) with an annual 6% escalation, a \$1,500/lot amenity center fee, and \$500/lot marketing fee.

Document Type: Contract of Sale

Verified By: Shelley Sivakumar

Verification Date: 10/08/2020

Confirmation Source: Centurion American

Verification Type: Confirmed-Seller

Legal/Tax/Parcel ID: Sutton Fields II, Proposed 116 lots in Phases 8A & 8B

Acres(Gross): 0.13

Land-SF(Gross): 5,750

No. of Units (Potential): 50

Shape: Rectangular

Topography: Level

Frontage Feet: 50

Frontage Desc.: 50' x 115'

Zoning Code: PD

Zoning Desc.: Planned Development

Flood Plain: No

Utilities: Water Public, Sewer

Utilities Desc.: Sutton Fields II PID

Source of Land Info.: Public Records

## Comments

Phases 8A and 8B are proposed to be developed with a total of 116 lots. The development is located in the Prosper ISD. Home prices are projected to range from \$240,000 to \$300,000 in these phases.

## Improvement and Site Data

**Sutton Fields II, Phases 8A & 8B - 50' Lots**



# Land Sale Profile

# Sale No. 3

## Location & Property Identification

Property Name: Creeks of Legacy West, Phase 2 - 50' Lots  
Sub-Property Type: Residential, Single Family Lot  
Address: Northwest of Frontier Parkway and Legacy Drive  
City/State/Zip: Celina, TX 75009  
County: Denton  
Submarket: Celina  
Market Orientation: Suburban  
  
IRR Event ID: 2509112



## Sale Information

Sale Price: \$70,000  
Effective Sale Price: \$70,000  
Sale Date: 08/21/2020  
Sale Status: Closed  
\$/Acre(Gross): \$508,351  
\$/Land SF(Gross): \$11.67  
\$/Unit: \$1,400 /Unit  
Grantor/Seller: CADG Creek of Legacy Stonegate LLC  
Grantee/Buyer: KB Home Lone Star, Inc.  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: This represents a "bulk" sale of 146 lots of 50' lots in Phase 2 at \$70,000 (\$1,400/FF).  
  
Document Type: Deed  
Recording No.: 2020-129790  
Verified By: Shelley Sivakumar  
Verification Date: 10/01/2020  
Confirmation Source: Centurion American  
Verification Type: Confirmed-Seller

Legal/Tax/Parcel ID: Creeks of Legacy West, Phase 2, Block J, Lot 24/Tax ID 775376  
Acres(Gross): 0.14  
Land-SF(Gross): 6,000  
No. of Units (Potential): 50  
Shape: Rectangular  
Topography: Level  
Frontage Feet: 50  
Frontage Desc.: 50' x 120'  
Zoning Code: PD  
Zoning Desc.: Planned Development  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Past Appraisal

## Comments

Phase 2 was completed in late July 2020. This sale represents a "bulk" purchase of 146 lots. Lots are located in the Prosper ISD. Home prices are ranging from \$300,000 to \$350,000.

## Improvement and Site Data

Creeks of Legacy West, Phase 2 - 50' Lots



# Land Sale Profile

# Sale No. 4

## Location & Property Identification

Property Name: Union Park, Phase 2D - 50' Lots  
Sub-Property Type: Residential, Single Family Lot  
Address: Northeast corner of Union Park Boulevard and Fish Trap Road  
City/State/Zip: Little Elm, TX 76227  
County: Denton  
Submarket: Aubrey  
Market Orientation: Suburban  
IRR Event ID: 2316019



## Sale Information

Sale Price: \$63,538  
Effective Sale Price: \$63,538  
Sale Date: 09/25/2019  
Sale Status: Closed  
\$/Acre(Gross): \$461,423  
\$/Land SF(Gross): \$10.59  
\$/Unit: \$1,271 /Unit  
Grantor/Seller: Union Park Phase 2BCD LP  
Grantee/Buyer: Highland Homes Dallas LLC  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: The base lot price of \$57,500/lot (\$1,150/FF) was set in 1Q18 with an annual 6.0% escalation.  
Document Type: Deed  
Recording No.: 2019-121910  
Verified By: Shelley Sivakumar  
Verification Date: 01/23/2020  
Confirmation Source: Highland Homes  
Verification Type: Confirmed-Buyer

Legal/Tax/Parcel ID: Union Park, Phase 2D, Block OO, Lot 16/Tax ID 724752  
Acres(Gross): 0.14  
Land-SF(Gross): 6,000  
No. of Units (Potential): 50  
Shape: Rectangular  
Topography: Level  
Frontage Feet: 50  
Frontage Desc.: 50' x 120'  
Zoning Code: Single-Family  
Zoning Desc.: Single-Family  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Public Records

## Comments

Lots in this development are located in the Denton ISD. Home prices range from \$298,000 to \$365,000. Amenities include an amenity center with pool and trails.

## Improvement and Site Data

Union Park, Phase 2D - 50' Lots



# Land Sale Profile

# Sale No. 5

## Location & Property Identification

Property Name: Dynavest, Phase 1 - 50' Lots  
Sub-Property Type: Residential, Single Family Lot  
  
Address: East side of Dallas North Tollway, north of proposed G. A. Moore Parkway  
  
City/State/Zip: Celina, TX 75009  
County: Collin  
Submarket: Celina  
Market Orientation: Suburban  
  
IRR Event ID: 2685392



## Sale Information

Sale Price: \$67,500  
Effective Sale Price: \$67,500  
Sale Date: 07/09/2023  
Sale Status: In-Contract  
\$/Acre(Gross): \$470,383  
\$/Land SF(Gross): \$10.80  
\$/Unit: \$1,350 /Unit  
Grantor/Seller: MM Celina Dynavest 294, LLC  
  
Grantee/Buyer: D. R. Horton Homes  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: This represents the base lot price which escalates in Phase 2 to \$72,500/lot (\$1,450/FF) and Phase 3 to \$77,500/lot (\$1,550/FF). All lots are contracted with an annual 6.0% escalation, a \$500/lot marketing fee, and a \$2,000/lot amenity fee. Substantial completion is expected by July 2023. An additional homebuilder is M/I Homes.

Document Type: Contract of Sale  
Verified By: Shelley Sivakumar  
Verification Date: 07/20/2021  
Confirmation Source: Centurion American  
Verification Type: Confirmed-Seller

## Improvement and Site Data

Legal/Tax/Parcel ID: Proposed development/Tax ID 2575347 and 984956  
Acres(Gross): 0.14  
Land-SF(Gross): 6,250  
No. of Units (Potential): 50  
Shape: Rectangular  
Topography: Level  
Frontage Desc.: 50' x 125'  
Zoning Code: Development Agreement, Celina, TX  
Zoning Desc.: Development Agreement, Celina, TX  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Engineering Report

## Comments

Lots in this proposed development are located in the Celina ISD.



**Comments (Cont'd)**

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# Land Sale Profile

# Sale No. 6

## Location & Property Identification

Property Name: Creek View Meadows, Phase 1 (50' Lots)  
Sub-Property Type: Residential, Single Family Lot  
Address: Northeast quadrant of FM-428 and FM-1385  
City/State/Zip: Pilot Point ETJ, TX 75009  
County: Denton  
Submarket: Celina  
Market Orientation: Suburban



IRR Event ID: 2707561

## Sale Information

Sale Price: \$65,000  
Effective Sale Price: \$65,000  
Sale Date: 03/01/2023  
Sale Status: In-Contract  
\$/Acre(Gross): \$492,424  
\$/Land SF(Gross): \$11.30  
\$/Unit: \$1,300 /Unit  
Grantor/Seller: Centurion American Acquisitions, LLC  
Grantee/Buyer: D. R. Horton Homes  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: The base lot price was set at \$65,000/lot at substantial completion expected by March 1, 2023 with an annual 6.0% escalation.  
Document Type: Contract of Sale  
Verified By: Shelley Sivakumar  
Verification Date: 09/24/2021  
Confirmation Source: Centurion American Group  
Verification Type: Confirmed-Seller

Legal/Tax/Parcel ID: Proposed with 355 lots in Phase 1  
Acres(Gross): 0.13  
Land-SF(Gross): 5,750  
No. of Units (Potential): 50  
Shape: Rectangular  
Topography: Level  
Frontage Feet: 50  
Frontage Desc.: 50' x 115'  
Zoning Code: Development Agreement  
Zoning Desc.: Development Agreement, City of Pilot Point  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Engineering Report

## Comments

Phase 1 is planned to be developed with 355 lots with 50' frontages. All lots are contracted with 178 lots to D.R. Horton Homes, 89 lots to Pacesetter Homes, and 88 lots to Stonehollow Homes at the same front footage price of \$1,300. All lots are within the Celina ISD.

## Improvement and Site Data

Creek View Meadows, Phase 1 (50' Lots)



## Land Sales - 60' Frontage Lots



## Location & Property Identification

Property Name: Sutton Fields II, Proposed Phases 5 & 7 - 60' Lots

Sub-Property Type: Residential, Single Family Lot

Address: North and south sides of Crutchfield Drive, east of FM-1385

City/State/Zip: Celina, TX 75009

County: Denton

Submarket: Celina

Market Orientation: Suburban

IRR Event ID: 2511991



## Sale Information

Sale Price: \$78,000

Effective Sale Price: \$78,000

Sale Date: 10/01/2021

Sale Status: In-Contract

\$/Acre(Gross): \$492,424

\$/Land SF(Gross): \$11.30

\$/Unit: \$1,300 /Unit

Grantor/Seller: CADG Sutton Fields II LLC

Grantee/Buyer: New Synergy/Mattemy

Property Rights: Fee Simple

Financing: Cash to seller

Terms of Sale: The base lot price is set at \$78,000/lot (\$1,300/FF) with an annual 6% escalation, a \$1,500/lot amenity center fee, and \$500/lot marketing fee.

Document Type: Contract of Sale

Verified By: Shelley Sivakumar

Verification Date: 10/08/2020

Confirmation Source: Centurion American

Verification Type: Confirmed-Seller

## Improvement and Site Data

Legal/Tax/Parcel ID: Sutton Fields II, Proposed 295 lots in Phases 5 and 7

Acres(Gross): 0.16

Land-SF(Gross): 6,900

No. of Units (Potential): 60

Shape: Rectangular

Topography: Level

Frontage Feet: 60

Frontage Desc.: 60' x 115'

Zoning Code: PD

Zoning Desc.: Planned Development

Flood Plain: No

Utilities: Water Public, Sewer

Utilities Desc.: Sutton Fields II PID

Source of Land Info.: Public Records

## Comments

Lots in proposed Phases 5 and 7 are located in the Prosper ISD. Home prices are projected to range from \$312,000 to \$390,000.

# Land Sale Profile

# Sale No. 2

## Location & Property Identification

Property Name: Creeks of Legacy West, Phase 2 - 60' Lots  
Sub-Property Type: Residential, Single Family Lot  
Address: Northwest of Frontier Parkway and Legacy Drive  
City/State/Zip: Celina, TX 75009  
County: Denton  
Submarket: Celina  
Market Orientation: Suburban  
  
IRR Event ID: 2509102



## Sale Information

Sale Price: \$78,000  
Effective Sale Price: \$78,000  
Sale Date: 08/18/2020  
Sale Status: Closed  
\$/Acre(Gross): \$471,869  
\$/Land SF(Gross): \$10.83  
\$/Unit: \$1,300 /Unit  
Grantor/Seller: CADG Creeks of Legacy Stonegate, L.L.C.  
Grantee/Buyer: Trendmaker Homes DFW, LLC  
  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: The base lot price of \$78,000/lot (\$1,300/FF) was set in August 2020 with an annual 6% escalation.  
  
