

NEW ISSUE

NOT RATED

THE BONDS ARE INITIALLY OFFERED 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 UNDER THE SECURITIES ACT OF 1933). SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.”

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date hereof, subject to the matters described under “TAX MATTERS” herein.



\$31,229,000*

CITY OF LAVON, TEXAS,

(a municipal corporation of the State of Texas located in Collin County)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(ELEVON PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 PROJECT)

Dated Date: Delivery Date

Interest to Accrue from Delivery Date (defined below)

Due: September 15, as shown on the inside cover

The City of Lavon, Texas, Special Assessment Revenue Bonds, Series 2022 (Elevon Public Improvement District Improvement Area #1 Project) (the “Bonds”), are being issued by the City of Lavon, 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 15 and September 15, commencing September 15, 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 Wilmington Trust, National Association, as trustee (the “Trustee”), to Cede & Co. 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 February 1, 2022, and an Indenture of Trust, dated as of February 1, 2022 (the “Indenture”), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used for the purpose of (i) paying a portion of the Improvement Area #1 Project Costs, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, (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 of the District, and (v) paying the costs of issuance of the Bonds. See “IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS” and “APPENDIX B — Form of Indenture.” Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds are the initial series of Bond Similarly Secured. The Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City payable solely from and secured by the Pledged Revenues (as defined herein), consisting primarily of the revenue from Assessments (as defined herein) levied against assessed parcels in Improvement Area #1 of the Elevon Public Improvement District (the “District”) in accordance with a Service and Assessment Plan (as defined herein) and other funds comprising the Trust Estate (as defined herein), all to the extent and upon the conditions described herein and in the Indenture. The Bonds are not payable from funds raised or to be raised from taxation. See “SECURITY FOR THE BONDS SIMILARLY SECURED.” 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 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, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE ASSESSMENT 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 SIMILARLY SECURED.”

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 (identified below), subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of McCall, Parkhurst & Horton L.L.P., 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 D — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the City by its counsel, Messer, Fort & McDonald, PLLC, for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP and for the Master 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 24, 2022 (the “Delivery Date”).

FMSbonds, Inc.

* Preliminary; subject to change.

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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

CUSIP Prefix: _____^(a)

\$31,229,000*

CITY OF LAVON, TEXAS,

(a municipal corporation of the State of Texas located in Collin County)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(ELEVON PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 PROJECT)

\$ _____ % Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ____^{(a) (b) (c)}

\$ _____ % Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ____^{(a) (b) (c)}

-
- (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 ("CGS"), 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 service provided by CGS. CUSIP numbers are provided for convenience of reference only. The City, the City's Financial Advisor and the Underwriter do not take any responsibility for the accuracy of such numbers.
- (b) The Bonds are subject to redemption, in whole or in part, before their scheduled maturity, at the option of the City, on any date on or after _____, 20__, such redemption date or dates to be fixed by the City, at the redemption price of 100% of principal amount thereof, 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."

* Preliminary; subject to change.

**CITY OF LAVON, TEXAS
CITY COUNCIL**

<u>Name</u>	<u>Place</u>	<u>Term Expires (November)</u>
Vicki Sanson	Mayor	2023
John Kell	Place 1, Mayor Pro Tem	2022
Mike Cook	Place 2	2023
Kay Wright	Place 3	2022
Ted Dill	Place 4	2023
Mindi Serkland	Place 5	2022

CITY ADMINISTRATOR
Kim Dobbs

CITY SECRETARY
Rae Norton

PID ADMINISTRATOR
P3Works LLC

FINANCIAL ADVISOR TO THE CITY
Hilltop Securities Inc.

BOND COUNSEL TO THE CITY
McCall, Parkhurst & Horton L.L.P.

UNDERWRITER'S COUNSEL
Orrick, Herrington & Sutcliffe LLP

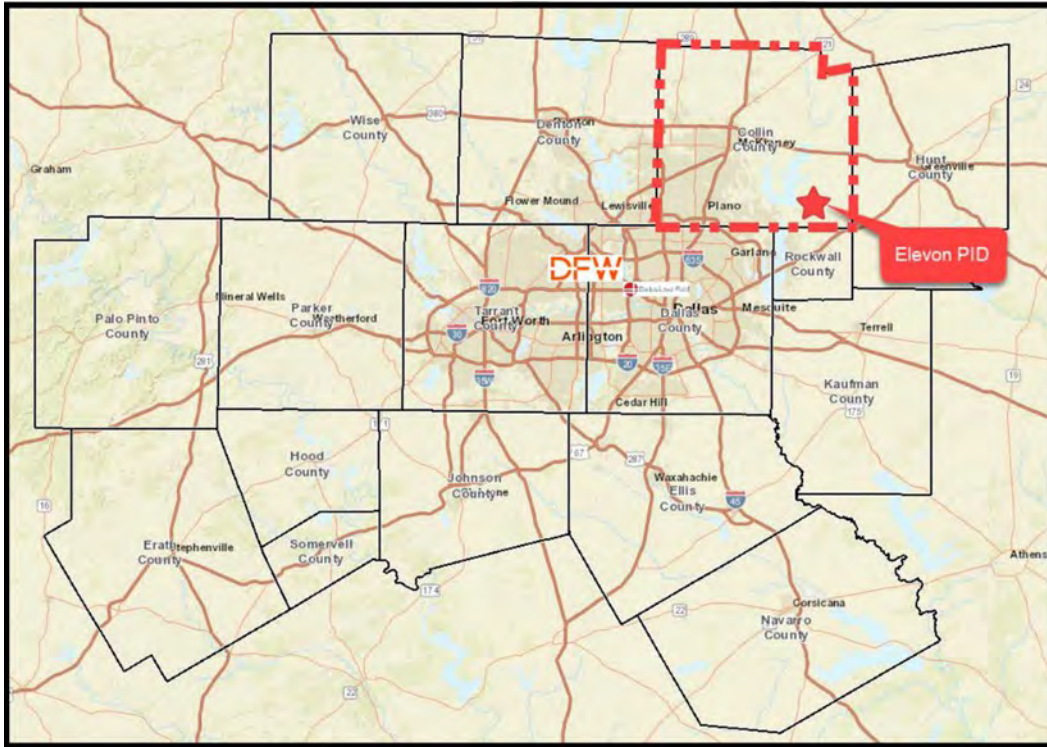
For additional information regarding the City, please contact:

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City Administrator
City of Lavon, Texas
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Lavon, Texas 75166
(972) 843-4220
kdobbs@lavontx.gov

Or

Jason Hughes
Managing Director
Hilltop Securities, Inc.
717 N. Harwood St., Suite 3400
Dallas, Texas 75201
(214) 953-8707
jason.hughes@hilltopsecurities.com

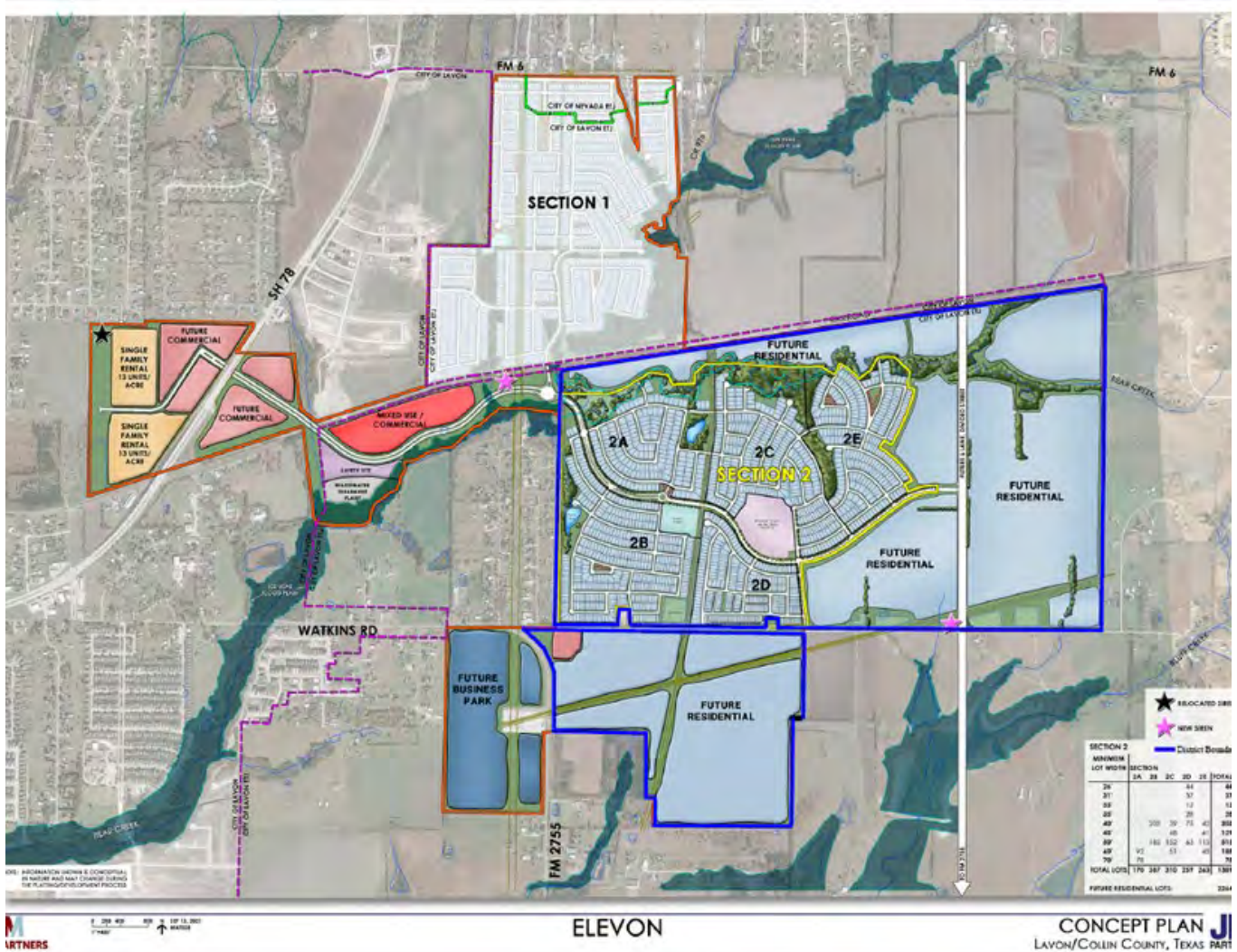
REGIONAL LOCATION MAP OF THE DISTRICT



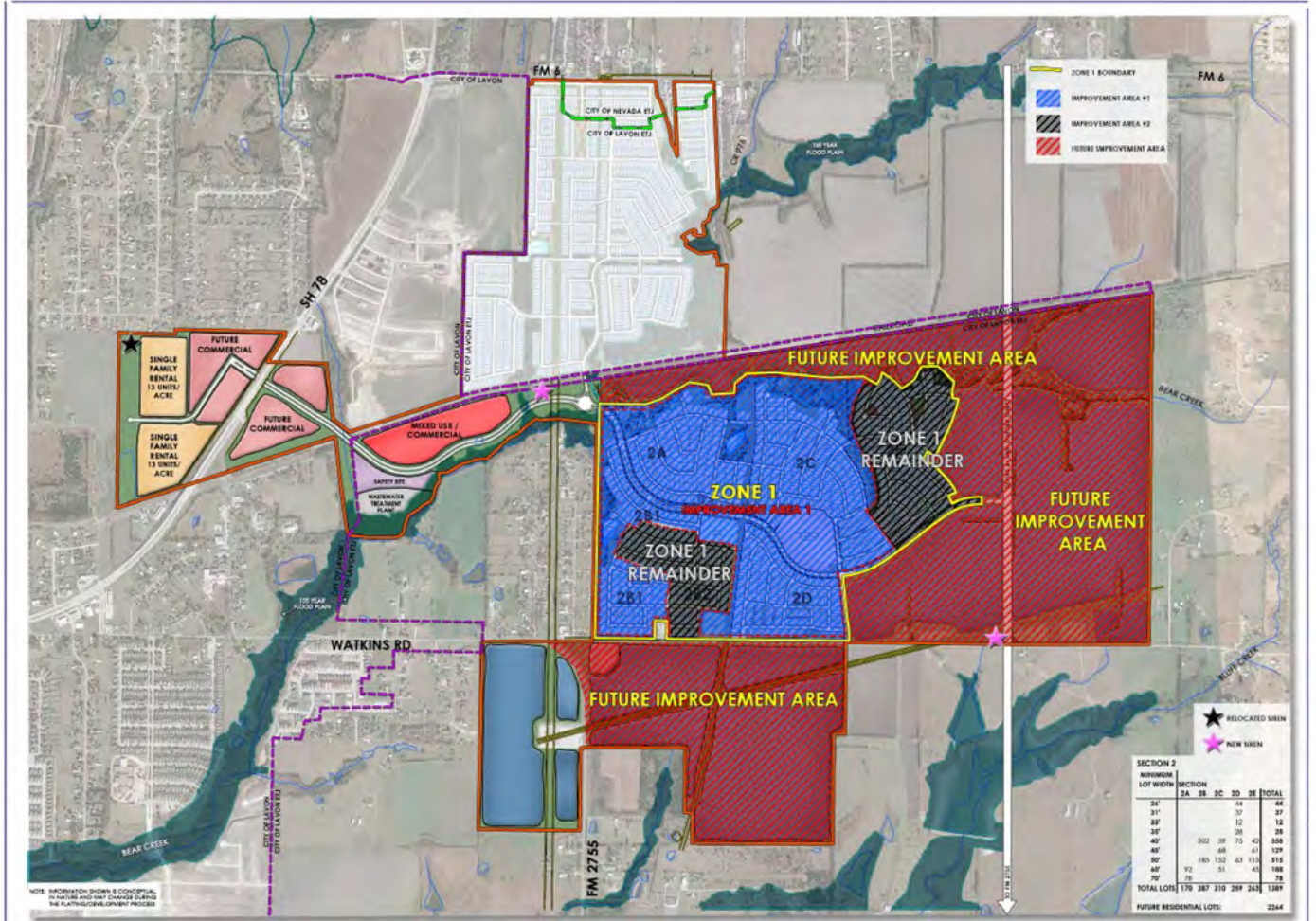
AREA LOCATION MAP OF THE DISTRICT



MAP OF THE DISTRICT
(The District is outlined in blue.)



MAP OF THE FUTURE IMPROVEMENT AREA, ZONE 1, IMPROVEMENT AREA #1, THE ZONE 1 REMAINDER AREA, AND PODS



SCALE: 1" = 400'

ELEVON

CONCEPT PLAN JBI
LAYTON/COLLIN COUNTY, TEXAS PARTNERS

FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES AN "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.

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 INITIAL PURCHASERS ARE 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, AS AMENDED (THE "SECURITIES ACT OF 1933") AND "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. EACH PROSPECTIVE INITIAL 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 INITIAL 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."

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 MASTER 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 MASTER DEVELOPERS SINCE THE DATE HEREOF.

NONE OF THE CITY, THE UNDERWRITER OR THE MASTER DEVELOPER 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

\$31,229,000*

CITY OF LAVON, TEXAS,

(a municipal corporation of the State of Texas located in Collin County)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(ELEVON PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 PROJECT)

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, the inside cover and the appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Lavon, Texas (the “City”), of its \$31,229,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2022 (Elevon Public Improvement District Improvement Area #1 Project) (the “Bonds”).

INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED INITIALLY TO AND ARE BEING SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. 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, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS,” “BONDHOLDERS’ RISKS,” AND “SUITABILITY FOR INVESTMENT.”

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 adopted by the City Council of the City (the “City Council”) on February 1, 2022 (the “Bond Ordinance”), and an Indenture of Trust, dated as of February 1, 2022 (the “Indenture”), expected to be entered into by and between the City and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds are the initial series of the Bonds Similarly Secured. The Bonds will be secured by a pledge and lien upon the Trust Estate (as defined in the Indenture) consisting primarily of revenue from special assessments (the “Assessments”) levied pursuant to a separate ordinance expected to be adopted by the City Council on February 1, 2022 (the “Assessment Ordinance”) against assessed parcels (the “Assessed Property”) located within Improvement Area #1 (as defined herein) of the initial zone (“Zone 1”) of the Elevon Public Improvement District (the “District”) all to the extent and upon the conditions described in the Indenture. See “SECURITY FOR THE BONDS SIMILARLY SECURED” and “ASSESSMENT PROCEDURES.”

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, except as otherwise noted in “ASSESSMENT PROCEDURES,” that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX B — Form of Indenture.”

Set forth herein are brief descriptions of the City, the District, the Master Developer (as defined herein), the Builders (as defined herein), P3Works, LLC (the “PID Administrator”), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the Improvement Area #1 CFA Agreement (as defined herein), the Improvement Area #1 Reimbursement Agreement (as defined herein) and the Development Agreement (as defined herein), 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, telephone number (214) 302-2246. The Form of Indenture appears in APPENDIX B and the Form of Service and Assessment Plan appears as APPENDIX C. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein

* Preliminary; subject to change.

and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

PLAN OF FINANCE

The District

The PID Act authorizes political subdivisions, such as the City, to create public improvement districts and to impose assessments within the public improvement district to pay for public improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area #1 Projects (as defined herein), authorized by the PID Act and approved by the City Council of the City (the “City Council”) that confer a special benefit on the District. The District is not a separate political entity from the City but rather reflects an area currently within the City’s extraterritorial jurisdiction that City Council has designated and within which the City is authorized to levy assessments for public improvements.

Development Plan

The “Elevon Development” is an approximately 1,268-acre master planned community of which approximately 131.651 acres are located within the city limits (the “In-City Property”) and approximately 1,137.044 acres are currently located in the extraterritorial jurisdiction of the City (the “ETJ Property”). The District is located within the Elevon Development currently located within the ETJ Property. At full build, the Elevon Development is expected to consist of over 3,700 single family residential units and approximately 120 acres of mixed-use/commercial property. The residential units will consist of a variety of product sizes from 26’ wide duplex lots to 70’ single family lots to meet the needs of a complete life cycle.

The District consists of approximately 982.719 acres and is being developed as a master-planned residential development. The District is expected to be developed in different stages, designated as “Zones” with one or more “Improvement Areas” within the Zones, which each may include subphases or pods. See “THE DEVELOPMENT.” The term “Improvement Area #1” is used herein to describe the approximately 272.698 acres of property containing Pods 2A, 2B-1, 2C and 2D within the District. The term “Zone 1 Remainder Area” is used to describe the approximately 104.060 acres of property containing Pods 2B-2 and 2E within the District. “Zone 1” consists of Improvement Area #1 and the Zone 1 Remainder Area. The term “Future Improvement Area” is used herein to describe all of the property within the District other than the property in Zone 1. Zone 1, Improvement Area #1, the Zone 1 Remainder Area, and the Future Improvement Area are identified and depicted on the “MAP OF THE FUTURE IMPROVEMENT AREA, ZONE 1, IMPROVEMENT AREA #1, THE ZONE 1 REMAINDER AREA, AND PODS on page v of this Limited Offering Memorandum.

Development in Zone 1 of the District is expected to include approximately 1,387 single-family homes. Development will begin with the development of the direct improvements within Improvement Area #1 (the “Improvement Area #1 Improvements”), certain public improvements benefiting Zone 1 (the “Zone 1 Improvements”) and certain improvements benefiting the entire District (the “Offsite Improvements”). See “THE DEVELOPMENT — Development Plan.”

MA Elevon 429, LLC, a Texas limited liability company (the “Master Developer”), acquired approximately 456.586 acres, including the land withing Zone 1, on November 12, 2021 through a series of transaction: approximately 27.265 acres from Far East Lavon, LP, (“Far East Lavon”); approximately 336.724 acres consisting of Pod 2A, Pod 2B, Pod 2C – Main, Pod 2C-Partial, Pod 2D, Pod 2E-Main and Pod 2E Partial, each pod as described below, from Petro-Hunt, L.L.C. (“Petro-Hunt”); and approximately 92.597 acres from Far East Lavon and Petro-Hunt. Subsequent to such acquisitions, on November 12, 2021, the Master Developer sold:

- approximately 65.135 acres comprising “Pod 2A” to K. Hovnanian DFW Elevon, LLC, a Texas limited liability company (“K Hovnanian Homes”);
- approximately 88.190 acres comprising “Pod B,” which was subsequently divided into two development phases “Pod 2B-1” consisting of approximately 49.470 acres and “Pod 2B-2” consisting of approximately 38.720 acres, to HMM/Stratford Elevon JV, LLC, a Texas limited liability company (“HMM/Stratford Elevon”);

- approximately 63.017 acres comprising “Pod 2C-Main” to GRBK Edgewood LLC, a Texas limited liability company (“GRBK Edgewood”) and approximately 14.381 acres comprising “Pod 2C-Partial” to UMH Development, LLC, a Texas limited liability company (“UMH Development”) (collectively, Pod 2C-Main and Pod 2C-Partial, “Pod 2C”);
- approximately 40.661 acres comprising “Pod 2D” to Qualico Developments (U.S.), Inc., a Delaware Corporation (“Qualico”); and
- approximately 52.368 acres comprising “Pod 2E-Main” to GRBK Edgewood and approximately 12.972 acres comprising “Pod 2E-Partial” to UMH Development (collectively, Pod 2E-Main and Pod 2E-Partial, “Pod 2E”).

Collectively, K Hovnanian Homes, HMH/Stratford Elevon, GRBK Edgewood, UMH and Qualico are referred to as the “Builders.” The foregoing transfers totaled approximately 336.724 acres. Of the remaining approximately 119.862 of the property retained by the Master Developer; approximately 15.000 acres is located in Improvement Area #1 and is intended to be used as a school site; approximately 25.034 acres is located in Improvement Area #1 and is intended to be used for Elevon Parkway right of way, HOA acreage and an amenity center; and the remaining approximately 79.828 is located in the Future Improvement Area of the District.

Each Builder entered into substantially similar purchase and sale agreements with the Master Developer (the “Purchase and Sale Agreements” or, individually, a “Purchase and Sale Agreement”). Pursuant to the Purchase and Sale Agreements, each Builder agreed to develop the entirety of its purchased pod, including the Improvement Area #1 Improvements or the Future Zone 1 Improvement Area Improvements (as defined herein) and the Private Improvements (as defined herein) within its pod (the “Builders’ Development Obligations”) and the Master Developer agreed to finance and construct the Zone 1 Improvements, the Offsite Improvements, certain electric, gas and fiber network improvements (the “Electric, Gas and Fiber Network”) and certain common area improvements, including amenity center, playground, open space, parks, trails, ponds and piers (the “Common Area Improvements” and together with the Zone 1 Improvements, the Offsite Improvements and the Electric, Gas and Fiber Network,” the “Master Developer’s Development Obligations”). The Master Developer and the Builders have entered into a development agreement effective as of November 12, 2021 (the “Builder Development Agreement”) to provide for the completion of the Master Developer’s Development Obligations and an escrow of funds for the payment of a portion thereof.

The Master Developer expects to commence construction of the Zone 1 Improvement and the Offsite Improvements in Q1 of 2022 and complete such improvements in Q1 2023. The Master Developer anticipate that the Builders will commence construction of the Improvement Area #1 Improvements and the Private Improvements within Improvement Area #1 beginning in Q1 2022 and complete such improvements in Q1 2023 through Q2 2023. See “THE DEVELOPMENT – Lot Development and Home Construction.”

Development Agreement

The City, Master Developer, Far East Lavon, Petro-Hunt, 78 Straddle, LP (“78 Straddle”), East Lavon Partners, LP (“East Lavon Partners”) and World Land Developers, LP (“World Land Developers,” together with Far East Lavon, Petro-Hunt, 78 Straddle and Easton Lavon Partners, the “Petro-Hunt Entities”) entered into the Elevon Development Agreement as of November 2, 2021 (the “Development Agreement”) relating to the Elevon Development. In the Development Agreement, the parties thereto, agreed that with respect to portions of the property within the Development acquired by the Master Developer from the various Petro-Hunt Entities, from time to time, the Development Agreement will automatically be assigned from the respective Petro-Hunt Entities to the Master Developer with respect to such acquired property upon the Master Developer closing on such portion of the property.

The Development Agreement provides for the annexation of the land within ETJ Parcel of the Elevon Development into the City on a Zone-by-Zone basis upon the issuance of bonds for the initial phase of each such Zone. The City, the Master Developer and the Builders anticipate that Zone 1 will be annexed into the City on or about February 1, 2022. Certain commercial, business park and mixed-use property within the ETJ Parcel is anticipated to be annexed in March of 2022.

Pursuant to the Development Agreement, the Master Developer agreed to construct or cause to be constructed (i) the “Public Improvements” benefiting the Elevon Development, including the Improvement Area #1 Improvements

or the Future Zone 1 Improvement Area Improvements, the Zone 1 Improvements and the Offsite Improvements and (ii) the Private Improvements. The City agreed to reimburse the Master Developer for the costs of such Public Improvements from (i) the proceeds of assessment revenue bonds (“PID Bonds”), (ii) assessment revenues pursuant to a reimbursement agreement, and/or (iii) tax increment revenues pursuant to an agreement to dedicate the revenues generated from a tax increment reinvestment zone encompassing the Elevon Development. See “THE DEVELOPMENT – The Development Agreement.”

As a condition to the issuance of PID Bonds, the Development Agreement requires that the Master Developer provide evidence of sufficient funds acceptable to the City to fund any costs of the Public Improvements not funded with the proceeds of the PID Bonds and the Private Improvements. The Master Developer will deposit cash in an amount sufficient to fund the costs of the Zone 1 Improvements and the Offsite Improvements allocable to Improvement Area #1 not funded with the proceeds of the Improvement Area #1 Bonds, but no such deposit will be required for the cost of the Zone 1 Improvements and the Offsite Improvements allocable to the Zone 1 Remainder Area. See “SOURCES AND USES OF FUNDS” and “THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District – *Financing of Master Developer’s Development Obligations.*” Notwithstanding the foregoing to the contrary, the Development Agreement permits a “Publicly-Held Builder” or a “Substantial Builder” that is a developer to provide a builder completion agreement (a “Builder Completion Agreement”) or other evidence satisfactory to the City of its ability to fund any Public Improvements not funded from the proceeds of the PID Bonds and the Private Improvements. Pursuant to each Builder’s Purchase and Sale Agreement, each Builder agreed to finance and construct the Improvement Area #1 Improvements and the Private Improvements within its pod within Improvement Area #1 and to provide a Builder Completion Agreement evidencing that it has sufficient funds to complete the Improvement Area #1 Improvements not funded from the proceeds of the Bonds and the Private Improvements within its pod. Assessments will not be levied for the costs of the Private Improvements and the Builders will not be reimbursed for such costs. See “THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District -- *Financing of Builders’ Development Obligations.*”

The Development Agreement defines:

“Appraisal” to mean an independent appraisal of the property to be assessed in the PID provided by a licensed MAI Appraiser acceptable to the City, such Appraisal to include the projected value of the land assuming the construction and installation of the Public Improvements to be financing in part with the PID Bonds (i.e., “as-complete”), and the construction and installation of the Private Improvements to be finance by the Master Developer (i.e., “as-complete”), necessary to get to a Final Lot Value.

“Final Lot Value” to mean the developed lots value established by an Appraisal.

“Private Improvements” to mean those private horizontal improvements necessary to get to a Final Lot Value as established by an Appraisal, excluding the Public Improvements, described in the plans and specifications, submitted to the City pursuant to the City regulations or development process, as applicable, being constructed in the District. The Private Improvements constructed within Improvement Area #1 are referred to as the “Improvement Area #1 Private Improvements.” The Private Improvements to be constructed within the Zone 1 Remainder Area are referred to as the “Future Zone 1 Remainder Area Private Improvements.”

“Public Improvements” to means public improvements to be developed and constructed or caused to be developed or constructed inside and outside of the District by the Master Developer to serve the assessed property within the District and the applicable PID Phase, which includes the improvements described in Exhibit G to the Development Agreement and in the applicable Service and Assessment Plan.

“Publicly-Held Builder” to mean a homebuilder that is a public company, a publicly traded company, a publicly held company, a publicly listed company, or a public limited company with shares of stock which are intended to be freely traded on a stock exchange or in over-the-counter markets.

“Substantial Builder” to mean a homebuilder that has constructed a minimum of 300 of single-family residential homes in the last calendar year.

For additional terms of the Development Agreement, see “THE DEVELOPMENT – The Development Agreement.”

The Bonds

Proceeds of the Bonds will be used for the purpose of (i) paying a portion of the Improvement Area #1 Project Costs, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, (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 of the District, and (v) paying the costs of issuance of the Bonds. See “SECURITY FOR THE BONDS SIMILARLY SECURED” and “ASSESSMENT PROCEDURES.”

The Bonds shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”) or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds.

The Zone 1 Remainder Area Bonds

Concurrently with the issuance of the Bonds, the City will issue its \$8,148,000* City of Lavon, Texas, Special Assessment Revenue Bonds, Series 2022 (Elevon Public Improvement District Zone 1 Remainder Area Project) (the “Zone 1 Remainder Area Bonds”) to finance a portion of the costs of the pro rata portion of the Zone 1 Improvements allocable to the Zone 1 Remainder Area and costs of the pro rata portion of the Offsite Improvements allocable to the Zone 1 Remainder Area (collectively, the “Zone 1 Remainder Area Projects”). The Zone 1 Remainder Area Bonds will be secured by assessments levied on property within the Zone 1 Remainder Area (the “Zone 1 Remainder Area Assessments”). See “MAP OF THE FUTURE IMPROVEMENT AREA, ZONE 1, IMPROVEMENT AREA #1, THE ZONE 1 REMAINDER AREA, AND PODS” on page v of this Limited Offering Memorandum.

The Zone 1 Remainder Area Bonds are not offered pursuant to this Limited Offering Memorandum.

Improvement Area #1 CFA Agreement; Improvement Area #1 Reimbursement Agreement; Additional Bonds

The City and the Master Developer expect to enter into a construction financing and acquisition agreement related to Improvement Area #1 (the “Improvement Area #1 CFA Agreement”). The Improvement Area #1 CFA Agreement establishes the procedures for the financing, construction and payment of the Improvement Area #1 Project Costs. The total cost of all of the Improvement Area #1 Authorized Improvements is expected to be approximately \$47,512,294*, of such costs approximately \$31,229,000* will be paid the proceeds of the Bonds and approximately \$10,104,000* will be paid from Assessment Revenues pursuant to the terms of the Improvement Area #1 CFA Agreement and the Improvement Area #1 Reimbursement Agreement (as defined below). The remaining \$6,179,294* will be funded by the Master Developer or the Builders without reimbursement by the City.

The City and the Master Developer intend to enter into a reimbursement agreement (the “Improvement Area #1 Reimbursement Agreement”) to finance a portion of the costs of the Improvement Area #1 Projects in an amount not to exceed \$10,104,000* (the “Improvement Area #1 Reimbursement Obligation”) not paid with proceeds of the Bonds. The Bonds and the Improvement Area #1 Reimbursement Obligation will be secured by the Assessments; however, the payment of debt service on the Bonds will be superior in right to payment of the Improvement Area #1 Reimbursement Obligation. The City, upon satisfying certain financial covenants contained in the Indenture, may issue additional bonds to refinance the Improvement Area #1 Reimbursement Obligation and refunding bonds issued to refund the Bonds or such additional bonds (the “Additional Bonds”). See “THE IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS” and “SECURITY FOR THE BONDS SIMILARLY SECURED – Other Obligations or Other Liens; Additional Bonds.” When issued, the Additional Bonds will be on parity with the Bonds (the Bonds together with any Additional Bonds constitute “Bonds Similarly Secured”). Pursuant to the Service and Assessment Plan, the Improvement Area #1 Reimbursement Agreement and the Development Agreement, the Master Developer or the Builders, as applicable, will be responsible for any costs of the Improvement Area #1 Projects in excess of the amounts funded by the Bonds, Additional Bonds (if issued), and the Improvement Area #1 Reimbursement Agreement. See “APPENDIX G – Development Agreement.”

* Preliminary; subject to change.

Future Indebtedness

Future Zone 1 Improvement Area Bonds. The City, upon satisfying certain financial covenants contained in the indenture relating to the Zone 1 Remainder Area Bonds, may issue one or more series of future phased bonds (each such series of bonds a “Future Zone 1 Improvement Area Bonds”) to finance the costs of Public Improvements benefiting the Zone 1 Remainder Area, (the “Future Zone 1 Improvement Area Improvements”) as development proceeds. The estimated costs of the Future Zone 1 Improvement Area Improvements will be determined as the Zone 1 Remainder Area of the District is developed, and the Service and Assessment Plan will be updated to identify the Future Zone 1 Improvement Area Improvements authorized by the PID Act to be financed by each new series of Future Zone 1 Improvement Area Bonds. When issued, the Future Zone 1 Improvement Area Bonds will be secured by a separate and distinct assessment levied pursuant to the PID Act on property within a Future Zone 1 Improvement Area (the “Future Zone 1 Improvement Area Assessments”) to fund Future Zone 1 Improvement Area Improvements. **Any Future Zone 1 Improvement Area Assessments, if levied, will not be a part of the Trust Estate, will not be security for the Bonds and will not be used to finance construction of the Zone 1 Remainder Area Projects.**

Future Improvement Area Bonds. The City expects to issue one or more series of future phased bonds (each such series of bonds a “Future Improvement Area Bond”) to finance the costs of the Future Improvement Area Improvements in the Future Improvement Area, as development proceeds. The estimated costs of the Future Improvement Area Improvements will be determined as each respective Future Improvement Area of the District is developed, and the Service and Assessment Plan will be updated to identify the improvements authorized by the PID Act to be financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be secured by separate and distinct assessments levied pursuant to the PID Act on assessable property within the applicable Future Improvement Area of the District that benefit from the Future Improvement Area Improvements being financed. Property owners in Improvement Area #1 and the Zone 1 Remainder Area will not pay the assessments that are levied against any Future Improvement Area. **Any assessments, if levied, will not be a part of the Trust Estate, will not be security for the Bonds and will not be used to finance construction of the Improvement Area #1 Projects.**

The Bonds and the Zone 1 Remainder Area Bonds and any Additional Bonds, any Future Zone 1 Improvement Area Bonds and any Future Improvement Area Bonds issued by the City are separate and distinct issues of securities secured by separate assessments. The Zone 1 Remainder Area Bonds and any Additional Bonds, Future Zone 1 Improvement Area Bonds or Future Improvement Area Bonds that may be issued by the City are not offered pursuant to this Limited Offering Memorandum. Investors interested in purchasing any of these other City obligations should refer to the offering documents related thereto, when and if available.

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 to execute the investment letter 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 of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, 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 the Bonds 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 of 1933 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 Improvement Area #1 Authorized Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information, and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for gross negligence, fraud or willful misconduct. For the avoidance of doubt, it is acknowledged that the 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 State or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

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

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

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 (the “Delivery Date”) and will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on each March 15 and September 15, commencing September 15, 2022* (each, an “Interest Payment Date”), until maturity or prior redemption. Wilmington Trust, National Association is the initial 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 (“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 Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 15, 20__, such redemption date or dates to be fixed by the

* Preliminary; subject to change.

City, at the redemption price of 100% of the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption (the “Redemption Price”).

Extraordinary Optional Redemption. The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on the fifteenth 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, from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund) or any other transfers to the Redemption Fund under the terms of the Indenture. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 15 in each of the years 20__ and 20__ (collectively, the “Term Bonds”), are subject to mandatory sinking fund redemption prior to their respective maturities 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 pursuant to the Indenture, on the dates and in the respective Sinking Fund Installments as set forth in the following schedule:

<u>\$</u>	<u>Term Bonds Maturing September 15, 20</u>	<u>Sinking Fund</u>
<u>Redemption Date</u>		<u>Installment</u>
September 15, 20__		\$
September 15, 20__		
September 15, 20__		
September 15, 20__ †		

† Stated Maturity

At least thirty (30) days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by the Indenture, the Trustee shall select by lot a principal amount of Bonds 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 by the Indenture.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date, pursuant to the Indenture, shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least thirty (30) 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, pursuant to the Indenture, shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least thirty (30) days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption provisions in the Indenture or the extraordinary optional redemption provisions in the Indenture and not previously credited to a mandatory sinking fund redemption.