Document Type: Deed  
Recording No.: 2020-125189  
Verified By: Shelley Sivakumar  
Verification Date: 10/01/2020  
Confirmation Source: Centurion American  
Verification Type: Confirmed-Seller

## Improvement and Site Data

Legal/Tax/Parcel ID: Creeks of Legacy West, Phase 2, Block N, Lot 5/Tax ID 775442  
Acres(Gross): 0.17  
Land-SF(Gross): 7,200  
No. of Units (Potential): 60  
Shape: Rectangular  
Topography: Level  
Frontage Feet: 60  
Frontage Desc.: 60' x 120'  
Zoning Code: PD  
Zoning Desc.: Planned Development  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Past Appraisal

## Comments

Phase 2 was recently completed in July 2020. Lots are located in the Prosper ISD. Home prices are ranging from \$315,000 to \$400,000.



# Land Sale Profile

# Sale No. 3

## Location & Property Identification

Property Name: Dynavest, Phase 1 - 60' Lots  
Sub-Property Type: Residential, Single Family Lot  
  
Address: East side of Dallas North Tollway, north of proposed G. A. Moore Parkway  
  
City/State/Zip: Celina, TX 75009  
County: Collin  
Submarket: Celina  
Market Orientation: Suburban  
  
IRR Event ID: 2685396



## Sale Information

Sale Price: \$81,000  
Effective Sale Price: \$81,000  
Sale Date: 07/09/2023  
Sale Status: In-Contract  
\$/Acre(Gross): \$470,383  
\$/Land SF(Gross): \$10.80  
\$/Unit: \$1,350 /Unit  
Grantor/Seller: MM Celina Dynavest 294, LLC  
  
Grantee/Buyer: D.R. Horton Homes  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: This represents the base lot price which escalates in Phase 2 to \$87,000/lot (\$1,450/FF) and Phase 3 to \$93,000/lot (\$1,550/FF). All lots are contracted with an annual 6.0% escalation, a \$500/lot marketing fee, and a \$2,000/lot amenity fee. Substantial completion is expected by July 2023. An additional homebuilder is M/I Homes.

Document Type: Contract of Sale  
Verified By: Shelley Sivakumar  
Verification Date: 07/20/2021  
Confirmation Source: Centurion American  
Verification Type: Confirmed-Seller

## Improvement and Site Data

Legal/Tax/Parcel ID: Proposed development/Tax ID 2575347 and 984956  
Acres(Gross): 0.17  
Land-SF(Gross): 7,500  
No. of Units (Potential): 60  
Shape: Rectangular  
Topography: Level  
Frontage Desc.: 60' x 125'  
Zoning Code: Development Agreement, Celina, TX  
Zoning Desc.: Development Agreement, Celina, TX  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Engineering Report

## Comments

Lots in this proposed development are located in the Celina ISD.



**Comments (Cont'd)**

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# Land Sale Profile

# Sale No. 4

## Location & Property Identification

Property Name: Cambridge Crossing - 60' Lots

Sub-Property Type: Residential, Single Family Lot

Address: Northeast quadrant of Legacy Drive and Punk Carter Parkway

City/State/Zip: Celina, TX 75009

County: Collin

Submarket: Celina

Market Orientation: Suburban

IRR Event ID: 2679824



## Sale Information

Sale Price: \$84,000

Effective Sale Price: \$84,000

Sale Date: 03/31/2022

Sale Status: In-Contract

\$/Acre(Gross): \$469,012

\$/Land SF(Gross): \$10.77

\$/Unit: \$1,400 /Unit

Grantor/Seller: Tollway/Outer Loop LP

Grantee/Buyer: Highland Homes - Dallas LLC

Property Rights: Fee Simple

Financing: Cash to seller

Terms of Sale: The base lot price was set at \$84,000/lot for substantial completion in 2022. The lots are contracted with an annual 6.5% escalation.

Document Type: Contract of Sale

Verified By: Shelley Sivakumar

Verification Date: 07/15/2021

Confirmation Source: James Melino

Verification Type: Confirmed-Seller

Legal/Tax/Parcel ID: This proposed phase is currently under construction

Acres(Gross): 0.18

Land-SF(Gross): 7,800

No. of Units (Potential): 60

Shape: Rectangular

Topography: Level

Frontage Feet: 60

Frontage Desc.: 60' x 130'

Zoning Code: Planned Development

Zoning Desc.: Planned Development

Flood Plain: No

Utilities: Water Public, Sewer

Utilities Desc.: Cambridge Crossing PID

Source of Land Info.: Engineering Report

## Comments

This is a new phase currently under construction in this master-planned residential development. Lots are located in the Celina ISD.

## Improvement and Site Data

Cambridge Crossing - 60' Lots





# Land Sale Profile

# Sale No. 5

## Location & Property Identification

Property Name: The Homestead at Ownsby Farms, Phase 1 - 60' Lots  
Sub-Property Type: Residential, Single Family Lot  
Address: West side of John Campbell Trail, west of SH-289 (Preston Road)  
City/State/Zip: Celina, TX 75009  
County: Collin  
Submarket: Celina  
Market Orientation: Suburban  
Property Location: 3620 Bennett Trail  
IRR Event ID: 2509172



## Sale Information

Sale Price: \$80,948  
Effective Sale Price: \$80,948  
Sale Date: 06/10/2020  
Sale Status: Closed  
\$/Acre(Gross): \$489,704  
\$/Land SF(Gross): \$11.24  
\$/Unit: \$1,349 /Unit  
Grantor/Seller: CADG Ownsby Farms, LLC  
Grantee/Buyer: Megatel Homes, LLC  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: The base lot price was set at \$72,000/lot (\$1,200/FF) in May 2018 with an annual 6.0% escalation. Homebuilders also pay \$1,000/lot amenity fee and \$500/lot marketing fee.  
Document Type: Deed  
Recording No.: 20200612000877470  
Verified By: Shelley Sivakumar  
Verification Date: 10/01/2020  
Confirmation Source: Centurion American  
Verification Type: Confirmed-Seller

## Improvement and Site Data

Legal/Tax/Parcel ID: The Homestead at Ownsby Farms, Block A, Lot 14/Tax ID 2779049  
Acres(Gross): 0.17  
Land-SF(Gross): 7,200  
No. of Units (Potential): 60  
Shape: Rectangular  
Topography: Level  
Frontage Feet: 60  
Frontage Desc.: 60' x 120'  
Zoning Code: PD - 39  
Zoning Desc.: Planned Development  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Engineering Report

## Comments

Lots in this development are located in the Celina ISD. Home prices are ranging from \$300,000 to \$400,000. The development is located in the Ownsby Farms PID.

**The Homestead at Ownsby Farms, Phase 1 - 60' Lots**





# Land Sale Profile

# Sale No. 6

## Location & Property Identification

Property Name: ArrowBrooke, Phase 5-1 - 60' Lots  
Sub-Property Type: Residential, Single Family Lot  
Address: 1333 Stoneleigh Place  
City/State/Zip: Unincorporated, TX 76227  
County: Denton  
Submarket: Aubrey  
Market Orientation: Suburban  
Property Location: North side of Stoneleigh Place, west of Bunker Hill Drive  
IRR Event ID: 2675805



## Sale Information

Sale Price: \$84,533  
Effective Sale Price: \$84,533  
Sale Date: 03/26/2021  
Sale Status: Closed  
\$/Acre(Gross): \$511,391  
\$/Land SF(Gross): \$11.74  
\$/Unit: \$1,409 /Unit  
Grantor/Seller: Bloomfield Homes, LP  
Grantee/Buyer: Highland Homes Dallas, LLC  
Property Rights: Fee Simple  
Financing: Cash to seller  
Terms of Sale: The base lot price was set at \$76,500/lot in 3Q19 with an annual 6.0% escalation.  
Document Type: Deed  
Recording No.: 2021-53883  
Verified By: Shelley Sivakumar  
Verification Date: 07/07/2021  
Confirmation Source: Highland Homes  
Verification Type: Confirmed-Buyer

Legal/Tax/Parcel ID: Arrow Brooke, Phase 5-1, Block AB, Lot 36/Tax ID 766812  
Acres(Gross): 0.17  
Land-SF(Gross): 7,200  
No. of Units (Potential): 60  
Shape: Rectangular  
Topography: Level  
Frontage Desc.: Stoneleigh Place  
Zoning Code: Development Agreement  
Zoning Desc.: Development Agreement  
Flood Plain: No  
Utilities: Water Public, Sewer  
Source of Land Info.: Public Records

## Comments

Lots in this master-planned development are located in Denton ISD. Home prices are ranging from \$406,000 - \$456,000.

## Improvement and Site Data

ArrowBrooke, Phase 5-1 - 60' Lots





**APPENDIX F**

**FORM OF CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT**

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**SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT PHASE #1  
CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT**

**THIS SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT PHASE #1 CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT** (this “Agreement”), dated as of January 11, 2022, is by and between the **CITY OF CELINA, TEXAS**, a home-rule municipality of the State of Texas (the “City”), and **MM SUTTON FIELDS EAST, LLC**, a Texas limited liability company, (the “Developer”).

**ARTICLE I  
DEFINITIONS**

The following terms shall have the meanings ascribed to them in this Article I for purposes of this Agreement. Unless otherwise indicated, any other terms, capitalized or not, when used herein shall have the meanings ascribed to them in the Indenture (as hereinafter defined).

“**Act**” means the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended.

“**Actual Costs**” means the costs of the Phase #1 Improvements actually paid or incurred for construction and installation of the Phase #1 Improvements in accordance with the Service and Assessment Plan.

“**Administrator**” means, initially, MuniCap, Inc., or any other individual or entity designated by the City to administer the District.

“**Annual Service Plan Update**” means the annual update to the Service and Assessment Plan conducted by the Administrator pursuant to the Service and Assessment Plan.

“**Authorized Improvements**” means improvements authorized by Section 372.003 of the Act.

“**Bond Ordinance**” means the ordinance adopted by the City Council on January 11, 2022 authorizing the issuance of the Bonds pursuant to the Indenture.

“**Bonds**” means the City’s bonds designated "City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)".

“**Budgeted Costs**” means the anticipated, agreed upon costs of the Phase #1 Improvements as shown in Section III of the Service and Assessment Plan.

“**Certification for Payment**” means a certificate, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the Developer, the Administrator and the City Representative, executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, provided no more frequently than once per

each month to the City Representative and the Trustee, specifying the amount of work performed and the amount charged for that work, including materials and labor costs, presented to the Trustee to request payment for Actual Costs of Phase #1 Improvements under the Indenture.

**“City Inspector”** means an individual employed by or an agent of the City whose job is, in part or in whole, to inspect infrastructure to be owned by the City for compliance with all rules and regulations applicable to the development and the infrastructure inspected.

**“City Manager”** means the City Manager of the City, or its designee.

**“City Representative”** means the City Manager, or any other official or agent of the City later authorized by the City to undertake the action referenced herein.

**“Closing Disbursement Request”** means the certificate, substantially in the form of **Exhibit A** hereto or otherwise mutually agreed to by the Developer, Administrator, and City Representative, executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, specifying the amounts to be disbursed for the costs related to the creation of the District and the costs of issuance of the Bonds.

**“Construction Contracts”** means the contracts for the construction of a Phase #1 Improvement. “Construction Contract” means any one of the Construction Contracts.

**“Cost”** means the Budgeted Costs or the cost of a Phase #1 Improvement as reflected in a Construction Contract, if greater than the Budgeted Costs.

**“Costs of Issuance Account”** means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

**“Cost Overrun”** means, with respect to each Phase #1 Improvement, the Actual Cost, as appropriate, of such Phase #1 Improvement in excess of the Budgeted Cost.

**“Developer Improvement Account”** means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

**“Development Agreement”** means that certain Sutton Fields East Development Agreement executed by and between the City and the Developer, effective October 15, 2021, and as the same may be amended from time to time.

**“District”** shall mean the Sutton Fields East Public Improvement District created October 12, 2021.

**“Final Completion”** means completion of a Phase #1 Improvement in compliance with existing City standards for dedication under the City’s ordinances and the Development Agreement.

**“Indenture”** means that certain Indenture of Trust between the City and U.S. Bank National Association, as trustee, dated as of February 1, 2022 relating to the Bonds.

**“Mustang SUD”** means Mustang Special Utility District.

**“Phase #1 Improvements Account”** means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

**“Phase #1 Improvements”** means the Authorized Improvements allocable to Phase #1 listed in Section III of the Service and Assessment Plan. An individual Phase #1 Improvement, including a completed segment, section or part, shall be referred to as a Phase #1 Improvement.

**“Plans”** means the plans, specifications, schedules and related construction contracts for the Phase #1 Improvements, respectively, approved pursuant to the applicable standards, ordinances, procedures, policies and directives of the City or Mustang SUD, as applicable, the Development Agreement, and any other applicable governmental entity.

**“Project Fund”** means the fund, including the accounts created and established under such fund, where monies from the proceeds of the sale of the Bonds and funds received from the Developer, excluding those deposited in other funds in accordance with the Indenture, shall be deposited, and the fund by such name created under the Indenture.

**“Reimbursement Agreement”** means the Sutton Fields East Public Improvement District Phase #1 Reimbursement Agreement dated as of January 11, 2022, by and between the City and the Developer providing for the construction and financing of certain Phase #1 Improvements by the Developer for which the Developer will later be reimbursed by the City pursuant to the Act

**“Service and Assessment Plan”** means the Sutton Fields East Public Improvement District Service and Assessment Plan adopted by a City ordinance on January 11, 2022 by the City Council, prepared pursuant to the Act.

**“Substantial Completion”** means the time at which the construction of a Phase #1 Improvement (or specified segment, section or part thereof) has progressed to the point where such Phase #1 Improvement (or a specified segment, section or part thereof) is sufficiently complete in accordance with the Construction Contracts related thereto so that such Phase #1 Improvement (or a specified segment, section or part thereof) can be utilized for the purposes for which it is intended.

**“Supplement”** means a written document agreed upon by the parties to this Agreement amending, supplementing or otherwise modifying this Agreement and any exhibit hereto.

## **ARTICLE II RECITALS**

### Section 2.01. The District and the Phase #1 Improvements.

(a) The City has created the District under the Act for the financing of, among other things, the acquisition, construction and installation of the Phase #1 Improvements.

(b) The City has authorized the issuance of the Bonds in accordance with the provisions of the Act, the Bond Ordinance and the Indenture, the proceeds of which Bonds shall be used, in part, to finance all or a portion of the Phase #1 Improvements in accordance with the terms and limitations of the Development Agreement, this Agreement, and the Service and Assessment Plan.

(c) It is anticipated (but not required) that there shall be two bond issues, the Bonds currently being issued and a subsequent issuance of bonds that are anticipated to be issued after some or all of the Phase #1 Improvements are constructed (the "Phase #1B Bonds"). Concurrently with the issuance of the Bonds, the Developer and the City have entered into the Reimbursement Agreement to provide for the construction and financing of certain Phase #1 Improvements prior to the issuance of the Phase #1B Bonds

(d) All Phase #1 Improvements are eligible to be financed with proceeds of the Bonds, the Reimbursement Agreement, and/or the Phase #1B Bonds to the extent specified herein.

(e) The proceeds from the issuance and sale of the Bonds and funds received from the Developer concurrently with the closing of the Bonds shall be deposited in accordance with the Indenture.

(f) The Developer will undertake, oversee, or ensure the construction and development of the Phase #1 Improvements for acquisition and acceptance by the City or Mustang SUD, in accordance with the terms and conditions contained in the Development Agreement and this Agreement.

Section 2.02. Agreements. In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Developer agree that the foregoing recitals, as applicable to each, are true and correct and further make the agreements set forth herein.



### **ARTICLE III FUNDING**

#### Section 3.01. Bonds.

(a) The City, in connection with this Agreement, is proceeding with the issuance and delivery of the Bonds.

(b) The projects to be financed in part with the proceeds of the Bonds are the Phase #1 Improvements. The payment of costs from the proceeds of the Bonds for such Phase #1 Improvements shall be made from the Phase #1 Improvements Account of the Project Fund established under the Indenture. The payment of costs of the Phase #1 Improvements from the Development Improvement Account of the Project Fund established under the Indenture shall be made in accordance with the provisions of Section 5.03 hereof and the terms of the Indenture.

(c) The City's obligation with respect to the payment of the Phase #1 Improvements shall be limited to the lesser of the Actual Costs or Budgeted Costs, and shall be payable solely from amounts on deposit for the payment of such costs as provided herein and in the Indenture. The Developer agrees and acknowledges that it is responsible for all Cost Overruns and all expenses related to the Phase #1 Improvements, qualified, however, by the distribution of Cost Underrun (as defined in Section 4.04 hereof) monies, as detailed in Section 4.04.

(d) The City shall have no responsibility whatsoever to the Developer with respect to the investment of any funds held in the Project Fund by the Trustee under the provisions of the Indenture, including any loss of all or a portion of the principal invested or any penalty for liquidation of an investment.

(e) The Developer acknowledges that any lack of availability of amounts in the funds or accounts established in the Indenture to pay the Costs of the Phase #1 Improvements shall in no way diminish any obligation of the Developer with respect to the construction of or contributions for the Phase #1 Improvements required by this Agreement, the Development Agreement, or any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject.

(f) The Developer acknowledges that as a result of the anticipation (but without guarantee) that the bonds are being issued in two series, some funds may not be immediately available for reimbursement for Actual Costs submitted and approved with an approved Certification for Payment. Both parties acknowledge that these remaining amounts will be disbursed, to the extent of available monies in the Project Fund or Reimbursement Fund, as applicable under the terms of the Indenture and the Reimbursement Agreement, as money is deposited into the Project Fund or Reimbursement Fund for the payment of such costs.

Section 3.02 Accounts. All disbursements from the Phase #1 Improvements Account of the Project Fund and the Developer Improvement Account of the Project Fund shall be made by

the City in accordance with provisions of the Development Agreement, the Service and Assessment Plan, this Agreement, and the Indenture.

#### **ARTICLE IV CONSTRUCTION OF THE PHASE #1 IMPROVEMENTS**

##### Section 4.01. Duty of Developer to Construct.

(a) All Phase #1 Improvements shall be constructed by or at the direction of the Developer in accordance with the Plans and in accordance with this Agreement and the Development Agreement. The Developer shall perform, or cause to be performed, all of its obligations and shall conduct, or cause to be conducted, all operations with respect to the construction of Phase #1 Improvements in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. The Developer shall employ at all times adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of all Phase #1 Improvements, to be acquired and accepted by the City or Mustang SUD, from the Developer as provided in this Agreement.

(b) The Developer shall not be relieved of its obligation to construct or cause to be constructed each Phase #1 Improvement and, upon completion, inspection, and acceptance, convey each such Phase #1 Improvement to the City or Mustang SUD, where applicable, in accordance with the terms hereof, even if there are insufficient funds in the Project Fund or other funds or account created under the Indenture to pay the Actual Costs thereof. In any event, this Agreement shall not affect any obligation of the Developer under any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject, with respect to the Phase #1 Improvements required in connection with the development of the land within the District.

Section 4.02. No Competitive Bidding. The Phase #1 Improvements shall not require competitive bidding pursuant to Section 252.022(a)(9) of the Texas Local Government Code, as amended.

Section 4.03. Independent Contractor. In performing this Agreement, the Developer is an independent contractor and not the agent or employee of the City or Mustang SUD with respect to the Phase #1 Improvements.

Section 4.04. Remaining Funds After Completion of a Phase #1 Improvement. Upon the Final Completion of a Phase #1 Improvement and payment of all outstanding invoices for such Phase #1 Improvement, if the Actual Cost of such Phase #1 Improvement is less than the Budgeted

Cost (a “Cost Underrun”), any remaining Budgeted Cost may be made available to pay Cost Overruns on any other Phase #1 Improvement. The City shall promptly confirm to the Administrator that such remaining amounts are available to pay such Cost Overruns, and the Developer, the Administrator and the City Representative will agree how to use such moneys to secure the payment and performance of the work for other Phase #1 Improvements and shall include this update in the next Annual Service Plan Update. Any Cost Underrun for any Phase #1 Improvement is available to pay Cost Overruns on any other Phase #1 Improvement.

Section 4.05. Contracts and Change Orders. The Developer shall be responsible for entering into all contracts and any supplemental agreements (herein referred to as “change orders”) required for the construction of the Phase #1 Improvements. Developer or its contractors may approve and implement any change orders, even if such change order would increase the Cost of a Phase #1 Improvement, but the Developer shall be solely responsible for payment of any Cost Overruns resulting from such change orders except to the extent amounts are available pursuant to Section 4.04. If any change order is for work that requires changes to be made by an engineer to the construction and design documents and plans previously approved under Section 4.01, then such revisions made by an engineer must be submitted to the City for approval by the City’s engineer prior to execution of the change order.

## **ARTICLE V ACQUISITION, CONSTRUCTION, AND PAYMENT**

Section 5.01. Payment Requests for Disbursements at Closing. In order to receive the disbursement from the Costs of Issuance Account of the Project Fund or from the Phase #1 Improvements Account of the Project Fund at closing of the Bonds related to costs of issuance of the Bonds or costs incurred in the creation of the District, the Developer shall execute a Closing Disbursement Request, substantially in the form of **Exhibit A** hereto or otherwise acceptable and agreed to by the City, to be delivered to the City no less than five (5) business days prior to the scheduled Closing Date for the Bonds for payment in accordance with the provisions of the Indenture. In order to receive the disbursement for a Phase #1 Improvement from the respective Phase #1 Improvements Account of the Project Fund or the Developer Improvement Account of the Project Fund at closing of the Bonds, the Developer shall execute a Certification for Payment, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the City, to be delivered to the City no later than five (5) business days prior to the scheduled Closing Date for the Bonds for payment in accordance with the provisions of the Indenture. Upon approval by the City, the City shall submit a Closing Disbursement Request or a Certification for Payment, as applicable, to the Trustee for disbursement to be made from the Costs of Issuance Account of the Project Fund, the Phase #1 Improvements Account of the Project Fund or the Developer Improvement Account of the Project Fund, as applicable.

Section 5.02. Certification for Payment for a Phase #1 Improvement.

(a) No payment hereunder shall be made from the Project Fund to the Developer for work on a Phase #1 Improvement until a Certification for Payment is received from the Developer. Upon receipt of a Certification for Payment substantially in the form of **Exhibit B** hereto (and all accompanying documentation required by the City) from the Developer, the City Inspector (for a City owned Phase #1 Improvement) shall conduct a review in order to confirm that such request is complete, that the work with respect to such Phase #1 Improvement identified therein for which payment is requested was completed in accordance with all applicable governmental laws, rules and regulations and applicable Plans therefor and with the terms of this Agreement, the Development Agreement, and to verify and approve the Actual Cost of such work specified in such Certification for Payment (collectively, the “Developer Compliance Requirements”). The City Inspector and/or the City Representative shall also conduct such review as is required in his discretion to confirm the matters certified in the Certification for Payment. The Developer agrees to cooperate with the City Inspector and/or City Representative in conducting each such review and to provide the City Inspector and/or City Representative with such additional information and documentation as is reasonably necessary for the City Inspector and/or City Representative to conclude each such review.