Partial Redemption. If less than all of the Bonds are to be redeemed pursuant to optional redemption or extraordinary optional redemption, the particular maturity of Bonds or portions of a maturity of Bonds to be redeemed shall be selected and designated by the City in its sole discretion. If less than all of the Bonds of a maturity are to be redeemed pursuant to optional redemption, extraordinary optional redemption, or mandatory sinking fund redemption, Bonds shall be redeemed in increments of \$1,000 by any method selected by the Trustee that results in a random selection, provided that no redemption shall cause the principal amount of any Bond to be less than the minimum Authorized Denomination for such Bond. Notwithstanding the foregoing, if any Bonds are to be partially redeemed and such redemption results in the redemption of a portion of a single Bond in an amount less than the Authorized Denomination in effect at that time, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for such Bond.

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

Notice of Redemption. Upon receipt of a City Order of redemption by the City, the Trustee shall give notice of any redemption of Bonds by sending notice by first class United States mail, 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. 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 conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable.

Any notice so given as provided in the prior paragraph 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 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. Upon receipt of a City Order of such rescission from the City, the Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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 DTC, 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 (as defined herein), 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 Securities and Exchange Commission (the "SEC"), 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"). Direct Participants and Indirect Participants are collectively referred to herein as "Participants." DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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 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 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 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 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.

SECURITY FOR THE BONDS SIMILARLY SECURED

The following is a summary of certain provisions contained in the Indenture. Reference is made to the Indenture for a full statement of the terms and provisions of the Bonds Similarly Secured. Investors must read the entire Indenture to obtain information essential to the making of an informed investment decision. See "APPENDIX B — Form of Indenture."

General

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE ASSESSMENT 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 "APPENDIX B — FORM OF INDENTURE."

The following is a summary of certain provisions contained in the Indenture. Reference is made to the Indenture for a full statement of the terms and provisions of the Bonds. Investors must read the entire Indenture to obtain information essential to the making of an informed investment decision. See "APPENDIX B — Form of Indenture."

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 revenues of the Assessments expected to be levied against the Assessed Property and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (as updated, amended and supplemented from time to time, the “Service and Assessment Plan”), which describes the special benefit received by the Assessed Property, provides the basis and justification for the determination of special benefit on the Assessed Property, establishes the methodology for the levy of the Assessments and provides for the allocation of Assessment Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated at least annually (each, an “Annual Service Plan Update”) for the purpose of determining the annual budget for Authorized 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, developers, and end-users of Assessed Property within the District. See “APPENDIX C — Form of Service and Assessment Plan.”

Pledged Revenues

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of applicable law to finance the Improvement Area #1 Authorized Improvements by levying the Assessments upon the Assessed Property. For a description of the assessment methodology and the amounts of Assessments anticipated to be levied in Improvement Area #1, see “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of Service and Assessment Plan.”

Pursuant to the Indenture,

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

“Annual Installment” means, with respect to each Assessed Property, each annual payment of: (i) the principal of and interest on the Assessments as shown on the Assessment Roll or in an Annual Service Plan Update, and as shown in Exhibit F-2 to the Service and Assessment Plan, and calculated as provided in Section VI of the Service and Assessment Plan, (ii) Administrative Expenses and (iii) the Additional Interest.

“Assessment Revenues” means the revenues received by the City from the collection of Assessments, including Prepayments, Annual Installments and Foreclosure Proceeds.

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

See “SECURITY FOR THE BONDS — Pledged Revenue Fund” and “APPENDIX C — Form of Service and Assessment Plan.”

Collection and Enforcement of Assessments

For so long as any Bonds are Outstanding, the City covenants, agrees and warrants that it will take and pursue all reasonable 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. 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.

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 Assessments or the corresponding particular Assessed Property. The City shall not be required under any circumstances to expend any funds for Delinquent Collection Costs or Administrative Expenses in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Unconditional Levy of Assessments

The City will impose Assessments on the Assessed Property 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 the 0.50% additional interest charged on Assessments pursuant to Section 372.018 of the PID Act (the “Additional Interest Rate”) 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 annually and shall be due 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.

As authorized by Section 372.018(b) of the PID Act, the City will collect, each year while the Bonds are Outstanding and unpaid, an amount to pay the annual costs incurred by the City in the administration and operation of Improvement Area #1 (the “Administrative Expenses”). The portion of each Annual Installment of an Assessment used to pay Administrative Expenses shall remain in effect each year until all Bonds are finally paid or until the City adjusts the amount collected after an annual review in any year pursuant to Section 372.013 of the PID Act. The amount collected to pay Administrative Expenses shall be due in the manner set forth in the Assessment Ordinance on or about October 1 of each year and shall be delinquent if not paid by February 1 of the following year. **Amounts collected for Administrative Expenses are not part of the Trust Estate and will not secure repayment of the Bonds.**

There is no discount for the early payment of Assessments.

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 Assessed Property, superior to all other liens and claims, except liens and claims for the State, county, school district, or municipality for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. 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.”

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) will 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 Pledged Revenues will be valid and binding and fully perfected from and after the Delivery 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 Chapter 1208 of the Texas Government Code, 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 State 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

Chapter 9, Business and Commerce Code, 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 State law to comply with the applicable provisions of Chapter 9, Business and Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Pledged Revenue Fund

Periodically upon receipt thereof, the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Assessments and Annual Installments, other than the portion of the Assessments and Annual Installments allocated to the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited to the Administrative Fund in accordance with the Indenture. Following such deposit to the Pledged Revenue Fund, the City shall transfer or cause to be transferred the following amounts from the Pledged Revenue Fund to the following Accounts: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund, an amount sufficient to pay debt service on the Bonds Similarly Secured next coming due, 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, (ii) second, if necessary, to the Reserve Account of the Reserve Fund, an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, and (iii) third, to the Reimbursement Fund, to fund obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Additional Interest shall only be utilized for the purposes set forth in the Indenture and, immediately following the initial deposit to the Pledged Revenue Fund, prior to any other transfers or deposits being made under the Indenture, if the Delinquency and Prepayment Reserve Account of the Reserve Fund does not contain the Delinquency and Prepayment Reserve Requirement and Additional Interest is collected, then all such Additional Interest will be transferred into the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement is met. In addition, in the event the City owes Rebatable Arbitrage to the United States Government pursuant to the Indenture, the City shall provide written direction to the Trustee to transfer to the Rebate Fund, prior to any other transfer under the Indenture, the full amount of Rebatable Arbitrage owed by the City, as further described in the Indenture. If any funds remain on deposit in the Pledged Revenue Fund after the foregoing deposits are made, the City shall have the option, in its sole and absolute discretion, to use such excess funds for any one or more of the following purposes: (i) pay other costs of the Improvement Area #1 Projects, (ii) pay other costs permitted by the PID Act, or (iii) deposit such excess into the Redemption Fund to redeem Bonds Similarly Secured as provided in the Indenture. Along with each transfer to the Trustee, the City shall provide a certificate as to the funds, accounts and payments into which the amounts are to be deposited or paid.

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 provided in the Indenture, there are insufficient funds to make the payments provided in the paragraph above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds Similarly Secured.

The Trustee shall transfer Prepayments to the Redemption Fund to be used to redeem Bonds Similarly Secured pursuant to the Indenture promptly after deposit of such amounts into the Pledged Revenue Fund.

Promptly after the deposit of Foreclosure Proceeds into the Pledged Revenue Fund, the Trustee shall transfer such Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the particular Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund to be used to redeem Bonds Similarly Secured pursuant to the Indenture.

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 the Reserve Fund, the Trustee shall transfer any Pledged Revenues remaining in the Pledged Revenue Fund for the purposes set forth in the Indenture, as directed by the City in a City Certificate.

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 interest then due and payable on the Bonds Similarly Secured, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account as provided below.

If amounts in the Principal and Interest Account are insufficient for the purposes set forth in the paragraph above, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency pursuant to 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 all interest due on the Bonds on September 15, 2022.* Any amounts on deposit to the Capitalized Interest Account after the foregoing payments shall be transferred to the Improvement Area #1 Bond Improvement Account of the Project Fund, or if the Improvement Area #1 Bond Improvement Account of the Project Fund has been closed, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

The City may, in its discretion, deposit moneys into the Principal and Interest Account at any time from any source other than Assessments and Annual Installments, and upon such deposit, such moneys shall be part of the Trust Estate.

Project Fund

Money on deposit in the Project Fund shall be used for the purposes 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 Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund to pay Improvement Area #1 Project Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certificate for Payment. The funds from the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be disbursed in accordance with a Certificate for Payment for Improvement Area #1 Project Costs as described in the Improvement Area #1 CFA Agreement. Each such Certificate for Payment shall include a list of the payees and the payments to be made to such payees as well as a statement that all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate for Payment or in the invoices submitted therewith and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein.

Except as provided in the Indenture, money on deposit in the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be used solely to pay Improvement Area #1 Project Costs. Until such time as the Authorized Amount has been disbursed from the Improvement Area #1 Bond Improvement Account, the Trustee shall pay Improvement Area #1 Project Costs from funds in the Improvement Area #1 Bond Improvement Account until the Authorized Amount has been disbursed from such Account. After the Authorized Amount has been disbursed from the Improvement Area #1 Bond Improvement Account and prior to the satisfaction of a Release Condition in accordance with the Indenture, the Trustee shall pay Improvement Area #1 Project Costs only from funds on deposit in the Improvement Area #1 Developer Improvement Account. After the Authorized Amount has been disbursed from the Improvement Area #1 Bond Improvement Account and a Release Condition has been satisfied in accordance with the Indenture, the Trustee shall pay Improvement Area #1 Project Costs, first, from funds in the Improvement Area #1 Bond Improvement Account until such Account is depleted, and thereafter from funds on deposit in the Improvement Area #1 Developer Improvement Account.

If the City Representative determines in his or her sole discretion that certain amounts then on deposit in the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account are not expected to be expended for purposes of the Project Fund due to the abandonment, or constructive

* Preliminary; subject to change.

abandonment, of one or more of the Improvement Area #1 Projects such that, in the opinion of the City Representative, it is unlikely that the amounts in the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account will ever be expended for the purposes of the Project Fund, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account that are not expected to be used for purposes of the Project Fund. If such City Certificate is so filed, the identified amounts on deposit in the Improvement Area #1 Bond Improvement Account shall be transferred to the Bond Fund or to the Redemption Fund to be used to redeem Bonds as directed by the City Representative in a City Certificate filed with the Trustee, and the identified amounts on deposit in the Improvement Area #1 Developer Improvement Account shall be transferred and released to the Master Developer, or to the Master Developer's successors and assigns or designees pursuant to 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 Improvement Area #1 Projects have been completed and that all Improvement Area #1 Project Costs have been paid, or that any Improvement Area #1 Project Costs are not required to be paid from the Project Fund pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Area #1 Bond Improvement Account of the Project Fund to the Bond Fund or to the Redemption Fund to be used to redeem Bonds pursuant to the Indenture as directed by the City Representative in a City Certificate filed with the Trustee, and the amounts on deposit in the Improvement Area #1 Developer Improvement Account shall be transferred and released to the Master Developer, or to the Master Developer's successors and assigns or designees pursuant to the Indenture. Upon such transfer, the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be closed.

The aggregate amount of funds that the Trustee may disburse from the Improvement Area #1 Bond Improvement Account shall not exceed \$[25,865,000]* (the "Authorized Amount") except and until a Release Condition has been satisfied. The Trustee may make disbursements from the Improvement Area #1 Bond Improvement Account that exceed the Authorized Amount only when the Master Developer provides written certification to the Trustee and the City in a Certificate for Payment that a Release Condition has been satisfied. The first Certificate for Payment that requests funds in excess of the Authorized Amount from the Improvement Area #1 Bond Improvement Account after satisfaction of a Release Condition shall be submitted to the City, the Trustee, the City's financial advisor, Bond Counsel and the Administrator for review and confirmation.

Money may be disbursed from the Improvement Area #1 Bond Improvement Account in excess of the Authorized Amount only if either (i) the ratio of the estimated taxable assessed value of the property within Improvement Area #1 to the total amounts drawn from the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account, inclusive of the amounts requested under the then current Certificate for Payment, equal at least 2.00 to 1.00, or (ii) the City has issued a certificate of occupancy for at least two (2) homes within the Improvement Area #1 (each a "Release Condition"). The City may not approve a Certificate for Payment for payment from the Improvement Area #1 Bond Improvement Account for any amounts that exceed the Authorized Amount until at least one of the Release Conditions have been satisfied. In determining the estimated taxable assessed valuation of the property within Improvement Area #1 for purposes of the above-described Release Condition, the Master Developer may use: (i) the sale price (as evidenced by executed real estate contracts or HUD-1 settlement statement provided to the City) of property within the District that has been sold and for which development on that property has begun; (ii) the sale price (as evidenced by executed real estate contracts or HUD-1 settlement statement provided to the City) of property which has been sold but for which development has not begun; (iii) the Collin Central Appraisal District's value of property established by the last tax statement sent by the Collin County Tax Assessor; or (iv) any combination of (i) through (iii) without duplication.

Any amounts in the Improvement Area #1 Developer Improvement Account to be transferred and released pursuant to the Indenture or (i) shall be irrevocably and unconditionally transferred and released to the Master Developer, or to the Master Developer's successors and assigns or designees as identified in a written notice from the Master Developer to the Trustee and the City. The City and the Trustee shall solely and conclusively rely as to payment of amounts released from the Improvement Area #1 Developer Improvement Account on any such written

* Preliminary; subject to change.

notice from the Master Developer as to their successors and assigns or designees. The City shall provide written notice of the release to the Trustee and Developer, or to the Master Developer's successors and assigns or designees, and the amount payable to the Master Developer, or its successors and assigns or designees.

Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Improvement Area #1 Bond Improvement Account of the Project Fund and used to pay Improvement Area #1 Project Costs or to the Principal and Interest Account and used to pay interest on the Bonds, as directed in a City Certificate filed with the Trustee.

In the event the Master Developer has not completed the Improvement Area #1 Authorized Improvements by January 31, 2025, then the City shall provide written direction to the Trustee to (i) transfer all funds on deposit in the Improvement Area #1 Bond Improvement Account to the Redemption Fund to redeem Bonds pursuant to the Indenture, and (ii) transfer and release amounts on deposit in the Improvement Area #1 Developer Improvement Account to the Master Developer, or to the Master Developer's successors and assigns or designees pursuant to the Indenture. Upon such transfers, the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be closed.

Redemption Fund

Subject to adequate amounts on deposit in the Pledged Revenue Fund, the Trustee, pursuant to a City Order, shall cause to be deposited to the Redemption Fund from the Pledged Revenue Fund an amount sufficient to redeem Bonds Similarly Secured on the dates specified for optional and extraordinary optional redemption as provided in in the Indenture. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds Similarly Secured as provided in the Indenture or as provided in a Supplemental Indenture.

Reserve Fund

General Provisions. Pursuant to the Indenture, a Reserve Account and a Delinquency and Prepayment Reserve Account will each be created within the Reserve Fund for the benefit of the Bonds Similarly Secured and held by the Trustee.

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 Delinquency and Prepayment Reserve Account and second, from the Reserve Account to the Bond Fund the amounts necessary to cure such deficiency.

Whenever a transfer is made from 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.

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

If the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Bond Fund and the Redemption Fund is sufficient to pay the principal amount and interest due on all Outstanding Bonds Similarly Secured on the next date the Bonds Similarly Secured may be optionally redeemed by the City at a redemption price of par, together with the unpaid interest accrued on such Bonds Similarly Secured as of such date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds Similarly Secured on such date.

Reserve Account Provisions. Pursuant to the Indenture, the Reserve Account will be funded with proceeds of the Bonds in the amount of the Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds Similarly Secured will be an amount equal to 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, and (iii) 10% of the proceeds of the Bonds Similarly Secured; provided, however, that such amount shall be reduced by the amount of transfers made pursuant to the Indenture for extraordinary optional redemptions for Prepayments; and provided further that as a result of a mandatory sinking fund redemption, an optional redemption or an

extraordinary optional redemption pursuant to the Indenture, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds Similarly Secured redeemed by such redemption divided by the total principal amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the Delivery Date, the Reserve Account Requirement is \$ _____. See "APPENDIX B – Form of Indenture."

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

In the event of an extraordinary optional redemption of Bonds Similarly Secured resulting from funds being deposited into the Redemption Fund pursuant to any provision of the Indenture, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds Similarly Secured to be redeemed 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 funds on deposit in the Redemption Fund toward payment of accrued interest, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds Similarly Secured to the date fixed for redemption of the Bonds Similarly Secured be redeemed the Trustee shall transfer an amount equal to the shortfall, or any additional amounts necessary to permit the Bonds Similarly Secured to be redeemed in minimum principal amounts of \$1,000, from the Delinquency and Prepayment 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 request of a City Representative, the value of cash and Value of Investment Securities on deposit 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 interest on the Bonds Similarly Secured on the next Interest Payment Date in accordance with the Indenture, unless within thirty (30) days of such notice to the City Representative, the Trustee receives a City Order instructing the Trustee to apply such excess: (i) to pay amounts due to the Rebate Fund, in accordance with the Indenture, (ii) to the Administrative Fund in an amount not more than the Administrative Expenses for the Bonds Similarly Secured or (iii) to the Improvement Area #1 Bond Improvement Account of the Project Fund to pay Improvement Area #1 Project Costs if such application and the expenditure of funds is expected to occur within three years of the Delivery Date hereof.

Delinquency and Prepayment Reserve Requirement. Pursuant to the Indenture, on or before March 15, 2023, and on or before March 15 of each year thereafter, the Trustee shall transfer the Additional Interest from the Pledged Revenue Fund to the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement has been accumulated in the Delinquency and Prepayment Reserve Account. At the time the Delinquency and Prepayment Reserve Requirement is fully accumulated in the Delinquency and Prepayment Reserve Account, the Trustee shall provide written notice of the amount on deposit exceeds the Delinquency and Prepayment Reserve Requirement to the City, and thereafter, the Trustee shall transfer the excess amount to either (i) the Administrative Fund for the payment of Administrative Expenses or (ii) the Redemption Fund to be used to redeem Bonds Similarly Secured, as directed by the City pursuant to a City Order. In the event the Trustee does not receive a City Order directing the transfer of the excess amount to the Administrative Fund within 45 days of providing the foregoing notice to the City, the Trustee shall transfer the excess amount to the Redemption Fund to redeem Bonds Similarly Secured and provide the City with written notification of such transfer. Notwithstanding the foregoing, if at any time the amount on deposit in the Delinquency and Prepayment Reserve Account falls below the Delinquency and Prepayment Reserve Requirement, the Trustee shall resume depositing the Additional Interest into the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement has been accumulated therein. In transferring the amounts pursuant to this paragraph, the Trustee may conclusively rely on a City Order (which shall be based on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan) unless and until it receives a City Order directing that a different amount be used. The Delinquency and Prepayment Reserve Requirement is 5.5% of the principal amount of the Outstanding Bonds Similarly Secured. The Additional Interest shall continue to be collected and deposited pursuant to this paragraph until the Bonds Similarly Secured are no longer Outstanding, but only in the event the balance in the Delinquency and Prepayment Reserve Account is less than Delinquency and Prepayment Reserve Requirement.

Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amounts on deposit in the Delinquency and Prepayment Reserve Account exceed the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and such excess shall be transferred, at the direction of the City pursuant to a City Order, to the Administrative Fund for the payment of Administrative Expenses or to the Redemption Fund to be used to redeem Bonds Similarly Secured. In the event that the Trustee does not receive a City Order directing the transfer of such excess to the Administrative Fund within 45 days of providing notice to the City of such excess, the Trustee shall transfer such excess to the Redemption Fund to redeem Bonds Similarly Secured and provide the City with written notification of the transfer.

Administrative Fund

The City will create under the Indenture an Administrative Fund to be held by the Trustee. Periodically upon receipt thereof, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Assessments and Annual Installments allocated to the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan. Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered pursuant to the Indenture and used as directed by a City Order solely for the purposes set forth in the Service and Assessment Plan, including payment of Administrative Expenses and Delinquent Collection Costs. The Administrative Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured. See “APPENDIX C — Form of Service and Assessment Plan.”

The administrative fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured.

Reimbursement Fund

Money on deposit in the Reimbursement Fund shall be used to reimburse the Master Developer to pay costs of Improvement Area #1 Projects as provided in the Reimbursement Agreement. When all amounts due to the Master Developer to reimburse it for the costs of Improvement Area #1 Projects have been paid to the Master Developer, no further deposits shall be made to the Reimbursement Fund and the Reimbursement Fund shall be closed.

Defeasance

Any Outstanding Bonds Similarly Secured shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of the Indenture (a “Defeased Bond”), when payment of the principal of, premium, if any, on such Defeased Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), either (1) shall have been made in accordance with the terms thereof, or (2) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities that mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds Similarly Secured with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond Similarly Secured shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond Similarly Secured and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Trust Estate as provided in the Indenture, and such principal and interest shall be payable solely from such money or Defeasance Securities. 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 Defeased Bonds and shall not be part of the Trust Estate. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

Any determination not to redeem Defeased Bond that is made in conjunction with the payment arrangements specified above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the Defeased Bond for redemption; (2) the City gives notice of the reservation of that right to the Owners of the Defeased Bond immediately following the defeasance; (3) the City directs that notice

of the reservation be included in any defeasance or redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the City satisfies the conditions of specified above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

“Defeasance Securities” means Investment Securities now or hereafter 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 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 of America, 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 Similarly Secured. 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:

- (i) The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
- (ii) The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings in accordance with the Indenture;
- (iii) Default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture, other than a default under (iv) below, and the continuation thereof for a period of ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and which shall give such notice at the written request of the Owners of not less than 50% in aggregate Outstanding principal amount of the Bonds Similarly Secured then Outstanding; provided, however, if the default stated in the notice is capable of cure but cannot reasonably be cured within the applicable period, the City shall be entitled to a further extension of time reasonably necessary to remedy such default so long as corrective action is instituted by the City within the applicable period and is diligently pursued until such failure is corrected, but in no event for a period of time of more than one hundred eighty (180) days after such notice; and
- (iv) 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 thereafter.

Immediate Remedies for Default

Subject to provisions of the Indenture with respect to certain liabilities of the City, upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than 50% in aggregate Outstanding principal amount of the Bonds Similarly Secured then Outstanding under the Indenture shall proceed to protect and enforce 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 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 Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and the Trustee shall not be liable to any Owner, or other Person, or the City by reason of the following 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 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 reasonable 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 thereunder, 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 a majority of the aggregate principal amount of the Bonds Similarly Secured then Outstanding have made written request to the Trustee directing the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee written evidence of indemnity as provided in the Indenture, (iv) the Trustee has for 60 days after such prior written notice failed or refused to exercise the powers granted in the Indenture, 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 60-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 in writing; 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 under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture 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 as advised by counsel, 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 under the Indenture.

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, 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 Trustee's counsel fees, costs, and expenses), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out in the Indenture during the continuance of an Event of Default, 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 or Redemption Price and to the Owners entitled thereto, without any discrimination or preference.

The Trustee shall make payments to the Owners of the Bonds Similarly Secured pursuant to the Indenture not later than thirty (30) days after receipt of such good and available funds, and the record date shall be the date the Trustee receives such good and available funds.

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 of Funds

Money in any Fund or Account established pursuant to the Indenture, other than the Reserve Fund, shall be invested by the Trustee in Investment Securities as directed by the City pursuant to a City Order filed with the Trustee; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. Money in the Reserve Fund shall be invested in such Investment Securities as directed by the City pursuant to a City Order filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days.

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 Additional 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 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, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and any Additional Bonds, secured by any pledge of or other lien or charge on the Trust Estate or other property pledged under the Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

Other Obligations or Other Liens; Additional Bonds

The City reserves the right to issue obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues. Other than Additional Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be done or omit 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 for any purpose permitted by the PID Act, including for the purpose of refunding any of the Bonds Similarly Secured and in accordance with the conditions set forth below:

(i) The City Representative shall certify that the City is not in, or with the issuance of the Additional Bonds will not be in, default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in the Indenture or in the Development Agreement;

(ii) The Master Developer, through an authorized representative, shall certify that the Master Developer is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the Master Developer contained in the Development Agreement;

(iii) The City and Master Developer are in compliance with any continuing disclosure requirements pursuant to Rule 15c2-12 for Bonds Similarly Secured;

(iv) The City has not received an adverse opinion on the tax-exempt status of existing or proposed Bonds Similarly Secured;

(v) The maximum maturity for the Additional Bonds will not exceed 30 years from the date of delivery of the Bonds;

(vi) The maximum amount of Additional Bonds that may be issued is \$10,104,000 *;

(vii) The principal of and interest on the Additional Bonds must be scheduled to be paid or mature on March 15 or September 15, or both, of the years in which each principal or interest are scheduled to be paid or mature;

(viii) There shall be deposited to the Reserve Account of the Reserve Fund an amount equal to the Reserve Account Requirement taking into account the outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued;

(ix) The Trustee and City shall receive (1) evidence that the aggregate value of the Assessed Property to the sum of (A) the principal amount of the Additional Bonds being issued, and (B) the principal amount of the then Outstanding Bonds Similarly Secured, is at least 2:1, or (2) evidence that the City has issued a certificate of occupancy for at least 125 homes within the Improvement Area #1. In determining the ratio as set forth under (1) herein, the aggregate value of the Assessed Property may be determined by: (i) an Appraisal, (ii) the Collin Central Appraisal District's value of property established by the last tax statement sent by the Collin County Tax Assessor, (iii) the sale price (as evidenced by executed real estate contracts or HUD-1 settlement statement provided to the City), or (iv) any combination of (i) through (iii) without duplication; and

(x) Other than as otherwise provided in (i) through (ix) above, all requirements and conditions to the issuance of the Additional Bonds under the Development Agreement have been met.

The requirements of items (ii), (vi), (ix) and (x) do not apply to the issuance of Refunding Bonds.

* Preliminary; subject to change.

SOURCES AND USES OF FUNDS*

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and the contribution of the Master Developer:

Sources of Funds:	
Principal Amount	\$
Developer Contribution ⁽¹⁾	
Total Sources	\$
Use of Funds:	
Deposit to Improvement Area #1 Bond Improvement Account of Project Fund	\$
Deposit to Improvement Area #1 Bond Developer Improvement Account of Project Fund	
Deposit to Cost of Issuance Account of the Project Fund	
Deposit to Capitalized Interest Account of the Bond Fund	
Deposit to Reserve Account for the Reserve Fund	
Deposit to Administrative Fund	
Underwriter's Discount ⁽²⁾	
Total Uses	\$

* *To be updated and completed upon pricing.*

(1) The Master Developer will deposit cash on or before the Delivery Date. A portion of the Developer Contribution may be reimbursed to the Master Developer by the City subject to the terms of the Improvement Area #1 Reimbursement Agreement.

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

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DEBT SERVICE REQUIREMENTS*

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

<u>Year Ending</u> <u>(September 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	\$	\$
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
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2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
Total	\$	\$	\$

* To be updated and completed upon pricing. *Preliminary; subject to change.*

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OVERLAPPING TAXES AND DEBT

The land within Improvement Area #1 currently lies entirely within the extraterritorial jurisdiction of the City and a portion currently lies within Abston Hills Municipal Utility District No. 1B (“Abston Hills MUD 1B”) and a portion currently lies within Abston Hills Municipal Utility District No. 1D (the “Abston Hills MUD 1D”); however, pursuant to the Development Agreement, the land within Zone 1, including Improvement Area #1, will be excluded from Abston Hills MUD 1B or Abston Hills MUD 1D, as applicable, and annexed into the City upon the issuance of the Bonds, which annexation is expected to occur on or about February 1, 2022. The land within Improvement Area #1 has been, and is expected to continue to be, subject to taxes imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments.

Overlapping Taxes

In addition to the City levying ad valorem taxes on the land within Improvement Area #1 upon the annexation thereof, Improvement Area #1 is also located within Collin County, Community Independent School District (“Community ISD”), and the Collin County Community College District, all of which may levy ad valorem taxes upon land within Improvement Area #1 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 Improvement Area #1.

<u>Overlapping Taxes</u> (upon annexation into the City)	Tax Year 2021 Ad Valorem Tax Rate⁽²⁾
<u>Taxing Entity⁽¹⁾</u>	
City of Lavon ⁽³⁾	\$0.4789
Collin County	0.1681
Community Independent School District	1.4603
Collin County Community College District	<u>0.0812</u>
Total	<u>\$2.1886</u>
Estimated Average Annual Installment of Assessments in Improvement Area #1 as an Equivalent Tax Rate ⁽⁴⁾	<u>\$0.8101</u>
Estimated Total Tax Rate and Average Annual Installment of Assessments in Improvement Area #1 as an Equivalent Tax Rate	<u>\$2.9987</u>

⁽¹⁾ Assumes that the land within Zone 1 has been excluded from Abston Hills MUD 1B or Abston Hills MUD 1D, as applicable, and annexed into the City. Pods 2A, 2B-1 and 2B-2 are located in the Bear Creek SUD and Pods 2C, 2D and 2E are located in the Nevada SUD; however, such SUDs do not levy an ad valorem tax.

⁽²⁾ Per \$100 taxable appraised value. Rounded to nearest fourth digit.

⁽³⁾ Improvement Area #1 is currently located in the City’s extraterritorial jurisdiction; however, pursuant to the Development Agreement, the land within Zone 1, including Improvement Area #1, will be excluded from Abston Hills MUD 1B or Abston Hills MUD 1D, as applicable, and annexed into the City shortly after the issuance of the Bonds, which annexation is expected to occur on or about February 1, 2022.

⁽⁴⁾ Includes Assessments securing the Bonds and the Improvement Area #1 Reimbursement Obligation. Pursuant to the Development Agreement the maximum Assessment on any lot or parcel shall be no greater than \$1.00 per \$100 of assessed valuation.

Source: Collin Central Appraisal District

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Overlapping Debt

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

Overlapping Debt			
(upon annexation into the City)			
<u>Taxing or Assessing Entity</u>⁽¹⁾	<u>Gross Outstanding Debt as of Nov. 30, 2021</u>	<u>Estimated Percentage Applicable</u>⁽²⁾	<u>Direct and Estimated Overlapping Debt</u>⁽²⁾
The City (the Bonds)	\$31,229,000	100%	\$31,229,000
The City (the IA#1 Reimb. Obl.)	10,104,000	100%	10,104,000
The City (General Obligation) ⁽³⁾	14,410,000	12.67%	1,825,598
Collin County	526,975,000	0.04%	194,763
Community Independent School District	118,470,000	4.48%	5,301,534
Collin County Community College District	<u>514,470,000</u>	0.04%	<u>186,526</u>
Total	<u>\$1,215,658,000</u>		<u>\$48,841,421</u>

⁽¹⁾ Assumes that the land within Zone 1 has been excluded from Abston Hills MUD 1B or Abston Hills MUD 1D, as applicable, and annexed into the City. Pods 2A, 2B-1 and 2B-2 are located in the Bear Creek SUD and Pods 2C, 2D and 2E are located in the Nevada SUD; however, such SUDs do not levy an ad valorem tax nor do they have outstanding general obligation debt.

⁽²⁾ Based on the appraised value of the respective area and the tax year 2021 certified values reported by the Collin Central Appraisal District.

⁽³⁾ Improvement Area #1 is currently located in the City's extraterritorial jurisdiction; however, pursuant to the Development Agreement, the land within Zone 1, including Improvement Area #1, will be excluded from Abston Hills MUD 1B or Abston Hills MUD 1D, as applicable, and annexed into the City upon the issuance of the Bonds, which annexation is expected to occur on or about February 1, 2022.

Source: Municipal Advisory Council of Texas

Agricultural Use

If land is devoted principally to agricultural use, the landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land's agricultural value. 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.

If land qualified for an agricultural valuation and the land use changes to a non-agricultural use, "rollback taxes" are assessed for each of the previous three 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 landowner would have paid if the land had been taxed on a higher market value 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 landowner can fence off the remaining land and maintain the agricultural valuation on the remaining land. In this scenario, the landowner would only be responsible for rollback taxes on that portion of the land where use changed and not 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.

All of the property in Improvement Area #1 is currently subject to an agricultural valuation with respect to its ad valorem taxes; however, when development begins in Q1 2022 the land will no longer be subject to an agricultural valuation and rollback taxes will be due. It is expected that rollback taxes will be paid by the Master Developer during development of Improvement Area #1 and prior to the purchase of lots by homeowners.

Homeowners' Association

In addition to the taxes and the Assessments, each owner of a single-family lot within Improvement Area #1 will pay an annual maintenance and operation fee and/or a property owners' association fee to the homeowners' association (the "Homeowners' Association"). See "THE DEVELOPMENT – Development Agreement."

ASSESSMENT PROCEDURES

General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given in the Service and Assessment Plan. For purpose of this section “ASSESSMENT PROCEDURES,”

“Improvement Area #1 Authorized Improvements” means, collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to Improvement Area #1; (2) the pro rata portion of the Offsite Improvements allocable to Improvement Area #1; (3) the Improvement Area #1 Improvements; (4) the first year’s Administrative Expenses related to the Improvement Area #1 Bonds; and (5) Bond Issuance Costs incurred in connection with the issuance of the Improvement Area #1 Bonds.

“Improvement Area #1 Projects” means collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to Improvement Area #1; (2) the pro rata portion of the Offsite Improvements allocable to Improvement Area #1; and (3) the Improvement Area #1 Improvements.

As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Area #1 Authorized Improvements through Improvement Area #1 Assessments, it must adopt a resolution generally describing the Improvement Area #1 Authorized Improvements and the land within Improvement Area #1 to be subject to Improvement Area #1 Assessments to pay the costs therefor. The City has caused an assessment roll to be prepared (the “Improvement Area #1 Assessment Roll”), which Improvement Area #1 Assessment Roll shows the land within Improvement Area #1 to be assessed, the amount of the benefit to and the Improvement Area #1 Assessment against each lot or parcel of land and the number of Improvement Area #1 Annual Installments in which the Improvement Area #1 Assessment is divided. The Improvement Area #1 Assessment Roll will be filed with the City Secretary and made available for public inspection. Statutory notice was published in a newspaper of general circulation of the area in the District and 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 Improvement Area #1 Authorized Improvements and funding the same with the Improvement Area #1 Assessments. The City expects to levy the Improvement Area #1 Assessments and adopt the Assessment Ordinance on February 1, 2022, after which the Improvement Area #1 Assessments will become legal, valid and binding liens upon the Improvement Area #1 Assessed Property.

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

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of Improvement Area #1 Assessed Property as a result of the Improvement Area #1 Authorized Improvements, provides the basis and justification for the determination that such special benefit exceeds the Improvement Area #1 Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Improvement Area #1 Authorized 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 Improvement Area #1 Authorized Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Trust Estate consisting of the Pledged Revenues, including primarily the Improvement Area #1 Assessments, and a portion of the Improvement Area #1 Project will be reimbursed to the Master Developer pursuant to the Improvement Area #1 Reimbursement Agreement.

As described in the Service and Assessment Plan, the costs of the Improvement Area #1 Authorized Improvements shall be allocated to each Parcel within Improvement Area #1 based on the ratio of the Estimated Buildout Value of each Parcel designated as Improvement Area #1 Assessed Property to the Estimated Buildout Value of all Improvement Area #1 Assessed Property. Currently, Pod 2A, Pod 2B-1, Pod 2C, Pod 2D and the Non-Assessed Property are the only Parcels within Improvement Area #1 which receive a benefit from the Improvement Area #1 Projects, and as such, the Improvement Area #1 Authorized Improvements are allocated by the Master Developer’s engineer in the Engineering Report attached to the Service and Assessment Plan, and as confirmed by the City Engineer, first to the Pod are and the Non-Assessed Property based on specific land use; and second to each of these Pods pro rata based on the Estimated Buildout Value of each Pod or Parcel within Improvement Area #1 to the Estimated Buildout Value of all Improvement Area #1 Assessed Property; however, the Non-Assessed Property will not be assessed.