(b) Within fifteen (15) business days of receipt of any Certification for Payment, the City Representative shall either (i) approve and execute the Certification for Payment and forward the same to the Administrator for approval and delivery to the Trustee for payment to the Developer in accordance with Section 5.03(a) hereof or (ii) in the event the City Representative disapproves the Certification for Payment, give written notification to the Developer of the City Representative’s disapproval, in whole or in part, of such Certification for Payment, specifying the reasons for such disapproval and the additional requirements to be satisfied for approval of such Certification for Payment. If a Certification for Payment seeking reimbursement is approved only in part, the City Representative shall specify the extent to which the Certification for Payment is approved and shall deliver such partially approved Certification for Payment to the Administrator for approval in accordance with Section 5.03 hereof and delivery to the Developer in accordance with Section 5.02(c) hereof, and any such partial work shall be processed for payment under Section 5.03 notwithstanding such partial denial.

(c) If the City Representative denies the Certification for Payment, the denial must be in writing, stating the reason(s) for denial. The denial may be appealed to the City Council by the Developer in writing within thirty (30) days of being denied by the City Representative. Denial of the Certification for Payment by the City Council shall be attempted to be resolved by half-day mediation between the parties in the event an agreement is not otherwise reached by the parties, with the mediator’s fee being paid by Developer. The Certification for Payment shall not be forwarded to the Trustee for payment until the dispute is resolved by the City and the Developer.

(d) The Developer shall deliver the approved or partially approved Certification for Payment to the Trustee for payment and the Trustee shall make such payment from the Project Fund in accordance with Section 5.03 below.

Section 5.03. Payment for Phase #1 Improvement.

(a) Upon receipt of a reviewed and approved Certification for Payment, the Trustee shall make payment from the following funds: (1) first from the Phase #1 Improvements Account of the Project Fund; and then (2) second from the Developer Improvement Account of the Project Fund and designated in the Certification for Payment pursuant to the terms of the Certification for Payment and the Indenture in an amount not to exceed the Budgeted Cost for the particular Phase #1 Improvement, unless a Cost Overrun amount has been approved for a particular Phase #1 Improvement. If a Cost Overrun amount has been approved, then the amount reimbursed shall not exceed the Budgeted Amount plus the approved Cost Overrun amount.

(b) Approved Certifications for Payment that await reimbursement shall not accrue interest.

(c) Notwithstanding any other provisions of this Agreement, when payment is made, the Trustee shall make payment directly to the general contractor or supplier of materials or services or jointly to Developer (or any permitted assignee of such Developer) and the general contractor or supplier of materials or services, as indicated in an approved Certification for Payment, out of available and appropriate funds in the Project Fund. If the request for payment results in ninety percent (90%) or more of the Budgeted Costs for such Phase #1 Improvement identified in such request for payment being paid, then Trustee shall hold the payment until work with respect to that Phase #1 Improvement has been completed and accepted by the City. If an unconditional lien release related to the items referenced in the Certification for Payment is attached to such Certification for Payment, the Trustee shall make such payment to the Developer or any permitted assignee of the Developer. In the event the Developer provides a general contractor's or supplier of materials' unconditional lien release for a portion of the work covered by a Certification for Payment, the Trustee will make such payment directly to the Developer or any permitted assignee of the Developer to the extent of such lien release.

(d) Withholding Payments.

Nothing in this Agreement shall be deemed to prohibit the Developer or the City from contesting in good faith the validity or amount of any mechanics or materialman's lien and/or judgment nor limit the remedies available to the Developer or the City with respect thereto, including the withholding of any payment that may be associated with the exercise of such remedy, so long as such delay in performance shall not subject the Phase #1 Improvement to foreclosure, forfeiture, or sale. In the event that any such mechanics or materialman's lien and/or judgment with respect to any Phase #1 Improvement is contested, the Developer shall post or cause delivery

of a surety bond in the amount determined by the City or City may decline to accept the Phase #1 Improvements until such mechanics or materialman's lien and/or judgment is satisfied.

## **ARTICLE VI OWNERSHIP AND TRANSFER OF PHASE #1 IMPROVEMENT**

Section 6.01. Phase #1 Improvement to be Owned by the City or Mustang SUD– Title Evidence. If required by the City or Mustang SUD, as applicable, the Developer shall furnish to the City or Mustang SUD, as applicable, a preliminary title report for land with respect to a Phase #1 Improvement to be acquired and accepted by the City or Mustang SUD, as applicable, from the Developer and not previously dedicated or otherwise conveyed to the City or Mustang SUD, as applicable, for review and approval at least thirty (30) calendar days prior to the transfer of title of a Phase #1 Improvement to the City. The City shall approve the preliminary title report unless it reveals a matter which, in the reasonable judgment of the City, could materially affect the City's clean title or use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the City does not approve the preliminary title report, the City shall not be obligated to accept title to the Phase #1 Improvement until the Developer has cured such objections to title to the satisfaction of the City.

Section 6.02. Phase #1 Improvement Constructed on City Land or Developer Land. If the Phase #1 Improvement is on land owned by the City, the City hereby grants to the Developer a license to enter upon such land for purposes related to construction (and maintenance pending acquisition and acceptance) of the Phase #1 Improvement. If the Phase #1 Improvement is on land owned by the Developer, the Developer hereby grants to the City an easement to enter upon such land for purposes related to inspection and maintenance (pending acquisition and acceptance) of the Phase #1 Improvement. The grant of the permanent easement shall not relieve the Developer of any obligation to grant the City or Mustang SUD title to property and/or easements related to the Phase #1 Improvement as required by the Development Agreement or as should in the City's reasonable judgment be granted to provide for convenient access to and routine and emergency maintenance of such Phase #1 Improvement. The provisions for inspection and acceptance of such Phase #1 Improvement otherwise provided herein shall apply.

## **ARTICLE VII REPRESENTATIONS, WARRANTIES AND COVENANTS**

Section 7.01. Representations, Covenants and Warranties of the Developer. The Developer represents and warrants for the benefit of the City as follows:

(a) Organization. The Developer consists of one limited liability company duly formed, organized and validly existing under the laws of the State of Texas, is in compliance with the laws of the State of Texas, and has the power and authority to own its properties and assets and

to fulfill its obligations in this Agreement and the Development Agreement and to carry on its business in the State of Texas as now being conducted as hereby contemplated.

(b) Authority. The Developer has the power and authority to enter into this Agreement and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered by the Developer.

(c) Binding Obligation. This Agreement is a legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms, subject to bankruptcy and other equitable principles.

(d) Compliance with Law. The Developer shall not commit, suffer or permit any act to be done in, upon or to the lands in the District or the Phase #1 Improvements in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the lands in the District or the Phase #1 Improvements.

(e) Requests for Payment. The Developer represents and warrants that (i) it will not request payment from the Project Fund for the acquisition construction or installation of any improvements that are not part of the costs associated with the Phase #1 Improvements, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to the Certification for Payments.

(f) Financial Records. For a period of two years after completion of the Phase #1 Improvements, the Developer covenants to maintain proper books of record and account for the construction of the Phase #1 Improvements and all Costs related thereto. Such accounting books shall be maintained in accordance with generally accepted accounting principles, and shall be available for inspection by the City or its agents at any reasonable time during regular business hours on reasonable notice.

(g) Plans. The Developer represents that it has obtained or will obtain approval of the Plans from all appropriate departments of the City and from any other public entity or public utility from which such approval must be obtained. The Developer further agrees that, subject to the terms hereof, the Phase #1 Improvements have been or will be constructed in full compliance with such Plans and any change orders thereto consistent with the Act, this Agreement and the Development Agreement. Developer shall provide as-built plans for all Phase #1 Improvements to the City.

(h) Additional Information. The Developer agrees to cooperate with all reasonable written requests for nonproprietary information by the initial purchaser of the Bonds, the City Manager and the City Representative related to the status of construction of the Phase #1 Improvements within the District, the anticipated completion dates for future improvements and any other matter that the initial purchaser of the Bonds or City Representative deems material to the investment quality of the Bonds.

(i) Continuing Disclosure Agreement. The Developer agrees to provide the information required pursuant to the Continuing Disclosure Agreement executed by the Developer in connection with the Bonds.

(j) Tax Certificate. The City will deliver a certificate relating to the Bonds (such certificate, as it may be amended and supplemented from time to time, being referred to herein as the “Tax Certificate”) containing covenants and agreements designed to satisfy the requirements of 26 U.S. Code Sections 103 and 141 through 150, inclusive, and the federal income tax regulations issued thereunder relating to the use of the proceeds of the Bonds or of any monies, securities or other obligations on deposit to the credit of any of the funds and accounts created by the Indenture or this Agreement or otherwise that may be deemed to be proceeds of the Bonds within the meaning of 26 U.S. Code Section 148 (collectively, “Bond Proceeds”).

The Developer covenants to provide, or cause to be provided, such facts and estimates as the City reasonably considers necessary to enable it to execute and deliver its Tax Certificate. The Developer further covenants that (i) such facts and estimates will be based on its reasonable expectations on the date of issuance of the Bonds and will be, to the best of the knowledge of the officers of the Developer providing such facts and estimates, true, correct and complete as of that date, and (ii) the Developer will make reasonable inquiries to ensure such truth, correctness and completeness. The Developer covenants that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use or investment of the Bond Proceeds (including, but not limited to, the use of the Phase #1 Improvements) that would cause any of the covenants or agreements of the City contained in the Tax Certificate to be violated or that would otherwise have an adverse effect on the tax-exempt status of the interest payable on the Bonds for federal income tax purposes.

(k) Financial Resources. The Developer represents and warrants that it has the financial resources, or the ability to obtain sufficient financial resources, to meet its obligations under this Agreement, the Service and Assessment Plan and the Development Agreement.

Section 7.02. Indemnification and Hold Harmless. THE DEVELOPER SHALL INDEMNIFY AND HOLD HARMLESS THE CITY INSPECTOR, THE CITY, ITS OFFICIALS, EMPLOYEES, OFFICERS, REPRESENTATIVES AND AGENTS (EACH AN “INDEMNIFIED PARTY”), FROM AND AGAINST ALL ACTIONS, DAMAGES, CLAIMS, LOSSES OR EXPENSE OF EVERY TYPE AND DESCRIPTION TO WHICH THEY MAY BE SUBJECTED OR PUT: (I) BY REASON OF, OR RESULTING FROM THE BREACH OF ANY PROVISION OF THIS AGREEMENT BY THE DEVELOPER; (II) THE NEGLIGENT DESIGN, ENGINEERING, AND/OR CONSTRUCTION BY THE DEVELOPER OR ANY ARCHITECT, ENGINEER OR CONTRACTOR HIRED BY THE DEVELOPER OF ANY OF THE PHASE #1 IMPROVEMENTS ACQUIRED FROM THE DEVELOPER HEREUNDER; (III) THE DEVELOPER’S NONPAYMENT UNDER CONTRACTS BETWEEN THE DEVELOPER AND ITS CONSULTANTS, ENGINEERS, ADVISORS, CONTRACTORS,



SUBCONTRACTORS AND SUPPLIERS IN THE PROVISION OF THE PHASE #1 IMPROVEMENTS; (IV) ANY CLAIMS OF PERSONS EMPLOYED BY THE DEVELOPER OR ITS AGENTS TO CONSTRUCT THE PHASE #1 IMPROVEMENTS; OR (V) ANY CLAIMS AND SUITS OF THIRD PARTIES, INCLUDING BUT NOT LIMITED TO DEVELOPER'S RESPECTIVE PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNEES, VENDORS, GRANTEEES AND/OR TRUSTEES, REGARDING OR RELATED TO THE PHASE #1 IMPROVEMENTS OR ANY AGREEMENT OR RESPONSIBILITY REGARDING THE PHASE #1 IMPROVEMENTS, INCLUDING CLAIMS AND CAUSES OF ACTION WHICH MAY ARISE OUT OF THE SOLE OR PARTIAL NEGLIGENCE OF AN INDEMNIFIED PARTY (THE "CLAIMS"). NOTWITHSTANDING THE FOREGOING, NO INDEMNIFICATION IS GIVEN HEREUNDER FOR ANY ACTION, DAMAGE, CLAIM, LOSS OR EXPENSE DETERMINED BY A COURT OF COMPETENT JURISDICTION TO BE DIRECTLY ATTRIBUTABLE TO THE WILLFUL MISCONDUCT OF ANY INDEMNIFIED PARTY, DEVELOPER IS EXPRESSLY REQUIRED TO DEFEND CITY AGAINST ALL SUCH CLAIMS, AND CITY IS REQUIRED TO REASONABLY COOPERATE AND ASSIST DEVELOPER IN PROVIDING SUCH DEFENSE.