The City has determined that such method of allocation will result in the imposition of equal shares of the Improvement Area #1 Assessments on Parcels similarly situated within the District. The Improvement Area #1 Assessments and interest thereon are expected to be paid in Improvement Area #1 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 Master Developer, all other current owners of property within the District and all future owners and developers within the District. See “APPENDIX C — Form of Service and Assessment Plan.” The tables below show the estimated value to lien analysis in Improvement Area #1. The payment of the Improvement Area #1 Reimbursement Obligation is subordinate to the payment of the Improvement Area #1 Assessments securing the Bonds. Upon the issuance of any Additional Bonds, the revenues of the Improvement Area #1 Assessments will secure the payment of the Bonds and the Additional Bonds on parity basis under the Indenture.

Estimated Improvement Area #1 Value to Lien Ratios*
(Improvement Area #1 Assessments Securing Bonds only)

Pod	Lot Size	Number of Lots ⁽¹⁾	Estimated Paper Lot Value ⁽²⁾	Estimated Finish Lot Value ⁽³⁾	Estimated Base Home Price ⁽⁴⁾	Total Estimated Buildout Value ⁽⁵⁾	Estimated Assessment Per Lot ⁽⁶⁾	Estimated Ratio of Value of Paper Lot Value to Assessment ⁽⁶⁾	Estimated Ratio of Value of Finished Lot Value to Assessment ⁽⁶⁾	Estimated Ratio of Value of Home Price to Assessment ⁽⁶⁾
2A	60'	92	32,277	\$84,000	\$420,000	\$38,640,000	\$41,509	0.778	2.024	10.118
	70'	76	36,604	98,000	490,000	37,240,000	48,428	0.756	2.024	10.118
2B-1	40'	101	19,740	56,000	280,000	28,280,000	27,673	0.713	2.024	10.118
	50'	97	23,982	70,000	350,000	33,950,000	34,591	0.693	2.024	10.118
2C	40'	39	18,826	56,000	280,000	10,920,000	27,673	0.680	2.024	10.118
	45'	68	21,004	63,000	325,000	22,100,000	32,120	0.654	1.961	10.118
	50'	152	22,871	70,000	350,000	53,200,000	34,591	0.661	2.024	10.118
	60'	51	27,850	84,000	420,000	21,420,000	41,509	0.671	2.024	10.118
2D	26'	44	14,407	36,400	210,000	9,240,000	20,755	0.694	1.754	10.118
	31'	37	17,184	42,000	233,000	8,621,000	23,028	0.746	1.824	10.118
	33'	12	18,225	42,000	233,000	2,796,000	23,028	0.791	1.824	10.118
	35'	28	19,093	42,000	233,000	6,524,000	23,028	0.829	1.824	10.118
	40'	75	21,003	56,000	280,000	21,000,000	27,673	0.759	2.024	10.118
	50'	63	25,516	70,000	350,000	22,050,000	34,591	0.738	2.024	10.118
Total		935				\$315,981,000				

* Preliminary; subject to change.

(1) Based on the preliminary plat for the District. Derived from information in the Service and Assessment Plan. The lot counts upon final platting may vary.

(2) Provided by Master Developer. Based on purchase price of each pod as calculated under each Purchase and Sale Agreement. See “THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District -- *Builder Pod Acquisitions*.”

(3) Derived from information in Exhibit H-1 to Service and Assessment Plan, which was provided by Master Developer. Assumes completion of the Improvement Area #1 Improvements, Zone 1 Improvements and Offsite Improvements. Estimated Finished Lot Values may vary from lot values concluded by Appraiser. See “APPENDIX H – Appraisal of Zone 1 of District.”

(4) Derived from information in Exhibit H-1 to Service and Assessment Plan, which was provided by Master Developer. The Service and Assessment Plan combines the 31', 33' and 35' as Lot Type 1. May vary from actual home prices obtained by Builders.

(5) Derived from information in the Service and Assessment Plan. Includes only the Improvement Area #1 Assessments securing the Bonds.

(6) Includes only the Improvement Area #1 Assessments securing the Bonds.

Estimated Improvement Area #1 Value to Lien Ratios*
(Improvement Area #1 Assessments Securing Bonds and Improvement Area #1 Reimbursement Obligation)

Pod	Lot Size	Number of Lots ⁽¹⁾	Estimated Paper Lot Value ⁽²⁾	Estimated Finish Lot Value ⁽³⁾	Estimated Base Home Price ⁽⁴⁾	Total Estimated Buildout Value ⁽⁵⁾	Estimated Maximum Assessment Per Lot ⁽⁶⁾	Estimated Ratio of Value of Paper Lot Value to Assessment ⁽⁶⁾	Estimated Ratio of Value of Finished Lot Value to Assessment ⁽⁶⁾	Estimated Ratio of Value of Home Price to Assessment ⁽⁶⁾
2A	60'	92	\$32,277	\$84,000	\$420,000	\$38,640,000	\$54,940	0.587	1.529	7.645
	70'	76	36,604	98,000	490,000	37,240,000	64,096	0.571	1.529	7.645
2B-1	40'	101	19,740	56,000	280,000	28,280,000	36,626	0.539	1.529	7.645
	50'	97	23,982	70,000	350,000	33,950,000	45,783	0.524	1.529	7.645
2C	40'	39	18,826	56,000	280,000	10,920,000	36,266	0.519	1.529	7.645
	45'	68	21,004	63,000	325,000	22,100,000	42,513	0.494	1.482	7.645
	50'	152	22,871	70,000	350,000	53,200,000	45,783	0.500	1.529	7.645
	60'	51	27,850	84,000	420,000	21,420,000	54,940	0.507	1.529	7.645
2D	26'	44	14,407	36,400	210,000	9,240,000	27,470	0.524	1.325	7.645
	31'	37	17,184	42,000	233,000	8,621,000	30,478	0.564	1.378	7.645
	33'	12	18,225	42,000	233,000	2,796,000	30,478	0.598	1.378	7.645
	35'	28	19,093	42,000	233,000	6,524,000	30,478	0.626	1.378	7.645
	40'	75	21,003	56,000	280,000	21,000,000	36,626	0.573	1.529	7.645
	50'	63	25,516	70,000	350,000	22,050,000	45,783	0.557	1.529	7.645
Total		935				\$315,981,000				

* Preliminary; subject to change.

- (1) Based on the preliminary plat for the District. Derived from information in the Service and Assessment Plan. The lot counts upon final platting may vary.
- (2) Provided by Master Developer. Based on purchase price of each pod as calculated under each Purchase and Sale Agreement. See "THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District -- Builder Pod Acquisitions."
- (3) Derived from information in Exhibit H-1 to Service and Assessment Plan, which was provided by Master Developer. Assumes completion of the Improvement Area #1 Improvements, Zone 1 Improvements and Offsite Improvements. Estimated Finished Lot Values may vary from lot values concluded by Appraiser. See "APPENDIX H – Appraisal of Zone 1 of District."
- (4) Derived from information in Exhibit H-1 to Service and Assessment Plan, which was provided by Master Developer. The Service and Assessment Plan combines the 31', 33' and 35' as Lot Type 1. May vary from actual home prices obtained by Builders.
- (5) Derived from information in the Service and Assessment Plan. Includes only the Improvement Area #1 Assessments securing the Bonds.
- (6) Includes the Improvement Area #1 Assessments securing the Bonds and the Improvement Area #1 Reimbursement Obligation.

Collection and Enforcement of Assessment Amounts

Under the PID Act, the Improvement Area #1 Annual Installments may be collected in the same manner and at the same time as ad valorem taxes of the City. The Improvement #1 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 Improvement Area #1 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, Improvement Area #1 Assessments as provided in the Service and Assessment Plan. 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 the Improvement Area #1 Annual Installments. Each Annual Service Plan Update shall include an updated Improvement Area #1 Assessment Roll and a calculation of the Improvement Area #1 Annual Installment for each Parcel. Administrative Expenses shall be allocated among all Parcels in proportion to the amount of the Improvement Area #1 Annual Installments for the Parcels.

In the Indenture, the City will covenant, agree and warrant that, for so long as any Bonds Similarly Secured are Outstanding, that it will take and pursue all actions permissible under Applicable Laws to cause the Improvement Area #1 Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Improvement Area #1 Assessments.

To the extent permitted by law, notice of the Improvement Area #1 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 Improvement Area #1 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 Improvement Area #1 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 Improvement Area #1 Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Improvement Area #1 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 Improvement Area #1 Assessment or the corresponding Improvement Area #1 Assessed Property.

The City will implement the basic timeline and procedures for Improvement Area #1 Assessment collections and pursuit of delinquencies set forth in Exhibit C of the Disclosure Agreement of Issuer set forth in APPENDIX E-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 Improvement Area #1 Assessments.

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

Improvement Area #1 Annual Installments will be paid to the City or its agent. Improvement Area #1 Annual Installments are due when billed each year and become delinquent on February 1 of the following year. In the event Improvement Area #1 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 Improvement Area #1 Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Assessment Amounts

Improvement Area #1 Assessments. The Improvement Area #1 Maximum Assessment has been established by the methodology described in Section VI of, and shown in Exhibits F-1 and H-1 to, the Service and Assessment Plan and will be calculated at the time a respective final plat is recorded. See “ASSESSMENT PROCEDURES — Assessment Methodology – Estimated Improvement Area #1 Value to Lien Ratios” above. See “OVERLAPPING TAXES AND DEBT — Overlapping Taxes” and “APPENDIX C — Form of Service and Assessment Plan.”

The Improvement Area #1 Assessment Roll sets forth for each year the Improvement Area #1 Annual Installment for each Parcel consisting of (i) the annual portion allocable to principal and interest on the Improvement Area #1 Assessment for each Parcel, (ii) the Additional Interest and (iii) the component of the Improvement Area #1 Annual Installment allocable to Administrative Expenses. The Improvement Area #1 Annual Installments may not exceed the amounts shown on the Improvement Area #1 Assessment Roll. The Improvement Area #1 Assessments

will be levied against the Parcels comprising the Improvement Area #1 Assessed Property as indicated on the Improvement Area #1 Assessment Roll. See “APPENDIX C — Form of Service and Assessment Plan.”

Method of Apportionment of Improvement Area #1 Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Improvement Area #1 Assessments shall be allocated to the Parcels within the Improvement Area #1 Assessed Property according to Estimated Buildout Value, as permitted by the PID Act. As the existing Parcels are subsequently divided, the Improvement Area #1 Assessments will be apportioned pro rata according to the Estimated Buildout Value of the newly created Parcels. See “ASSESSMENT PROCEDURES — Assessment Methodology” and “APPENDIX C — Form of Service and Assessment Plan.”

The following table reflects the estimated allocation of Improvement Area #1 Assessments to be levied and collected.

Estimated Allocation of Improvement Area #1 Assessments*
(Improvement Area #1 Assessments Securing Bonds and Improvement Area #1 Reimbursement Obligation)

Lot Size	Number of Lots ⁽¹⁾	Estimated Buildout Value Per Lot ⁽²⁾	Estimated Improvement		Estimated Average Annual Installment per Lot ⁽⁴⁾	Estimated Equivalent Tax Rate per \$100 Assessed Value ⁽³⁾
			Area #1 Maximum Assessment Per Lot ⁽³⁾	Total Improvement Area #1 Assessment		
26'	44	\$210,000	\$27,469.78	\$1,208,670.52	\$1,701.19	0.8101
31'	37	233,000	30,478.38	1,127,700.06	1,887.51	0.8101
33'	12	233,000	30,478.38	365,740.56	1,887.51	0.8101
35'	28	233,000	30,478.38	853,394.64	1,887.51	0.8101
40'	215	280,000	36,626.38	7,847,671.58	2,268.25	0.8101
45'	68	325,000	42,512.76	2,890,867.81	2,632.79	0.8101
50'	312	350,000	45,782.97	14,284,287.98	2,835.31	0.8101
60'	143	420,000	54,939.57	7,856,358.39	3,402.38	0.8101
70'	76	490,000	64,096.16	4,871,308.46	3,969.44	0.8101
Total	935			\$41,333,000.00		

* Preliminary; subject to change.

(1) Based on the preliminary plat for the District. Derived from information in the Service and Assessment Plan. The final lot counts upon platting may vary.

(2) Derived from information in Exhibit H-1 to Service and Assessment Plan, which was provided by Master Developer. The Service and Assessment Plan combines the 31', 33' and 35' in Lot Type 1.

(3) Includes the Improvement Area #1 Assessments securing the Bonds and the Improvement Area #1 Reimbursement Obligation. Derived from information in the Service and Assessment Plan. Based on Improvement Area #1 Annual Installments due from 2024 to 2051 due to capitalized interest for coverage of Improvement Area #1 Annual Installments due January 31, 2023, and the release of funds from the accounts within the Reserve Fund reducing the Improvement Area #1 Annual Installment due January 31, 2052.

(4) Total Improvement Area #1 Assessments may not add due to rounding.

The Bonds Similarly Secured are secured by a lien on and pledge of the Trust Estate consisting primarily of Pledged Revenues, including revenues from the Improvement Area #1 Assessments. See “SECURITY FOR THE BONDS” and “APPENDIX C — Form of Service and Assessment Plan.”

Prepayment of Assessments

Voluntary Prepayments. Pursuant to the PID Act and the Indenture, the owner of any Improvement Area #1 Assessed Property may voluntarily prepay (a “Prepayment”) all or part of any Improvement Area #1 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 Improvement Area #1 Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Improvement Area #1 Assessments.

Mandatory Prepayment. If (i) Improvement Area #1 Assessed Property is transferred to a person or entity that is exempt from payment of the Improvement Area #1 Assessment, or (ii) the owner of Improvement Area #1 Assessed Property causes the Improvement Area #1 Assessed Property to become Non-Benefitted Property (as defined in the Service and Assessment Plan), the owner transferring the Improvement Area #1 Assessed Property or causing the change in status shall pay to the City, or cause to be paid to the City, the full amount of the full amount of the

Improvement Area #1 Assessment, plus all Prepayment Costs and Delinquent Collection Costs for such Improvement Area #1 Assessed Property, prior to any such conveyance or act, and no such conveyance shall be effective until the City receives such payment. Following payment of the foregoing costs in full, the City shall provide the owner with a recordable “Notice of Assessment Termination,” a form of which is attached to the Service and Assessment Plan as Exhibit I.

True-Up of Assessments if Improvement Area #1 Maximum Assessment Exceeded at Plat. Prior to the City approving a final subdivision plat for Improvement Area #1, the PID Administrator will certify that such plat will not cause the Improvement Area #1 Assessment per lot for any Lot within Improvement Area #1 to exceed the Improvement Area #1 Maximum Assessment. If the PID Administrator determines that the resulting Improvement Area #1 Assessment per lot for any Lot will exceed the Improvement Area #1 Maximum Assessment, then (1) the Improvement Area #1 Assessment applicable to each Lot Type shall each be reduced to the Improvement Area #1 Maximum Assessment, and (2) the person or entity filing the plat shall pay to the City, or cause to be paid to the City, the amount the Improvement Area #1 Assessment was reduced, plus Prepayment Costs and Delinquent Collection Costs, if any, prior to the City approving the final plat. The City’s approval of a plat without payment of such amounts does not eliminate the obligation of the person or entity filing the plat to pay such amounts. See “OVERLAPPING TAXES AND DEBT — Overlapping Taxes,” “ASSESSMENT PROCEDURES — Assessment Methodology – Estimated Improvement Area #1 Value to Lien Ratios” and “APPENDIX C — Form of Service and Assessment Plan.”

Prepayment as a Result of an Eminent Domain Proceeding or Taking. Subject to applicable law, if any portion of any Parcel of Improvement Area #1 Assessed Property is taken from a landowner as a result of eminent domain proceedings or if a transfer of any portion of any Parcel of Improvement Area #1 Assessed Property is made to an entity with the authority to condemn all or a portion of the Improvement Area #1 Assessed Property in lieu of or as a part of an eminent domain proceeding (a “Taking”), the portion of the Improvement Area #1 Assessed Property that was taken or transferred (the “Taken Property”) shall be reclassified as Non-Benefitted Property.

For the Improvement Area #1 Assessed Property that is subject to the Taking as described in the preceding paragraph, the Improvement Area #1 Assessment that was levied against the Improvement Area #1 Assessed Property (when it was included in the Taken Property) prior to the Taking shall remain in force against the remaining Improvement Area #1 Assessed Property (the Improvement Area #1 Assessed Property less the Taken Property) (the “Remaining Property”) following the reclassification of the Taken Property as Non-Benefitted Property, subject to an adjustment of the Improvement Area #1 Assessment applicable to the Remaining Property after any required Prepayment as set forth below. The owner will remain liable to pay in Improvement Area #1 Annual Installments, or payable as otherwise provided by this Service and Assessment Plan, as updated, or the PID Act, the Improvement Area #1 Assessment that remains due on the Remaining Property, subject to an adjustment in the Improvement Area #1 Assessment applicable to the Remaining Property after any required Prepayment as set forth below. Notwithstanding the foregoing, if the Improvement Area #1 Assessment that remains due on the Remaining Property exceeds the Improvement Area #1 Maximum Assessment, the owner will be required to make a Prepayment in an amount necessary to ensure that the Improvement Area #1 Assessment against the Remaining Property does not exceed the Improvement Area #1 Maximum Assessment, in which case the Improvement Area #1 Assessment applicable to the Remaining Property will be reduced by the amount of the partial Prepayment.

In all instances the Improvement Area #1 Assessment remaining on the Remaining Property shall not exceed the Improvement Area #1 Maximum Assessment.

Notwithstanding the preceding paragraphs under this subsection, if the landowner notifies the City and the PID Administrator that the Taking prevents the Remaining Property from being developed as shown on a final plat, such landowner shall, upon receipt of the compensation for the Taken Property, be required to prepay the total amount of the Improvement Area #1 Assessment levied against both the Taken Property and Remaining Property. The landowner will remain liable to pay the Improvement Area #1 Annual Installments on both the Taken Property and the Remaining Property until such time that such Improvement Area #1 Assessment has been prepaid in full.

Notwithstanding the previous paragraphs in this subsection, the Improvement Area #1 Assessments shall never be reduced to an amount less than is required to pay all debt service requirements on all outstanding Bonds.

Reduction of Assessments. If, as a result of cost savings or the failure to construct all or a portion of an Improvement Area #1 Authorized Improvement, the Actual Costs of any Improvement Area #1 Authorized Improvements are less than the Improvement Area #1 Assessments, then the Trustee shall apply amounts on deposit in the applicable account of the Project Fund that are not expected to be used for the purposes of the Project Fund to

redeem outstanding Bonds, unless otherwise directed by the applicable Indenture. The Improvement Area #1 Assessments shall never be reduced to an amount less than the amount required to pay all outstanding debt service requirements on all outstanding Bonds Similarly Secured and the Improvement Area #1 Reimbursement Obligation.

Priority of Lien

The Improvement Area #1 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 Improvement Area #1 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 Improvement Area #1 Assessed Property may pay the entire Improvement Area #1 Assessment levied against any Lot or Parcel, together with accrued interest to the date of payment, at any time.

Foreclosure Proceedings

In the event of delinquency in the payment of any Improvement Area #1 Annual Installment, except for unpaid Improvement Area #1 Assessments on homestead property (unless the lien associated with the Improvement Area #1 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 Improvement Area #1 Annual Installment. In such action the real property subject to the delinquent Improvement Area #1 Annual Installments may be sold at judicial foreclosure sale for the amount of such delinquent Improvement Area #1 Annual Installments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of an Improvement Area #1 Assessment will be subject to the lien established for remaining unpaid installments of the Improvement Area #1 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 Improvement Area #1 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 the Bonds Similarly Secured or such payment may not be made in full. The City is not required under any circumstance to purchase or make payment for the purchase of the delinquent Improvement Area #1 Assessment on the corresponding Improvement Area #1 Assessed Property.

In the Indenture, the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Improvement Area #1 Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption of the Improvement Area #1 Assessments, provided that the City is not required to expend any funds for collection and enforcement of Improvement Area #1 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 B — Form of Indenture." See also "APPENDIX E-1 — Form of Disclosure Agreement of Issuer" for a description of the expected timing of certain events with respect to collection of the delinquent Improvement Area #1 Assessments.

The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If revenues of the Improvement Area #1 Assessment are insufficient to pay foreclosure costs, the owners of the Bonds Similarly Secured may be required to pay amounts necessary to continue foreclosure proceedings. See "APPENDIX B — Form of Indenture" and "APPENDIX C — Form of Service and Assessment Plan."

THE CITY

Background

The City is a political subdivision of the State of Texas located in Collin County, Texas and is located in southeastern Collin County approximately 6 miles north of Rockwall and 35 miles northeast of Dallas off of Highway 205 and Highway 78. The City was established in 1972. The population of the City as of October 1, 2021 is estimated to be 5,500. The City covers approximately 3.3 square miles square miles. See “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY OF LAVON, TEXAS.”

City Government

The City operates as a Type A General Law municipality, with an Aldermanic-Mayor form of government, under the laws of the State of Texas and the Texas Constitution. The current members of the City Council and their respective expiration of terms of office are as follows:

<u>Council Member</u>	<u>Place</u>	<u>Term Expires (November)</u>
Vicki Sanson	Mayor	2023
John Kell	Place 1, Mayor Pro Tem	2022
Mike Cook	Place 2	2023
Kay Wright	Place 3	2022
Ted Dill	Place 4	2023
Mindi Serkland	Place 5	2022

The principal administrators of the City include the following:

<u>Name</u>	<u>Position</u>
Kim Dobbs	City Administrator
Rae Norton	City Secretary

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 includes approximately 982.719 acres and lies entirely within the extraterritorial jurisdiction of the City. The District was created by Resolution No. 2021-11-07 of the City adopted on November 2, 2021 in accordance with the PID Act (the “Creation Resolution”) for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area #1 Projects, authorized by the PID Act and approved by the City Council that confer a special benefit on the District property. The District is not a separate political subdivision of the State and is administered by the City Council. A map of the property within the District is included on page iv hereof.

Powers and Authority of the City

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within the District, including Improvement Area #1, whether located within the City limits or the City’s extraterritorial jurisdiction. The PID Act provides that the City may levy and collect Assessments on property in Improvement Area #1, or portions thereof, payable in full or in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Improvement Area #1 Projects . See “THE IMPROVEMENT AREA #1 AUTHORIZED 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 Improvement Area #1 Projects and to finance 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 the Pledged Revenues. See “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of Service and Assessment Plan.”

THE IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS

General

The Improvement Area #1 Authorized Improvements include, collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to Improvement Area #1; (2) the pro rata portion of the Offsite Improvements allocable to Improvement Area #1; (3) the Improvement Area #1 Improvements; (4) the first year’s Administrative Expenses related to the Bonds; and (5) Bond issuance costs incurred in connection with the issuance of Bonds. The balance of the costs of the Improvement Area #1 Authorized Improvements will be paid by the Master Developer or the Builders under the terms of the Improvement Area #1 CFA Agreement, the Purchase and Sale Agreements, the Builders Development Agreement and the Service and Assessment Plan. See “APPENDIX C — Form of Service and Assessment Plan.”

The Zone 1 Improvements, the Offsite Improvements and the Improvement Area #1 Improvements will be dedicated to and maintained by the City, except for the water improvements which will be owned, operated and maintained by Bear Creek Special Utility District (“Bear Creek SUD”) or Nevada Special Utility District (“Nevada SUD”), as applicable and except for certain state road improvements which will be owned, operated and maintained by the Texas Department of Transportation (“TxDOT”).

Improvement Area #1 Authorized Improvements

Improvement Area #1 Improvements. The Improvement Area #1 Authorized Improvements include the following Improvement Area #1 Improvements:

Street Improvements including subgrade stabilization, concrete and reinforcing steel for roadways, testing, handicapped ramps, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within Improvement Area #1.

Water Improvements including trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide water service to all Lots within Improvement Area #1.

Sewer Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide wastewater service to all Lots within Improvement Area #1.

Drainage Improvements including earthen channels, swales, curb and drop inlets, RCP piping and boxes, headwalls, concrete flumes, rock rip rap, concrete outfalls, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for all Lots within Improvement Area #1.

Right-of-way Improvements/Land Acquisition including road right-of-way.

Soft Costs related to designing, constructing, and installing the Improvement Area #1 Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, legal fees, and consultant fees.

Zone 1 Improvements. The Improvement Area #1 Authorized Improvements include Improvement Area #1's allocable share of the following Zone 1 Improvements:

Street Improvements including subgrade stabilization, concrete and reinforcing steel for roadways, testing, handicapped ramps, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within Zone 1.

Water Improvements including trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, and erosion control, and all necessary appurtenances required to provide water service to all Lots within the Zone 1.

Sewer Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide wastewater service to all Lots within the Zone 1.

Drainage Improvements including earthen channels, swales, curb and drop inlets, RCP piping and boxes, headwalls, concrete flumes, rock rip rap, concrete outfalls, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for all Lots within the Zone 1.

Right-of-way Improvements/Land Acquisition including road right of way that benefits all Lots within Zone 1.

Soft Costs related to designing, constructing, and installing the Zone 1 Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, District Formation Costs, legal fees, and consultant fees.

Offsite Improvements. The Improvement Area #1 Authorized Improvements includes Improvement Area #1's allocable share of the following Offsite Improvements:

Street Improvements including subgrade stabilization, concrete and reinforcing steel for roadways, testing, handicapped ramps, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within the District. Note certain offsite street improvements will be accepted by TxDOT.

Water Improvements including trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide water service to all Lots within the District.

Sewer Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide wastewater service to all Lots within the District.

Wastewater Plant Site including costs for constructing the water plant site.

Drainage Improvements including earthen channels, swales, curb and drop inlets, RCP piping and boxes, headwalls, concrete flumes, rock rip rap, concrete outfalls, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for all Lots within the District.

Right-of-way Improvements/Land Acquisition including road right-of-way

Soft Costs related to designing, constructing, and installing the Offsite Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, legal fees, District Formation Costs, and consultant fees.

Bond Issuance Costs. The Improvement Area #1 Authorized Improvements include the following Bond Issuance Costs.

Reserve Fund. Equals the amount to be deposited in the Revere Account of the Reserve Fund under the Indenture in connection with the issuance of the Bonds.

Capitalized Interest. Equals the amount required to be deposited for the purpose of paying capitalized interest under the Indenture in connection with the issuance of the Bonds.

Underwriter's Discount. Equals a percentage of the par amount of the Bonds, which includes a fee for underwriter's counsel.

Cost of Issuance. Includes other costs of issuing the Bonds, including but not limited to issuer fees, attorney's fees, financial advisory fees, consultant fees, appraisal fees, printing costs, publication costs, City's costs, fees charged by the Texas Attorney General, and any other cost or expense directly associated with the issuance of the Bonds.

Deposit to Administrative Fund. The Improvement Area #1 Authorized improvements include the amount necessary to fund the first year's Administrative Expenses for a particular the Bonds.

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Costs of Improvement Area #1 Authorized Improvements

The following table reflects the expected total costs of the Zone 1 Improvements, Improvement Area #1 Improvements, Offsite Improvements, Private improvements, Bond Issuance Costs and Other Costs. A portion of the costs of the Improvement Area #1 Authorized Improvements are expected to be financed with proceeds of the Bonds.

	Total	Private	Oversizing	Non-Assessed Property ¹	PID Funded Costs Total	Zone 1 Remainder Area Authorized Improvements		Improvement Area #1 Authorized Improvements	
						% ²	Cost	% ²	Cost
<i>Zone 1 Improvements</i>									
Streets ³	\$ 5,039,515	\$ -	\$ -	\$ -	\$ 5,039,515	32.16%	\$ 1,620,870	67.84%	\$ 3,418,645
Water	1,589,146	-	-	-	1,589,146	32.16%	511,121	67.84%	1,078,025
Sewer	404,293	-	-	-	404,293	32.16%	130,034	67.84%	274,259
Drainage	521,867	-	-	-	521,867	32.16%	167,849	67.84%	354,018
ROW Areas	516,600	-	-	-	516,600	32.16%	166,155	67.84%	350,445
Soft Costs ⁴	3,146,170	-	-	-	3,146,170	32.16%	1,011,910	67.84%	2,134,260
	<u>\$ 11,217,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,217,591</u>		<u>\$ 3,607,939</u>		<u>\$ 7,609,652</u>
<i>Improvement Area #1 Improvements</i>									
Streets	\$ 11,981,250	\$ -	\$ -	\$ 22,432	\$ 11,958,818	0.00%	\$ -	100.00%	\$ 11,958,818
Water	3,498,472	-	-	-	3,498,472	0.00%	-	100.00%	3,498,472
Sewer	3,139,817	-	-	-	3,139,817	0.00%	-	100.00%	3,139,817
Drainage	3,931,421	-	-	20,625	3,910,796	0.00%	-	100.00%	3,910,796
ROW Areas	2,030,580	-	-	-	2,030,580	0.00%	-	100.00%	2,030,580
Soft Costs ⁵	4,716,434	-	-	-	4,716,434	0.00%	-	100.00%	4,716,434
	<u>\$ 29,297,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,057</u>	<u>\$ 29,254,917</u>		<u>\$ -</u>		<u>\$ 29,254,917</u>
<i>Offsite Improvements⁶</i>									
Streets	\$ 2,224,177	\$ -	\$ 104,016	\$ -	\$ 2,120,161	32.16%	\$ 681,912	67.84%	\$ 1,438,249
Water	1,079,834	-	53,992	-	1,025,842	32.16%	329,944	67.84%	695,898
Sewer	651,090	-	31,004	-	620,086	32.16%	199,440	67.84%	420,646
Wastewater Plant Site	233,550	-	-	-	233,550	32.16%	75,117	67.84%	158,433
Drainage	872,150	-	41,531	-	830,619	32.16%	267,154	67.84%	563,465
ROW Areas	1,604,800	-	-	-	1,604,800	32.16%	516,155	67.84%	1,088,645
Soft Costs ⁴	1,691,395	-	-	-	1,691,395	32.16%	544,007	67.84%	1,147,388
	<u>\$ 8,356,996</u>	<u>\$ -</u>	<u>\$ 230,543</u>	<u>\$ -</u>	<u>\$ 8,126,453</u>		<u>\$ 2,613,729</u>		<u>\$ 5,512,724</u>
<i>Private Improvements</i>									
Earthwork	\$ 1,615,568	\$ 1,615,568	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%	\$ -
Retaining Walls	1,064,675	1,064,675	-	-	-	0.00%	-	0.00%	-
Erosion Control	288,063	288,063	-	-	-	0.00%	-	0.00%	-
Soft Costs	671,712	671,712	-	-	-	0.00%	-	0.00%	-
City Fees	843,370	843,370	-	-	-	0.00%	-	0.00%	-
Contingency	148,415	148,415	-	-	-	0.00%	-	0.00%	-
	<u>\$ 4,631,803</u>	<u>\$ 4,631,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
<i>Bond Issuance Costs</i>									
Debt Service Reserve Fund	\$ 2,419,753				\$ 2,419,753		\$ 535,273		\$ 1,884,480
Capitalized Interest	1,409,649				1,409,649		628,924		780,725
Underwriter's Discount	1,181,310				1,181,310		244,440		936,870
Costs of Issuance	1,974,728				1,974,728		487,568		1,487,160
	<u>\$ 6,985,439</u>				<u>\$ 6,985,439</u>		<u>\$ 1,896,204</u>		<u>\$ 5,089,235</u>
<i>Other Costs</i>									
Deposit to Administrative Fund	\$ 75,000				\$ 75,000		\$ 30,000		\$ 45,000
	<u>\$ 75,000</u>				<u>\$ 75,000</u>		<u>\$ 30,000</u>		<u>\$ 45,000</u>
Rounding Amount	\$ 893				\$ 893		\$ 128		\$ 765
Total	\$ 60,565,696	\$ 4,631,803	\$ 230,543	\$ 43,057	\$ 55,660,293		\$ 8,148,000		\$ 47,512,294

Notes:

¹ The Improvement Area #1 Authorized Improvements are allocated by the Developer's engineer in the Engineering Report attached to the SAP and **Appendix A**, and as confirmed by the City Engineer, first to the POD area and the Non-Assessed Property based on specific land use. Non-Assessed Property within the District requires oversizing of some improvements to bring District to finished Lot value. Costs attributable to Non-Assessed Property provided by Owner 1/4/2022.

² PID Funded Zone 1 Improvements are allocated between Improvement Area #1 and the Zone 1 Remainder Area pro rata based on the ratio of Estimated Buildout Value of each area to the Estimated Buildout Value of Zone 1. The Estimated Buildout Value of Improvement Area #1 is \$315,981,000, the Estimated Buildout Value of the Zone 1 Remainder Area is \$149,815,000 and the Estimated Buildout Value of Zone 1 is \$465,796,000 so 67.84% of PID Funded Zone 1 Improvements are allocated to Improvement Area #1 ($315,981,000 / 465,796,000 = 67.84\%$) and 32.16% of PID Funded Zone 1 Improvements are allocated to the Zone 1 Remainder Area ($149,815,000 / 465,796,000 = 32.16\%$).

³ Zone 1 Improvement streets includes paving, earthwork, and erosion control.

⁴ Zone 1 Improvement soft costs and Offsite Improvement soft costs include offsite and onsite engineering, surveying, construction services, city fees, contingency, construction management, and District Creation Costs.

⁵ Improvement Area #1 soft costs include engineering, surveying, construction services, construction management fee, and contingency.

⁶ PID Funded Offsite Improvements are allocated between Improvement Area #1 and the Zone 1 Remainder Area in the same manner as the PID Funded Zone 1 Improvements.

The total cost of all of the Improvement Area #1 Authorized Improvements is expected to be approximately \$47,512,294,* of such costs approximately \$31,229,00* will be paid from the proceeds of the Bonds and approximately \$10,104,000* will be paid from Assessment Revenues pursuant to the terms of the Improvement Area #1 CFA Agreement and the Improvement Area #1 Reimbursement Agreement. The remaining \$6,179,294* will be funded by

the Master Developer or the Builders without reimbursement by the City. Prior to the Delivery Date, the Master Developer will deposit cash in an amount sufficient to fund the costs of the Zone 1 Improvements and the Offsite Improvements not funded from the proceeds of the Bonds in the Improvement Area #1 Developer Improvement Account of the Project Fund. See “THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District – *Financing of Master Developer’s Development Obligations.*”

Additionally, pursuant to each Builder’s Purchase and Sale Agreement, each Builder has agreed to finance and construct the Improvement Area #1 Improvements and the Private Improvements within its pod and provide a Builder Completion Agreement evidencing that it has sufficient funds to complete the Improvement Area #1 Improvements not funded from the proceeds of the Bonds and the Private Improvements. The approximate cost of the Private Improvements in Improvement Area #1 of the District is \$4,631,803. See “THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District – *Financing of Builders’ Development Obligations*”

The Master Developer plans to construct an amenity center, hike and bike trails, ponds, open space and pocket parks throughout the Development (collectively, the “HOA Amenities”) for use by the residents of the District. The costs of the HOA Amenities in the amount of \$5,204,650 will be paid with funds escrowed by the Master Developer as a condition of closing under the Purchase and Sale Agreements with the Builders as further described under the heading “THE DEVELOPMENT – HOA Amenities.”