IN ITS REASONABLE DISCRETION, CITY SHALL HAVE THE RIGHT TO APPROVE OR SELECT DEFENSE COUNSEL TO BE RETAINED BY DEVELOPER IN FULFILLING ITS OBLIGATIONS HEREUNDER TO DEFEND AND INDEMNIFY THE INDEMNIFIED PARTIES, UNLESS SUCH RIGHT IS EXPRESSLY WAIVED BY CITY IN WRITING. THE INDEMNIFIED PARTIES RESERVE THE RIGHT TO PROVIDE A PORTION OR ALL OF THEIR/ITS OWN DEFENSE, AT THEIR/ITS SOLE COST; HOWEVER, INDEMNIFIED PARTIES ARE UNDER NO OBLIGATION TO DO SO. ANY SUCH ACTION BY AN INDEMNIFIED PARTY IS NOT TO BE CONSTRUED AS A WAIVER OF DEVELOPER'S OBLIGATION TO DEFEND INDEMNIFIED PARTIES OR AS A WAIVER OF DEVELOPER'S OBLIGATION TO INDEMNIFY INDEMNIFIED PARTIES, PURSUANT TO THIS AGREEMENT. DEVELOPER SHALL RETAIN CITY-APPROVED DEFENSE COUNSEL WITHIN SEVEN (7) BUSINESS DAYS OF WRITTEN NOTICE FROM AN INDEMNIFIED PARTY THAT IT IS INVOKING ITS RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. IF DEVELOPER FAILS TO RETAIN COUNSEL WITHIN SUCH TIME PERIOD, INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO RETAIN DEFENSE COUNSEL ON ITS OWN BEHALF, AND DEVELOPER SHALL BE JOINTLY AND SEVERALLY LIABLE FOR ALL REASONABLE COSTS INCURRED BY INDEMNIFIED PARTIES.

THIS SECTION 7.02 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

THE PARTIES AGREE AND STIPULATE THAT THIS INDEMNIFICATION COMPLIES WITH THE CONSPICUOUSNESS REQUIREMENT AND THE EXPRESS NEGLIGENCE TEST, AND IS VALID AND ENFORCEABLE AGAINST THE DEVELOPER.

Section 7.03. Use of Monies by City; Changes to Indenture. The City agrees not to take any action or direct the Trustee to take any action to expend, disburse or encumber the monies held in the Project Fund and any monies to be transferred thereto for any purpose other than the purposes permitted by the Indenture. Prior to the acceptance of all the Phase #1 Improvements, the City agrees not to modify or supplement the Indenture without the approval of the Developer if as a result or as a consequence of such modification or supplement: (a) the amount of monies that would otherwise have been available under the Indenture for disbursement for the Costs of the Phase #1 Improvements is reduced, delayed or deferred, (b) the obligations or liabilities of the Developer is or may be substantially increased or otherwise adversely affected in any manner, or (c) the rights of the Developer is or may be modified, limited, restricted or otherwise substantially adversely affected in any manner.

Section 7.04. No Reduction of Assessments. The Developer agrees not to take any action or actions to reduce the total amount of such Assessments to be levied as of the effective date of this Agreement.

## **ARTICLE VIII TERMINATION**

Section 8.01. Mutual Consent. This Agreement may be terminated by the mutual, written consent of the City and the Developer, in which event the City may either execute contracts for or perform any remaining work related to the Phase #1 Improvements not accepted by the City or other appropriate entity and use all or any portion of funds on deposit in the Project Fund or other amounts transferred to the Project Fund under the terms of the Indenture to pay for same, and the Developer shall have no claim or right to any further payments for the Costs of a Phase #1 Improvement hereunder, except as otherwise may be provided in such written consent.

Section 8.02. City's Election for Cause.

(a) The City, upon notice to Developer and the passage of the cure period identified in subsection (b) below, may terminate this Agreement, without the consent of the Developer if the Developer shall breach any material covenant or default in the performance of any material obligation hereunder.

(b) If any such event described in Section 8.02(a) occurs, the City shall give written notice of its knowledge of such event to the Developer, and the Developer agrees to promptly meet and confer with the City Inspector and other appropriate City staff and consultants as to options available to assure timely completion, subject to the terms of this Agreement, of the Phase #1

Improvements. Such options may include, but not be limited to, the termination of this Agreement by the City. If the City elects to terminate this Agreement, the City shall first notify the Developer (and any mortgagee or trust deed beneficiary specified in writing by the Developer to the City to receive such notice) of the grounds for such termination and allow the Developer a minimum of 45 days to eliminate or to mitigate to the satisfaction of the City the grounds for such termination. Such period may be extended, at the sole discretion of the City, if the Developer, to the reasonable satisfaction of the City, is proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), as determined reasonably by the City, the Developer has not eliminated or completely mitigated such grounds to the satisfaction of the City, the City may then terminate this Agreement. In the event of the termination of this Agreement, the Developer is entitled to payment for work accepted by the City related to a Phase #1 Improvement only as provided for under the terms of the Indenture and this Agreement prior to the termination date of this Agreement. Notwithstanding the foregoing, so long as the Developer has breached any material covenant or defaulted in the performance of any material obligation hereunder, notice of which has been given by the City to the Developer, and such event has not been cured or otherwise eliminated by the Developer, the City may in its discretion cause the Trustee to cease making payments for the Actual Costs of Phase #1 Improvements, provided that the Developer shall receive payment of the Actual Costs of any Phase #1 Improvements that were accepted by the City at the time of the occurrence of such breach or default by the Developer upon submission of the documents and compliance with the other applicable requirements of this Agreement.

(c) If this Agreement is terminated by the City for cause, the City may either execute contracts for or perform any remaining work related to the Phase #1 Improvements not accepted by the City and use all or any portion of the funds on deposit in the Project Fund or other amounts transferred to the Project Fund and the Developer shall have no claim or right to any further payments for the Phase #1 Improvements hereunder, except as otherwise may be provided upon the mutual written consent of the City and the Developer or as provided for in the Reimbursement Agreement. The City shall have no obligation to perform any work related to a Phase #1 Improvement or to incur any expense or cost in excess of the remaining balance of the Project Fund.

Section 8.03. Termination Upon Redemption or Defeasance of Bonds. This Agreement will terminate automatically and with no further action by the City or the Developer upon the redemption or defeasance of all outstanding Bonds (including any refunding bonds issued to fund the Bonds) issued under the Indenture.

Section 8.04. Construction of the Phase #1 Improvements Upon Termination of this Agreement. Notwithstanding anything to the contrary contained herein, upon the termination of this Agreement pursuant to this Article VIII, the Developer shall perform its obligations with respect to the Phase #1 Improvements in accordance with this Agreement and the Development Agreement.

Section 8.05. Force Majeure. Whenever performance is required of a party hereunder, that party shall use all due diligence and take all necessary measures in good faith to perform, but if completion of performance is delayed by reasons of floods, earthquakes or other acts of God, war, civil commotion, riots, strikes, picketing or other labor disputes, damage to work in progress by casualty or by other cause beyond the reasonable control of the party (financial inability excepted) (“Force Majeure”), then the specified time for performance shall be extended by the amount of the delay actually so caused. The extension of time to perform allowed by this Section 8.05 shall not apply unless, upon the occurrence of an event of Force Majeure, the party needing additional time to perform notifies the other party of the event of Force Majeure and the amount of additional time reasonably required within ten (10) business days of the occurrence of the event of Force Majeure.

## **ARTICLE IX MISCELLANEOUS**

Section 9.01. Limited Liability of City. The Developer agrees that any and all obligations of the City arising out of or related to this Agreement are special obligations of the City, and the City’s obligations to make any payments hereunder are restricted entirely to the moneys, if any, in the Project Fund and from no other source. Neither the City, the City Inspector, City Representative nor any other City employee, officer, official or agent shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of their actions hereunder or execution hereof.

Section 9.02. Audit. The City Inspector, City Representative or a finance officer of the City shall have the right, during normal business hours and upon the giving of three business days’ prior written notice to a Developer, to review all books and records of the Developer pertaining to costs and expenses incurred by the Developer with respect to any of the Phase #1 Improvements and any bids taken or received for the construction thereof or materials therefor.

Section 9.03. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any party shall be deemed to have been received when personally delivered or transmitted by telecopy or facsimile transmission (which shall be immediately confirmed by telephone and shall be followed by mailing an original of the same within 24 hours after such transmission) or 72 hours following deposit of the same in any United States Post Office, registered or certified mail, postage prepaid, addressed as follows:

|              |   |
|--------------|---|
| To the City: | Attn: City Manager<br>City of Celina, Texas<br>142 N. Ohio<br>Celina, Texas 75009 |
|--------------|---|

With a copy to: Attn: Julie Fort  
Messer, Fort & McDonald  
6371 Preston Road, Suite 200  
Frisco, TX 75034

And to: Attn: Bond Counsel  
Robert Dransfield  
Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 3600  
Dallas, Texas 75201

To the Developer: Attn: Mehrdad Moayedi  
MM Sutton Fields East, LLC  
1800 Valley View Lane, Suite 300  
Farmers Branch, Texas 75234

With a copy to: Attn: Robert Miklos  
Miklos Cinclair, PLLC  
1800 Valley View Lane, Suite 360  
Farmers Branch, Texas 75234

Any party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

The City shall advise the Developer of the name and address of any person who is to receive any notice or other communication pursuant to this Agreement.

Section 9.04. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent possible.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. Any receivables due under this Agreement may be assigned by the Developer without the consent of, but upon written notice to the City pursuant to Section 9.03 of this Agreement. The obligations, requirements, or covenants of this Agreement shall be able to be assigned to an affiliate or related entity of the Developer, or any lien holder on the Property, without prior written consent of the City. The obligations, requirements, or covenants of this Agreement shall not be assigned by the Developer to a non-affiliate or non-related entity of the Developer without prior written consent of the City Manager, except pursuant to a collateral assignment to any person or entity providing construction financing to the Developer for the Developer for a Phase #1 Improvement, provided such person or entity expressly agrees to assume all obligations of the Developer hereunder if there is a default under such financing and such Person elects to complete the Phase #1 Improvement. No such assignment shall be made by the Developer or any successor or assignee of the Developer that results in the City being an “obligated person” within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission without the express written consent of the City. In connection with any consent of the City, the City may condition its consent upon the acceptability

of the financial condition of the proposed assignee, upon the assignee's express assumption of all obligations of the Developer hereunder and/or upon any other reasonable factor which the City deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the scope of the rights and/or obligations assigned. The City may assign by a separate writing certain rights as described in this Agreement and in the Indenture, to the Trustee and the Developer hereby consents to such assignment.