Improvement Area #1 Reimbursement Agreement

In addition, to the issuance of the Bonds, the City and the Master Developer intend to enter into the Improvement Area #1 Reimbursement Agreement to finance a portion of the costs of the Improvement Area #1 Projects in an amount not to exceed the Improvement Area #1 Reimbursement Obligation. The Bonds and the Improvement Area #1 Reimbursement Obligation will be secured by the Assessments; however, the payment of debt service on the Bonds will be superior in right to payment of the Improvement Area #1 Reimbursement Obligation. The City, upon satisfying certain financial covenants in the Indenture, may issue Additional Bonds to refinance the Improvement Area #1 Reimbursement Obligation. See “THE IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS” and “SECURITY FOR THE BONDS SIMILARLY SECURED – Other Obligations or Other Liens; Additional Bonds.” When issued, the Additional Bonds will be on parity with the Bonds and any other Bonds Similarly Secured that are outstanding. Pursuant to the Service and Assessment Plan, the Improvement Area #1 Reimbursement Agreement and the Development Agreement, the Master Developer or the Builders, as applicable, will be responsible for any costs of the Improvement Area #1 Projects in excess of the amounts funded by the Bonds and the Improvement Area #1 Reimbursement Agreement. See “APPENDIX G – Development Agreement

Ownership and Maintenance of Improvement Area #1 Authorized Improvements

The Improvement Area #1 Projects, except for the water improvements and improvements to certain state-owned roads, will be dedicated to and accepted by the City and will constitute a portion of the City’s infrastructure systems. The water improvements benefiting Pods 2A, B-1, and 2B-2 will be dedicated to Bear Creek SUD, who holds the water CCN for such pods and will constitute a portion of Bear Creek SUD’s water distribution system. The water improvements benefiting Pods 2C, 2D, and 2E will be dedicated to Nevada SUD, who holds the water CCN for such pods and will constitute a portion of Bear Creek SUD’s water distribution system. The improvements to state-owned roads will constitute a portion of the state highway system.

The City, Bear Creek SUD or Nevada SUD, as applicable, will provide for the ongoing maintenance and repair of the Improvement Area #1 Improvements, the Offsite Improvements and Zone 1 Improvements constituting water improvements constructed and conveyed, as outlined in the Service and Assessment Plan. TxDOT will provided for the ongoing maintenance and repair of the Offsite Improvements and Zone 1 Improvements constituting state roads.

* Preliminary; subject to change.

THE DEVELOPMENT

The following information has been provided by the Master Developer. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

Overview

The Elevon Development is an approximately 1,268-acre master planned community of which approximately 131.651 acres are located within the In-City Property and approximately 1,137.044 acres are currently located in the ETJ Property. The District is within the Elevon Development and consists of approximately 928.719 acres currently located within ETJ Property. The Development Agreement provides for the annexation of the land within the Elevon Development to into the City on a Zone-by-Zone basis.

The Elevon Development is generally located on Highway 78, five miles north of Interstate 30 and eight miles south of Highway 380. The City, located in the northeast region of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (the "DFW MSA"), is poised for growth as the overall DFW MSA continues its growth trajectory. At full build, the Master Developer expects that the Elevon Development will consist of over 3,700 single family residential units and approximately 120 acres of mixed-use/commercial property. The residential units will consist of a variety of product sizes from 26' wide duplex lots to 70' single family lots.

The District, consisting of approximately 982.719 acres, is being developed as a master-planned residential development. The District is expected to be developed in Zones and phases or pods within such Zones. Zone 1 consists of Improvement Area #1 and the Zone 1 Remainder Area. Improvement Area #1 contains approximately 272.698 acres, of which 249.067 acres will be developed and of which 23.601 is in the flood zone and will not be developed. Improvement Area #1 contains Pods 2A, 2B-1, 2C and 2D and is expected to consist of 935 lots ranging from 26' wide to 70' wide. The second phase (currently referred to as Zone 1 Remainder Area) is expected to contain approximately 104.060 acres, of which 103.261 acres will be developed and of which .799 acres is in the flood zone and will not be developed. The Zone 1 Remainder Area contains Pods 2B-2 and 2E. The Zone 1 Remainder Area is expected to consist of 452 lots ranging from 40' wide to 60' wide. The Master Developer intends to maintain the land within the flood zone as open space with trails which will be owned and maintained as common area by the Homeowners' Association. The Future Improvement Area will be developed in accordance with residential market demands and is expected to be developed in phases within one or more Zones and is expected to consist of 2,213 lots.

The current concept plan of the Development as approved by the City Council can be found on page v of this Limited Offering Memorandum. The concept plan is conceptual and subject to change consistent with the City's zoning and subdivision regulations (which will apply to the ETJ Property when annexed).

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Current Ownership of Land within the Development

The following table sets forth the current ownership of land within Improvement Area #1, Zone 1 Remainder Area and Future Improvement Area of the District.

Ownership of Land within the District

<u>Improvement Area</u>	<u>Pod/Parcel</u>	<u>Projected Single-Family Lots</u>	<u>Acres</u>	<u>Ownership</u>
Improvement Area #1 of Zone 1	2A	168	65.135	K Hovnanian Homes
	2B-1	198	49.470	HMH/Stratford Elevon
	2C- Main	238	63.017	GRBK Edgewood
	2C-Partial	72	14.381	UMH Development
	2D	259	40.661	Qualico
	Non-Benefitted	NA	25.034	Master Developer
	Non-Assessed ⁽¹⁾	NA	15.000	Master Developer
	Subtotal	935	272.698	
Zone 1 Remainder Area	2B-2	189	38.720	HMH/Stratford Elevon
	2E-Main	210	52.368	GRBK Edgewood
	2E-Partial	53	12.972	UMH Development
	Subtotal	452	104.060	
	TOTAL Zone 1	1,387	376.758	
Future Improvement Area ⁽²⁾	TBD	2,313	605.961	Master Developer and Petro-Hunt Entities
	TOTAL	3,700	982.719	

⁽¹⁾ The Non-Assessed Property consists of the proposed school site. Costs of the Zone 1 Remainder Area Projects have been allocated to, but no assessments will be levied against this parcel. The Master Developer is responsible for the payment of costs of the Zone 1 Remainder Area Projects allocated to the Non-Assessed Property.

⁽²⁾ Includes Pod 2F which consists of approximately 52.063 acres located within the flood plain and will not be developed.

Land within the Elevon Development, but not within the District, is collectively owned by Petro-Hunt Entities and TM BTR of Texas, LLC. This land is or will be developed over the next 15 years and used for commercial, business park, and other mixed uses.

Development Agreement

The City, the Master Developer and the Petro-Hunt Entities entered into the Development Agreement relating to the Elevon Development.

Assignment. In the Development Agreement, the parties thereto, agreed that with respect to portions of the property within the Development acquired by the Master Developer from the various Petro-Hunt Entities, from time to time, the Development Agreement will automatically be assigned from the respective Petro-Hunt Entities to the Master Developer with respect to such acquired property upon the Master Developer closing on such portion of the property.

Annexation. Pursuant to the Development Agreement, (i) Zone 1 of the District will be annexed into the City upon the issuance of the Bonds, which annexation is expected to occur on or about February 1, 2022 and (ii) the commercial, business park, and mixed-use portions of the ETJ Property will be annexed into the City within 60 days following the issuance of the Bonds, which annexation is expected to occur in March of 2022. Additional Zones will be annexed into the City upon the issuance of bonds for such Zones.

Funding of Public Improvements. Pursuant to the Development Agreement, the Master Developer agreed to construct or cause to be constructed the "Public Improvements" benefiting the Elevon Development, including the Improvement Area #1 Improvements, the Zone 1 Improvements, any Future Zone 1 Improvement Area Improvements, and the Offsite Improvements, and the Private Improvements. The City agreed to reimburse the Master Developer for

the costs of such Public Improvements from (i) the proceeds of assessment revenue bonds (“PID Bonds”), (ii) assessment revenues pursuant to a reimbursement agreement, and/or (iii) tax increment revenues pursuant to an agreement to dedicate the revenues generated from a tax increment reinvestment zone encompassing the Elevon Development.

Public Improvement District. Subject to certain conditions precedent in the Development Agreement, the City intends to issue one or more series of PID Bonds for each improvement area up to an aggregate principal amount of \$250,000,000. The maximum assessment expressed as an equivalent tax rate may not be greater than \$1.00 per \$100 of assessed value at the time of the levy of the assessment on each improvement area based on the Estimated Buildout Value of each parcel. If at the time of issuance of PID Bonds, the proceeds of such bonds are not sufficient to pay the estimated cost of the Public Improvements to be financed with such PID Bonds, the Master Developer is required provide evidence of sufficient funds to finance the balance of the costs of such public improvements in accordance with the provisions of the Development Agreement. See “— Developer Contribution” below.

Tax Increment Reinvestment Zone. The City has created a tax increment reinvestment zone (the “TIRZ”) that includes the property within the Elevon Development. The City has dedicated the City tax increment in a minimum amount of 45% collected within the property of the Elevon Development (the “City Tax Increment”) for a period of 50 years. To the extent that the County participates in the TIRZ (the “County Tax Increment” and together with the “City Tax Increment,” the “Tax Increment”), the City Tax Increment will be reduced in a dollar amount equal to the dollar amount of the County’s tax increment contribution. After the payment of administrative expenses relating to the TIRZ, the Tax Increment may be used (i) to off-set assessments for each parcel within an improvement area on a parcel-by-parcel basis and/or (ii) to reimburse costs of the Public Improvements in the TIRZ by using the TIRZ increment to (A) secure tax increment revenue bonds or (B) reimburse the Master Developer.

With respect to the Improvement Area #1 Projects, the City and the Master Developer’s current intentions is to use the Tax Increment revenues to reimburse the costs of the Public Improvements not reimbursed or financed through the District. At this time, the County has not made any commitment to participate in the TIRZ.

Developer Contribution. Pursuant to the Development Agreement, at closing on any series of PID Bonds intended to fund construction of Public Improvements, if the proceeds of the PID Bonds are not sufficient to pay the estimated cost of the Public Improvements for the PID Phase to which such PID Bond Proceeds relate, the Master Developer is required to provide the following with respect to the difference between the estimated Public Improvement Project Costs for each PID Phase and the amount of PID Bond Proceeds available for such PID Phase and minus any approved Developer expenditures for Public Improvement Project Costs for such PID Phase as confirmed and approved by the City or its PID administrator (the “Deficit”).

Evidence by one or more of the following for the remainder of the Deficit:

(i) a deposit of cash in the amount of Deficit to a designated account under the applicable Indenture from which funds may be drawn to pay the Public Improvement Project Costs for such Phase; or

(ii) satisfactory evidence to the City that Developer has sufficient available funds to finance as the Master Developer Contribution for the Public Improvement Project Costs not to be financed by applicable series of PID Bond Proceeds. Such satisfactory evidence may consist of:

A. A closed loan with a bank or financial institution, acceptable to the City. A representative for the City shall have access to such loan documentation for review.

B. A letter of credit with a financial institution, rated A+/A1 or higher, acceptable to the City. A representative for the City shall have access to such letter of credit documentation for review.

C. Other evidence that the City finds acceptable, in its sole discretion after review.

D. A Builder Completion Agreement with a Publicly-Held Builder or a Substantial Builder.

The determination of the amount of the Deficit shall be estimated prior to pricing of each series of PID Bonds and shall be finalized within five (5) days of pricing of each series of PID Bonds. Evidence required by the Development Agreement be provided to the City prior to pricing of the applicable series of PID Bonds and any required cash deposit must be provided at closing of the applicable series of PID Bonds.

To satisfy the Deficit relating to the Improvement Area #1 Authorized Improvements to be funded in part by the proceeds of the Bonds (i) the Master Developer will deposit cash in an amount sufficient to fund the costs of the Zone 1 Improvements and the Offsite Improvements not funded from the proceeds of the Bonds in the Improvement Area #1 Developer Improvement Account of the Project Fund and (ii) each Builder will enter into a Builder Completion Agreement with the Trustee evidencing that it has sufficient funds to fund the costs of the Improvement Area #1 Improvements not funded from the proceeds of the Bonds and the Private Improvements to be constructed within its respective pod. See “THE MASTER DEVELOPER AND BUILDERS – History and Financing of the District – *Financing of Master Developer’s Development Obligations*” and “– *Financing of Builders’ Development Obligations*.”

Wastewater Treatment Plants. Pursuant to the Development Agreement the City has agreed to finance and construct a wastewater treatment plant (the “WWTP”) attributable to Section 2, Pods 2A-2E area, consisting of not more than 1,389 residential lots, an elementary school and HOA amenities, in two phases. The City agreed to commence construction of phase 1 of the WWTP within 30 days of approval of the plans by the City and TCEQ. The City must start construction of the phase 2 of the WWTP when the final plat for the 800th lot within Section 2 of the District has been approved. The Master Developer will construct the sewer trunk lines necessary to provide service to the property within the Elevon Development. Phase 1 of the WWTP is currently in plan design.

Bear Creek SUD will provide wastewater treatment services to the mixed use, commercial and business park area of the Elevon Development. The City has agreed to finance and construct any necessary expansions to the Bear Creek WWTP, subject to TCEQ approval.

Trails. Pursuant to the Development Agreement, the Master Developer has agreed to construct or cause to be constructed a network of public and private trails to provide connectivity through the Elevon Development. The public trails shall be dedicated to the City and maintained by the HOA or POA, as applicable.

HOA; POA. The Master Developer has created a mandatory Homeowners’ Association over the District and expects to create a property owners’ association over the commercial, business park and mixed-use areas of the Elevon Development, which owners’ associations shall be required to assess and collect from the owner annual fees in an amount calculated to maintain the privately owned open space, common areas, right-of-way landscaping, trails and parks.

Currently, the Master Developer may terminate the Development Agreement if the Bonds and the Zone 1 Remainder Area Bonds are not sold by January 31, 2022 (the “Public Improvement Financing Date”). On January 18, 2022, the City Council will consider approval of the First Amendment to the Elevon Development Agreement (the “First Amendment”) which will amend the Public Improvement Financing Date for the Bonds and the Zone 1 Remainder Area Bonds to February 28, 2022. Thereafter, the parties will execute the First Amendment. For more information regarding the terms and provisions of the Development Agreement, see “APPENDIX G – Development Agreement.”

District Development Plan

The property within the District is expected to be developed as master planned residential community featuring approximately 3600 single family lots, an amenity center, open spaces and trails in a cooperative effort between the Master Developer and the Builders. The current development plan is to develop Zone 1 of the District, which will begin with the concurrent development of (i) the Zone 1 Improvements benefiting Zone 1 and the Offsite Improvements allocable to both Improvement Area #1 and the Zone 1 Remainder Area and (ii) the Improvement Area #1 Improvements benefiting Improvement Area #1. Thereafter, the Master Developer plans to develop or cause to be developed one or more Future Zone 1 Improvement Areas followed by the development of one or more Zones in the Future Improvement Area. See “THE IMPROVEMENT AREAS #1 AUTHORIZED IMPROVEMENTS” and “APPENDIX B — Form of Service and Assessment Plan.”

Zone 1 Improvements and Offsite Improvements. The Master Developer will construct the Zone 1 Improvements and the Offsite Improvements. The Master Developer expects to commence construction of the Zone

1 Improvements and the Offsite Improvements in Q1 2022 and complete such improvements by Q1 2023. A portion of the proceeds of the Bonds will be used to finance the costs of the Zone 1 Improvements and the Offsite Improvements allocable to Improvement Area #1.

Improvement Area #1 Improvements. Pursuant to the Purchase and Sale Agreements with the Improvement Area #1 Builders (as defined below), the Improvement Area #1 Builders will construct the Improvement Area #1 Improvements within their respective pods. Qualico has entered into a “Pod 2D Management Agreement” with the Master Developer to manage the development of the lots within Pod 2D as a fee developer. See table “Expected Buildout of Single-Family Lots within Zone 1 of the District” below under “— Lot Development and Home Construction” for expected commencement and completion dates of the Improvement Area 1 Improvements within each pod within Zone 1 of the District. A portion of the proceeds of the Bonds will be used to finance the costs of Improvements Area #1 Improvements; however, pursuant to the Purchase and Sale Agreements the Builders have assigned their respective rights to receive reimbursement to the Master Developer.

Future Zone 1 Improvement Area Improvements. Upon completion of the lots within Improvement Area #1, the Master Developer expects that Zone 1 Remainder Area Builders (as defined below) will construct the Future Zone 1 Improvements Area Improvements within their respective pods. The City, upon satisfying certain financial covenants contained in the Indenture and conditions precedent contained in the Development Agreement, may issue one or more series of Future Zone 1 Improvement Area Bonds to finance the costs of Future Zone 1 Improvement Area Improvements as development proceeds.

Future Improvement Area Improvements. The Master Developer expects that the Future Improvement Area will be developed in one or more Zones, with one or more improvement areas within each Zone. The City, upon satisfying certain conditions precedent contained in the Development Agreement, may issue one or more series of Future Improvement Area Bonds to finance the costs of Future Improvement Area Improvements as development proceeds. Currently, the Master Developer has not entered into any agreements with homebuilders relating to the Future Improvement Area.

Purchase and Sale Agreements

Each Builder entered into substantially similar Purchase and Sale Agreements with the Master Developer, which all closed on November 12, 2021 (the “Land Closing Date”), for all of the proposed lots in Zone 1. Pursuant to the Purchase and Sale Agreements, each Builder agreed to develop the entirety of its purchased pod, including the Improvement Area #1 Improvements, the Future Zone 1 Improvement Area Improvements and the Private Improvements within such pod, also referred to as the Builders’ Development Obligations, and the Master Developer agreed to finance and construct the Zone 1 Improvements, the Offsite Improvements, the Electric, Gas and Fiber Network and the Common Area Improvements, also referred to as the Master Developer’s Development Obligations. The Master Developer and the Builders have entered into the Builder Development Agreement to provide for the completion of the Master Developer’s Development Obligations and an escrow of funds for the payment thereof.

Pods Purchased. Improvement Area #1 contains four development pods – Pod 2A, Pod 2B-1, Pod 2C, and Pod 2D.

- K Hovnanian Homes purchased Pod 2A, which consists of approximately 65.135 acres, from the Master Developer and intends to develop Pod 2A into 92 60’ lots and 76 70’ lots, for a total of 168 Pod 2A lots.
- HMM/Stratford Elevon purchased Pod 2B-1, which consists of approximately 49.470 acres, from the Master Developer and intends to develop Pod 2B-1 into 101 40’ lots and 97 50’ lots, for a total of 198 Pod 2B-1 lots.
- GRBK Edgewood purchased Pod 2C-Main, which consists of approximately 63.017 acres, from the Master Developer and intends to develop Pod 2C-Main into 68 45’ lots, 121 50’ lots, and 49 60’ lots, and UMH Development purchased Pod 2C-Partial, which consists of approximately 14.381 acres from the Master Developer and intends to develop Pod 2C-Partial into 39 40’ lots, 31 50’ lots, and 2 60’ lots for an aggregate total of 310 Pod 2C lots.

- Qualico purchased Pod 2D, which consists of approximately 40.661 acres, from Master Developer, and intends to develop Pod 2D into 44 26’ lots, 37 31’ lots, 12 33’ lots, 28 35’ lots, 75 40’ lots, and 63 50’ lots, for total of 259 Pod 2D lots.

Collectively, K Hovnanian Homes, HMH/Stratford Elevon, GRBK Edgewood UMH Development and Qualico are referred to herein as the “Improvement Area #1 Builders.”

Zone 1 Remainder Area contains two development pods – Pod 2B-2 and Pod 2E.

- HMH/Stratford Elevon purchased Pod 2B-2, which consists of approximately 38.720 acres, from Developer and intends to develop Pod 2B-2 into 101 40’ lots and 88 50’ lots, for a total of 189 Pod 2B-2 lots.
- GRBK Edgewood purchased Pod 2E-Main, which consists of approximately 52.368 acres, from the Master Developer and intends to develop Pod 2E-Main into 42 40’ lots, 50 45’ lots, 96 50’ lots, and 22 60’ lots, and UMH Development purchased Pod 2E-Partial, which consists of approximately 12.972 acres, from the Master Developer and intends to develop Pod 2E-Partial into 11 45’ lots, 19 50’ lots, and 23 60’ lots, for total of 263 Pod 2E lots.

Collectively, HMH/Stratford Elevon, the GRBK Edgewood and UMH Development are referred to herein as the “Zone 1 Remainder Area Builders.” The Improvement Area #1 Builders and the Zone 1 Remainder Area Builders are collectively referred to herein as the “Builders.”

The Builders agreed to complete the development within their respective pods, including the Improvement Area #1 Improvements, the Future Zone 1 Improvement Area Improvements and the Private Improvements, in in their respective pods located in Improvement Area #1 and the Zone 1 Remainder Area, targeting the following completion schedule:

Target Completion Schedule for Builders’ Development Obligations

<u>Builder</u>	<u>Pod</u>	<u>Target Completion Date⁽¹⁾ (after Land Closing Date)</u>
K. Hovnanian Homes	2A	24 months
HMH/Stratford Elevon	2B-1 2B-2	48 months
GRBK Edgewood/UMH	2C 2E	60 months
Qualico	2D	24 months

⁽¹⁾ Each Target Completion Date is extendable upon the occurrence of certain excusable delays or force majeure as defined in the respective Purchase and Sale Agreements.

Source: Purchase and Sale Agreements provided by Master Developer

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Builder Development Agreement. The Purchase and Sale Agreements required that the Master Developer and the Builders enter into the Builder Development Agreement. On the Land Closing Date, the Master Developer and the Builders executed the Builder Development Agreement. Under the Builder Development Agreement, the Master Developer has agreed to complete the Master Developer’s Development Obligations as follows:

Completion Schedule Master Developer’s Development Obligations

<u>Item of the Improvement</u>	<u>Commencement Date</u>	<u>Completion Date</u>	<u>Outside Completion Date⁽¹⁾</u>
Zone 1, Offsite and Electric, Gas and Fiber Network	Within 90 days after Land Closing	Later of: (i) 12 months after Commencement Date, or (ii) Substantial Completion of the first Builder’s first phase of Lots	90 days after the original Completion Date
<u>Common Area Improvements</u>			
Amenity center	Within 120 days of Substantial Completion of the first Builder’s first phase of Lots	9 months after Commencement Date	90 days after the original Completion Date
Trails, Open space improvements	Within 120 days of Substantial Completion of the first Builder’s first phase of Lots	6 months from Commencement Date	90 days after the original Completion Date
Entry feature, Signage Hardscaping & Landscaping	Within 60 days of Substantial Completion of the first Builder’s first phase of Lots	6 months from Commencement Date	

⁽¹⁾ Completion dates do not take into account any extension for force majeure.
Source: *Builder Development Agreement provided by Master Developer.*

As a condition to closing with the Builders under their respective Purchase and Sale Agreements, to establish that the Master Developer has sufficient funds to finance and complete the Master Developer’s Development Obligations, the Master Developer deposited \$19,373,984 of the sale proceed (the “Escrow Deposit”) in an escrow account held by the title company. Prior to closing on the Bonds, the Master Developer will transfer from the Escrow Deposit an amount necessary to fund the Deficit relating to the Improvement Area #1 Authorized Improvements resulting upon the issuance of such bonds with the Trustee. The proceeds of the Zone 1 Remainder Area Bonds, along with approved Master Developer expenditures, will be sufficient to fully fund the Zone 1 Remainder Area Authorized Improvements.

If the Master Developer fails to complete the Master Developer’s Development Obligations in accordance with the schedule above, after notice and the opportunity to cure as provided in the Builder Development Agreement, a majority of the Builders may engage the Master Developer’s project engineer, or such other person or entity agreed upon by a Majority of the Builders to complete the Master Developer’s Development Obligations. The project engineer may make draws from the Escrow Deposit or submit a Certification for Payment to the Trustee or the trustee for the Zone 1 Remainder Area Bonds, as applicable.

Right of First Opportunity Agreements. Pursuant to the Purchase and Sale Agreements, on the Land Closing Date, each Builder executed a recordable Right of First Opportunity Agreement (each a “Right of First Opportunity Agreement”).

Pursuant to the Right of First Opportunity Agreements executed by K Hovnanian Homes relating to Pod 2A and by Qualico relating to Pod 2D, each such Builder agreed that unless otherwise approved by the Master Developer, it will not transfer, sell or convey an portion of the property within its respective pod in an undeveloped condition to an unaffiliated third party, other than an “Approved Builder,” (as listed on an exhibit to K Hovnanian Homes’ and Qualico’s respective Purchase and Sale Agreements) without first offering such property (or applicable portion thereof) back to the Master Developer.

Pursuant to the Right of First Opportunity Agreements executed by HMH/Stratford Elevon relating to Pod 2B and by GRBK Edgewood and UMH Development relating to Pod 2C and Pod E, each such Builder agreed that unless otherwise approved by the Master Developer, it will not transfer, sell or convey any portion of the property within its pod in an undeveloped condition to a unaffiliate third party without first offering such property (or applicable portion thereof) back to the Master Developer.

In the event that the Master Developer exercises its option under a Right of First Opportunity Agreement, the purchase price payable to such Builder will be an amount equal to the lesser of (i) the original price paid by Builder under the applicable Purchase and Sale Agreement plus interest on such original purchase price accruing at the rate of 5% per annum, plus all closing costs paid by Builder under the applicable Purchase and Sale Agreement and (ii) the price offered to the third party. In the event Master Developer declines to exercise its rights as noted above under a Right of First Opportunity Agreement, Master Developer shall have the right to approve all parties to whom Builder desires to sell and/or transfer the property (or any portion there) in an undeveloped condition and no such sale and/or transfer may take place unless Master Developer has provided its approval to Builder in writing. "Undeveloped condition" means that paving, water, sanitary sewer, and storm sewer infrastructure has not been installed.

Additionally, with the exceptions noted above, in the event that Builder desires to convey and/or transfer a Lot within the property in its pod (upon which a home has not yet been constructed) to an unaffiliated third party homebuilder (other than an individual homebuyer), the Master Developer shall have the right to approve such unaffiliated third party homebuilder at its sole discretion and no such conveyance and/or transfer may take place unless Master Developer has provided its approval to Builder in writing.

Repurchase Option Agreements. The Purchase and Sale Agreements required that the Master Developer and each Builder enter into a Repurchase Option Agreement. On the Land Closing Date, the property within each pod was conveyed subject to a separate recordable "Repurchase Option Agreement," pursuant to which each Builder granted to the Master Developer the exclusive right and option ("Option") to purchase the property in accordance with the provisions of the Repurchase Option Agreement during either of the Exercise Periods (as defined below), as applicable.

The Option may only be exercised by Master Developer if the Builder fails to commence construction on the property in its pod within a specified period after the Land Closing Date. For all Builders construction of lot must commence with twelve (12) months after the date of the Land Closing Date with respect to such property ("First Option Period"). For Builders who are developing in two phase, construction of the second phase of lots must commence within 40 months after the Land Closing Date in the case HMH/Stratford Elevon or within 30 months after the date of the Land Closing Date in the case of GRBK Edgewood and UMH, with respect to the second phase of lots (the "Second Option Period" and each the First Option Period and the Second Option Period, an "Option Period"), subject in both instances to extension for force majeure, or unless otherwise agreed by the parties. The term commence construction means to commence dirt work in addition to substantial and continual activity for internal paving, water, sanitary sewer and storm water utilities for the property, subject to extensions of force majeure.

In the event the Builder fails to commence construction during the Option Period with respect to the first phase of lots, the Master Developer may exercise the Option at any time during the subsequent ninety (90) day period after the First Option Period expires (First Exercise Period) as to the property. In the event Builder fails to commence construction during the Second Option Period, Seller may exercise the Option at any time during the subsequent ninety (90) day period after the Second Option Period expires (Second Exercise Period) as to the second phase of Lots. In the event Seller does not elect in writing to repurchase the Property during the First Exercise Period, the Option will lapse as to the first phase of Lots, and Seller will no longer have the right to repurchase such the first phase of lots under the applicable Repurchase Option Agreement. In the event Seller does not elect in writing to repurchase the Property during the Second Exercise Period applicable to the second phase of Lots, the Option will lapse as to the second phase of Lots, and Seller will no longer have the right to repurchase any portion of the Property under this Agreement.

Notwithstanding anything in the Repurchase Option Agreement to the contrary, in no event will the Repurchase Option Agreement be binding on, or create any encumbrance on title as to any individual purchaser of a platted lot located within the respective pod, which lot has been improved with a residence thereon, or which lot is acquired pursuant to a contract obligating Builder, as the seller thereunder, to construct a residence thereon.

Lot Development and Home Construction

The following table shows the expected number and type of lots within each pod of Improvement Area #1 and Zone 1 Remainder Area of the District.

Expected Single-Family Lots within the Zone 1 of the District⁽¹⁾

<u>Lots</u>	<u>Improvement Area #1⁽²⁾</u>	<u>Zone 1 Remainder Area⁽³⁾</u>	<u>Total number of Lots</u>
26'	44	0	44
31'	37	0	37
33'	12	0	12
35'	28	0	28
40'	215	143	358
45'	68	61	129
50'	312	203	515
60'	143	45	188
70'	76	0	76
Total	935	452	1,387

⁽¹⁾ Pursuant to the current Preliminary plat approved by the City. Lot counts may differ at time of final plat.

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The Master Developer, in collaboration with the Builders, currently expect the buildout of the single-family lots and expected final sale dates will be as shown in the following table.

Expected Buildout of Single-Family Lots within the District⁽¹⁾

Improvement Area	Pod	Lot Size	Number of Lots	Expected Single-Family Lot Start Date	Expected Single-Family Lot Completion Date ⁽²⁾	Expected Initial Sale Date of Single-Family Lots to Builders	Expected Initial Sale Date to Homeowner	Expected Final Sale Date of to Homeowners
Improvement Area #1 of Zone 1	2A	60'	92	Q2 2022	Q2 2023	Q4 2021 Land sold in bulk to K Hovnanian Homes who will construct lots and build homes	Q3 2023	Q2 2026
		70'	76	Q2 2022	Q2 2023		Q3 2023	Q2 2026
	2B-1	40'	101	Q1 2022	Q1 2023	Q4 2021 Land sold in bulk to HMH/Stratford Elevon who will develop lots	Q2 2023	Q2 2025
		50'	97	Q1 2022	Q1 2023	Lots to be purchased and homes to be built by HistoryMaker Homes ⁽⁵⁾	Q2 2023	Q2 2025
	2C	40'	39	Q2 2022	Q3 2023 ⁽³⁾	Q4 2021	Q4 2023	Q1 2026
		45'	68	Q2 2022	Q3 2023 ⁽³⁾	Land sold in bulk to GRBK Edgewood and UMH who will develop lots and build homes	Q4 2023	Q1 2026
		50'	152	Q2 2022	Q3 2023 ⁽³⁾		Q4 2023	Q1 2026
		60'	51	Q2 2022	Q3 2023 ⁽³⁾		Q4 2023	Q1 2026
	2D	26'	44	Q1 2022	Q1 2023	Q4 2021	Q2 2023	Q4 2025
		31'	37	Q1 2022	Q1 2023	Land sold in bulk to Qualico who will develop lots	Q2 2023	Q4 2025
33'		12	Q1 2022	Q1 2023		Q2 2023	Q4 2025	
35'		28	Q1 2022	Q1 2023	Lots to be purchased and homes to be built by Pacesetter Homes ⁽⁶⁾	Q2 2023	Q4 2025	
40'		75	Q1 2022	Q1 2023		Q2 2023	Q4 2025	
2B-2	40'	101	Q1 2024	Q1 2025 ⁽⁴⁾	Q4 2021	Q2 2025	Q2 2027	
	50'	88	Q1 2024	Q1 2025 ⁽⁴⁾	Land sold in bulk to HMH/Stratford Elevon who will develop lots	Q2 2025	Q2 2027	
Zone 1 Remainder Area	2E	40'	42	Q2 2024	Q3 2025 ⁽⁴⁾	Q4 2021 Land sold in bulk to GRBK Edgewood and UMH who will develop lots and construct homes	Q4 2025	Q2 2028
		45'	61	Q2 2024	Q3 2025 ⁽⁴⁾		Q4 2025	Q2 2028
		50'	115	Q2 2024	Q3 2025 ⁽⁴⁾		Q4 2025	Q2 2028
		60'	45	Q2 2024	Q3 2025 ⁽⁴⁾		Q4 2025	Q2 2028
Future Improvement Area	NA	TBD	2,313	TBD	TBD	TBD	TBD	TBD
Total			3,700					

⁽¹⁾ The projections regarding final buildout and final sale dates were provided by the Builders. Expected buildout and final sale date projections in the Appraisal may vary.

⁽²⁾ The expected single-family lot completion dates are estimates based on information currently available to the Builders and are subject to change. The only date to which the Builders committed to complete construction of the lots within their respect pods are the Target Completion Dates to which they agreed in their respective Purchase and Sale Agreements. See "THE DEVELOPMENT -- Purchase and Sale Agreements -- Target Completion Schedule for Builders' Development Obligations."

⁽³⁾ Expected Single-Family Lot Completion date vary from Appraisal, which assumes finished lots on April 1, 2023.

⁽⁴⁾ Expected Single-Family Lot Completion date vary from Appraisal, which assumes finished lots on October 1, 2024.

⁽⁵⁾ HMH/Stratford Elevon JV has entered into a contract of sale with HMH Lifestyles, aka HistoryMaker Homes, for the sale of all 198 lots in Pod 2B-1 and for the sale of all 189 lots in Pod 2B-2.

⁽⁶⁾ Currently, Qualico intends to enter into a contract of sale with Pacesetter Homes, LLC, for the sale of all lots in Pod 2D.

The Master Developer’s current expectations regarding lot and home prices in Improvement Area #1 are as follows:

Single-Family Lot and Home Prices in Improvement Area #1

Pod	Lot Size	Quantity	Base Lot Price ⁽¹⁾	Estimated Base Home Price ⁽²⁾
2A	60'	92	\$84,000	\$420,000
	70'	76	98,000	490,000
2B-1	40'	101	56,000	280,000
	50'	97	70,000	350,000
2C	40'	39	56,000	280,000
	45'	68	63,000	325,000
	50'	152	70,000	350,000
	60'	51	84,000	420,000
2D	26'	44	36,400	210,000
	31'	37	42,000	233,000
	33'	12	42,000	233,000
	35'	28	42,000	233,000
	40'	75	56,000	280,000
	50'	63	70,000	350,000
Total		935		

⁽¹⁾ Estimated base lot prices were provided by Master Developer for inclusion in the Service and Assessment Plan and may vary from concluded retail value in Appraisal and from the actual base lot prices calculated by the Builders.

⁽²⁾ Estimated base home prices were provided by Master Developer for inclusion in the Service and Assessment Plan and may vary from concluded retail value in Appraisal and from the actual base home prices obtained by the Builders.

The Master Developer’s current expectations regarding lot and home prices in the Zone 1 Remainder Area are as follows:

Single-Family Lot and Home Prices in Zone 1 Remainder Area

Pod	Lot Size	Quantity	Estimated Base Lot Price ⁽¹⁾	Estimated Base Home Price ⁽²⁾
2B-2	40'	101	\$56,000	\$280,000
	50'	88	70,000	350,000
2E	40'	42	56,000	280,000
	45'	61	63,000	325,000
	50'	115	70,000	350,000
	60'	45	84,000	420,000
Total		452		

⁽¹⁾ Estimated base lot prices were provided by Master Developer and may vary from concluded retail value in Appraisal or from the actual base lot prices calculated by the Builders.

⁽²⁾ Estimated base home prices have been provided by Master Developer and may vary from the Estimated Buildout Values to be determined in a future update to the Service and Assessment Plan and from the actual base home prices obtained by the Builders.

HOA Amenities

The Master Developer plans to construct the “HOA Amenities,” expected to consist of, among other things, an amenity center, hike and bike trails, ponds, open space and pocket parks throughout the Development. The Master Developer anticipates that the HOA Amenities will cost approximately \$5,204,650 to construct. The Master Developer expects to commence construction of the HOA Amenities in the first quarter of 2023 and expects to complete construction of the HOA Amenities in the third quarter of 2023. All HOA Amenities will be owned, operated and maintained by the Homeowners’ Association.

Zoning/Permitting

The District is currently located within the extraterritorial jurisdiction of the City. While the District is in the extraterritorial jurisdiction of the City, the development thereof will be governed by the development standards provided in the Development Agreement. The land within the District will be annexed into the City on a Zone-by-Zone basis upon the issuance of assessment revenue bonds for the initial phase of a Zone. Upon annexation, the City intends to consider and approve a planned development zoning district (the “PD Ordinance”). The PD Ordinance will allow certain residential uses and will be in conformity of the “Concept Plan and Development Standards” of the Development Agreement. The City’s zoning and subdivision regulations will control the aspects of development not specifically set forth in the PD Ordinance.