Section 9.06. Other Agreements. The obligations of the Developer hereunder shall be those of a party hereto and not as an owner of property in the District. Nothing herein shall be construed as affecting the City's or the Developer's rights or duties to perform their respective obligations under other agreements, use regulations, ordinances or subdivision requirements relating to the development of the lands in the District, including the applicable Construction Contracts and the Development Agreement. To the extent there is a conflict between this Agreement and the Development Agreement, the Development Agreement shall control. To the extent there is a conflict between this Agreement and the Indenture, the Indenture shall control.

Section 9.07. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by any other party, or the failure by a party to exercise its rights upon the default of any other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by such other party with the terms of this Agreement thereafter.

Section 9.08. Merger. No other agreement, statement or promise made by any party or any employee, officer or agent of any party with respect to any matters covered hereby that is not in writing and signed by all the parties to this Agreement shall be binding.

Section 9.09. Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and the Developer any rights, remedies or claims under or by reason of this Agreement or any covenants, conditions or stipulations hereof, and all covenants, conditions, promises and agreements in this Agreement contained by or on behalf of the City or the Developer shall be for the sole and exclusive benefit of the City and the Developer.

Section 9.10. Amendment. This Agreement may be amended upon agreement of the parties, from time to time in a manner consistent with the Act, the Indenture, and the Bond Ordinance by written supplement hereto and executed in counterparts, each of which shall be deemed an original.

Section 9.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 9.12. Effective Date. This Agreement has been dated as of the date first above written solely for the purpose of convenience of reference and shall become effective upon its execution and delivery, on the Closing Date of the Bonds, by the parties hereto. All representations and warranties set forth therein shall be deemed to have been made on the Closing Date of the Bonds.

Section 9.13. Term. The term of this Agreement, other than the provisions contained in Section 7.02, which shall survive the termination of this Agreement, shall be thirty (30) years or until all amounts under the Reimbursement Agreement have been paid and upon redemption or defeasance of the Bonds (including any refunding bonds issued to refund the Bonds) issued under the Indenture. If the Developer defaults under this Agreement, the Reimbursement Agreement, or the Development Agreement, this Agreement, the Reimbursement Agreement and the Development Agreement shall not terminate with respect to the costs of the Phase #1 Improvements that have been approved by the City pursuant to a Certification for Payment prior to the date of default.

Section 9.14 No Waiver of Powers or Immunity. The City does not waive or surrender any of its governmental powers, immunities, or rights except as necessary to allow Developer to enforce its remedies under this Agreement.

Section 9.15. No Boycott Israel. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel,’ a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

Section 9.16. Not a Listed Company. The Developer represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Developer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign

terrorist organization. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.17. Verification Regarding Energy Company Boycotts. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.18. Verification Regarding Discrimination Against Firearm Entity or Trade Association.

To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions:

(i) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm



trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association;

(ii) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and

(iii) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this Section, the Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

*[Execution pages follow.]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of January 11, 2022.

**CITY OF CELINA, TEXAS**

By: \_\_\_\_\_  
Name: Mindy Koehne  
Title: Mayor Pro Tem

ATTEST:

\_\_\_\_\_  
Name: David Amsler  
Title: Assistant City Secretary

(City Seal)

APPROVED AS TO FORM

\_\_\_\_\_  
Julie Fort, Attorney for the City

**DEVELOPER:**

MM Sutton Fields East, LLC,  
a Texas limited liability company

By: MMM Ventures, LLC,  
a Texas limited liability company  
Its Manager

By: 2M Ventures, LLC,  
a Delaware limited liability company  
Its Manager

By: \_\_\_\_\_  
Name: Mehrdad Moayedi  
Its: Manager

**Exhibit A**

**FORM OF CLOSING DISBURSEMENT REQUEST**

The undersigned is an agent for MM Sutton Fields East, LLC, (the “Developer”) and requests payment from:

[the Costs of Issuance Account of the Project Fund][the Phase #1 Improvements Account of the Project Fund] (as defined in the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement) from U.S. Bank National Association, (the “Trustee”) in the amount of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) for costs incurred in the establishment, administration, and operation of the Sutton Fields East Public Improvement District (the “District”), as follows:

| <b>Closing Costs Description</b> | <b>Cost</b> | <b>PID Allocated Cost</b> |
|----------------------------------|-------------|---------------------------|
|                                  |             |                           |
|                                  |             |                           |
| <b>TOTAL</b>                     |             |                           |

In connection to the above referenced payments, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the above referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the City.
3. The amount listed for the above itemized costs is a true and accurate representation of the Actual Costs incurred by Developer with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement, the Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture (as defined in the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement) for the payment hereby requested have been satisfied.

6. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

**Payments requested hereunder shall be made as directed below:**

- a. X amount to Person or Account Y for Z goods or services.
- b. Etc.

I hereby declare that the above representations and warranties are true and correct.

**MM SUTTON FIELDS EAST, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPROVAL OF REQUEST BY CITY**

The City is in receipt of the attached Closing Disbursement Request. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request and shall include said payments in the City Certificate submitted to the Trustee directing payments to be made from the Costs of Issuance Account of the Project Fund and/or the Phase #1 Improvements Account of the Project Fund, as applicable, upon delivery of the Bonds. The City's approval of the Closing Disbursement Request shall not have the effect of estopping or preventing the City from asserting claims under the Sutton Fields East Public Improvement District Phase #1 Construction, Funding and Acquisition Agreement, the Indenture, the Service and Assessment Plan, any other agreement between the parties or that there is a defect in a Phase #1 Improvement.

**CITY OF CELINA, TEXAS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit B**

**CERTIFICATION FOR PAYMENT FORM – PHASE #1 IMPROVEMENTS**

CERTIFICATION FOR PAYMENT NO. \_\_\_\_\_

The undersigned is a lawfully authorized representative for MM Sutton Fields East, LLC, (the “Developer”) and requests payment from the [Phase #1 Improvements Account of the Project Fund] [Developer Improvement Account of the Project Fund] from U.S. Bank National Association (the “Trustee”) in the amount of \_\_\_\_\_ for labor, materials, fees, and/or other general costs related to the construction and installation of the following Phase #1 Improvements related to the Sutton Fields East Public Improvement District:

*[insert specific Phase #1 Improvement this request is for here]*

Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement.

In connection to the above referenced payment, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certification for Payment Form on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the below referenced Phase #1 Improvement(s) has not been the subject of any prior payment request submitted for the same work to the City or, if previously requested, no disbursement was made with respect thereto.
3. The itemized amounts listed for the Phase #1 Improvement(s) below is a true and accurate representation of the Actual Costs incurred by Developer with the construction and installation of said Phase #1 Improvement(s) identified above, and such costs (i) are in compliance with the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement, and (ii) are consistent with the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement, the Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture for the payment hereby requested have been satisfied.

6. The work with respect to the Phase #1 Improvement(s) identified above (or its completed segment, portion or segment) has been completed and the City has inspected or may begin inspection of the Phase #1 Improvement(s). If this request for payment results in ninety percent (90%) or more of the Budgeted Costs for the Phase #1 Improvement(s) identified above being paid, then the work with respect to the Phase #1 Improvement(s) have been completed and the City or Mustang Special Utility District, as applicable has inspected AND accepted the Phase #1 Improvement(s).

7. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

**Payments requested are as follows:**

| Payee / Description of Phase #1 Improvement | Total Cost of Phase #1 Improvement | Budgeted Cost of Phase #1 Improvement | Amount to be paid from the Project Fund |
|---|------------------------------------|---------------------------------------|---|
|   |                                    |                                       |   |
|   |                                    |                                       |   |

Attached hereto, are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments.

Pursuant to the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement, after receiving this Payment Request, the City is authorized to inspect the Phase #1 Improvement (or completed segment, portion or segment) and confirm that said work has been completed in accordance with all applicable governmental laws, rules, and Plans.

I hereby declare that the above representations and warranties are true and correct.

**MM SUTTON FIELDS EAST, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**APPROVAL OF REQUEST BY CITY**

The City is in receipt of the attached Certification for Payment. After reviewing the Certification for Payment, the City approves the Certification for Payment and shall include said payments in the City Certificate submitted to the Trustee directing payments to be made from appropriate Project Fund account. The City's approval of the Certification for Payment shall not have the effect of estopping or preventing the City from asserting claims under the Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement, the Indenture, the Service and Assessment Plan, any other agreement between the parties or that there is a defect in the Phase #1 Improvements.

**CITY OF CELINA, TEXAS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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**APPENDIX G**

**FORM OF REIMBURSEMENT AGREEMENT**

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**SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT  
PHASE #1 REIMBURSEMENT AGREEMENT**

This Sutton Fields East Public Improvement District Phase #1 Reimbursement Agreement (this “Reimbursement Agreement”) is executed between the City of Celina, Texas (the “City”) and MM Sutton Fields East, LLC, a Texas limited liability company (the “Developer”) to be effective as of January 11, 2022 (individually referred to as a “Party” and collectively as the “Parties”).

**RECITALS**

WHEREAS, capitalized terms used in this Reimbursement Agreement shall have the meanings given to them in this Reimbursement Agreement or in the *Sutton Fields East Public Improvement District Service and Assessment Plan*, dated January 11, 2022, as the same may be amended from time to time (the “SAP”) as originally approved by Ordinance No. \_\_\_\_\_ passed and approved by the City Council of the City (the “City Council”) on January 11, 2022 (“Ordinance No. \_\_\_\_\_”); and

WHEREAS, on October 12, 2021, the City Council passed and approved Resolution No. 2021-96R (the “Creation Resolution”) authorizing the creation of the Sutton Fields East Public Improvement District (the “District”) covering approximately 110 acres of land described by metes and bounds attached to said Creation Resolution (the “District Property”); and

WHEREAS, the purpose of the District is to finance public improvements (the “Authorized Improvements”) as provided by Chapter 372, Texas Local Government Code, as amended (the “Act”) that promote the interests of the City and confer a special benefit on the Assessed Property within the District; and

WHEREAS, the District Property is being developed in phases, and special assessments for each phase have been or will be levied against the Assessed Property within such phase to pay the costs of Authorized Improvements that confer a special benefit on the Assessed Property within such phase; and

WHEREAS, Phase #1 is the initial phase to be developed, as described in the SAP; and

WHEREAS, on December 14, 2021, the City Council passed and approved a resolution determining, among other things, the estimated costs of the Phase #1 Improvements, including costs related to the issuance of the Series 2022 Phase #1 Bonds (defined herein) to be approximately \$9,500,000.00; and

WHEREAS, Table III-A of the SAP sets forth the total costs of the Phase #1 Improvements, excluding costs related to the Series 2022 Phase #1 Bonds to be \$7,471,074.00 (the “Phase #1 Improvements Costs”); and

WHEREAS, in addition to approving the SAP, Ordinance No. \_\_\_\_\_ levied assessments against property within Phase #1 (the “Phase #1 Assessed Property”) for the Phase #1 Improvements in accordance with the Phase #1 Assessment Roll attached as Appendix G to the SAP; and

WHEREAS, on January 11, 2022, the City Council adopted Ordinance No. \_\_\_\_\_ authorizing the issuance and sale of its “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)” (the “Series 2022 Phase #1 Bonds”) to finance a portion of the Phase #1 Improvements Costs; and

WHEREAS, a portion of the Phase #1 Assessment Revenues are dedicated and pledged to secure repayment of the Series 2022 Phase #1 Bonds as provided in the Phase #1 Assessment Roll and the Series 2022 Phase #1 Bonds are secured under the Indenture of Trust, dated February 1, 2022 (the “Series 2022 Phase #1 Bond Indenture”) between the City and U.S. Bank National Association, as trustee (the “Trustee”); and