Education

The Development is located in Community Independent School District (“Community ISD”). Community ISD currently operates two elementary schools, one middle school, and two high schools. McClendon Elementary School, which is approximately 4.5 miles from the District, Leland E. Edge Middle School, which is approximately 4.5 miles from the District, and Community High School, which is approximately 4 miles from the District, are expected to serve residents in the District; however, it is anticipated that an elementary school will be built in the District. Construction of the elementary school is anticipated to begin in early 2023 and conclude in late 2024, with an opening for students in the fall of 2024.

GreatSchools.org rated McClendon Elementary School as a 7-out-of-10, Leland E. Edge Middle School as a 6-out-of-10, and Community High School as a 6-out-of-10. According to the Texas Education Agency annual report cards, McClendon Elementary School received a “B” rating, Leland E. Edge Middle School received a “C” rating, and Community High School received a “B” rating. (The categories for public school districts and public schools are A, B, C, D or F. All Texas Districts and Schools were not rated by the TEA for 2019-2020 due to COVID-19. Report card ratings are from the 2018-2019 school year).

Environmental

Site Evaluation. A Phase One Environmental Site Assessment of the property within the District (the “Phase One ESA”) was completed on April 28, 2021 and July 7, 2021 (on separate tracts of land on the property). Based on the information presented in the Phase One ESAs, there was no evidence of recognized environmental conditions in connection with the property.

Endangered Species. According to the website for the United States Fish and Wildlife Service, various species of amphibians and arachnids are endangered in Collin County. The Master Developer is not aware of any endangered or threatened species located on District property.

Geotechnical Exploration

Geotechnical exploration reports covering the property in the District (the “Geotechs”) were completed on April 27, 2021, August 11, 2021, and August 31, 2021. The Geotechs indicated high-plasticity clay soil with potential soil movement estimated at approximately 8 to 9 inches. The Geotech made certain design recommendations to prevent post construction movement. The pavement and utility structures should be designed and constructed in accordance with City standards. The Master Developer intends to follow the recommendations made in the preliminary Geotech.

Utilities

Water and Wastewater. Bear Creek SUD and Nevada SUD each partially hold water CCNs for a portion of Improvement Area #1. Bear Creek SUD will provide water service benefitting Pods 2A, B-1, and 2B-2, while Nevada SUD will provide water service benefitting Pods 2C, 2D, and 2E. Each Bear Creek SUD and Nevada SUD has provided “will serve” letters with respect to the pods it will serve to the Master Developer.

The City has the exclusive right to provide sanitary sewer service in the corporate limits, which will include each Zone within the District upon annexation, and is presently the sole provider of sanitary sewer service in the ETJ.

The City's wastewater collection and treatment system currently have sufficient capacity to provide wastewater service to the District.

Additional Utilities. The Master Developer anticipates additional utilities to be provided by: Atmos Energy, Oncor Energy, and Pavlov.

THE MASTER DEVELOPER AND BUILDERS

The following information has been provided by the Master Developer. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

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 internet, gas 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 Master Developer's right to sell any or all of the land which the Master 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 Master Developer

The Master Developer is a single purpose entity established solely to develop the land in the Development, including the land within the District. The sole manager of the Master Developer is MA Partners LLC, a Texas limited liability company ("MA Partners") and the sole member of the Master Developer is Caruth TTL, LLC, a Texas limited liability company ("Carruth TTL"). Caruth TTL is an entity owned and controlled by the principals of the Master Developer that was set up as the investment arm for multiple development projects. The land within Zone 1, consisting of Improvement Are #1 and the Zone 1 Remainder Area, was subdivided and sold to the Builders by the Master Developer. The Master Developer will be constructing the Zone 1 Improvements in the District and the Offsite Improvements, while each pod will be developed by its respective Builder.

Description of the Builders

Pod A Builder. K Hovnanian Homes is the sole owner, developer and homebuilder in Pod 2A. Hovnanian Enterprises, Inc. ("Hovnanian Enterprises") is a publicly traded company listed on The NYSE Capital Market. Hovnanian Enterprises through its subsidiaries, is one of the nation's largest homebuilders with operations in Arizona, California, Delaware, Florida, Georgia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, South Carolina, Texas, Virginia, Washington, D.C. and West Virginia. The company's homes are marketed and sold under the trade name K. Hovnanian® Homes.

Hovnanian Enterprises' stock trades on the NYSE under the symbol "HOV." Hovnanian Enterprises is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information filed by Hovnanian Enterprises can be inspected and copied at the Public Reference Section of the SEC, Room 100 F Street, N.E., Washington D.C. 20549 and at the SEC's internet website at <http://www.sec.gov>. Copies of such materials can be obtained by mail from the Public Reference Section of the SEC at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the NYSE, 11 Wall St, New York, NY 10005. All documents subsequently filed by Hovnanian Enterprises pursuant to the requirements of the Securities and Exchange Act of 1934 after the date of this Limited Offering Memorandum will be available for inspection in the same manner as described above.

Pod 2B-1 and 2B-2 Builder. HMH/Stratford Elevon is the sole owner and developer of Pod 2B-1 and Pod 2B-2 which consists of 88.190 acres within Zone 1 of the District. HMH/Stratford Elevon is a joint venture among HMH Elevon Land, LLC, a Texas limited liability company (“HMH Elevon”), Stratford Lavon Investor, LLC, a Texas limited liability company (“Stratford Lavon”), and Stratford SM/SLP, L.P., a Texas limited partnership (“Stratford SM/SLP”), created to purchase and develop Elevon Pod 2B-1 and Pod 2B-2 for HMH Lifestyles, L.P., a Texas limited partnership (“HMH Lifestyles”), aka “HistoryMaker Homes.” HMH/Stratford Elevon will oversee the design and construction of the infrastructure within Pod 2B-1 and Pod 2B-2.

HMH/Stratford Elevon entered into a construction agreement with Jabez Development, LP, a Texas limited partnership, and an affiliate of HMH Elevon and HMH Lifestyles, to construct the improvements necessary for lot development. HMH/Stratford Elevon has entered into a contract of sale with HMH Lifestyles, aka HistoryMaker Homes, for the sale of all 198 lots in Pod 2B-1 and for the sale of all 189 lots in Pod 2B-2.

Pod 2C and 2E Builder. GRBK Edgewood and UMH Development are the owners of the land within Pod 2C and Pod 2E; however, GRBK Edgewood is the managing developer of the land within such pods pursuant to a joint development agreement between GRBK Edgewood and UMH Development. The sole member and 100% owner of GRBK Edgewood is Green Brick Partners, Inc., a Delaware corporation (“Green Brick Partners”). Green Brick Partners is a publicly traded company listed on The NYSE Capital Market. Green Brick Partners is a diversified homebuilding and land development company that acquires and develops land, and provides lots and equity or construction financing to its subsidiary homebuilders or affiliates that operate in Texas, Georgia, Florida, and Colorado. Jim Brickman is Green Brick Partners Co-Founder, Chief Executive Officer and Director.

Green Brick Partners’ stock trades on the NYSE under the symbol “GRBK.” Green Brick Partners is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information filed by Green Brick Partners can be inspected and copied at the Public Reference Section of the SEC, Room 100 F Street, N.E., Washington D.C. 20549 and at the SEC’s internet website at <http://www.sec.gov>. Copies of such materials can be obtained by mail from the Public Reference Section of the SEC at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the NYSE, 11 Wall St, New York, NY 10005. All documents subsequently filed by Green Brick Partners pursuant to the requirements of the Securities and Exchange Act of 1934 after the date of this Limited Offering Memorandum will be available for inspection in the same manner as described above.

In addition, Green Brick Partners makes available on its website, <https://greenbrickpartners.com/reporting/>, its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports from Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC as well as other financial institutions. Unless otherwise specified, information contained on Green Brick Partners’ website, is not incorporated into this Limited Offering Memorandum.

Pod 2D Builder. Qualico is the sole owner and developer of Pod D. Established in Winnipeg, Canada, as Quality Construction, in 1951, it expanded into Calgary in 1954 and Edmonton in 1955. In 1972, the company changed its name to Qualico and it has since expanded into Metro Vancouver, Saskatoon, Regina, and Austin and Dallas–Fort Worth, Texas. Brian and Ruth Hastings are the sole owners of Qualico, a family-owned company. Ruth Hastings is the daughter of Qualico’s Founders, R. David Friesen and Katherine Friesen. The company’s activities span the entire real estate spectrum and include land acquisition and development, single-family and multi-family home divisions, commercial development and leasing, property management and building materials and services.

Qualico engaged the Master Developer, pursuant to Pod 2D Management Agreement, to manage the development of lots within Pod D as a fee developer. Pacesetter Homes, LLC (“Pacesetter Homes”), an entity of Qualico, will build homes on the completed lots.

Description of Past and Current Projects of the Master Developer

The Master Developer and its affiliates work closely with local municipalities, builders, commercial developers, and public-school systems as part of its overall master plan. The Master Developer works with top builders to deliver the latest concepts ranging from small to large residential communities as well as commercial and multi-use developments. The following is a brief sampling of past and current development projects of the Master Developer and its related entities:

Name	Location	Description
Butler Farms PID	Liberty Hill, Texas	366 acre master planned community with 1,188 proposed homesites. A public improvement district was created to finance eligible infrastructure. Construction began in March 2021 with the first phase of lots to be delivered December 2021.
Durango Farms PID	Hutto, Texas	105 acre master planned community with 248 homesites and 388 multi-family units. A public improvement district was created to finance eligible infrastructure.
Hutto Co-op District PID	Hutto, Texas	35 acre business, retail, entertainment and residential destination. The CO-OP is home to the new 34,000 sq. ft. Hutto City Hall completed by MA Partners in April 2019. Additionally, the CO-OP will have over 200,000 sq ft of office and retail and several multi-family sites.
Morning Star/Omega Ranch MUD	Williamson County, Texas	547 acre master planned community. To date, MA Partners has developed 1,343 of the 1,924 total lots. A Municipal Utility District was created to finance eligible infrastructure.
Meadow Run	Melissa, Texas	200 acre community with 638 homesites.
The Enclave	Melissa, Texas	16 acre community with 73 homesites.
Woodlake Creek	Royce City, Texas	43 acre community with 172 homesites.
Bridges at Lake Houston	Humble, Texas	322 acre master planned community with 550 homesites and 35 acres mixed-use.
Sedona Lakes	Manville, Texas	500 acre master planned community with 1,000 homesites.
Southlake	Texas City, Texas	418 acre master planned community with 1,250 homesites.
Parkside	Royse City, Texas	110 acre community with 424 homesites.
Sage Creek	Liberty Hill, Texas	Acreage community with 30 estate homesites.
Cheyenne Ridge	Fort Worth, Texas	50 acre community with 251 homesites.
Bell Station	Fort Worth, Texas	40 acre community with 98 homesites.
Slate Creek	Georgetown, Texas	Acreage community with 26 estate homesites.
Oakpoint	Plano, Texas	51 acre community with 231 homesites.
The Villas at Fossil Creek	Fort Worth, Texas	63 homesites in a villa community in the Fossil Creek business park.
River's Edge	Fort Worth, Texas	213 acre community with 609 homesites and 30 acres of commercial.

Name	Location	Description
Terrace Landing	Fort Worth, Texas	112 acre community with 476 homesites.
Harbor Glen	Dallas, Texas	40 acre community with 161 homesites.
Reserve at Autumnwood	Tomball, Texas	Acreage community with 140 estate homesites.
Grady Niblo	Dallas, Texas	71 acre community with 142 homesites.

Executive Biographies of Principals of the Master Developer

John Marlin, Founder and Chief Executive Officer. John Marlin is co-founder and a principal of MA Partners. Mr. Marlin has extensive experience in the acquisition, development and disposition of both horizontal and vertical construction, including overseeing the construction and sales of several thousand homes and the development of several thousand lots. He has also constructed multi-floor condominiums and re-developed office buildings, commercial storefronts and large condominium complexes.

Mr. Marlin is responsible for developing the company’s investment strategy in addition to overseeing the design, marketing, promotion, delivery and quality of all the company’s programs. He is also instrumental in navigating each project through the municipal entitlement process, mitigating a significant component of the development risk.

Wyatt Henderson, Co-Founder and Principal. Wyatt Henderson is co-founder and a principal of MA Partners. Mr. Henderson has spent the last 26 years focused in real estate development and homebuilding. He started his career with KPMG Peat Marwick and has worked with some of the nation’s largest homebuilders, including KB Home, Lennar Homes and Ashton Woods Homes, where he served as a controller responsible for project finance and business plan development.

With MA Partners, Mr. Henderson is responsible for the execution of development projects and is instrumental in sourcing and evaluating opportunities. He is active in investor relations as well as negotiations with sellers, lenders, and municipalities.

Mr. Henderson attended Midwestern State University on both academic and athletic scholarships. He then continued at Baylor University in Waco, Texas earning a Bachelor’s degree in Business Administration & Accounting with a minor in Information Systems.

Allen Jones, Co-Founder and Principal. Allen Jones is co-founder and a principal of MA Partners. Mr. Jones is responsible for sourcing and underwriting investment opportunities and overseeing all financial analysis and reporting, as well as managing existing projects and investor relations. Mr. Jones has spent the last 24 years in real estate with a primary emphasis on residential land development. In roles as an analyst, acquisitions director, and chief financial officer, he has been involved in the acquisition and management of more than 30 real estate investment and development opportunities.

Mr. Jones received his Bachelor’s degree in Business Administration with a major in accounting from Midwestern State University and a Master’s degree in Business Administration with a major in Finance from Baylor University.

David Howell, Vice President of Land Development. David Howell has spent the past 35 years focused on real estate acquisition and development of master planned single family residential projects. He has extensive expertise in project feasibility, market analysis, subdivision design, land-use entitlement and construction management of both horizontal and vertical improvements.

Mr. Howell began his career as a consulting engineer in private practice before entering the real estate development field. He has been involved in the acquisition, entitlement, development and management of projects totaling more than 14,000 lots.

With MA Partners, Mr. Howell is responsible for execution and management of development operations, overseeing feasibility, entitlement, design and construction to ensure timely and successful completion of projects. Mr. Howell’s long track record of quality projects, strong work ethic and creative attitude works to maximize project success and investor returns.

Mr. Howell holds a Bachelor of Science in Civil Engineering from the University of Texas in Austin, and is a registered Professional Engineer in the State of Texas.

History and Financing of the District

The Master Developer Property Acquisition. The Master Developer was formed for the purpose, among other things, of acquiring the property within the District. The Master Developer acquired approximately 456.586 acres within the Development on November 12, 2021 for a purchase price of \$11,360,840 (approximately \$24,882 per acre) from certain of the Petro-Hunt Entities. The Master Developer used internal corporate cash to fund the land acquisition.

Builder Pod Acquisitions. Immediately after the Master Developer’s acquisition of the land within the District, the Master Developer sold Pods 2A, 2B-1, 2B-2, 2C, 2D and 2E within Zone 1 of the District to the Builders pursuant to their respective Purchase and Sale Agreements. The purchase price paid at closing by each Builder was determined by the following formula: purchase price = (lot value x front feet per lot) – estimated development costs + pre-closing lot development costs. The lot value for Pods 2A, 2B-1, 2B-2, 2C and 2E was \$1,200 per front foot and the lot value for Pod D was \$1,255 per front foot. In connection with each sale, the Master Developer retained all rights to receive reimbursements for the costs of public improvements financed through the District and from the TIRZ.

Summary of Builder Acquisitions

Improvement Area	Pod	Acres	Owner	Purchase Price ⁽¹⁾	Source of Funding
Improvement Area #1 of Zone 1	2A	65.135	K. Hovnanian Homes	\$5,751,400	cash
	2B-1	49.470	HMH/Stratford Elevon	4,320,040	cash and land loan from Texas Bank and Trust Company, in a total principal amount of up to \$5,520,000 (the “Pod 2B Land Loan”)
	2C-Main	63.017	GRBK Edgewood	5,672,350	cash
	2C-Partial	14.381	UMH Development	1,386,885	cash and land loan from Pegasus Bank (the “Pod 2C/E-Partial Land Loan”)
	2D	40.661	Qualico	5,205,714	cash
	Subtotal	272.698		\$22,336,389	
Zone 1 Remainder Area	2B-2	38.720	HMH/Stratford Elevon	4,120,804	cash and Pod 2B Land Loan
	2E-Main	52.368	GRBK Edgewood	5,313,972	cash
	2E-Paritial	12.972	UMH Development	1,359,696	cash and the Pod 2C/E-Partial Land Loan
		104.060		\$10,794,472	
	Total	376.758		\$33,130,861	

⁽¹⁾ Purchase Price = (lot value x front feet per lot) – estimated development costs + pre-closing lot development costs. The Purchase and Sale Agreements provide a true-up opportunity following completion of all lots within a pod.

Financing of Master Developer's Development Obligations. To finance the costs of the Master Developer's Development Obligations the Master Developer will first request payment draws from the proceeds of the Bonds on deposit in Improvement Area #1 Bond Account of the Project Fund and then will request draws from funds provided by the Master Developer on deposit in the Improvement Area #1 Developer Improvement Account of the Project Fund. While the Builder Development Agreement provides for a development loan in addition to the Escrow Deposit, at this time the Master Developer estimates that it will have sufficient sources of available funds to complete the Master Developer's Development Obligations without the necessity of securing a development loan.

Financing of Builders' Development Obligations. The Improvement Area #1 Builders are responsible for developing and financing their respective pods within Improvement Area #1, including the costs of the Improvement Area #1 Improvements within Pods 2A, 2B-1, 2C and 2D.

Pod 2A Development Financing. To finance the costs of the Builders' Development Obligations related to Pod 2A (the "Pod 2A Builder's Development Obligations"), K Hovnanian Homes intends to use available corporate cash (the "Pod 2A Funds"). Upon closing on the Bonds, K Hovnanian Homes will execute a Builder Completion Agreement covenanting to complete its Pod 2A Builder's Development Obligations and providing evidence of sufficient funds, initially Pod 2A Funds as demonstrated by the online financial statements of Hovnanian Enterprises, Inc., to pay any costs related to the Pod 2A Builder's Development Obligations not covered by the proceeds of the Bonds allocated to Pod 2A.

Pods 2B-1 Development Financing. HMH/Stratford Elevon is a joint venture among HMH Elevon, Stratford Lavon and Stratford SM/SLP created to purchase and develop Elevon Pod 2B-1 and Pod 2B-2 for HMH Lifestyles. To finance the costs of the Builders' Development Obligations related to Pod 2B (the "Pod 2B Builder's Development Obligations"), HMH/Stratford Elevon will secure a development loan from Texas Bank and Trust Company (the "Pod 2B Development Loan"). HMH/Stratford Elevon intends to also use funds advanced under the Pod 2B Development Loan to pay off the outstanding balance on Pod 2B Land Loan. Upon closing on the Bonds, HMH/Stratford Elevon will execute a Builder Completion Agreement covenanting to complete its Pod 2B Builder's Development Obligations and providing evidence of sufficient funds, initially evidence of the Pod 2B Development Loan, to pay any costs related to the Pod 2B Builder's Development Obligations not covered by the proceeds of the Bonds allocated to Pod 2B.

Pods 2C Development Financing. GRBK Edgewood and UMH Development entered into a Joint Development Agreement, pursuant to which GRBK Edgewood agreed to develop all lots within Pod 2C. To finance the costs of the Builders' Development Obligations related to Pod 2C (the "Pod 2C Builder's Development Obligations"), GRBK Edgewood intends to use corporate cash funding and a pro rata contribution for the costs from UMH Development (the "Pod 2C Funds"). Upon closing on the Bonds, GRBK Edgewood will execute a Builder Completion Agreement covenanting to complete its Pod 2C Builder's Development Obligations and providing evidence of sufficient funds, initially Pod 2C Funds as demonstrated by the online financial statements of Green Brick Partners, Inc., to pay any costs related to the Pod 2C Builder's Development Obligations not covered by the proceeds of the Bonds allocated to Pod 2C.

Pod 2D Development Financing. To finance the costs of the Builders' Development Obligations related to Pod 2D (the "Pod 2D Builder's Development Obligations"), Qualico may use available cash and/or obtain a development loan from Frost Bank (the "Pod 2D Development Loan"), which if obtained, may not close prior the Delivery Date of the Bonds. Upon closing on the Bonds, Qualico will also execute a Builder Completion Agreement covenanting to complete its Pod 2D Builder's Development Obligations and providing evidence of sufficient funds, initially available cash as demonstrated by its audited financial statements, to pay any costs related to the Pod 2D Builder's Development Obligations not covered by the proceeds of the Bonds allocated to Pod 2D.

In the event that any Builder fails to provide, maintain or file evidence of sufficient funds under its Builder Completion Agreement, upon notice by the City to the Master Developer of such failure, the Master Developer agrees to provide to the City evidence of the Master Developer's ability to fund the Builders' Development Obligations of such Builder in conformance with the requirements of the Development Agreement.

The Zone 1 Remainder Area Builders are responsible for developing and financing their respective pods within the Zone 1 Remainder Area, including the costs of the Future Zone 1 Improvement Area Improvements within Pods 2B-2 and 2E. Any necessary financing to complete the Builder Development Obligations relating to the Zone 1 Remainder Area will be obtained upon commencement of lot construction.

The PID Act provides that the Assessment Lien is a first and prior lien against the Assessed Property on parity with any Future Zone 1 Improvement Area Assessments, but superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes. Additionally, pursuant to the Builder Completion Agreements, the Builders will obtain a certificate from any current or future lender for construction of the Builders' Development Obligations, consenting to and/or acknowledging such Builder's execution of a Builder Completion Agreement. The lien on the property within Zone 1 Remainder Area securing the Assessments and any Future Zone 1 Improvement Area Assessments will have priority over any liens on the property within Zone 1 Remainder Area securing any land or development loans, including the Pod 2B Land Loan, the Pod 2B Development Loan, the Pod 2C/E-Partial Land Loan, and if obtained, the Pod 2D Development Loan.

PID ADMINISTRATOR

The following information has been provided by the PID Administrator. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

The City has selected P3Works, LLC as the initial PID Administrator. The City has entered into an agreement with the PID Administrator to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The PID Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The PID Administrator is a consulting firm focused on providing district services relating to the formation and administration of public improvement districts, and has offices in Austin and North Richland Hills, Texas.

The PID Administrator's duties will include:

- Preparation of the annual update to the Service and Assessment Plan;
- Preparation of assessment rolls for county billing and collection;
- Establishing and maintaining a database of all County Parcel IDs within the District;
- Trust account analysis and reconciliation;
- Property owner inquiries;
- Determination of prepayment amounts;
- Preparation and review of disclosure notices with Dissemination Agent; and
- Review of developer draw requests for reimbursement of public improvement costs.

APPRAISAL OF PROPERTY WITHIN ZONE 1 OF THE DISTRICT

The Appraisal

General. Peyco Southwest Realty Inc. (the "Appraiser"), prepared an appraisal report (the "Appraisal") for the City and the Underwriter dated January 5, 2022 (the "Report Date"), based upon a physical inspection of Pods 2A, 2C, 2B-1, and 2-D of Improvement Area #1 of the District and Pods 2B-2 and 2-E of Zone 1 Remainder Area of the District conducted on October 11, 2021 (the "Physical Inspection Date"). The date of value for Improvement Area #1 is as of April 1, 2023 (the "Improvement Area #1 Effective Date" or "Improvement Area #1 Date of Value") and the date of value for Zone 1 Remainder Area is as of October 1, 2024 (the "Zone 1 Remainder Area Effective Date" or "Zone 1 Remainder Area Date of Value"). The Appraisal was prepared at the request of the City and the Underwriter. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX H 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 H — Appraisal of Zone 1 of District."

Value Estimates. The Appraiser estimated the prospective market value at completion of the fee simple interest in the tracts of land comprising Improvement Area #1 and Zone 1 Remainder Area under certain hypothetical conditions. The Appraisal does not reflect the value of the District, Improvement Area #1 or Zone 1 Remainder Area as if sold to a single purchaser in a single transaction. The hypothetical conditions include the assumption that all of the proposed improvements within Improvement Area #1 or Zone 1 Remainder Area will be completed in accordance with plans and specifications as of April 1, 2023 or October 1, 2024, respectively. See "THE IMPROVEMENT AREA

#1 AUTHORIZED IMPROVEMENTS” and “THE DEVELOPMENT — Development Plan.” The Appraisal does not reflect the as-is condition of the District. See “APPENDIX H — Appraisal of Zone 1 of District.”

The value estimate for Improvement Area #1, using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal as of the Improvement Area #1 Date of Value, is \$62,000,000. The value estimate for Zone 1 Remainder Area, using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal as of the Zone 1 Remainder Area Date of Value, is \$32,000,000. None of the City, the Master Developer nor the Underwriter makes any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions or 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 Master 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, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE ASSESSMENT 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.

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 Improvement Area #1 to pay Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within Improvement Area #1, (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 property 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 property.

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 Master Developer or the Builders are unable to pay the Assessments, only the value of the Assessed Property, 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 expeditious liquidation of the lands within Improvement Area #1. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious 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.

Infectious Disease Outbreak

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 the State. 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. 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. On August 25, 2021 and October 11, 2021, respectively, the Governor issued Executive Orders GA-39 and GA-40 prohibiting vaccine mandates and vaccine passports for all entities in the State. 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 Improvement Area #1 of the District. If lot or home sales are negatively impacted by the Pandemic, the landowner 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, the Master Developer or Builders can predict the impact the Pandemic may have on the City, the financial and operating condition of the Master Developer or Builders, 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, 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, including land within the District.

Failure or Inability to Complete Proposed Development

Proposed development within the District (including the foregoing) may be affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, changes in the income tax treatment of real property ownership, unexpected increases in development costs and other similar factors as well as availability of utilities and the development or existence of environmental concerns with such land. See “Availability of Utilities” and “Hazardous Substances” below. Land development within the District could also be affected adversely by changes in governmental policies, including, but not limited to, governmental policies to restrict or control development. (Any approvals needed in the future for the Development must come from the City.) There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development. A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. THE TIMELY PAYMENT OF THE BONDS DEPENDS UPON THE WILLINGNESS AND ABILITY OF THE MASTER DEVELOPER AND ANY SUBSEQUENT OWNERS TO PAY THE ASSESSMENTS WHEN DUE. ANY OR ALL OF THE FOREGOING COULD REDUCE THE WILLINGNESS AND THE ABILITY OF SUCH OWNERS TO PAY THE ASSESSMENTS AND COULD GREATLY REDUCE THE VALUE OF PROPERTY WITHIN IMPROVEMENT AREA #1 IN THE EVENT SUCH PROPERTY HAS TO BE FORECLOSED. In that event, there could be a default in the payment of the Bonds.

Completion of the Improvement Area #1 Projects

The construction of some of the Improvement Area #1 Projects that are necessary for the successful development of the District are not yet complete. The cost and time for completion of all of such improvements is uncertain and may be affected by changes in national, regional and local and 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 District, 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; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Master Developer. If cost overruns result in delay of construction, or if other delays are experienced, the Master Developer may be unable to complete timely all of such necessary improvements.

Absorption Rate

There can be no assurance that the Master Developer or Builders will be able to achieve its anticipated absorption rates. Failure to achieve the absorption rate estimates will adversely affect the estimated value of the Development, could impair the economic viability of the District and could reduce the ability or desire of property owners to pay the Assessments.

Assessment Limitations

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

tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Improvement Area #1 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 Improvement Area #1, 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 — Bondholders’ Remedies and Bankruptcy” herein.

Upon an ad valorem tax lien foreclosure event of a property within Improvement Area #1, any Improvement Area #1 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, Section 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 Section 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 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 Pre-Existing Homestead Rights are maintained on the property. It is unclear under State 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 State 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 had been claimed. Furthermore, the Master Developer is not eligible to claim homestead rights. Consequently, there are and can be no homestead rights on the Assessed Property superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

Failure by owners of the parcels to pay Annual Installments when due, depletion of the accounts within 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 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 IS A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA #1 OF THE DISTRICT.

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. See "OVERLAPPING TAXES AND DEBT."

Depletion of Reserve Fund

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the accounts in the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Fund, the amount in 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 SIMILARLY SECURED — Reserve Account of the Reserve Fund" herein.

Hazardous Substances

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 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. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

See “THE DEVELOPMENT — Environmental” for discussion of 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.

Potential Future Changes in State Law Regarding Public Improvement Districts

The 87th Legislative Regular Session of the State convened on January 12, 2021. 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 to 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. The 87th Legislative Session of the State ended on May 31, 2021, without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. The Governor called special legislative sessions, which convened on July 8, 2021 and concluded on August 6, 2021, which convened on August 7, 2021 and concluded on September 2, 2021, which convened on September 20, 2021 and concluded on October 19, 2021, without any legislation being introduced or passed related to the oversight of bonds secured by assessments. It is impossible to predict what bills may be introduced during upcoming legislative sessions and, if passed, the impact that any future legislation will or may have on the security for the Bonds.

The 87th Legislature passed HB 1543, which became effective September 1, 2021 and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the purchaser is entitled to terminate the contract. If the Landowner or homebuilders within the District do not provide the required notice and prospective purchasers of property within the District terminate a purchase and sale contract, the anticipated absorption schedule may be affected. No assurances can be given that projected absorption schedule presented in this Limited Offering Memorandum will be realized.

Bondholders’ Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, the Trustee may, and at the written direction of the Owners of not less than fifty percent (50%) of the Bonds 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 the Indenture or 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 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.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018 clarifying 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. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory and common law guidance at the time of inception of the contractual relationship. 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 authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

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 Similarly Secured 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).

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted 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 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” herein.) Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclose 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 Acceleration

The Indenture expressly denies the right of acceleration in the event of a payment default or other default under the terms of the Bonds or the Indenture.

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 the District subject to the Assessments, existing real estate and financial market conditions and other factors.

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.

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 (“Chapter 9”). 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 Chapter 9, 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 Chapter 9, (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 Master Developer, the Builders and related or affiliated 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, new builder or new officers in management positions may not have comparable experience in projects comparable to the District.

Tax-Exempt Status of the Bonds

As further described in “TAX MATTERS” below, failure of the City to comply with the requirements of the Internal Revenue Code of 1986 (the “Code”) and the related legal authorities, or changes in the federal tax law or its application, could cause interest on the Bonds to be included in the gross income of owners of the Bonds for federal income tax purposes, possibly from the date of original issuance of the Bonds. Further, the opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. The IRS has an ongoing program of auditing obligations that are issued and sold as bearing tax-exempt interest to determine whether, in the view of the IRS, interest on such obligations is included in the gross income of the owners thereof for federal income tax purposes. The IRS has announced that its audit efforts will focus in part on “developer-driven bond transactions,” including certain tax increment financings and certain assessment bond transactions. In recent audits, the IRS has asserted that interest on such “developer-driven” obligations can be taxable, in certain circumstances, even when those transactions otherwise meet all applicable tax law requirements. It cannot be predicted if this IRS focus could lead to an audit of the Bonds or what the result would be of any such audit. If an audit of the Bonds is commenced, under current procedures parties other than the City would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagree, may not be practicable. Any action of the IRS, regardless of the outcome, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds. Finally, if the IRS ultimately determines that the interest on the Bonds is not excluded from the gross income of Bondholders for federal income tax purposes, the Issuer may not have the resources to settle with the IRS, the Bonds are not required to be redeemed, and the interest rate on the Bonds will not increase.

General Risks of Real Estate Investment and Development

The Master Developer and the Builders have the right to modify or change its plan for development of the District, from time to time, including, without limitation, land use changes, changes in the overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No defined “true-up” agreement has been entered into between the City and Master Developer, nor is there a requirement that future developers, Master Developer or Builders enter into such an agreement. There can be no assurance, in the event the Master Developer, Builder or a subsequent developer modifies or changes its plan for development that the necessary revisions to the Service and Assessment Plan will be made. Nor can there be an assurance that the eventual assessment burden on the property will be marketable.

The ability of the Master Developer and Builders to develop lots and sell single-family residential homes within the District may be affected by unforeseen changes in the general economic conditions, fluctuations in the real estate market and other factors beyond the control of the owner of the single-family residential lots. In the event that a large number of single-family projects are constructed outside of the District, and compete with the Development, the demand for residential housing within the District could be reduced, thereby adversely affecting the continued development of the Development, or its attraction to businesses and residents.

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 Master Developer and the Builders, including those derived from the Development, are not within the control of the Master Developer or the Builders. 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 Master Developer of the Builders.

The Development cannot be completed without the Master Developer and the Builders obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction of each phase 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 Master Developer or the Builders.

A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. The timely payment of the Bonds depends on the willingness and ability of the Master Developer, the Builders and any subsequent owners to pay the Assessments when due. Any or all of the foregoing could reduce the willingness and ability of such owners to pay the Assessments and could greatly reduce the value of the property within the District in the event such property has to be foreclosed. If Annual Installments of Assessments are not timely paid and there are insufficient funds in the accounts of the Reserve Fund, a nonpayment could result in a payment default under the Indenture.

Risks Related to the Current Residential Real Estate Market

In the past, the real estate market has experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable-rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, has served to reduce the availability of mortgages to many potential home buyers, making entry into the real estate market more difficult. Downturns in the real estate market and other factors beyond the control of the Master Developer or the Builders, including general economic conditions, may impact the timing of parcel, lot and home sales within the District. No assurances can be given that projected home prices and buildout values presented in this Limited Offering Memorandum will be realized.

Risks Related to Current Increase in Costs of Building Materials

As a result of the Pandemic, low supply and demand and the ongoing trade war, there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. The Master Developer is responsible for the construction of the Zone 1 Improvements and the Offsite Improvements, and the Builders area responsible for the construction of the Improvement Area #1 Improvements within their respective pods. The Master Developer expects to finance a portion of the costs of the Improvement Area #1 Projects from proceeds of the Bonds. If the Actual Costs of the Improvement Area #1 Projects are substantially greater than the estimated costs or if the Master Developer or Builders are unable to access building materials in a timely manner, it may affect the ability of the Master Developer or the Builders, as applicable, to complete the Improvement Area #1 Projects or pay the Assessments when due. If the costs of material continue to increase, it may affect the ability of the Builders to construct homes within the District. There is no way to predict whether such cost increases or low supply of building materials will continue or if such continuance will affect the development of the District.

Competition

The housing industry in the Dallas-Fort Worth area is very competitive, and none of the Master Developer, the City, the City's Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will ever commence or be completed in accordance with the Master Developer's expectations. The competitive position of the Builders in the sale of developed lots or of any other homebuilder in the construction and sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District.

There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development.

Availability of Utilities

The progress of development within the District is also dependent upon the City providing an adequate wastewater service to the Development and the Bear Creek SUD and the Nevada SUD providing an adequate water service to the Development. If the City, Bear Creek SUD or Nevada SUD fail to provide water and wastewater services to the property in the District, the Development cannot be substantially completed, and the Builders will not be able to develop lots and construct homes. See “THE DEVELOPMENT — Utilities.”

Dependence Upon Builders

The Builders, collectively, own 100% of the assessed property within Improvement Area #1, and currently have the obligation for the payment of 100% of the total Assessments. The ability of the Builders 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. Any difficulty that the Builder may have in meeting their lot completion and home construction projects may affect their ability to timely pay Assessments. The Builders will not be receiving reimbursement from any of the proceeds from the Bonds.

The City will pay the Master Developer, or the Master Developer’s designee, from proceeds of the Bonds for project costs actually incurred in developing and constructing the Zone 1 Remainder Area Projects within the District. See “THE IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS.” There can be no assurances given as to the financial ability of the Master Developer or Builders to complete such improvements.

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 Zone 1 of 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 Zone 1 of 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX D — Form of Opinion of Bond Counsel.”

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City’s federal tax certificate, and (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds

of the Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements and the covenants described in the prior paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

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.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of the State 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.

McCall, Parkhurst & Horton L.L.P. serves as Bond Counsel to the City. Orrick, Herrington & Sutcliffe LLP 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 the State, 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 of 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 D — 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 herein under the captions or subcaptions "PLAN OF FINANCE — The Bonds," "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS SIMILARLY SECURED," "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings" (first paragraph only), "LEGAL MATTERS — Legal Opinions," "CONTINUING DISCLOSURE — The City," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "APPENDIX B — Form of Indenture" and such firm is of the opinion that the information relating to the Bonds and legal issues contained under such captions and subcaptions 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 Master Developer

At the time of delivery and payment for the Bonds, the Master 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 Master Developer, threatened against or affecting the Master Developer or any of its affiliates, including the Master Developer, wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Master Developer or its officers, or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Service and Assessment Plan, or the Improvement Area #1 CFA Agreement, or otherwise described in this Limited Offering Memorandum or (2) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”).

SUITABILITY FOR INVESTMENT

Investment in the Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS.” The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Master 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 — Bondholders’ 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 governmental immunity, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery, and by general principles of equity that permit the exercise of judicial discretion.

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 SEC (the “Rule”), the City, the PID Administrator and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as dissemination agent (in such capacity, the “Dissemination Agent”), will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of Issuer”), 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 Disclosure Agreement of Issuer, 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 E-1 — Form of Disclosure Agreement of Issuer.” Under certain circumstances, the failure of the City to comply with its obligations under the Disclosure Agreement of Issuer 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 Disclosure Agreement of Issuer would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

A default by the Master Developer or the PID Administrator with respect to its obligations under the Disclosure Agreement of Developer (defined below) is not a default by the City. The City has no obligation to provide financial information, operating data or reports that the Master Developer or the PID Administrator is obligated to provide under the Disclosure Agreement of Developer in the event the Master Developer or the PID Administrator fails to do so.

The City has agreed to update information and to provide notices of certain specified events only as provided in the Disclosure Agreement of Issuer. 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 Disclosure Agreement of Issuer. 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 Disclosure Agreement of Issuer or from any statement made pursuant to the Disclosure Agreement of Issuer.

The City’s Compliance with Prior Undertakings

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

The Master Developer

The Master Developer, the PID Administrator, and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of Developer”), 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 Disclosure Agreement of Developer, certain information regarding the Development and the Improvement Area #1 Projects (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Master Developer Reports is set forth in “APPENDIX E-2 — Form of Disclosure Agreement of Developer.” Under certain circumstances, the failure of the Master Developer or the PID Administrator to comply with its obligations under the Disclosure Agreement of Developer 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 Disclosure Agreement of Developer would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The Master Developer has agreed to provide (i) certain updated information to the PID 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 Disclosure Agreement of Developer. The Master 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 Disclosure Agreement of Developer. The Master 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 Master Developer disclaim any contractual or tort liability for damages resulting in whole or in part from any

breach of the Disclosure Agreement of Developer or from any statement made pursuant to the Disclosure Agreement of Developer.

The Master Developer's Compliance with Prior Undertakings

The Master Developer is not a party to any other continuing disclosure undertakings.

UNDERWRITING

FMSbonds, Inc. (the "Underwriter") has agreed to purchase the Bonds from the City at a purchase price of \$_____ (the par amount of the Bonds, less a reoffering discount of \$_____ less an underwriting discount of \$_____). 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.

Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See "BONDHOLDERS' RISKS — Infectious Disease Outbreak" herein.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the 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 INVESTMENTS 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 State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (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 is 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 City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this 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 City’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 the City’s custodian of the banking deposits issued for the City’s 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 SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that 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 Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) 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 (B) a depository institution that has its main office or 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 SEC and operating pursuant to SEC 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 secured by a combination of cash and obligations described in clause (1) above or clause (12) below, require the securities being purchased by the City or cash held by the City to be 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) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 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; (13) no-load money market mutual funds registered with and regulated by the United States SEC 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 that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

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 “AAAm” 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 ten (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 (8) 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 (8) above, clauses (12) through (14) above, 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.

Under State 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 include 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 State law, the City's 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 City's investment officers must submit an investment report to the City Council 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 at the end of the reporting period, (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 strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument 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 qualified representative of firms offering to engage in an investment transaction with 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 entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment

training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than fifteen percent (15%) of the City'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 Wilmington Trust, National Association, Dallas, Texas, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

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

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

SOURCES OF INFORMATION

General

The information contained in this Limited Offering Memorandum has been obtained primarily from the City's records, the Master Developer, the Builders and their 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 Master 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 Master Developer, the District, the Development and the Improvement Area #1 Projects generally and, in particular, the information included in the maps on pages (ii), (iii), (iv) and (v) and in the sections captioned "PLAN OF FINANCE" (except for the information under the subcaption "— The Bonds"), "THE IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS," "THE DEVELOPMENT," "THE MASTER DEVELOPER AND BUILDERS," "BONDHOLDERS' RISKS" (only as it pertains to the Master Developer, the Improvement Area #1 Projects and the Development), "LEGAL MATTERS — Litigation — The Master Developer," and "CONTINUING DISCLOSURE — The Master Developer" and "— The Master Developer's Compliance with Prior Undertakings" has been provided by the Master Developer, and the Master Developer warrants and represents that the information

contained herein is true and correct and 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 were made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Master Developer will deliver a certificate to this effect to the City and the Underwriter.

Builders

The information relating to the Builders and their respective Builders' Development Obligations in this Limited Offering Memorandum contained in sections captioned "PLAN OF FINANCE" (except for the information under the subcaption "— The Bonds"), "THE IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS," "THE DEVELOPMENT," "THE MASTER DEVELOPER AND BUILDERS," and "BONDHOLDERS' RISKS" has been provided by K Hovnanian Homes, HMH/Stratford Elevon, GRBK Edgewood, UMH Development and Qualico, and such Builders warrants and represents that the information contained herein is true and correct and 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 were made, not misleading. At the time of delivery of the Bonds to the Underwriter, K Hovnanian Homes, HMH/Stratford Elevon, GRBK Edgewood, UMH Development and Qualico will each deliver a certificate to this effect to the City and the Underwriter.

Experts

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by P3Works, LLC and has been included in reliance upon the authority of such firm as experts in the field of assessment allocation/methodology and public improvement district administration.

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by Peyco Southwest Realty Inc., and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property. Peyco Southwest Realty Inc., has consented to the inclusion of the Appraisal herein.

Links To Websites

The City has provided links to websites in this Limited Offering Memorandum to allow investors independent access to information or expertise that may be of value. UNLESS EXPRESSLY SO STATED HEREIN, INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS LIMITED OFFERING MEMORANDUM BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Limited Offering Memorandum, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

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

AUTHORIZATION AND APPROVAL

The Bond Ordinance will approve the form and content of this Limited Offering Memorandum and authorize the use of this Limited Offering Memorandum by the Underwriter in connection with the marketing and sale of the Bonds.

CITY OF LAVON, TEXAS

Mayor

ATTEST:

City Secretary

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF LAVON, TEXAS

The following information has been derived from various sources, including the U.S. Census data, Municipal Advisory Council of Texas, and website of City of Lavon, Texas. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

Location and Population

The City of Lavon is located in southeastern Collin County approximately 6 miles north of Rockwall and 35 miles northeast of Dallas off of Highway 205 and Highway 78. The City was established in 1972. The City’s population as of October 1, 2021 is estimated to be 5,500. The City covers approximately 3.3 square miles square miles.

Education

Primary and Secondary education is provided by Community Independent School District. According to the Texas Education Agency annual school report cards Community Independent School District was rated as “A.” (The categories for public school districts and public schools are A, B, C, D or F.)

The following list illustrates the major colleges and universities located within a 60-mile radius of the City.

Austin College	Sherman, Texas
Collin College System	McKinney, Texas
Texas A&M University – Commerce	Commerce, Texas
Grayson County Community College	Sherman, Texas
Southern Methodist University	Dallas, Texas
Texas Christian University	Fort Worth, Texas
Texas Woman's University	Denton, Texas
University of Dallas	Dallas, Texas
University of North Texas	Denton, Texas
University of Texas at Arlington	Arlington, Texas
University of Texas at Dallas	Dallas, Texas

Historical Employment in Collin County (Average Annual)

	Average Annual				
	2021	2020	2019	2018	2017
Civilian Labor Force	602,619	570,623	571,831	551,297	532,035
Total Employed	582,032	534,617	554,215	532,841	513,526
Total Unemployed	20,587	36,006	17,616	18,456	18,509
Unemployment Rate	3.4%	6.3%	3.1%	3.3%	3.5%

Source: Texas Workforce Commission. Data through November 2021.

Major Employers in Collin County

The major employers in Collin County are set forth in the table below.

<u>Employer</u>	<u>Employees</u>
State Farm Insurance Corporate Office	9,985
Plano ISD	6,854
Capital One Finance	5,979
AT&T	4,300
DXC Technology	4,000
Toyota North American HQ	3,937
Bank of America Home Loans	3,729
Blue Cross Blue Shield of Texas	3,100
Ericsson	2,713
Liberty Mutual Insurance	2,700

Source: Collin County Comprehensive Annual Financial Report, September 30, 2020.

DALLAS-FORT WORTH-ARLINGTON MSA - REGIONAL EMPLOYMENT

Surrounding Economic Activity

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

City of Plano		City of Rockwall		City of Richardson	
Approximately 16 miles from the City		Approximately 19 miles from the City		Approximately 24 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Capital One Finance	5,979	Rockwall ISD	1,885	State Farm Insurance	8,000
Bank of America Home Loans	5,029	Texas Health Presbyterian Hospital	600	Blue Cross Blue Shield of Texas	3,100
DXC Technology	4,000	Texas Star Express	484	University of Texas at Dallas	2,674
Toyota Motor North America, Inc.	3,937	Wal-Mart Superstore	450	Richardson ISD	2,500
Ericsson	2,713	Rockwall County	315	RealPage	2,100
Liberty Mutual Insurance Company	2,700	City of Rockwall	280	Cisco	2,000
J.C. Penney Co., Inc.	2,420	Special Products	168	GEICO	1,900
NTT Data, Inc.	2,133	L-3 Communications	150	Raytheon	1,700
JP Morgan Chase	2,000	Home Depot	140	United Healthcare	1,700
PepsiCo	1,881	Bimbo Bakeries	134	Fujitsu Network	1,500

City of McKinney	
Approximately 25 miles from the City	
Employer	Employees
Raytheon Space & Airborne Systems	3,096
McKinney ISD	2,800
Torchmark	1,640
City of McKinney	1,369
Encore Wire	1,350
Collin College	852
Baylor	700
Medical City McKinney	670
Timber Blinds	350
Watson & Chalin	350

City of Dallas	
Approximately 32 miles from the City	
Employer	Employees
Dallas ISD	22,222
AT&T Inc.	17,000
Texas Instruments Inc.	12,901
City of Dallas	12,474
Southwest Airlines Co.	12,210
Medical City Dallas	12,104
The University of Texas SW Medical Center	11,900
Parkland Health System	10,361
Baylor Scott & White Health	7,045
Dallas County	6,500

Source: Municipal Advisory Council of Texas

APPENDIX B
FORM OF INDENTURE

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INDENTURE OF TRUST

By and Between

CITY OF LAVON, TEXAS

and

**WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee**

DATED AS OF FEBRUARY 1, 2022

SECURING

[\$[PAR]

**CITY OF LAVON, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(ELEVON PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #1 PROJECT)**

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INDENTURE OF TRUST

THIS INDENTURE, dated as of February 1, 2022, is by and between the CITY OF LAVON, TEXAS (the “*City*”), and Wilmington Trust, 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, on or before September 20, 2021, a petition (the “*Petition*”) was submitted and filed with the City Secretary of the City (the “*City Secretary*”) pursuant to the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code, as amended (the “*Act*” or “*PID Act*”), requesting the creation of a public improvement district located within the extraterritorial jurisdiction of the City to be known as “Elevon Public Improvement District” (the “*District*”); and

WHEREAS, the Petition contained the signatures of the (i) owners of taxable real 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 Collin Central Appraisal District, and (ii) record owners of real property liable for assessment by the District who: (A) constitute more than 50 percent of all record owners of property that is liable for assessment by the District; or (B) own taxable real property that constitutes more than fifty percent of the area of all taxable real property that is liable for assessment by the District; and

WHEREAS, on September 21, 2021, the City Council of the City (the “*City Council*”) adopted Resolution No. 2021-09-08 accepting the Petition and calling a public hearing on the creation of the District on October 19, 2021; and

WHEREAS, after due notice, on October 19, 2021 the City Council opened, conducted and continued the public hearing, and on November 2, 2021 the City Council reopened, conducted and closed 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 November 2, 2021, the City Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 2021-11-07 adopted by the City Council (the “*Creation Resolution*”), authorized the District in accordance with its finding as to the advisability of the improvement projects and services; 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 the adoption of the Creation Resolution; and

WHEREAS, the City, pursuant to Section 372.016(b) of the PID Act, published notice of a public hearing in a newspaper of general circulation in the City to consider the proposed “*Assessment Roll*” and the “*Service and Assessment Plan*” and the levy of the “*Assessments*” on property in the District; and

WHEREAS, the City, pursuant to Section 372.016(c) of the PID Act, mailed notice of the public hearing to consider the proposed Assessment Roll and the Service and Assessment Plan

and the levy of Assessments on property in the District to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, the City Council opened, conducted and continued a public hearing on January 4, 2022, reopened, conducted and continued the public hearing on January 18, 2022, and reopened, conducted and closed the public hearing on February 1, 2022, at which all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the Service and Assessment Plan, the Assessment Roll, and the Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of Improvement Area #1 Project Costs, the purposes of the Assessments, the special benefits of the Assessments, and the penalties and interest on annual installments and on delinquent annual installments of the Assessments; and

WHEREAS, at the January 4, 2022, January 18, 2022, and February 1, 2022, public hearing referenced above, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of Improvement Area #1 Project Costs, the Assessment Roll, or the levy of the Assessments; and

WHEREAS, the City Council closed the public hearing and, after considering all written and documentary evidence presented at the public hearing, including all written comments and statements filed with the City, at a meeting held on February 1, 2022, approved and accepted the Service and Assessment Plan in conformity with the requirements of the PID Act and adopted the Assessment Ordinance, which Assessment Ordinance approved the Assessment Roll and levied the Assessments; and

WHEREAS, the City Council is authorized by the PID Act to issue revenue bonds payable from the Assessments for the purpose of (i) paying the Improvement Area #1 Project Costs, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, (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 of the District and (v) paying the costs of issuance of the Bonds; and

WHEREAS, the City Council now desires to issue its revenue bonds, in accordance with the PID Act, such bonds to be entitled “City of Lavon, Texas, Special Assessment Revenue Bonds, Series 2022 (Eleven Public Improvement District Improvement Area #1 Project)” (the “Bonds”), such Bonds being payable solely from the Assessments and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in this preamble; 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, including all moneys and investments held in the Pledged Funds, including any contract or any evidence of indebtedness related thereto or other rights of the City to receive any of such moneys or investments, whether now existing or hereafter coming into existence, and whether now or hereafter acquired; and

SECOND GRANTING CLAUSE

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

THIRD GRANTING CLAUSE

Any and all proceeds of the foregoing property and proceeds from the investment of the foregoing property;

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, 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 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;

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

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*”, in the singular, means any of the accounts established pursuant to Section 6.1 of this Indenture, and “*Accounts*”, in the plural, means, collectively, all of the accounts established pursuant to Section 6.1 of this Indenture.

“*Additional Bonds*” means the additional parity bonds and bonds to refund any Outstanding Bonds Similarly Secured authorized to be issued in accordance with the terms and conditions provided in Section 13.2(c) of this Indenture.

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

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

“*Administrative Expenses*” means the “Annual Collection Costs”, as defined in the Service and Assessment Plan, related specifically to Improvement Area #1, including costs and expenses related to the operation of the District, including, but not limited to, costs and expenses for: (i) the Administrator; (ii) City staff; (iii) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (iv) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (v) preparing and maintaining records with respect to Assessment Rolls and Annual Service Plan Updates; (vi) paying and redeeming Bonds Similarly Secured; (vii) investing or depositing Assessments and Annual Installments; (viii) complying with the Service and Assessment Plan, this Indenture and the PID Act with respect to the Bonds Similarly Secured, including continuing disclosure requirements; and (ix) the paying agent/registrar and Trustee in connection with Bonds Similarly Secured, including their respective legal counsel. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds Similarly Secured. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of Administrative Expenses.

“*Administrator*” means an employee or 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.

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

“*Annual Installment*” means, with respect to each Assessed Property, each annual payment of: (i) the principal of and interest on the Assessments as shown on the Assessment Roll or in an Annual Service Plan Update, and as shown in Exhibit F-2 to the Service and Assessment Plan, and calculated as provided in Section VI of the Service and Assessment Plan, (ii) Administrative Expenses and (iii) the Additional Interest.

“*Annual Service Plan Update*” means an update to the Service and Assessment Plan prepared no less frequently than annually by the Administrator and approved by the City Council.

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

“*Appraisal*” means an independent appraisal of the Assessed Property provided by a MAI Appraiser acceptable to the City.

“*Assessed Property*” means the property located in the Improvement Area #1 that benefit from the Improvement Area #1 Projects, and is defined as the “Improvement Area #1 Assessed Property” in the Service and Assessment Plan.

“*Assessment Ordinance*” means the ordinance adopted by the City Council on February 1, 2022, as may be amended or supplemented, that levied the Assessments on the Assessed Property.

“*Assessment Revenues*” means the revenues received by the City from the collection of Assessments, including Prepayments, Annual Installments and Foreclosure Proceeds.

“*Assessment Roll*” means the “Improvement Area #1 Assessment Roll”, which document is attached to the Service and Assessment Plan as Exhibit F-1, as updated, modified or amended from time to time.

“*Assessments*” means an assessment levied against Assessed Property based on the special benefit conferred on such Parcels by the Improvement Area #1 Projects.

“*Attorney General*” means the Attorney General of the State.

“*Authorized Amount*” has the meaning assigned to such term in Section 6.5(g)(1) of this Indenture.

“*Authorized Denomination*” means, for the Bonds, \$100,000 and any integral multiple of \$1,000 in excess thereof. The City prohibits any Bond to be issued in a denomination of less than \$100,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than \$100,000, and any attempt to accomplish either of the foregoing shall be void and of no effect.

“*Authorized Improvements*” mean those improvements authorized by Section 372.003 of the PID Act for which Assessments are levied, including those described in the Service and Assessment Plan.

“*Bond*” means any of the Bonds.

“*Bond Counsel*” means McCall, Parkhurst & Horton L.L.P. or any other attorney or firm of attorneys designated by the City that are nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“*Bond Fund*” means the Fund established pursuant to Section 6.1 and administered pursuant to Section 6.4 of this Indenture.

“*Bond Ordinance*” means the ordinance adopted by the City Council on February 1, 2022 authorizing the issuance of the Bonds pursuant to this Indenture.

“*Bond Pledged Revenue Account*” means the Account in the Pledged Revenue Fund established pursuant to Section 6.1 of this Indenture.

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

“*Bonds*” means the City's bonds authorized to be issued by Section 3.1 of this Indenture entitled “City of Lavon, Texas, Special Assessment Revenue Bonds, Series 2022 (Elevon Public Improvement District Improvement Area #1 Project)”.

“*Bonds Similarly Secured*” means, collectively, any Outstanding Bonds or Outstanding Additional Bonds.

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

“*Capitalized Interest Account*” means the Account in the Bond Fund established pursuant to Section 6.1 of this Indenture.

“*Certificate for Payment*” means, with respect to payment or reimbursement of Improvement Area #1 Project Costs, a certificate substantially in the form of Exhibit B attached to the Construction, Funding and Acquisition Agreement and executed by a Person approved by the City Representative that is delivered to the City Representative and the Trustee specifying the amount of work performed and the Improvement Area #1 Project Costs thereof, and requesting payment for such Improvement Area #1 Project Costs from money on deposit in the Project

Fund as further described in the Construction, Funding and Acquisition Agreement and Section 6.5 of this Indenture.

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

“*City Order*” means written instructions by the City, executed by a City Representative.

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

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

“*Comptroller*” means the Comptroller of Public Accounts of the State.

“*Construction, Funding and Acquisition Agreement*” means the Elevon Public Improvement District Improvement Area #1 Projects Construction, Funding and Acquisition Agreement by and between the City and the Developer, dated February 1, 2022, as may be amended and/or supplemented from time to time, which provides, in part, for the construction and maintenance of the Improvement Area #1 Projects, the issuance of bonds, the payment or reimbursement for costs of Improvement Area #1 Projects paid from the Improvement Area #1 Developer Improvement Account of the Project Fund and other matters related thereto.

“*Costs of Issuance Account*” means the Account in the Project Fund established pursuant to Section 6.1 of this Indenture.

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

“*Defeased Bond*” shall have the meaning assigned to such term in Section 14.3(a) of this Indenture.

“*Delinquency and Prepayment Reserve Account*” means the reserve account administered by the City and segregated from other funds of the City and established by Section 6.1 of this Indenture.

“*Delinquency and Prepayment Reserve Requirement*” means an amount equal to 5.5% of the principal amount of the Outstanding Bonds Similarly Secured to be funded from Assessment Revenues deposited to the Pledged Revenue Fund.

“*Delinquent Collection Costs*” means, for a Parcel, interest, penalties and attorneys' fees that are authorized by the PID Act and by the Assessment Ordinance and that directly or indirectly relate to the collection of delinquent Assessments, delinquent Annual Installments, or any other delinquent payments due under the Service and Assessment Plan, including costs and expenses related to the foreclosure of liens.

“*Designated Payment/Transfer Office*” means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office designated by the Paying Agent/Registrar, which shall initially be located in Dallas, Texas, 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.

“*Delivery Date*” means February 24, 2022, which is the date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

“*Developer*” means MA Elevon 429, LLC, a Texas limited liability company, and any successor thereto.

“*Development Agreement*” means the Elevon Development Agreement between the City, the Developer, Petro-Hunt, L.L.C., a Texas limited liability company, Far East Lavon, LP, a Texas limited partnership, 78 Straddle, LP, a Texas limited partnership, East Lavon Partners, LP, a Texas limited partnership, and World Land Developers, LP, a Texas limited liability company, dated November 2, 2021, as may be amended and supplemented from time to time.

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

“*DTC Participant*” means 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 Property, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

“*Fund*”, in the singular, means any of the funds established pursuant to Section 6.1 of this Indenture, and “*Funds*”, in the plural, means, collectively, all of the funds established pursuant to Section 6.1 of this Indenture.

“*Improvement Area*” means specifically defined and designated portions of the District that are developed in phases, including Improvement Area #1.

“*Improvement Area #1*” means that portion of the District generally described in Section II of the Service and Assessment Plan and generally shown in Exhibit A-3 to the Service and Assessment Plan and as specifically described in Exhibit M-3 to the Service and Assessment Plan and Exhibit A to this Indenture.

“*Improvement Area #1 Bond Improvement Account*” means the Account in the Project Fund established pursuant to Section 6.1 of this Indenture.

“*Improvement Area #1 Developer Improvement Account*” means the Account in the Project Fund established pursuant to Section 6.1 of this Indenture.

“*Improvement Area #1 Improvements*” means the Authorized Improvements which only benefit property located in the Improvement Area #1 and are described in Section III.B., shown on Exhibit B and depicted on Exhibit G-2 to the Service and Assessment Plan.

“*Improvement Area #1 Project Costs*” means the Actual Costs, as defined in the Service and Assessment Plan (excluding Administrative Expenses), solely for the Improvement Area #1 Projects.

“*Improvement Area #1 Projects*” means, collectively, (i) the pro rata portion of the Zone 1 Improvements allocable to Improvement Area #1; (ii) the pro rata portion of the Offsite Improvements allocable to Improvement Area #1; and (iii) the Improvement Area #1 Improvements.

“*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 Supplemental Indentures.

“*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 Bonds*” means the Initial Bonds authorized by Section 5.2 of this Indenture.

“*Interest Payment Date*” means the date or dates upon which interest on the Bonds Similarly Secured is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on March 15 and September 15 of each year, commencing September 15, 2022.

“*Investment Securities*” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Government Code, as amended, which 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.

“*MAI Appraiser*” means a licensed appraiser with a Member, Appraisal Institute designation by the Appraisal Institute, an international membership association of professional real estate appraisers, or its successor.

“*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.

“*Offsite Improvements*” means those improvements authorized by Section 372.003 of the PID Act that confer a special benefit to all property within the District, as further described in Section III.C. and depicted on Exhibit G-1 to the Service and Assessment Plan.

“*Outstanding*” means, as of any particular date when used with reference to Bonds Similarly Secured, all Bonds Similarly Secured authenticated and delivered under this 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, (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 and (iv) Bond Similarly Secured alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in this Indenture.

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

“*Parcel*” or “*Parcels*” means a parcel or parcels within the District identified by either a tax map identification number assigned by the Collin 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 Collin County.

“*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.

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

“*Pledged Funds*” means, collectively, the Pledged Revenue Fund, the Bond Fund, the Project Fund (but excluding the Improvement Area #1 Developer Improvement Account), the Reserve Fund and the Redemption Fund.

“*Pledged Revenue Fund*” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.3 of this Indenture.

“*Pledged Revenues*” means, collectively, the (i) Assessment Revenues (excluding the portion of the Assessments and Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan), (ii) the moneys held in any of the Pledged Funds and (iii) any additional revenues that the City may pledge to the payment of the Bonds Similarly Secured.

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

“*Principal and Interest Account*” means the Account in the Bond Fund established pursuant to Section 6.1 of this Indenture.

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

“*Purchaser*” means the initial purchaser of the Bonds.

“*Rebatable Arbitrage*” means rebatable arbitrage as defined in Section 1.148-3 of the Treasury Regulations.

“*Rebate Fund*” means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.8.

“*Record Date*” means the close of business on the last Business Day of the month next preceding an Interest Payment Date.

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

“*Redemption Price*” means, (i) when used with respect to any Bond or portion thereof, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, plus accrued and unpaid interest on such Bond to the date fixed for redemption payable upon redemption thereof pursuant to this Indenture, and (ii) when used with respect to any Additional Bond, the redemption price set forth in a Supplemental Indenture.

“*Refunding Bonds*” means Additional Bonds issued to refund all or any portion of the Outstanding Bonds Similarly Secured, as more specifically described in the Supplemental Indenture authorizing such Refunding Bonds.

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

“*Reimbursement Agreement*” means the “Elevon Public Improvement District Improvement Area #1 Reimbursement Agreement” between the City and the Developer, dated February 1, 2022 which provides for the payment of costs to the Developer for funds advanced by the Developer and used to pay Improvement Area #1 Project Costs and other matters related thereto.

“*Reimbursement Fund*” means that fund of such name established pursuant to Section 6.1 and administered pursuant to Section 6.12.

“*Release Condition*” shall have the meaning assigned to such term in Section 6.5(g)(2) in this Indenture.

“*Reserve Account*” means the Account in the Reserve Fund established pursuant to Section 6.1 of this Indenture.

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

“*Reserve Fund Obligations*” means cash or Investment Securities.

“*Reserve Account Requirement*” means the least of: (i) Maximum Annual Debt Service on the Bonds Similarly Secured as of the date of issuance, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured as of the date of issuance, and (iii) 10% of the proceeds of the Bonds Similarly Secured; provided, however, that such amount shall be reduced by the amount of any transfers made pursuant to Section 6.7(c); and provided further that as a result of (1) a mandatory sinking fund redemption pursuant to Section 4.2, (2) an optional redemption pursuant to Section 4.3 or (3) an extraordinary optional redemption pursuant to Section 4.4, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds Similarly Secured redeemed by such redemption divided by the total principal amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the Delivery Date, the Reserve Account Requirement is \$[_____] which is an amount equal to the Reserve Account Requirement defined above.

“*Service and Assessment Plan*” means the document, including the Assessment Roll, which is attached as Exhibit A to the Assessment Ordinance, as may be updated, amended and supplemented from time to time.

“*Sinking Fund Installment*” means the amount of money to redeem or pay at maturity the principal of a Stated Maturity of Bonds payable from such installments at the times and in the amounts provided in Section 4.2, or a Stated Maturity of Additional Bonds payable from such installments at the times and in the amounts provided in a Supplemental Indenture.

“*Special Record Date*” has the meaning set forth in in the form of Bond included in Section 5.2 hereof.

“*State*” means the State of Texas.

“*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.

“*Supplemental Indenture*” means an indenture which has been duly executed by the Trustee and a 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.

“*Treasury Regulations*” shall have the meaning assigned to such term in Section 7.5(c).

“*Trust Estate*” means the Trust Estate described in the granting clauses of this Indenture, and the Trust Estate shall only include Pledged Revenues related to Assessment levied on Assessed Property within Improvement Area #1 for the Improvement Area #1 Projects, unless the City pledges additional revenues to the payment of the Bonds Similarly Secured, which additional pledge may only be created in a Supplemental Indenture.

“*Trustee*” means Wilmington Trust, 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.

“*Value of Investment Securities*” means the amortized value of any Investment Securities, provided, however, that all United States of America, United States Treasury Obligations – State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The computations shall include accrued interest on the investment securities paid as a part of the purchase price thereof and not collected. For the purposes of this definition “amortized value,” when used with respect to a security purchased at par means the purchase price of such security and when used with respect to a security purchased at a premium above or discount below par, means as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of interest payment dates remaining to maturity on any such security after such purchase and by multiplying the amount as calculated by the number of interest payment dates having passed since the date of purchase and (i) in the case of a security purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of a security purchased at a discount, by adding the product thus obtained to the purchase price.

“*Zone 1 Improvements*” means those improvements authorized by Section 372.003 of the PID Act that confer a special benefit to all property within Zone 1, as further described in Section III.A. and depicted on Exhibit G-1 to the Service and Assessment Plan.

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

Section 2.1. Security for the Bonds Similarly Secured.

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

(b) The lien on and pledge of the Pledged Revenues shall be valid and binding and fully perfected from and after the Delivery Date, which is the date of the delivery of this Indenture, without physical delivery or transfer of control of the Pledged Revenues, the filing of this Indenture or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended, which applies to the issuance of the Bonds Similarly Secured and the pledge of the Pledged Revenues granted by the City under this Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds Similarly Secured are Outstanding such that the pledge of the Pledged Revenues granted by the City under this Indenture is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, 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 State law to comply with the applicable provisions of Chapter 9, Business and Commerce Code 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 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. 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 and/or convenient in order to better secure the Bonds Similarly Secured and is a contract or agreement necessary, useful and/or 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 Owner, 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

Section 3.1. Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State, including particularly the PID Act. The Bonds shall be issued in the aggregate principal amount of \$[PAR] for the purpose of (i) paying a portion of the Improvement Area #1 Project Costs, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, (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 of the District, and (v) paying the costs of issuance of the Bonds.

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

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

(b) Interest shall accrue and be paid on each Bond from the later of the Delivery Date 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 on a date of earlier redemption, or otherwise provided for. Such interest shall be payable semiannually on March 15 and September 15 of each year, commencing September 15, 2022, computed on the basis of a 360-day year of twelve 30-day months.

(c) The Bonds shall mature on September 15 in the years and in the principal amounts and shall bear interest at the rates set forth below:

<u>Year</u>	<u>Principal Amount</u> \$	<u>Interest Rate</u> %
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(d) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article IV, and shall otherwise have the terms, tenor, denominations, details, and specifications as set forth in the form of Bond set forth in Section 5.2.

Section 3.3. Conditions Precedent to Delivery of Bonds.

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

- (a) a certified copy of the Assessment Ordinance;
- (b) a certified copy of the Bond Ordinance;
- (c) a copy of the executed Construction, Funding and Acquisition Agreement with all executed amendments thereto;
- (d) a copy of this Indenture executed by the Trustee and the City;
- (e) an executed 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;
- (f) an executed Signature and No-Litigation Certificate;
- (g) an executed opinion of Bond Counsel; and
- (h) the approving opinion of the Attorney General of the State and the State Comptroller's registration certificate.

Section 3.4. Medium, Method and Place of Payment.

(a) Principal of and interest on the Bonds 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 or Special Record Date, as applicable.

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

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

(e) If the date for the payment of the principal of or interest on the Bonds 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 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, any such payments remaining unclaimed by the Owners entitled thereto for three (3) years after the applicable payment or redemption date shall be applied to the next payment or payments on the 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 holders 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.

Section 3.5. Execution and Registration of Bonds.

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

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before

the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

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

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

Section 3.6. Ownership.

(a) The City, the Trustee, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond 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 Record Date or Special Record Date, as applicable) and for all other purposes, whether or not such Bond Similarly Secured is overdue, and none of the City, the Trustee or 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 maintain a copy of the Register, and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

(b) A Bond 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 maturity and 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. The Trustee is hereby authorized to authenticate and deliver Bonds Similarly Secured exchanged for other Bonds Similarly in accordance with this Section.

(d) The Trustee is hereby authorized to authenticate and deliver Bonds Similarly Secured transferred or exchanged 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 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.

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. Whenever in this Indenture provision is made

for the cancellation by the Trustee of any Bonds Similarly Secured, the Trustee shall dispose of cancelled Bonds Similarly Secured in accordance with its record retention policies.

Section 3.9. **Temporary Bonds.**

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

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

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

Section 3.10. **Replacement Bonds.**

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond 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 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;

(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.**

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

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

City and the Paying Agent/Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as provided in this Indenture, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks or drafts being mailed to the registered owner at the close of business on the Record Date or Special Record Date, as applicable, 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 blanket letter of representations from the City to DTC, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds and cause the Paying Agent/Registrar to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 3.13. Payments to Cede & Co.

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

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1. Limitation on Redemption.

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

Section 4.2. Mandatory Sinking Fund Redemption.

(a) The Bonds maturing on September 15 in each of the years [____], [____], [____] and [____] (collectively, the “*Term Bonds*”), are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at the redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from 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 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

^{*} Stated Maturity.

(b) At least thirty (30) days prior to each mandatory sinking fund redemption date, the Trustee shall select by lot a principal amount of Bonds 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.

(c) The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least 30 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.

(d) The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 30 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption provisions in Section 4.3 hereof or the extraordinary optional redemption provisions in Section 4.4 hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3. Optional Redemption.

The City reserves the right and option to redeem Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 15, 20[___], such redemption date or dates to be fixed by the City, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 4.4. Extraordinary Optional Redemption.

The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on the fifteenth 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, from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in Sections 6.7(a) and 6.7(c)) or any other transfers to the Redemption Fund under the terms of this Indenture.

Section 4.5. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to either Sections 4.3 or 4.4, the particular maturity of Bonds or portions of a maturity of Bonds to be redeemed shall be selected and designated by the City in its sole discretion. If less than all of the Bonds of a maturity are to be redeemed pursuant to either Sections 4.2, 4.3 or 4.4, Bonds shall be redeemed in increments of \$1,000 by any method selected by the Trustee that results in a random selection, provided that no redemption shall cause the principal amount of any Bond to be less than the

minimum Authorized Denomination for such Bond. Notwithstanding the foregoing, if any Bonds are to be partially redeemed and such redemption results in the redemption of a portion of a single Bond in an amount less than the Authorized Denomination in effect at that time, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for such Bond.

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

Section 4.6. Notice of Redemption to Owners.

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

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

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

(d) 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 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.

(e) 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 then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Section 4.7. Payment Upon Redemption.

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

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

Section 4.8. Effect of Redemption.

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

ARTICLE V

FORM OF THE BONDS

Section 5.1. Form Generally.

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

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

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

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

Section 5.2. **Form of the Bonds.**

(a) Form of Bond.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

REGISTERED
NO. _____

United States of America
State of Texas

REGISTERED
\$ _____

CITY OF LAVON, TEXAS
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2022
(ELEVON PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #1 PROJECT)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DELIVERY DATE</u>	<u>CUSIP NUMBER</u>
_____ %	September 15, 20__	[_____] , 2022	_____

The City of Lavon, 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 Delivery Date, 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 15 and September 15 of each year, commencing September 15, 2022.