WHEREAS, the Parties have entered into that certain “Sutton Fields East Public Improvement District Phase #1 Construction, Funding, and Acquisition Agreement” dated as of January 11, 2022 (the “Construction Funding Agreement”) for the construction of the Phase #1 Improvements; and

WHEREAS, the Parties intend for the portion of the Phase #1 Improvements Costs that is not financed by the Series 2022 Phase #1 Bonds to be financed under the terms of this Reimbursement Agreement and the Construction Funding Agreement; and

WHEREAS, the City has established a project fund segregated from all other funds of the City (the “Project Fund”) for the Phase #1 Improvements and has established a “Phase #1 Improvements Account” and a “Developer Improvement Account” within such Project Fund under the Series 2022 Phase #1 Bond Indenture; and

WHEREAS, the City has established a fund segregated from all other funds of the City for the deposit of the Phase #1 Assessment Revenues (the “Pledged Revenue Fund”) and has established a “Bond Pledged Revenue Account” and a “Developer Reimbursement Pledged Revenue Account” within such Pledged Revenue Fund under the Series 2022 Phase #1 Bond Indenture; and

WHEREAS, the City has established a fund segregated from all other funds of the City for the purpose of paying and reimbursing the Developer (the “Reimbursement Fund”) for a portion of the costs of the Phase #1 Improvements paid from the Developer Improvement Account of the Project Fund under the Series 2022 Phase #1 Bond Indenture; and

WHEREAS, pursuant to the Series 2022 Phase #1 Bond Indenture, amounts deposited in the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund shall be

transferred to the Reimbursement Fund pursuant to a completed Reimbursement Payment Request (defined herein) and used solely and exclusively to pay and reimburse the Developer for a portion of the costs of the Phase #1 Improvements paid from the Developer Improvement Account of the Project Fund, plus interest, as set forth in this Reimbursement Agreement.

**NOW THEREFORE, FOR VALUABLE CONSIDERATION THE RECEIPT AND ADEQUACY OF WHICH ARE ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:**

1. The recitals in the “WHEREAS” clauses of this Reimbursement Agreement are true and correct, reflect the intent of the Parties, and are incorporated as part of this Reimbursement Agreement for all purposes.
2. The City shall cause to be deposited into the Pledged Revenue Fund all Phase #1 Assessment Revenues collected (excluding Delinquent Collection Costs and Administrative Expenses) as provided in the Series 2022 Phase #1 Bond Indenture.
3. Developer shall make, or cause to be made, deposits of \$1,348,774.00 to the Developer Improvement Account of the Project Fund (the “Developer Deposit”) on the Closing Date (as defined in the Series 2022 Phase #1 Bond Indenture) of the Series 2022 Phase #1 Bonds. The Phase #1 Improvements Costs shall be paid first from the Phase #1 Improvements Account of the Project Fund and then from the Developer Improvement Account of the Project Fund in accordance with the Indenture and the Construction Funding Agreement.
4. Strictly subject to the terms, conditions, and requirements herein and in the Series 2022 Phase #1 Bond Indenture, and solely from the Phase #1 Assessment Revenues as herein provided, the City agrees to pay to the Developer, and the Developer shall be entitled to receive from the City, the amount equal to the actual costs of the Phase #1 Improvements incurred by the Developer, but not to exceed the budgeted costs, of the Phase #1 Improvements, as set forth in the SAP, actually paid from the Developer Improvement Account of the Project Fund (the “Reimbursement Amount”) plus interest on the unpaid balance in accordance with the terms of this Reimbursement Agreement until September 1, 2052 (the “Maturity Date”); provided, however, the principal amount of the Reimbursement Amount shall not exceed **\$1,100,000.00**. The Reimbursement Amount shall be payable to the Developer solely from: (i) the Phase #1 Assessment Revenues deposited in the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund and transferred to the Reimbursement Fund as provided in Article VI of the Series 2022 Phase #1 Bond Indenture; (ii) the net proceeds (after payment of costs of issuance, including the costs paid or incurred by the City) of one or more series of bonds (the “Future Phase #1 Bonds”) issued by the City and secured by the Phase #1 Assessment Revenues; or (iii) a combination of items (i) and

(ii) immediately above. The Phase #1 Improvements Costs are authorized by the Act and approved by the City Council and represents the estimated cost of the Phase #1 Improvements, a portion of which has been assessed against the Phase #1 Assessed Property for the Phase #1 Improvements which are eligible public improvements that are being undertaken and financed by the District for the special benefit of the Phase #1 Assessed Property and that upon completion will be dedicated in fee and accepted by the City and/or Mustang Special Utility District (“Mustang SUD”), as applicable. The unpaid Reimbursement Amount shall bear simple interest per annum at the rate of (x) \_\_\_\_% for years one through five following the execution of this Reimbursement Agreement, and (y) \_\_\_\_% for years six through 31 or until Future Phase #1 Bonds are sold, if ever. If any portion of the Reimbursement Amount remains unpaid after the City has elected to sell Future Phase #1 Bonds, the interest paid to the Developer shall be the same as the interest rate on the Future Phase #1 Bonds; provided, however, that such rate shall not exceed \_\_\_\_%. The interest rate has been approved by the City Council and is authorized by the Act and was determined based upon the Bond Buyer Revenue Bond Index published in *The Bond Buyer*, a daily publication that publishes this interest rate index, which the highest average index rate for tax-exempt bonds reported in the previous month was \_\_\_\_%. The interest rate of \_\_\_\_% and \_\_\_\_% contained herein comply with Section 372.023 (e)(1) and Section 372.023 (e)(2) of the Act. Reimbursement to the Developer from the Reimbursement Fund as set forth in this section shall be made pursuant to a completed reimbursement form (the “Reimbursement Payment Request”), as set forth in **Exhibit A** attached hereto.

5. The Reimbursement Amount, plus interest, as described above (collectively, the “Unpaid Balance”) is payable to the Developer and secured under this Reimbursement Agreement solely as described in paragraph 4 above. Interest shall accrue on the amount withdrawn from the Developer Improvement Account of the Project Fund pursuant to a Certification for Payment (as defined in the Construction Funding Agreement) from the date of each withdrawal until payment from the Reimbursement Fund. The Unpaid Balance shall be payable, if funds are available, as set forth in the Construction Funding Agreement. No other City funds, revenue, taxes, income, or property shall be used even if the Unpaid Balance is not paid in full at Maturity. Notwithstanding its collection efforts, if the City fails to receive all or any part of the Phase #1 Assessment Revenues and, as a result, is unable to make transfers from the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund to the Reimbursement Fund for payments to the Developer as required under this Reimbursement Agreement, such failure and inability shall not constitute a Failure or Default by the City under this Reimbursement Agreement. This Reimbursement Agreement and/or any Future Phase #1 Bonds shall not and shall never give rise to or create:



- a. a charge against the general credit or taxing powers of the City or any other taxing unit; or
  - b. a debt or other obligation of the City payable from any source of revenue, taxes, income, or properties of the City other than from the Developer Improvement Account of the Project Fund, the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund or the Reimbursement Fund as provided in the Series 2022 Phase #1 Bond Indenture or from the net proceeds of any Future Phase #1 Bonds; or
  - c. any obligation of the City to issue Future Phase #1 Bonds or other obligations; or
  - d. any obligation of the City to pay any amount due or to become due under this Reimbursement Agreement other than from (i) the Developer Improvement Account of the Project Fund, the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund or the Reimbursement Fund as provided in the Series 2022 Phase #1 Bond Indenture and this Reimbursement Agreement, or (ii) from the net proceeds of any Future Phase #1 Bonds.
6. Within fifteen (15) business days of receipt of any Reimbursement Payment Request, the City shall either (i) approve and execute the Reimbursement Payment Request and forward the same to the Trustee for payment (from those funds available in the Reimbursement Fund), or (ii) in the event the City disapproves the Reimbursement Payment Request, give written notification to the Developer of the City's disapproval, in whole or in part, of such Reimbursement Payment Request, specifying the reasons for such disapproval and the additional requirements to be satisfied for approval of such Reimbursement Payment Request. If a Reimbursement Payment Request seeking reimbursement is approved only in part, the City shall specify the extent to which the Reimbursement Payment Request is approved and shall deliver such partially approved Reimbursement Payment Request to the Trustee for payment.
7. If Future Phase #1 Bonds are issued, the net proceeds of such Future Phase #1 Bonds shall be used, from time to time, first to pay the Unpaid Balance due to the Developer under this Reimbursement Agreement for the costs of Phase #1 Improvements paid from the Developer Improvement Account of the Project Fund and then to pay all or any portion of any Phase #1 Improvements Costs. If, after application of the net proceeds of such Future Phase #1 Bonds, any Phase #1 Improvements Costs remain unpaid, then the Developer shall pay such cost. If, after application of the net proceeds of any Future Phase #1 Bonds, the Unpaid Balance due the Developer remains unpaid, all payments toward the Unpaid Balance due the Developer shall be paid from (i) amounts transferred to the Reimbursement Fund from the Developer Reimbursement

Pledged Revenue Account of the Pledged Revenue Fund under the Series 2022 Phase #1 Bond Indenture, and (ii) amounts deposited into any funds created for such purpose under any supplemental indenture relating to any Future Phase #1 Bonds. Once the principal amount of all Future Phase #1 Bonds plus all payments paid to the Developer under this Reimbursement Agreement equal the Unpaid Balance, this Reimbursement Agreement shall terminate.

8. If on the latest of the final maturity date of the Series 2022 Phase #1 Bonds or the Future Phase #1 Bonds, after application of the net proceeds of any Future Phase #1 Bonds, any portion of the Unpaid Balance remains unpaid, such Unpaid Balance shall be canceled and for all purposes this Reimbursement Agreement shall be deemed to have been conclusively and irrevocably PAID IN FULL, and such Unpaid Balance shall no longer be deemed to be payable; provided, however, if any Phase #1 Assessment Revenues remain due and payable and are uncollected on the Maturity Date, such Phase #1 Assessment Revenues, when, as, and if collected after the Maturity Date, shall first be applied to any amounts due in connection with outstanding Series 2022 Phase #1 Bonds and outstanding Future Phase #1 Bonds and second, paid to the Developer and applied to the Unpaid Balance.
9. The Developer has the right to convey, transfer, assign, collaterally assign, mortgage, pledge, or otherwise encumber, in whole or in part without the consent of (but with written notice to) the City, the Developer's right, title, or interest to payments under this Reimbursement Agreement (but not performance obligations) including, but not limited to, any right, title, or interest of the Developer in and to payment of the Unpaid Balance, whether such payment is from (i) amounts transferred to the Reimbursement Fund from the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund under the Series 2022 Phase #1 Bond Indenture, or (ii) net proceeds of any Future Phase #1 Bonds (any of the foregoing, a "Transfer," and the person or entity to whom the Transfer is made, a "Transferee"). Notwithstanding the foregoing, however, no Transfer shall be effective until five days after notice of the Transfer, including, for each Transferee, the information required by Section 17 below, is received by the City. The City may rely on any notice of a Transfer received from the Developer without obligation to investigate or confirm the validity or occurrence of such Transfer. No conveyance, transfer, assignment, mortgage, pledge or other encumbrance shall be made by the Developer or any successor or assignee of the Developer that results in the City being an "obligated person" within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission without the express written consent of the City. The Developer waives all rights or claims against the City for any such funds provided to a third party as a result of a Transfer for which the City has received notice, and the Developer's sole remedy shall be to seek the funds directly from the Transferee.