Capitalized terms appearing herein that are defined terms in the Indenture (defined below) have the meanings assigned to them in the Indenture. Reference is made to the Indenture for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the “*Designated Payment/Transfer Office*”), of

Wilmington Trust, National Association, as trustee and paying agent/registrant (the “*Trustee*”), or, with respect to a successor trustee and paying agent/registrant, 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 last Business 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 (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 as of the Delivery Date and issued in the aggregate principal amount of \$[PAR] 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 Improvement Area #1 Project Costs, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, (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 of the District, and (v) paying the costs of issuance of the Bonds.

The Bonds are limited obligations of the City payable solely from the Trust Estate. 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.

IN THE INDENTURE, THE CITY HAS RESERVED THE RIGHT to issue Additional Bonds payable from and secured by a lien on and pledge of the sources described above on a parity with this Bond.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the City to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in denominations of \$100,000 and any multiple of \$1,000 in excess thereof (“*Authorized Denominations*”). Except to the extent permitted by the Indenture, the City prohibits the breaking up or allocation of CUSIP numbers to any Bond or Bonds in denominations of less than \$100,000, and any attempt to do so will be void and of no effect.

The Bonds maturing on September 15 in the years [____], [____], [____]and [____] (collectively, “*Term Bonds*”), are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI of the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, [____]	\$
September 15, [____]	
September 15, [____]	
September 15, [____]*	

Term Bonds maturing September 15, [____]

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
------------------------	---------------------------------

September 15, [____]
September 15, [____]
September 15, [____]
September 15, [____]*

\$

* Stated Maturity.

At least thirty (30) days prior to each sinking fund redemption date, the Trustee shall select for redemption by lot a principal amount of Bonds of such maturity equal to the sinking fund installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in Section 4.6 of the Indenture.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least 30 days prior to the sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Bonds required to be redeemed on any 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 30 days prior to the 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.

The City reserves the right and option to redeem Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 15, 20[___], such redemption date or dates to be fixed by the City, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on the fifteenth 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 from amounts on deposit in the Redemption Fund as a result of Prepayments or any other transfers to the Redemption Fund under the terms of the Indenture.

The Trustee shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The City has the right to rescind any optional redemption or extraordinary optional redemption described in the Indenture 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.

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.

The City, the Trustee, and any other Person may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the Person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Trustee shall be affected by notice to the contrary.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, COLLIN COUNTY, TEXAS, OR 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.

City Secretary

Mayor

[CITY SEAL]

(b) 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]

(c) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

WILMINGTON TRUST, NATIONAL
ASSOCIATION,
as Trustee

DATED: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name and address, including 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 register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed by:

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Trustee.

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this section, except for the following alterations:

(i) immediately under the name of the Bond the heading "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As Shown Below," and the reference to the "CUSIP NUMBER" shall be deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date, as specified above, the sum of _____ DOLLARS" shall be deleted and the following will be inserted: "on September 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

Years

Principal Installments

Interest Rates”

(Information to be inserted from Section 3.2(b)); and

(iii) the Initial Bond shall be numbered T-1.

Section 5.3. CUSIP Registration.

The City may secure identification numbers through CUSIP Global Services, managed by S&P Global Markets 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. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and none of the City, the attorneys approving said Bonds as to legality or the Trustee are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. Except as authorized under Section 4.5 hereof, the City prohibits any Bond to be issued in a denomination of less than \$100,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than \$100,000, and any attempt to accomplish either of the foregoing shall be void and of no effect. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Bondholders and that neither the City nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 5.4. Legal Opinion.

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

ARTICLE 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.

Bond Fund:

- (i) The following Accounts are hereby created and established under the
 - (A) Capitalized Interest Account; and
 - (B) Principal and Interest Account.

Reserve Fund:

- (ii) The following Accounts are hereby created and established under the
 - (A) Reserve Account; and
 - (B) Delinquency and Prepayment Reserve Account.

Project Fund:

- (iii) The following Accounts are hereby created and established under the
 - (A) Improvement Area #1 Bond Improvement Account;
 - (B) Improvement Area #1 Developer Improvement Account; and
 - (C) Costs of Issuance Account.

Pledged Revenue Fund:

- (A) Bond Pledged Revenue 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. The Improvement Area #1 Developer Improvement Account and the Reimbursement Fund shall constitute trust funds which shall be held in trust by the Trustee solely for the benefit of the City. The Improvement Area #1 Developer Improvement Account and the Reimbursement Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured. Amounts in the Improvement Area #1 Developer Improvement Account and in the Reimbursement Fund shall not be used to pay the principal of or interest on the Bonds Similarly Secured. Amounts on deposit in the Funds and Accounts shall be used solely for the purposes set forth herein.

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

Section 6.2. Initial Deposits to Funds and Accounts.

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

- (i) to the Capitalized Interest Account of the Bond Fund: \$[_____];
- (ii) to the Reserve Account of the Reserve Fund: \$[_____], which is equal to the initial Reserve Account Requirement;
- (iii) to the Costs of Issuance Account of the Project Fund: \$[_____];
- (iv) to the Improvement Area #1 Bond Improvement Account of the Project Fund: \$[_____]; and
- (v) to the Administrative Fund: \$[_____].

(b) Funds received from the Developer on the Delivery Date in the amount of \$[_____] shall be deposited to the Improvement Area #1 Developer Improvement Account.

Section 6.3. Pledged Revenue Fund.

(a) Periodically upon receipt thereof, the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Assessments and Annual Installments, other than the portion of the Assessments and Annual Installments allocated to the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited to the Administrative Fund in accordance with Section 6.9 hereof. Following such deposit to the Pledged Revenue Fund, the City shall transfer or cause to be transferred the following amounts from the Pledged Revenue Fund to the following Accounts: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund, an amount sufficient to pay debt service on the Bonds Similarly Secured next coming due, 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, (ii) second, if necessary, to the Reserve Account of the Reserve Fund, an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, and (iii) third, to the Reimbursement Fund, to fund obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Additional Interest shall only be utilized for the purposes set forth in Section 6.7 hereof and, immediately following the initial deposit to the Pledged Revenue Fund, prior to any other transfers or deposits being made under this Section 6.3(a), if the Delinquency and Prepayment Reserve Account of the Reserve Fund does not contain the Delinquency and Prepayment Reserve Requirement and Additional Interest is collected, then all such Additional Interest will be transferred into the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement is met. In addition, in the event the City owes Rebatale Arbitrage to the United States Government pursuant to Section 6.8 hereof, the City shall provide a City Order to the Trustee to transfer to the

Rebate Fund, prior to any other transfer under this Section 6.3(a), the full amount of Rebatable Arbitrage owed by the City, as further described in Section 6.10(f) hereof. If any funds remain on deposit in the Pledged Revenue Fund after the foregoing deposits are made, the City shall have the option, in its sole and absolute discretion, to use such excess funds for any one or more of the following purposes: (i) pay other costs of the Improvement Area #1 Projects, (ii) pay other costs permitted by the PID Act, or (iii) deposit such excess into the Redemption Fund to redeem Bonds Similarly Secured as provided in Article IV or in a Supplemental Indenture. Along with each transfer to the Trustee, the City shall provide a certificate as to the funds, accounts and payments into which the amounts are to be deposited or paid.

(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, there are insufficient funds to make the payments provided in paragraph (b) above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds Similarly Secured.

(d) The Trustee shall transfer Prepayments to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 or Additional Bonds pursuant to a Supplemental Indenture promptly after deposit of such amounts into the Pledged Revenue Fund.

(e) Promptly after the deposit of Foreclosure Proceeds into the Pledged Revenue Fund, the Trustee shall transfer such Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the particular Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 or Additional Bonds pursuant to a Supplemental Indenture.

(f) 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 the Reserve Fund, the Trustee shall transfer any Pledged Revenues remaining in the Pledged Revenue Fund for the purposes set forth in Section 6.3(a) hereof, as directed by the City in a City Certificate.

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 interest then due and payable on the Bonds Similarly Secured, less any amount to be used to pay interest on the Bonds 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 pursuant to Section 6.7(f). 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 all interest due on the Bonds on September 15, 2022. Any amounts on deposit to the Capitalized Interest Account after the foregoing payments shall be transferred to the Improvement Area #1 Bond Improvement Account of the Project Fund, or if the Improvement Area #1 Bond Improvement Account of the Project Fund has been closed as provided in Section 6.5(d) or (f), such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 and the Capitalized Interest Account shall be closed.

(d) The City may, in its discretion, deposit moneys into the Principal and Interest Account at any time from any source other than Assessments and Annual Installments, and upon such deposit, such moneys shall be part of the Trust Estate.

Section 6.5. Project Fund.

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

(b) (1) 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.

(2) Disbursements from the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund to pay Improvement Area #1 Project Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certificate for Payment. The funds from the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be disbursed in accordance with a Certificate for Payment for Improvement Area #1 Project Costs as described in the Construction, Funding and Acquisition Agreement. Each such Certificate for Payment shall include a list of the payees and the payments to be made to such payees as well as a statement that all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate for Payment or in the invoices submitted therewith and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein.

(c) Except as provided in Section 6.5(d), (f) and (j), money on deposit in the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be used solely to pay Improvement Area #1 Project Costs. Until such time as the Authorized Amount has been disbursed from the Improvement Area #1 Bond Improvement Account, the Trustee shall pay Improvement Area #1 Project Costs from funds in the Improvement Area #1 Bond Improvement Account until the Authorized Amount has been disbursed from such Account. After the Authorized Amount has

been disbursed from the Improvement Area #1 Bond Improvement Account and prior to the satisfaction of a Release Condition in accordance with Section 6.5(g) of this Indenture, the Trustee shall pay Improvement Area #1 Project Costs only from funds on deposit in the Improvement Area #1 Developer Improvement Account. After the Authorized Amount has been disbursed from the Improvement Area #1 Bond Improvement Account and a Release Condition has been satisfied in accordance with Section 6.5(g) of this Indenture, the Trustee shall pay Improvement Area #1 Project Costs, first, from funds in the Improvement Area #1 Bond Improvement Account until such Account is depleted, and thereafter from funds on deposit in the Improvement Area #1 Developer Improvement Account.

(d) If the City Representative determines in his or her sole discretion that certain amounts then on deposit in the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account are not expected to be expended for purposes of the Project Fund due to the abandonment, or constructive abandonment, of one or more of the Improvement Area #1 Projects such that, in the opinion of the City Representative, it is unlikely that the amounts in the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account will ever be expended for the purposes of the Project Fund, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account that are not expected to be used for purposes of the Project Fund. If such City Certificate is so filed, the identified amounts on deposit in the Improvement Area #1 Bond Improvement Account shall be transferred to the Bond Fund or to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 as directed by the City Representative in a City Certificate filed with the Trustee, and the identified amounts on deposit in the Improvement Area #1 Developer Improvement Account shall be transferred and released to the Developer, or to the Developer's successors and assigns or designees pursuant to Section 6.5(h).

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

(f) Upon the filing of a City Certificate stating that all Improvement Area #1 Projects have been completed and that all Improvement Area #1 Project Costs have been paid, or that any Improvement Area #1 Project Costs are not required to be paid from the Project Fund pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Area #1 Bond Improvement Account of the Project Fund to the Bond Fund or to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 as directed by the City Representative in a City Certificate filed with the Trustee, and the amounts on deposit in the Improvement Area #1 Developer Improvement Account shall be transferred and released to the Developer, or to the Developer's successors and assigns or designees pursuant to Section 6.5(h). Upon such transfer, the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be closed.

(g) (1) The aggregate amount of funds that the Trustee may disburse from the Improvement Area #1 Bond Improvement Account shall not exceed \$[25,865,000] (the "Authorized Amount") except and until a Release Condition has been satisfied. The Trustee may make disbursements from the Improvement Area #1 Bond Improvement Account that exceed the Authorized Amount only when the Developer provides written certification to the Trustee and

the City in a Certificate for Payment that a Release Condition has been satisfied. The first Certificate for Payment that requests funds in excess of the Authorized Amount from the Improvement Area #1 Bond Improvement Account after satisfaction of a Release Condition shall be submitted to the City, the Trustee, the City's financial advisor, Bond Counsel and the Administrator for review and confirmation.

(2) Money may be disbursed from the Improvement Area #1 Bond Improvement Account in excess of the Authorized Amount only if either (i) the ratio of the estimated taxable assessed value of the property within Improvement Area #1 to the total amounts drawn from the Improvement Area #1 Bond Improvement Account and the Improvement Area #1 Developer Improvement Account, inclusive of the amounts requested under the then current Certificate for Payment, equal at least 2.00 to 1.00, or (ii) the City has issued a certificate of occupancy for at least two homes within the Improvement Area #1 (each a "*Release Condition*"). The City may not approve a Certificate for Payment for payment from the Improvement Area #1 Bond Improvement Account for any amounts that exceed the Authorized Amount until at least one of the Release Conditions have been satisfied. In determining the estimated taxable assessed valuation of the property within Improvement Area #1 for purposes of the above-described Release Condition, the Developer may use: (i) the sale price (as evidenced by executed real estate contracts or HUD-1 settlement statement provided to the City) of property within the District that has been sold and for which development on that property has begun; (ii) the sale price (as evidenced by executed real estate contracts or HUD-1 settlement statement provided to the City) of property which has been sold but for which development has not begun; (iii) the Collin Central Appraisal District's value of property established by the last tax statement sent by the Collin County Tax Assessor; or (iv) any combination of (i) through (iii) without duplication.

(h) Any amounts in the Improvement Area #1 Developer Improvement Account to be transferred and released pursuant to Section 6.5(d), (f) or (i) shall be irrevocably and unconditionally transferred and released to the Developer, or to the Developer's successors and assigns or designees as identified in a written notice from the Developer to the Trustee and the City. The City and the Trustee shall solely and conclusively rely as to payment of amounts released from the Improvement Area #1 Developer Improvement Account on any such written notice from the Developer as to their successors and assigns or designees. The City shall provide written notice of the release to the Trustee and Developer, or to the Developer's successors and assigns or designees, and the amount payable to the Developer, or its successors and assigns or designees.

(i) Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Improvement Area #1 Bond Improvement Account of the Project Fund and used to pay Improvement Area #1 Project Costs or to the Principal and Interest Account and used to pay interest on the Bonds, as directed in a City Certificate filed with the Trustee.

(j) In the event the Developer has not completed the Improvement Area #1 Projects by February 24, 2025, then the City shall provide written direction to the Trustee to (i) transfer all funds on deposit in the Improvement Area #1 Bond Improvement Account to the Redemption Fund to redeem Bonds pursuant to Section 4.4 hereof, and (ii) transfer and release amounts on deposit in the Improvement Area #1 Developer Improvement Account to the Developer, or to the Developer's successors and assigns or designees pursuant to Section 6.5(h). Upon such transfers,

the Improvement Area #1 Bond Improvement Account and Improvement Area #1 Developer Improvement Account of the Project Fund shall be closed.

Section 6.6. Redemption Fund.

The Trustee shall cause to be deposited to the Redemption Fund from the Pledged Revenue Fund an amount sufficient to redeem Bonds as provided in Sections 4.3 and 4.4 on the dates specified for redemption as provided in Sections 4.3 and 4.4 and to redeem Additional Bonds as provided in a Supplemental Indenture. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in Article IV and Additional Bonds as provided in a Supplemental Indenture.

Section 6.7. Reserve Fund.

(a) The City agrees with the Owners of the Bonds Similarly Secured to accumulate and, when accumulated, maintain in the Reserve Account, an amount equal to not less than the Reserve Account Requirement. All amounts deposited in the Reserve Account 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. The Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency and Prepayment Reserve Account on March 15 of each year, commencing March 15, 2023, an amount equal to the Additional Interest into the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement has been accumulated in the Delinquency and Prepayment Reserve Account; provided, however, that at any time the amount on deposit in the Delinquency and Prepayment Reserve Account is less than Delinquency and Prepayment Reserve Requirement, the Trustee shall resume depositing the Additional Interest into the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement has accumulated in the Delinquency and Prepayment Reserve Account. 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 unless and until it receives a City Order directing that a different amount be used. Whenever a transfer is made from the Reserve Account 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 shall continue to be collected and deposited pursuant to this Section 6.7 until the Bonds Similarly Secured are no longer Outstanding, but only in the event the Delinquency and Prepayment Reserve Account is less than Delinquency and Prepayment Reserve Requirement.

(b) Whenever a transfer is made from 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.

(c) In the event of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to Section 4.4 or Additional Bonds pursuant to a Supplemental Indenture, the Trustee, pursuant to prior written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds Similarly Secured to be redeemed 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 Prepayment toward payment of accrued interest, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds Similarly Secured to the date fixed for redemption of the Bonds Similarly Secured to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

(d) Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the value of cash and Value of Investment Securities on deposit 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 interest on the Bonds Similarly Secured on the next Interest Payment Date in accordance with Section 6.4, unless within thirty days of such notice to the City Representative, the Trustee receives a City Order instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof, (ii) to the Administrative Fund in an amount not more than the Administrative Expenses for the Bonds Similarly Secured or (iii) to the Improvement Area #1 Bond Improvement Account of the Project Fund to pay Improvement Area #1 Project Costs if such application and the expenditure of funds is expected to occur within three years of the date hereof.

(e) Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amounts on deposit in the Delinquency and Prepayment Reserve Account exceed the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and such excess shall be transferred, at the direction of the City pursuant to a City Order, to the Administrative Fund for the payment of Administrative Expenses or to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 or Additional Bonds pursuant to a Supplemental Indenture. In the event that the Trustee does not receive a City Order directing the transfer of such excess to the Administrative Fund within 45 days of providing notice to the City of such excess, the Trustee shall transfer such excess to the Redemption Fund to redeem Bonds pursuant to Section 4.4 hereof or Additional Bonds pursuant to a Supplemental Indenture and provide the City with written notification of the transfer. The Trustee shall incur no liability for the accuracy or validity of the transfer so long as the Trustee made such transfer in full compliance with this Section.

(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 Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

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

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

(i) If the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Bond Fund and Redemption Fund is sufficient to pay the principal amount and of all Outstanding Bonds Similarly Secured on the next date the Bonds Similarly Secured may be optionally redeemed by the City at a redemption price of par, together with the unpaid interest accrued on such Bonds Similarly Secured as of such date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds Similarly Secured on such date.

Section 6.8. **Rebate Fund: Rebatable Arbitrage.**

(a) The Rebate Fund is 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 due the United States Government in accordance with the Code. The Rebate Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured.

(b) In order to assure that Rebatable Arbitrage 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 the City's federal tax certificate for the Bonds or Additional Bonds, as further set forth in written directions from the City to the Trustee. The Trustee may conclusively rely on such written instructions as set forth in this Section and shall not be responsible for any loss or liability resulting from the investment of funds under this Section, but only so long as the Trustee follows such written instructions in all respects.

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

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

Section 6.9. **Administrative Fund.**

(a) Periodically upon receipt thereof, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Assessments and Annual Installments allocated to the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan.

(b) Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City

Order solely for the purposes set forth in the Service and Assessment Plan, including payment of Administrative Expenses and Delinquent Collection Costs. The Administrative Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured.

Section 6.10. Investment of Funds.

(a) Money in any Fund or Account, other than the Reserve Fund, shall be invested by the Trustee in Investment Securities as directed by the City pursuant to a City Order filed with the Trustee; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. Money in the Reserve Fund shall be invested in such Investment Securities as directed by the City pursuant to a City Order filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days. Each such City Order shall be a certification, upon which the Trustee may conclusively rely without investigation or inquiry, that the investment directed therein constitutes an Investment Security and that such investments meet the maturity and average weighted maturity requirements set forth in the preceding sentence. Such investments shall be valued each year in terms of the Value of Investment Securities as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in the Funds and 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 under this Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee is hereby directed to invest and re-invest cash balances in the Wilmington U.S. Government Money Market Fund – Institutional Share Class, CUSIP No. 97181C605, but only so long as such fund is an authorized investment and permitted under the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, or any successor law, and only so long as such investment constitutes Investment Securities and the money required to be expended from any Fund will be available at the proper time or times.

(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 not incur any liability for losses (including depreciation) arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the legality or suitability of any investments. The Parties acknowledge that the Trustee is not providing investment supervision, recommendations, or advice.

(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 to the City, upon the City's written request, periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(f) In the event it is found, after an annual calculation has been done pursuant to Section 6.8 hereof, that the City owes Rebatale Arbitrage to the United States Government, the City shall direct the Trustee, pursuant to a City Order, to transfer to the Rebate Fund the investment earnings on funds on deposit in the Pledged Funds in an amount equal to the Rebatale Arbitrage owed by the City. The City Order shall specify the amount to be transferred and the Pledged Fund or Pledged Funds from which the investment earnings shall be transferred.

Section 6.11. Security of Funds.

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

Section 6.12. Reimbursement Fund.

Money on deposit in the Reimbursement Fund shall be used to reimburse the Developer to pay costs of Improvement Area #1 Projects as provided in the Reimbursement Agreement. When all amounts due to the Developer to reimburse it for the costs of Improvement Area #1 Projects have been paid to the Developer, whether through Assessments received and applied in accordance with the Service and Assessment Plan 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, in the Assessment Ordinance, it has levied the Assessments against the Assessed Property from which the Assessment 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, the City covenants, agrees and warrants that it will take and pursue all reasonable 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.

(b) 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.

(c) 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 Assessments or the corresponding particular Assessed Property.

(d) The City shall not be required under any circumstances to expend any funds for Delinquent Collection Costs or Administrative Expenses in connection with its covenants and agreements under this Section or otherwise other than funds on deposit in the Administrative Fund.

Section 7.3. Against Encumbrances.

(a) Other than Additional Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds 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, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Additional

Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

Section 7.4. Records, Accounts, Accounting Reports.

The City hereby covenants and agrees that so long as any Bonds Similarly Secured are Outstanding, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and holder or holders 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 twenty days after the City receives such request.

Section 7.5. Covenants Regarding Tax Exemption of Interest on Bonds.

(a) The City covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as an obligation described in section 103 of the Code, the interest on which is not includable in the “gross income” of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any “private business use,” as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Article or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the “private business use” described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a “private business use” that is “related” and not “disproportionate,” within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount that is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as a “private activity bond” within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being “federally guaranteed” within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of an advance refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds is issued, and in the case of a current refunding bond, for a period of 90 days or less,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the Delivery Date) an amount that is at least equal to 90 percent of the “Excess Earnings,” within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) In order to facilitate compliance with the above covenant (a)(8), the Rebate Fund is established by the City pursuant to Section 6.1 for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the registered Owner. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) The City understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto (the “*Treasury Regulations*”). In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, that may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for Improvement Area #1 Project Costs on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Improvement Area #1 Projects are completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the Delivery Date, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) The City covenants that the projects funded with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

ARTICLE VIII

LIABILITY OF CITY

Section 8.1. **Liability of City.**

(a) Neither the full faith and credit nor the general taxing power of the City is pledged to the payment of the Bonds Similarly Secured, and no City taxes, fee or revenues from any source are pledged to the payment of, or available to pay any portion of, the Bonds Similarly Secured or any other obligations relating to the District. The City shall never be liable for any obligations relating to the Bonds Similarly Secured or other obligations relating to the District, other than as specifically provided for in this Indenture.

(b) 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.

(c) 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.

(d) 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 (collectively, the "*Bond Documents*"), shall require the City to expend or risk its own general funds or other funds or otherwise incur any financial liability (other than with respect to the Pledged Revenues) 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.

(e) 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 Document or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the City, in accordance with the Bond Documents and the PID Act. Any such claim shall be payable only from Pledged Revenues. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond

Documents or to enforce all rights of the Owners of the Bonds Similarly Secured by mandamus or other proceeding at law or in equity.

(f) 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 deem reasonable.

(g) 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. Acceptance of Trust; Trustee as Registrar and Paying Agent.

(a) The Trustee accepts and agrees to execute the respective trusts imposed upon it by this Indenture, but only upon the terms and conditions and subject to the provisions of this Indenture to all of which the parties hereto and the respective Owners of the Bonds Similarly Secured agree.

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

Section 9.2. Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction by the Owners 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, that in no event shall the Trustee request or require indemnification as a condition to making any deposits, payments or transfers (provided such payment or transfer is prior to an Event of Default) when required hereunder, or to deliver any notice when required hereunder. During the occurrence of an Event of Default, the Trustee shall be entitled to indemnification as a condition to making any deposits, payments or transfers when required hereunder, or to delivering any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or exercise any such rights and powers as Trustee, and in such case the Trustee may make transfers from the Pledged Revenue Fund and Administrative Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Similarly Secured Outstanding hereunder.

Section 9.3. Responsibilities of the Trustee.

(a) 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 and undertakes no duty to verify the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Bonds 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; (iv) any calculation of arbitrage or rebate under the Code; (v) any loss suffered in connection with any investment of funds (including depreciation) in accordance with this Indenture; or (vi) to undertake any other action unless specifically authorized pursuant to a written direction by the City or pursuant to this Indenture.

(b) 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 will, prior to any Event of Default and after curing of any Event of Default, perform such duties and only such duties as are specifically set forth herein. The Trustee will, during the existence of an Event of Default, exercise such rights and powers vested in it by this Indenture and 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/her own affairs. No implied covenants or obligations shall be read into this Indenture against the Trustee. The Trustee is not responsible for the terms or any agreement to which it is not a party and is not responsible for determining compliance with the terms of any document to which it is not a party. The Trustee is not responsible for nor have any duty to monitor the performance or any action of any other person or entity. In any event, the Trustee shall not be liable for any amount in excess of the value of the Trust Estate.

(c) 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 such losses, damages or expense which have been finally adjudicated by a court of competent jurisdiction to have directly resulted from the Trustee's own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special or consequential loss or damages in connection with or arising from

this Indenture for the existence, furnishing or use of the Improvement Area #1 Projects. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in principal amount of the Bonds Similarly Secured then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(d) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, and the discharge of this Indenture.

(e) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through receivers, agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any receiver, agent or attorney appointed with due care and in good faith by it hereunder, and the Trustee shall be entitled to rely and act upon the opinion or advice of counsel selected by the Trustee with due care, who may be counsel to the City, concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such agents, attorneys, and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of counsel.

(f) The Trustee shall not be responsible for any recital herein (except with respect to the authentication certificate of the Trustee endorsed on the Bonds) or for the recording, filing, or refiling of this Indenture in connection therewith, or for the validity of the execution by the City of this Indenture or of any Supplemental Indentures or instruments of further assurance, or for the sufficiency or security of the Bonds. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Indenture.

(g) The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application of any Bonds or the proceeds thereof or of any money paid to or upon the order of the City pursuant to any provision of this Indenture.

(h) 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 Owners of at least 50% in 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.

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.

(a) The Trustee may rely upon any order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, direction, 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 that the Trustee shall in good faith reasonably believe to be qualified in relation to the subject matter or is selected by the City in accordance with this Indenture, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. Subject to Section 9.1 and 9.3, the Trustee may consult with counsel selected by the Trustee with due care, who may or may not be Bond Counsel, and any advice from such counsel with respect to compliance with the provisions of this Indenture shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder, reasonably and in good faith, in accordance with such advice.

(b) 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 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 be entitled to conclusively rely upon the foregoing as sufficient evidence of the facts set forth herein. The execution of any City Order shall constitute, unto the Trustee, an irrevocable determination that all conditions precedent thereto have occurred.

(c) 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.

(d) In the event that any portion of the Trust Estate shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the Trust Estate, the Trustee is hereby expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel, selected by the Trustee with due care, is binding upon it, whether

with or without jurisdiction. In the event that the Trustee obeys or complies with any such writ, order or decree it shall not be liable to any of the parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

Section 9.6. Compensation.

Unless otherwise provided by contract with the Trustee, the Trustee shall transfer from the Administrative Fund, the previously determined and agreed upon, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar and extraordinary services rendered, 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, all pursuant to a City Order and subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by such City Order, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Similarly Secured Outstanding. 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 the Trustee has 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 shall make such payment from lawfully available funds (other than funds designated by the City for arbitrage rebate purposes) in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Similarly Secured Outstanding hereunder. The right of the Trustee to fees, expense, and indemnification shall survive the release, discharge, and satisfaction of the Indenture.

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 holders of Bonds Similarly Secured 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 holders of a majority of the Bonds Similarly Secured. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be liable for any permissive actions taken except as a consequence of its own negligence or misconduct.

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 60 days' notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor. Notwithstanding the foregoing, if, after 60 days

following receipt of the notice, the City has not appointed a successor Trustee, the Trustee may apply to a court of competent jurisdiction to appoint a successor Trustee, at no expense to the City, and such resignation shall take effect upon the court's appointment of a successor Trustee.

Section 9.9. Removal of Trustee.

The Trustee may be removed at any time on 30 days' advance written notice to the Trustee by (i) the Owners of at least a majority in aggregate Outstanding principal amount 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% in aggregate Outstanding principal amount of the Bonds Similarly Secured.

Section 9.10. Successor Trustee.

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

(b) 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 50% of the aggregate Outstanding principal amount 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.

(c) 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.

(d) 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 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.

(e) 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.

(f) 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.

(g) Trustee shall not be responsible or liable for the acts or omissions of any successor Trustee, nor shall it be responsible or liable for any costs of appointment or transition of such successor Trustee.

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

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

Section 9.12. Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be converted or 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 and will have and succeed to the rights, powers, duties, immunities and privileges as predecessor, 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, at the City's expense, such continuation statements as may be delivered to the Trustee 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; provided unless the Trustee is otherwise notified by the City, the Trustee may conclusively rely upon the initial filing statements delivered to it in filing any continuation statements hereunder. The Trustee is not responsible for the initial filing, execution, delivery, recording or authorization of any financing statements.

Section 9.14. Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less than 10% in principal amount of the Bonds Similarly Secured then Outstanding or their representatives duly authorized in writing.

Section 9.15. Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds Similarly Secured.

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 the Bonds Similarly Secured of at least a majority of the aggregate principal amount of the Bonds Similarly Secured then Outstanding and City approval of such modification or amendment. 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 Pledged Revenues 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 or this Indenture), or reduce the percentage of Bonds Similarly Secured required for the amendment hereof. Any such amendment shall 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 set forth additional provisions, if deemed necessary or advisable, in connection with the issuance of Additional Bonds permitted under the terms of this Indenture; 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.

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.

(a) 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, 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, if such consent is required pursuant to Section 10.1, 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.

(b) Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds Similarly Secured for which such consent is given, which proof shall be such as is permitted by Section 11.6. 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.

(c) 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.

Section 10.4. Procedure for Amendment Not Requiring Owner Consent.

(a) 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, to take effect when and as provided in this Section. The City shall direct the Trustee to provide a copy of such Supplemental Indenture, together with a notice stating that the Supplemental Indenture does not require Owner consent, mailed by first class mail to each Owner of Bonds Similarly Secured, but failure to mail copies of such Supplemental Indenture shall not affect the validity of the Supplemental Indenture. The

Trustee shall retain the proof of its mailing of such notice. A record, consisting of the papers required by this Section 10.4, shall be proof of the matters therein stated until the contrary is proved.

(b) The Supplemental Indenture shall become effective upon the execution and delivery of such Supplemental Indenture by the Trustee and the City, and the Supplemental Indenture shall be deemed conclusively binding upon the City, the Trustee and the Owners of all Bonds Similarly Secured as of the date of such execution and delivery.

Section 10.5. 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 Bonds Similarly Secured Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.6. Endorsement or Replacement of Bonds 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. 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 10.7. Amendatory Endorsement of Bonds.

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 10.8. Waiver of Default.

With the written consent of at least a majority in aggregate principal amount of the Bonds Similarly Secured then Outstanding, the Owners may waive compliance by the City with certain past defaults under this Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

Section 10.9. 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 or immunities under this Indenture or otherwise.

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.1. Events of Default.

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

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

(ii) The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings, in accordance with Section 7.2; and

(iii) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture, other than a default under (iv) below, and the continuation thereof for a period of ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and which shall give such notice at the written request of the Owners of not less than 50% in aggregate Outstanding principal amount of the Bonds Similarly Secured then Outstanding; provided, however, if the default stated in the notice is capable of cure but cannot reasonably be cured within the applicable period, the City shall be entitled to a further extension of time reasonably necessary to remedy such default so long as corrective action is instituted by the City within the applicable period and is diligently pursued until such failure is corrected, but in no event for a period of time of more than one hundred eighty (180) days after such notice.

(iv) 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 thereafter.

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, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than 50% in aggregate Outstanding principal amount of the Bonds Similarly Secured then Outstanding hereunder shall proceed, to protect and enforce the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

(b) PURSUANT TO SECTION 11.7, 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 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 Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

(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 as provided in Section 11.1, or of which by such Section it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of 50% 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 written evidence of indemnity as provided in Section 9.2, (iv) the Trustee has for 60 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 written direction inconsistent with such written request has been given to the Trustee during such 60-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 in writing 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 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 fees, costs and expenses), 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, 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.

The Trustee shall make payments to the Owners pursuant to this Section 11.4 within thirty (30) days of receipt of such good and available funds, and the record date shall be the date the Trustee receives such good and available funds.

(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.**

(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 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 any Bond Similarly Secured shall bind all future Owners of the same Bond 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, 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.

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.

ARTICLE XII

GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. Representations as to Pledged Revenues.

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

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

(c) Subject to Section 7.2(d), the City will take all steps reasonably necessary and appropriate, and will provide written direction to 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.

Section 12.2. General.

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

ARTICLE 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. Other Obligations or Other Liens; Additional Bonds.

(a) The City reserves the right to issue obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

(b) Other than Additional Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be done 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 for any purpose permitted by the PID Act, including for the purpose of refunding any of the Bonds Similarly Secured and in accordance with the conditions set forth below:

(i) The City Representative shall certify that the City is not in, or with the issuance of the Additional Bonds will not be in, default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in this Indenture or in the Development Agreement;

(ii) The Developer, through an authorized representative, shall certify that the Developer is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the Developer contained in the Development Agreement;

(iii) The City and Developer are in compliance with any continuing disclosure requirements pursuant to Rule 15c2-12 for Bonds Similarly Secured;

(iv) The City has not received an adverse opinion on the tax-exempt status of existing or proposed Bonds Similarly Secured;

(v) The maximum maturity for the Additional Bonds will not exceed 30 years from the date of delivery of the Bonds;

(vi) The maximum amount of Additional Bonds that may be used is \$[10,104,000];

(vii) The principal of and interest on the Additional Bonds must be scheduled to be paid or mature on March 15 or September 15, or both, of the years in which each principal or interest are scheduled to be paid or mature;

(viii) There shall be deposited to the Reserve Account of the Reserve Fund an amount equal to the Reserve Account Requirement taking into account the outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued;

(ix) The Trustee and City shall receive (1) evidence that the aggregate value of the Assessed Property to the sum of (A) the principal amount of the Additional Bonds being issued, and (B) the principal amount of the then Outstanding Bonds Similarly Secured, is at least 2:1, or (2) evidence that the City has issued a certificate of occupancy for at least 125 homes within the Improvement Area #1. In determining the ratio as set forth under (1) herein, the aggregate value of the Assessed Property may be determined by: (i) an Appraisal, (ii) the Collin Central Appraisal District's value of property established by the last tax statement sent by the Collin County Tax Assessor, (iii) the sale price (as evidenced by executed real estate contracts or HUD-1 settlement statement provided to the City), or (iv) any combination of (i) through (iii) without duplication; and

(x) Other than as otherwise provided in this Section 13.2(c), all requirements and conditions to the issuance of the Additional Bonds under the Development Agreement have been met.

(d) Notwithstanding the provisions of Section 13.2(c) above, the requirements of Section 13.2(c)(ii), (vi), (ix) and (x) shall not apply to the issuance of Refunding Bonds.

Section 13.3. Books of Record.

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

ARTICLE XIV

**PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE
INDENTURE**

Section 14.1. Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds 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 this Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 14.3. Bonds Deemed Paid.