10. The inability or failure of the City to issue Future Phase #1 Bonds shall not constitute a Failure or Default under this Reimbursement Agreement.
11. The obligations of the City under this Reimbursement Agreement are non-recourse and payable only from (i) amounts transferred to the Reimbursement Fund from the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund under the Series 2022 Phase #1 Bond Indenture, or (ii) net proceeds of any Future Phase #1 Bonds; and such obligations do not create a debt or other obligation payable from any other City revenues, taxes, income, or property. None of the City or any of its elected or appointed officials or any of its officers or employees shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of this Reimbursement Agreement or their acts or omissions under this Reimbursement Agreement.
12. If the Developer is in compliance with that certain Sutton Fields East Development Agreement, effective October 15, 2021 (the "Development Agreement") and following the City's and/or Mustang SUD's inspection and approval of the Phase #1 Improvements in accordance with the provisions of the Construction Funding Agreement and until Future Phase #1 Bonds are issued, if ever, there will be no conditions or defenses to the obligation of the City to use amounts transferred to the Reimbursement Fund from the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund, in accordance with and under the Series 2022 Phase #1 Bond Indenture to pay the Unpaid Balance.
13. If the Developer is in compliance with the Development Agreement, following the City's and/or Mustang SUD's inspection and approval of the Phase #1 Improvements and if Future Phase #1 Bonds are issued, there will be no conditions or defenses to the obligation of the City to use the net proceeds of any Future Phase #1 Bonds to pay the Unpaid Balance and to pledge the Phase #1 Assessment Revenues as security for the Series 2022 Phase #1 Bonds.
14. Nothing in this Reimbursement Agreement is intended to constitute a waiver by the City of any remedy the City may have outside this Reimbursement Agreement against the Developer, any Transferee, or any other person or entity involved in the design, construction, or installation of the Phase #1 Improvements. The obligations of the Developer hereunder shall be those as a Party hereto and not solely as an owner of property in the District. Nothing herein shall be constructed, nor is intended, to affect the City's or the Developer's rights and duties to perform their respective obligations under other agreements, regulations and ordinances.
15. The City may consider issuing one or more series of Future Phase #1 Bonds to pay the Unpaid Balance; however, the Parties covenant and acknowledge that approval of the

issuance of any Future Phase #1 Bonds by the City Council is a governmental function within the City's sole discretion.

16. This Reimbursement Agreement is being executed and delivered, and is intended to be performed in the State of Texas. Except to the extent that the laws of the United States may apply to the terms hereof, the substantive laws of the State of Texas shall govern the validity, construction, enforcement, and interpretation of this Reimbursement Agreement. In the event of a dispute involving this Reimbursement Agreement, venue for such dispute shall lie in any court of competent jurisdiction in Denton County, Texas.
17. Any notice required or contemplated by this Reimbursement Agreement shall be deemed given at the addresses shown below: (i) when delivered by a national company such as FedEx or UPS with evidence of delivery signed by any person at the delivery address regardless of whether such person was the named addressee; or (ii) 72 hours after the notice was deposited with the United States Postal Service, Certified Mail, Return Receipt Requested. Any Party may change its address by delivering written notice of such change in accordance with this section.

To the City:                   Attn: City Manager  
  City of Celina, Texas  
  142 N. Ohio  
  Celina, Texas 75009

With a copy to:               Attn: Julie Fort  
  Messer, Fort, & McDonald PLLC  
  6371 Preston Road, Suite 200  
  Frisco, TX 75034

And to:                         Attn: Bond Counsel  
  Robert Dransfield  
  Norton Rose Fulbright US LLP  
  2200 Ross Avenue, Suite 3600  
  Dallas, Texas 75201-7932

To the Developer:     Attn: Mehrdad Moayedi  
MM Sutton Fields East, LLC  
1800 Valley View Lane, Suite 300  
Farmers Branch, Texas 75234

And to:             Attn: Robert Miklos  
Miklos Cinclair, PLLC  
1800 Valley View Lane, Suite 360  
Farmers Branch, Texas 75234

18. If any provision of this Reimbursement Agreement is held invalid by any court, such holding shall not affect the validity of the remaining provisions, and the remainder of this Reimbursement Agreement shall remain in full force and effect.

19. Failure; Default; Remedies.

a. If either Party fails to perform an obligation imposed on such Party by this Reimbursement Agreement (a “Failure”) and such Failure is not cured after written notice and the expiration of the cure periods provided in this section, then such Failure shall constitute a “Default.” Upon the occurrence of a Failure by a non-performing Party, the other Party shall notify the non-performing Party and all Transferees of the non-performing Party in writing specifying in reasonable detail the nature of the Failure. The non-performing Party to whom notice of a Failure is given shall have at least 30 days from receipt of the notice within which to cure the Failure; however, if the Failure cannot reasonably be cured within 30 days and the non-performing Party has diligently pursued a cure within such 30-day period and has provided written notice to the other Party that additional time is needed, then the cure period shall be extended for an additional 30 day period so long as the non-performing Party is diligently pursuing a cure. Any Transferee shall have the right, but not the obligation, to cure any alleged Failure by the Developer within the same time periods that are provided to the Developer. The election by a Transferee to cure a Failure by the Developer shall constitute a cure by the Developer but shall not obligate the Transferee to be bound by this Reimbursement Agreement unless the Transferee agrees to be bound.

b. If the Developer is in Default, the City shall have available all remedies at law or in equity, provided that no Default by the Developer, however, shall: (1) affect the obligations of the City to use the amounts transferred to the Reimbursement Fund from the Developer Reimbursement Pledged Revenue Account of the Pledged Revenue Fund in accordance with and under the Series 2022 Phase #1 Bond Indenture and the net proceeds of Future Phase #1 Bonds as provided in Sections 10 and 11 of this Reimbursement Agreement; or (2) entitle the City to terminate this Reimbursement Agreement.

- c. If the City is in Default, the Developer's sole and exclusive remedies shall be to: (1) seek a writ of mandamus to compel performance by the City; (2) seek specific enforcement of this Reimbursement Agreement; or (3) terminate this Reimbursement Agreement.
20. To the extent there is a conflict between this Reimbursement Agreement and the Series 2022 Phase #1 Bond Indenture, the Series 2022 Phase #1 Bond Indenture shall control as the provisions relate to the proceeds of the Series 2022 Phase #1 Bonds, the Developer Deposit, or the collection and transfer of the Phase #1 Assessment Revenues. To the extent there is a conflict between this Reimbursement Agreement and the Construction Funding Agreement, the Construction Funding Agreement shall control.
21. The failure by a Party to insist upon the strict performance of any provision of this Reimbursement Agreement by the other Party, or the failure by a Party to exercise its rights upon a Default by the other Party shall not constitute a waiver of such Party's right to insist and demand strict compliance by such other Party with the provisions of this Reimbursement Agreement.
22. The City does not waive or surrender any of its governmental powers, immunities, or rights except to the extent permitted by law and necessary to allow the Developer to enforce its remedies under this Reimbursement Agreement.
23. Nothing in this Reimbursement Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and the Developer any rights, remedies, or claims under or by reason of this Reimbursement Agreement, and all covenants, conditions, promises, and agreements in this Reimbursement Agreement shall be for the sole and exclusive benefit of the City and the Developer.
24. This Reimbursement Agreement may be amended only by written agreement of the Parties.
25. This Reimbursement Agreement may be executed in counterparts, each of which shall be deemed an original.
26. The City shall have the right, during normal business hours and upon three business days' prior written notice to the Developer, to review all books and records of the Developer pertaining to costs and expenses incurred by the Developer with respect to any of the Phase #1 Improvements. For a period of two years after completion of the Phase #1 Improvements, the Developer shall maintain proper books of record and account for the construction of the Phase #1 Improvements and all costs related thereto. Such accounting books shall be maintained in accordance with customary real estate accounting principles.
27. The Parties agree that at any time after the execution of this Reimbursement Agreement, they will, upon request of another Party, execute and deliver such further

documents and do such further acts and things as the other Party may reasonably request in order to effectuate the terms of this Reimbursement Agreement. This provision shall not be construed as limiting or otherwise hindering the legislative discretion of the City Council seated at the time that this Reimbursement Agreement is executed or any future City Council.

28. No Boycott Israel. To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel,’ a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.
29. Not a Listed Company. The Developer represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Developer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.



30. Verification Regarding Energy Company Boycotts. To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

31. Verification Regarding Discrimination Against Firearm Entity or Trade Association. To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions:

(i) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association,



(ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association;

(ii) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and

(iii) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this Section, the Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

[Signature pages to follow]

IN WITNESS WHEREOF, the Parties have caused this Reimbursement Agreement to be executed as of January 11, 2022.

**CITY OF CELINA**

By: \_\_\_\_\_  
Name: Mindy Koehne  
Title: Mayor Pro-Tem

APPROVED AS TO FORM

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Attorney for the City

**DEVELOPER**

**MM Sutton Fields East, LLC,**  
a Texas limited liability company

By: MMM Ventures, LLC,  
a Texas limited liability company  
Its Manager

By: 2M Ventures, LLC,  
a Delaware limited liability company  
Its Manager

By: \_\_\_\_\_  
Name: Mehrdad Moayedi  
Its: Manager

EXHIBIT A

REIMBURSEMENT PAYMENT REQUEST

REIMBURSEMENT REQUEST NO. \_\_\_\_

Reference is made to that certain Indenture of Trust by and between the City and U.S. Bank National Association (the “Trustee”) dated as of February 1, 2022 (the “Indenture”) relating to the “City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project)” (the “Bonds”). Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture.

The undersigned is an agent for MM Sutton Fields East, LLC, a Texas limited liability company (the “Developer”) and requests reimbursement to the Developer (or to the person designated in writing by the Developer) from the Reimbursement Fund under the Indenture for labor, materials, fees, and/or other general costs related to the creation, acquisition, or construction of certain Phase #1 Improvements providing a special benefit to property within Phase #1 of the Sutton Fields East Public Improvement District (the “Phase #1 Improvement Costs”) and accrued interest thereon.

In connection with the above referenced payment, the Developer represents and warrants to the City as follows:

1. The Phase #1 Improvement Costs set forth in this Reimbursement Payment Request relate to Phase #1 Improvement Costs that have previously been paid from the Developer Improvement Account of the Project Fund pursuant to Certification for Payment Certificate No. \_\_\_\_ and such request in in accordance with the provisions of the Sutton Fields East Public Improvement District Phase #1 Reimbursement Agreement, including limitations regarding the maximum amount due to be reimbursed to the Developer contained therein. .
2. Such Certification for Payment Certificate No. \_\_\_\_ has been duly approved by the City and all representations of the Developer pursuant to Certification Payment Certificate No. \_\_\_\_ are true and remain in effect as of the date hereof.
3. The amount requested to be paid pursuant to of the Reimbursement Payment Request is \$\_\_\_\_\_ (consisting of \$\_\_\_\_\_ in Phase #1 Improvement Costs and \$\_\_\_\_\_ in accrued interest).

**Payments requested hereunder shall be made as directed below:**

- a. X amount to Person or Account Y for Z goods or services.
- b. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

**MM SUTTON FIELDS EAST, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPROVAL OF REQUEST**

The City is in receipt of the attached Reimbursement Payment Request, acknowledges the Reimbursement Payment Request, and finds the Reimbursement Payment Request to be in order. After reviewing the Reimbursement Payment Request, the City approves the Reimbursement Payment Request to the extent set forth below and authorizes and directs payment by Trustee in such amounts and from the accounts listed below, to the Developer or other person designated by the Developer in writing.

| Principal Amount to be paid by Trustee from Reimbursement Fund | Interest to be paid by the Trustee from the Reimbursement Fund | Total Amount to be paid by Trustee from the Reimbursement Fund |
|--|--|--|
| \$ _____   | \$ _____   | \$ _____   |

**CITY OF CELINA, TEXAS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_





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