(a) Any Outstanding Bonds Similarly Secured shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of this Indenture (a "*Defeased Bond*"), and particularly this Article XIV, when payment of the principal of, premium, if any, on such Defeased Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), either (1) shall have been made in accordance with the terms thereof, or (2) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities that mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds Similarly Secured with

respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond Similarly Secured shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond Similarly Secured and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Trust Estate as provided in this Indenture, and such principal and interest shall be payable solely from such money or Defeasance Securities. 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 Defeased Bonds and shall not be part of the Trust Estate. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Defeased Bonds 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.

(b) Any determination not to redeem Defeased Bond that is made in conjunction with the payment arrangements specified in Sections 14.3(a)(1) or 14.3(a)(2) shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the Defeased Bond for redemption; (2) the City gives notice of the reservation of that right to the Owners of the Defeased Bond immediately following the defeasance; (3) the City directs that notice of the reservation be included in any defeasance or redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the City satisfies the conditions of clause (a) of this Section 14.3 with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

(c) Until all Defeased Bonds shall have become due and payable, the Trustee and the Paying Agent/Registrar each shall perform the services of Trustee and Paying Agent/Registrar for such Defeased Bond the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Indenture.

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. This Indenture and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

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.

(a) 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.

(b) Except as otherwise expressly provided herein, 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.

(c) 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.

(d) 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. No 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 herein, all notices or other instruments required or permitted under this Indenture shall be in writing and shall be faxed, delivered by hand, or mailed by first class mail, postage prepaid, and addressed as follows:

If to the City

City of Lavon, Texas
120 School Road
Lavon, Texas 75166
Attn: City Manager
Telephone: (972) 843-4220

If to the Trustee, initially also acting in
the capacity of Paying Agent/Registrar

Wilmington Trust, National Association
15950 N. Dallas Parkway, Suite 550
Dallas, Texas 75248
Attn: Corporate Trust Administration
Telephone: (972) 383-3154

(b) 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.

(c) 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.

(d) The Trustee shall mail to each Owner of a Bond Similarly Secured notice of the redemption or defeasance of all Bonds Similarly Secured Outstanding.

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 applicable to contracts made and performed in the State. Venue and exclusive jurisdiction for any action to enforce or construe this Indenture shall be a state court of competent jurisdiction in Collin County, 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. Construction, Funding and Acquisition Agreement Amendments and Supplements.

The City and the Developer may amend and supplement the Construction, Funding and Acquisition Agreement and the Reimbursement Agreement from time to time without the consent or approval of the Owners or the Trustee.

Section 15.10. Counterparts.

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

Section 15.11. No Boycott of Israel; No Discrimination Against Fossil-Fuel Companies, Firearm Entities and Firearm Trade Associations.

This Indenture has a value of less than \$100,000 for purposes of Sections 2271.002 and 2274.002. Texas Government Code.

Section 15.12. No Terrorist Organization.

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 or Texas 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.

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IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed as of the date hereof.

CITY OF LAVON, TEXAS

By: _____
Mayor

Attest:

City Secretary

(CITY SEAL)

City Signature Page to Indenture of Trust

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

Trustee Signature Page to Indenture of Trust

EXHIBIT A

**DESCRIPTION OF THE PROPERTY WITHIN
IMPROVEMENT AREA #1 OF THE ELEVON PUBLIC IMPROVEMENT DISTRICT**

IMPROVEMENT AREA # 1
LEGAL DESCRIPTION

APPENDIX C

FORM OF SERVICE AND ASSESSMENT PLAN

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Elevon Public Improvement District

SERVICE AND ASSESSMENT PLAN

FEBRUARY 1, 2022



AUSTIN, TX | NORTH RICHLAND HILLS, TX

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INTRODUCTION

Capitalized terms used in this Service and Assessment Plan shall have the meanings given to them in **Section I** unless otherwise defined in this Service and Assessment Plan or unless the context in which a term is used clearly requires a different meaning. Unless otherwise defined, a reference to a “Section,” an “Exhibit,” or an “Appendix” shall be a reference to a portion of this Service and Assessment Plan or an Exhibit or Appendix attached to and made a part of this Service and Assessment Plan for all purposes.

On November 2, 2021, the City Council passed and approved Resolution No. 2021-11-07 authorizing the establishment of the District in accordance with the PID Act, which authorization was effective upon approval in accordance with the PID Act. The purpose of the District is to finance the Actual Costs of Authorized Improvements that confer a special benefit on approximately 982.719 acres located within the extraterritorial jurisdiction of the City, as described by the legal description on **Exhibit K-1** and depicted on **Exhibit A-1**. The District is anticipated to be annexed into the corporate limits of the City in accordance with the Development Agreement.

The PID Act requires a service plan covering a period of at least five years and defining the annual indebtedness and projected cost of the Authorized Improvements. The Service Plan is contained in **Section IV**.

The PID Act requires that the Service Plan include an Assessment Plan that assesses the Actual Costs of the Authorized Improvements against the Assessed Property within the District based on the special benefits conferred on such property by the Authorized Improvements. The Assessment Plan is contained in **Section V**.

The PID Act requires an Assessment Roll that states the Assessment against each Parcel determined by the method chosen by the City Council. The Assessment against each Parcel of Assessed Property must be sufficient to pay the share of the Actual Costs of the Authorized Improvements apportioned to such Parcel and cannot exceed the special benefit conferred on the Parcel by such Authorized Improvements. The Assessment Roll for the Zone 1 Remainder Area is included as **Exhibit E-1**. The Assessment Roll for Improvement Area #1 is included as **Exhibit F-1**.

SECTION I: DEFINITIONS

“Actual Costs” mean, with respect to Authorized Improvements, the actual costs paid or incurred by or on behalf of the Owner, (either directly or through affiliates), including : (1) the costs for the design, planning, financing, administration/management, acquisition, installation, construction and/or implementation of such Authorized Improvements; (2) the fees paid for obtaining permits, licenses, or other governmental approvals for such Authorized Improvements; (3) the costs for external professional costs, such as engineering, geotechnical, surveying, land planning, architectural landscapers, appraisals, legal, accounting, and similar professional services; (4) all labor, bonds, and materials, including equipment and fixtures, by contractors, builders, and materialmen in connection with the acquisition, construction, or implementation of the Authorized Improvements; and (5) all related permitting and public approval expenses, and architectural, engineering, consulting, and governmental fees and charges.

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

“Additional Interest Rate” means the 0.50% additional interest rate that may be charged on Assessments securing PID Bonds pursuant to Section 372.018 of the PID Act. The Additional Interest Rate is not charged on Assessments securing the Improvement Area #1 Reimbursement Obligation.

“Administrator” means the City or independent firm designated by the City who shall have the responsibilities provided in this Service and Assessment Plan, any 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 P3Works, LLC.

“Annual Collection Costs” mean the actual or budgeted costs and expenses related to the operation of the District, including, but not limited to, costs and expenses for: (1) the Administrator; (2) City staff; (3) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (4) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (5) preparing and maintaining records with respect to Assessment Rolls and Annual Service Plan Updates; (6) paying and redeeming PID Bonds; (7) investing or depositing Assessments and Annual Installments; (8) complying with this Service and Assessment Plan, the PID Act, and any Indenture, with respect to the PID Bonds, including the City’s continuing disclosure requirements; and (9) the paying agent/registrar and Trustee in connection with PID Bonds, including their respective legal counsel. Annual Collection Costs collected but not expended in any year shall be carried forward and applied to reduce Annual Collection Costs for subsequent years.

“Annual Installment” means the annual installment payment of an Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Annual Collection Costs; and (4) Additional Interest related to the PID Bonds, if applicable.

“Annual Service Plan Update” means an update to this Service and Assessment Plan prepared no less frequently than annually by the Administrator and approved by the City Council.

“Assessed Property” means any Parcel within the District, other than Non-Benefitted Property or Non-Assessed Property, against which an Assessment is levied.

“Assessment” means an assessment levied against a Parcel within the District, other than Non-Benefitted Property or Non-Assessed Property, and imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on an Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and in the PID Act.

“Assessment Ordinance” means an ordinance adopted by the City Council in accordance with the PID Act that levies an Assessment on the Assessed Property, as shown on any Assessment Roll.

“Assessment Plan” means the methodology employed to assess the Actual Costs of the Authorized Improvements against the Assessed Property based on the special benefits conferred on such property by the Authorized Improvements, more specifically set forth and described in **Section V**.

“Assessment Roll” means any assessment roll for the Assessed Property, including the Zone 1 Remainder Area Assessment Roll and the Improvement Area #1 Assessment Roll, 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 PID Bonds or any Annual Service Plan Update.

“Authorized Improvements” means the improvements authorized by Section 372.003 of the PID Act, as depicted on **Exhibit G-1** and **Exhibit G-2** and described in **Section III**.

“Bond Issuance Costs” means the costs associated with issuing PID Bonds, including, but not limited to, attorney fees, financial advisory fees, consultant fees, appraisal fees, printing costs, publication costs, capitalized interest, reserve fund requirements, underwriter’s discount, fees charged by the Texas Attorney General, and any other cost or expense incurred by the City directly associated with the issuance of any series of PID Bonds.

“City” means the City of Lavon, Texas.

“City Council” means the governing body of the City.

“County” means Collin County, Texas.

“Delinquent Collection Costs” mean costs related to the foreclosure on Assessed Property and the costs of collection of delinquent Assessments, delinquent Annual Installments, or any other delinquent amounts due under this Service and Assessment Plan, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing interest and penalty interest.

“Development Agreement” means that certain Elevation Development Agreement by and between the Master Developer, Petro-Hunt, LLC, Far East Lavon, LP, 78 Straddle, LP, East Lavon Partners, LP, World Land Developers, LP, and the City, dated as of November 2, 2021, and as may be amended from time to time.

“District” means Elevation Public Improvement District containing approximately 982.719 acres located within the extraterritorial jurisdiction of the City and more specifically described in **Exhibit K-1** and depicted on **Exhibit A-1**.

“District Formation Costs” means the costs associated with forming the District, including, but not limited to, attorney fees, and any other cost or expense incurred by the City directly associated with the establishment of the District.

“Engineer’s Report” means a report provided by a licensed professional engineer that describes the Authorized Improvements, including their costs, location, and benefit, and is attached hereto as **Appendix A**.

“Estimated Buildout Value” means the estimated value of an Assessed Property with fully constructed buildings, as provided by the Master Developer and confirmed by the City Council by considering such factors as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, builder contracts, discussions with homebuilders, reports from third party consultants, or any other factors that, in the judgment of the City, may impact value. The Estimated Buildout Value for each Lot Type is shown on **Exhibit H-1**.

“Future Improvement Area” means approximately 605.961 acres located within the District and more specifically described in **Exhibit K-3** and depicted on **Exhibit A-2**. The Future Improvement Area includes all of the District save and except Zone 1. The Future Improvement Area may be subdivided into one or more improvement areas.

“GRBK Edgewood” means GRBK Edgewood LLC, a Texas limited liability company, and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. GRBK is a partial owner of POD 2C and a partial owner of the Zone 1 Remainder Area.

“HMH/Stratford Elevon” means HMH/Stratford Elevon JV, LLC, a Texas limited liability company, and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. HMH/Stratford Elevon is the owner of POD 2B-1 and a partial owner of the Zone 1 Remainder

“Improvement Area #1” means approximately 272.698 acres located within the District, more specifically described in **Exhibit K-5** and depicted on **Exhibit A-2**. Improvement Area #1 is comprised of POD 2A, POD 2B-1, POD 2C, POD 2D, 15.000 acres of Non-Assessed Property and 25.034 acres of Non-Benefitted Property.

“Improvement Area #1 Annual Installment” means the Annual Installment of the Improvement Area #1 Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Annual Collection Costs related to Improvement Area #1; and (4) Additional Interest related to the Improvement Area #1 Bonds, if applicable, as shown on **Exhibit F-2**.

“Improvement Area #1 Assessed Property” means any Parcel within Improvement Area #1 against which an Improvement Area #1 Assessment is levied.

“Improvement Area #1 Assessment” means an Assessment levied against a Parcel within Improvement Area #1 and imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on the Improvement Area #1 Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and in the PID Act.

“Improvement Area #1 Assessment Roll” means the Assessment Roll for the Improvement Area #1 Assessed Property, as updated, modified, or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including any updates prepared in connection with the issuance of PID Bonds or any Annual Service Plan Updates. The Improvement Area #1 Assessment Roll is included in this Service and Assessment Plan as **Exhibit F-1**.

“Improvement Area #1 Authorized Improvements” means collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to Improvement Area #1; (2) the pro rata portion of the Offsite Improvements allocable to Improvement Area #1; (3) the Improvement Area #1 Improvements; (4) the first year’s Annual Collection Costs related to the Improvement Area #1 Bonds; and (5) Bond Issuance Costs incurred in connection with the issuance of Improvement Area #1 Bonds.

“Improvement Area #1 Bonds” means those certain “City of Lavon, Texas, Special Assessment Revenue Bonds, Series 2022 (Elevon Public Improvement District Improvement Area #1 Project)” that are secured by Improvement Area #1 Assessments.

“Improvement Area #1 Improvements” means the Authorized Improvements which only benefit the Improvement Area #1 Assessed Property, as further described in **Section III.B** and Depicted on **Exhibit G-2**.

“Improvement Area #1 Projects” means, collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to Improvement Area #1; (2) the pro rata portion of the Offsite Improvements allocable to Improvement Area #1; and (3) the Improvement Area #1 Improvements.

“Improvement Area #1 Reimbursement Agreement” means that certain Reimbursement Agreement, effective February 1, 2022 entered into by and between the City and Master Developer, in which the Master Developer, either directly or through affiliates, agrees to construct the Improvement Area #1 Projects, and to fund certain Actual Costs of the Improvement Area #1 Authorized Improvements, and the City agrees to (1) reimburse the Master Developer or its designee for Actual Costs of the Improvement Area #1 Authorized Improvements from the proceeds of PID Bonds in accordance with the Act, this Service and Assessment Plan, and the applicable Indenture, and (2) reimburse the Master Developer for Actual Costs of Improvement Area #1 Authorized Improvements not paid by proceeds of Improvement Area #1 Bonds solely from the revenue collected by the City from Improvement Area #1 Assessments, including Improvement Area #1 Annual Installments, not pledged to the payment of PID Bonds.

“Improvement Area #1 Reimbursement Obligation” means an amount not to exceed \$10,104,000 secured by Improvement Area #1 Assessments to be paid to the Master Developer pursuant to the Improvement Area #1 Reimbursement Agreement. The Annual Installments for the Improvement Area #1 Reimbursement Obligation are shown on **Exhibit J-3**.

“Indenture” means an Indenture of Trust entered into between the City and the Trustee in connection with the issuance of each series of PID Bonds, as amended from time to time, setting forth the terms and conditions related to a series of PID Bonds.

“K Hovnanian Homes” means K Hovnanian DFW Elevon, LLC, a Texas limited liability company, and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. K Hovnanian Homes is the owner of POD 2A.

“Lot” means (1) for any portion of the District for which a final subdivision plat has been recorded in the Plat or Official Public Records of the County, a tract of land described by “lot” in such subdivision plat; and (2) for any portion of the District for which a subdivision plat has not been recorded in the Plat or Official Public Records of the County, a tract of land anticipated to be described as a “lot” in a final recorded subdivision plat as shown on a concept plan or a preliminary plat. A “Lot” shall not include real property owned by a government entity.

“Lot Type” means a classification of final building Lots with similar characteristics (e.g. lot size, home product, Estimated Buildout Value, etc.), as determined by the Administrator and confirmed by the City Council. In the case of single-family residential Lots, the Lot Type shall be further defined by classifying the residential Lots by the Estimated Buildout Value of the Lot as provided by the Owner, and confirmed by the City Council, as shown on **Exhibit H-1**.

“Lot Type 1” means a Lot within Improvement Area #1 marketed to homebuilders as a 30’ Lot. The buyer disclosure for Lot Type 1 is included as **Appendix C-6**.

“Lot Type 2” means a Lot within Improvement Area #1 marketed to homebuilders as a 40’ Lot. The buyer disclosure for Lot Type 2 is included as **Appendix C-7**.

“Lot Type 3” means a Lot within Improvement Area #1 marketed to homebuilders as a 45’ Lot. The buyer disclosure for Lot Type 3 is included as **Appendix C-8**.

“Lot Type 4” means a Lot within Improvement Area #1 marketed to homebuilders as a 50’ Lot. The buyer disclosure for Lot Type 4 is included as **Appendix C-9**.

“Lot Type 5” means a Lot within Improvement Area #1 marketed to homebuilders as a 26’ Lot. The buyer disclosure for Lot Type 5 is included as **Appendix C-10**.

“Lot Type 6” means a Lot within Improvement Area #1 marketed to homebuilders as a 60’ Lot. The buyer disclosure for Lot Type 6 is included as **Appendix C-11**.

“Lot Type 7” means a Lot within Improvement Area #1 marketed to homebuilders as a 70’ Lot. The buyer disclosure for Lot Type 7 is included as **Appendix C-12**.

“Master Developer” means MA Elevon 429, LLC, a Texas limited liability company, and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. The Master Developer is responsible for construction of Zone 1 Improvements, Offsite Improvements, and Improvement Area #1 Improvements, and is the current owner of the Non-Assessed Property and Non-Benefitted Property within Improvement Area #1.

“Maximum Assessment” means, for each Lot, an Assessment equal to the lesser of (1) the amount calculated pursuant to **Section VI.B**, or (2) the amount shown on **Exhibit H-1**.

“Non-Assessed Property” means Parcels within the boundaries of the district that accrue special benefit from the Authorized Improvements as determined by the City Council but are not assessed for the costs thereof. The Non-Assessed Property within Improvement Area #1 is owned by the Master Developer.

“Non-Benefitted Property” means Parcels within the boundaries of the District that accrue no special benefit from the Authorized Improvements as determined by the City Council.

“Notice of Assessment Termination” means a document that shall be recorded in the Official Public Records of the County evidencing the termination of an Assessment, a form of which is attached as **Exhibit I**.

“Offsite Improvements” means those Authorized Improvements that confer a special benefit to all of the Assessed Property within the District, as further described in **Section III.C.** and depicted on **Exhibit G-1**.

“Owner” or **“Owners”** means the Master Developer; K Hovnanian Homes; HMH/Stratford Elevon; GRBK Edgewood; UMH Development; Qualico; Petro-Hunt Entities; and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users.

“Parcel” or **“Parcels”** means a specific property within the District identified by either a tax parcel identification number assigned by the Collin Central Appraisal District for real property tax purposes, by legal description, or by lot and block number in a final subdivision recorded in the Official Public Records of the County, or by any other means determined by the City.

“Petro-Hunt” means Petro-Hunt, L.L.C., and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. Petro-Hunt is the owner of the Future Improvement Area.

“Petro-Hunt Entities” means Petro-Hunt, Far East Lavon, LP, 78 Straddle, LP, East Lavon Partners, LP, and World Land Developers, LP.

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

“PID Bonds” means any bonds issued by the City in one or more series and secured in whole or in part by Assessments.

“POD” means a phase of development within the District, including, but not limited to, POD 2A, POD 2B-1, POD 2C, and POD 2D.

“POD 2A” means approximately 65.135 acres located within Improvement Area #1 and more specifically described in **Exhibit K-5** and depicted on **Exhibit A-2**. The Annual Installment schedule for POD 2A is included as **Exhibit F-3**. POD 2A is currently owned by K Hovnanian Homes.

“POD 2B-1” means approximately 49.470 acres located within the District and more specifically described in **Exhibit K-5** and depicted on **Exhibit A-2**. The Annual Installment schedule for POD 2B-1 is included as **Exhibit F-4**. POD 2B-1 is currently owned by HMH/Stratford Elevon.

“POD 2C” means approximately 77.398 acres located within the District and more specifically described in **Exhibit K-5** and depicted on **Exhibit A-2**. The Annual Installment schedule for POD

2C is included as **Exhibit F-5**. POD 2C is currently owned partially by GRBK Edgewood and partially by UMH Development.

“POD 2D” means approximately 40.661 acres located within the District and more specifically described in **Exhibit K-5** and depicted on **Exhibit A-2**. The Annual Installment schedule for POD 2D is included as **Exhibit F-6**. POD 2D is currently owned by Qualico.

“Prepayment” means the payment of all or a portion of an Assessment before the due date of the final Annual Installment thereof. 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 the payment of the regularly scheduled Annual Installment.

“Prepayment Costs” means interest, including Additional Interest and Annual Collection Costs, to the date of Prepayment.

“Qualico” means Qualico Developments (U.S.), Inc., a Delaware corporation, and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. Qualico is the owner of POD 2D.

“Service and Assessment Plan” means this Elevon Public Improvement District Service and Assessment Plan as updated, amended, or supplemented from time to time.

“Service Plan” covers a period of at least five years and defines the annual indebtedness and projected costs of the Authorized Improvements, more specifically described in **Section IV**.

“Trustee” means the trustee or successor trustee under an Indenture.

“UMH Development” means and UMH Development, LLC, a Texas limited liability company, and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users. UMH Development is a partial owner of POD 2C and a partial owner of the Zone 1 Remainder Area.

“Zone 1” means approximately 376.758 acres located within the District and more specifically described in **Exhibit K-3** and depicted on **Exhibit A-2**. Zone 1 includes all of the District save and except the Future Improvement Area.

“Zone 1 Remainder Area” means approximately 104.06 acres located within the District and more specifically described in **Exhibit K-4** and depicted on **Exhibit A-2**. The Zone 1 Remainder Area includes all of Zone 1 save and except Improvement Area #1.

“Zone 1 Remainder Area Annual Installment” means the Annual Installment of the Zone 1 Remainder Area Assessment as calculated by the Administrator and approved by the City Council that includes: (1) principal; (2) interest; (3) Annual Collection Costs related to the Zone 1

Remainder Area; and (4) Additional Interest related to the Zone 1 Remainder Area Bonds, as shown on **Exhibit E-2**.

“Zone 1 Remainder Area Assessed Property” means any Parcel within the Zone 1 Remainder Area against which the Zone 1 Remainder Area Assessment is levied.

“Zone 1 Remainder Area Assessment” means an Assessment levied against the Zone 1 Remainder Area Assessed Property and imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on the Zone 1 Remainder Area Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and in the PID Act.

“Zone 1 Remainder Area Assessment Roll” means the Assessment Roll for the Zone 1 Remainder Area Assessed Property within the District, as updated, modified, or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including any Annual Service Plan Updates. The Zone 1 Remainder Area Assessment Roll is included in this Service and Assessment Plan as **Exhibit E-1**.

“Zone 1 Remainder Area Authorized Improvements” means, collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to the Zone 1 Remainder Area; (2) the pro rata portion of the Offsite Improvements allocable to the Zone 1 Remainder Area; (3) the first year’s Annual Collection Costs related to the Zone 1 Remainder Area Bonds; and (4) Bond Issuance Costs incurred in connection with the issuance of the Zone 1 Remainder Area Bonds.

“Zone 1 Remainder Area Bonds” means those certain “City of Lavon, Texas, Special Assessment Revenue Bonds, Series 2022 (Elevon Public Improvement District Zone 1 Remainder Area Project).”

“Zone 1 Remainder Area Initial Parcel” means all of the Zone 1 Remainder Area Assessed Property against which the entire Zone 1 Remainder Area Assessment is levied as shown on Zone 1 Remainder Area Assessment Roll.

“Zone 1 Remainder Area Projects” means collectively, (1) the pro rata portion of the Zone 1 Improvements allocable to the Zone 1 Remainder Area; and (2) the pro rata portion of the Offsite Improvements allocable to the Zone 1 Remainder Area.

“Zone 1 Improvements” means those Authorized Improvements that confer a special benefit to all of the Assessed Property within Zone 1, as further described in **Section III.A.** and depicted on **Exhibit G-1**.

SECTION II: THE DISTRICT

The District includes approximately 982.719 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by legal description on **Exhibit K-1** and depicted on **Exhibit A-1**. The District is anticipated to be annexed into the corporate limits of the City as set forth in the Development Agreement.

The Zone 1 Remainder Area includes approximately 104.06 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by the legal description on **Exhibit K-2** and depicted on **Exhibit A-2**. Development of the Zone 1 Remainder Area is anticipated to include approximately 452 Lots developed with single-family homes.

Improvement Area #1 includes approximately 272.698 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by the legal description on **Exhibit K-3** and depicted on **Exhibit A-2**. Development of Improvement Area #1 is anticipated to include approximately 935 Lots developed with single-family homes (77 single-family homes that are on Lots classified as Lot Type 1, 215 single-family homes that are on Lots classified as Lot Type 2, 68 single-family homes that are on Lots classified as Lot Type 3, 312 single-family homes that are on Lots classified as Lot Type 4, 44 single-family homes that are on Lots classified as Lot Type 5, 143 single-family homes that are on Lots classified as Lot Type 6, 76 single-family homes that are on Lots classified as Lot Type 7).

SECTION III: AUTHORIZED IMPROVEMENTS

Based on information provided by the Owners and their engineers and reviewed by the City staff and by third-party consultants retained by the City, the City has determined that the Authorized Improvements confer a special benefit on the Assessed Property. Authorized Improvements will be designed and constructed in accordance with the City's standards and specifications and will be owned and operated by the City, except for various water improvements, which will be owned and operated either by the Bear Creek SUD or the Nevada SUD, and will be constructed in accordance with the applicable SUD's regulations and requirements. The budget for the Authorized Improvements is shown on **Exhibit B-1**. The budget for the Improvement Area #1 Authorized Improvements, allocated by POD, is shown on **Exhibit B-2**.

A. Zone 1 Improvements

- *Streets*

Improvements including subgrade stabilization, concrete and reinforcing steel for

roadways, testing, handicapped ramps, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within Zone 1.

- *Water*

Improvements including trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, and erosion control, and all necessary appurtenances required to provide water service to all Lots within the Zone 1.

- *Sewer*

Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide wastewater service to all Lots within the Zone 1.

- *Drainage*

Improvements including earthen channels, swales, curb and drop inlets, RCP piping and boxes, headwalls, concrete flumes, rock rip rap, concrete outfalls, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for all Lots within the Zone 1.

- *ROW Areas/Land Acquisition*

Includes road right of way that benefits all Lots within Zone 1.

- *Soft Costs*

Costs related to designing, constructing, and installing the Zone 1 Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, District Formation Costs, legal fees, and consultant fees.

B. Improvement Area #1 Improvements

- *Streets*

Improvements including subgrade stabilization, concrete and reinforcing steel for roadways, testing, handicapped ramps, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within Improvement Area #1.

- *Water*

Improvements including trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide water service to all Lots within Improvement Area #1.

- *Sewer*

Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide wastewater service to all Lots within Improvement Area #1.

- *Drainage*

Improvements including earthen channels, swales, curb and drop inlets, RCP piping and boxes, headwalls, concrete flumes, rock rip rap, concrete outfalls, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for all Lots within Improvement Area #1.

- *ROW Areas/Land Acquisition*

Includes road right of way.

- *Soft Costs*

Costs related to designing, constructing, and installing the Improvement Area #1 Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, legal fees, and consultant fees.

C. Offsite Improvements

- *Streets*

Improvements including subgrade stabilization, concrete and reinforcing steel for roadways, testing, handicapped ramps, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within the District. Note certain offsite street improvements will be accepted by TxDOT.

- *Water*

Improvements including trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, erosion control

and all necessary appurtenances required to provide water service to all Lots within the District.

- *Sewer*

Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide wastewater service to all Lots within the District.

- *Wastewater Plant Site*

Includes costs for constructing the wastewater plant site.

- *Drainage*

Improvements including earthen channels, swales, curb and drop inlets, RCP piping and boxes, headwalls, concrete flumes, rock rip rap, concrete outfalls, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for all Lots within the District.

- *ROW Areas/Land Acquisition*

Includes road right of way.

- *Soft Costs*

Costs related to designing, constructing, and installing the Offsite Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, legal fees, District Formation Costs, and consultant fees.

D. Bond Issuance Costs

- *Debt Service Reserve Fund*

Equals the amount to be deposited in a debt service reserve fund under an applicable Indenture in connection with the issuance of PID Bonds.

- *Capitalized Interest*

Equals the amount required to be deposited for the purpose of paying capitalized interest under an applicable Indenture in connection with the issuance of PID Bonds.

- *Underwriter's Discount*

Equals a percentage of the par amount of a particular series of PID Bonds related to the costs of underwriting such PID Bond, which includes a fee for underwriter's counsel.

- *Costs of Issuance*

Includes costs of issuing a particular series of PID Bonds, including but not limited to issuer fees, attorney's fees, financial advisory fees, consultant fees, appraisal fees, printing costs, publication costs, City's costs, fees charged by the Texas Attorney General, and any other cost or expense directly associated with the issuance of PID Bonds.

E. Other Costs

- *Deposit to Administrative Fund*

Equals the amount necessary to fund the first year's Annual Collection Costs for a particular series of PID Bonds.

SECTION IV: SERVICE PLAN

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 District during the five-year period. The Service Plan must be reviewed and updated in each Annual Service Plan Update. **Exhibit C** summarizes the initial Service Plan for the District.

Exhibit D summarizes the sources and uses of funds required to construct the Zone 1 Improvements, Offsite Improvements, and Improvement Area #1 Improvements. The sources and uses of funds shown on **Exhibit D** shall be updated in an Annual Service Plan Update to show the amount required to fund the required reserves and issue the PID Bonds at the time the PID Bonds are issued.

SECTION V: ASSESSMENT PLAN

The PID Act allows the City Council to apportion the costs of the Authorized Improvements to the Assessed Property based on the special benefit received from the Authorized Improvements. The PID Act provides that such costs may be apportioned: (1) equally per front foot or square foot; (2) according to the value of property as determined by the City, with or without regard to improvements constructed on the property; or (3) in any other manner approved by the City that results in imposing equal shares of such costs 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 City and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

This section of this Service and Assessment Plan describes the special benefit received by each Parcel within the District as a result of the Authorized Improvements and provides the basis and

justification for the determination that this special benefit equals or exceeds the amount of the Assessments to be levied on the Assessed Property for such Authorized Improvements.

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 Owners and all future Owners and developers of the Assessed Property.

A. Assessment Methodology

Acting in its legislative capacity and based on information provided by the Owners and their engineers and reviewed by the City staff and by third-party consultants retained by the City, the City Council has determined that the costs related to the Authorized Improvements shall be allocated as follows:

- The costs of the Zone 1 Remainder Area Authorized Improvements shall be allocated to each Parcel in the Zone 1 Remainder Area based upon Estimated Buildout Value of each Parcel designated as Zone 1 Remainder Area Assessed Property to the Estimated Buildout Value of all Zone 1 Remainder Area Assessed Property. Currently, the Zone 1 Remainder Area Initial Parcel is the only Parcel within the Zone 1 Remainder Area shown on the tax rolls for Collin County, and as such, the Zone 1 Remainder Area Initial Parcel is allocated 100% of the Zone 1 Remainder Area Authorized Improvements.
- The costs of the Improvement Area #1 Authorized Improvements shall be allocated to each Parcel within Improvement Area #1 based on the ratio of the Estimated Buildout Value of each Parcel designated as Improvement Area #1 Assessed Property to the Estimated Buildout Value of all Improvement Area #1 Assessed Property. Currently, POD 2A, POD 2B-1, POD 2C, POD 2D, and the Non-Assessed Property are the only Parcels within Improvement Area #1 which receive benefit from the Improvement Area #1 Projects, and as such, the Improvement Area #1 Authorized Improvements are allocated by the Developer's engineer in the Engineering Report attached to the SAP, and as confirmed by the City Engineer, first to the POD area and the Non-Assessed Property based on specific land use; and second, to each of these PODs pro rata based on the Estimated Buildout Value of each POD within Improvement Area #1 to the Estimated Buildout Value of all Improvement Area #1 Assessed Property; however the Non-Assessed Property will not be assessed. See **Exhibit H-2** for details.

B. Assessments

The Zone 1 Remainder Area Assessment will be levied on the Zone 1 Remainder Area Initial Parcel in the amount shown on the Zone 1 Remainder Area Assessment Roll, attached hereto as **Exhibit**

E-1. The projected Zone 1 Remainder Area Annual Installments are shown on **Exhibit E-2**. Upon division or subdivision of the Zone 1 Remainder Area Initial Parcel, the Zone 1 Remainder Area Assessment will be reallocated pursuant to **Section VI**.

The Improvement Area #1 Assessment will be levied on POD 2A, POD 2B-1, POD 2C and POD 2D in the amount shown on the Improvement Area #1 Assessment Roll, attached hereto as **Exhibit F-1**. The projected Improvement Area #1 Annual Installments are shown on **Exhibit F-2**. Upon division or subdivision of POD 2A, POD 2B-1, POD 2C or POD 2D, the Improvement Area #1 Assessment will be reallocated pursuant to **Section VI**.

The Maximum Assessment for each Lot Type is shown on **Exhibit H-1**. In no case will the Assessment for Lots classified as Lot Type 1, Lot Type 2, Lot Type 3, Lot Type 4, Lot Type 5, Lot Type 6, or Lot Type 7 respectively, exceed the corresponding Maximum Assessment for each Lot classification.

C. Findings of Special Benefit

Acting in its legislative capacity and based on information provided by the Owners and their engineers and reviewed by the City staff and by third-party consultants retained by the City, the City Council has found and determined:

- *Zone 1 Remainder Area*
 - The costs of the Zone 1 Remainder Area Authorized Improvements are estimated at \$8,148,000 as shown on **Exhibit B**;
 - The Zone 1 Remainder Area Assessed Property receives special benefit from the Zone 1 Remainder Area Authorized Improvements equal to or greater than the Actual Cost of the Zone 1 Remainder Area Authorized Improvements;
 - The Zone 1 Remainder Area Initial Parcel will be allocated 100% of the Zone 1 Remainder Area Assessment levied for the Zone 1 Remainder Area Authorized Improvements, which equals \$8,148,000 as shown on the Zone 1 Remainder Area Assessment Roll attached hereto as **Exhibit E-1**;
 - The special benefit (\geq \$8,148,000) received by the Zone 1 Remainder Area Initial Parcel from the Zone 1 Remainder Area Authorized Improvements is greater than or equal to the amount of the Zone 1 Remainder Area Assessment (\$8,148,000) levied on the Zone 1 Remainder Area Initial Parcel for the Zone 1 Remainder Area Authorized Improvements; and
 - At the time the City Council approved the Service and Assessment Plan, HMH/Stratford Elevon, GRBK Edgewood, and UMH Development owned 100% of

the Zone 1 Remainder Area Initial Parcel. These landowners acknowledged that the Zone 1 Remainder Area Authorized Improvements confer a special benefit on the Zone 1 Remainder Area Initial Parcel and consented to the imposition of the Zone 1 Remainder Area Assessments to pay for the Actual Costs associated therewith. HMH/Stratford Elevon, GRBK Edgewood, and UMH Development have ratified, confirmed, accepted, agreed to, and approved: (1) the determinations and findings by the City Council as to the special benefits described herein and the applicable Assessment Ordinance; (2) the Service and Assessment Plan and the applicable Assessment Ordinance; and (3) the levying of Zone 1 Remainder Area Assessment on the Zone 1 Remainder Area Initial Parcel.

- *Improvement Area #1*

- The costs of the Improvement Area #1 Authorized Improvements equal \$47,512,294 as shown on **Exhibit B**;
- The Improvement Area #1 Assessed Property receives special benefit from the Improvement Area #1 Authorized Improvements equal to or greater than the Actual Cost of the Improvement Area #1 Authorized Improvements;
- The Improvement Area #1 Assessed Property will be allocated 100% of the Improvement Area #1 Assessment levied for the Improvement Area #1 Authorized Improvements, which equals \$41,333,000 as shown on the Improvement Area #1 Assessment Roll attached hereto as **Exhibit F-1**;
- The special benefit (\geq \$47,512,294) received by the Improvement Area #1 Assessed Property from the Improvement Area #1 Authorized Improvements is equal to or greater than the amount of the Improvement Area #1 Assessment (\$41,333,000) levied on the Improvement Area #1 Assessed Property for the Improvement Area #1 Authorized Improvements; and
- At the time the City Council approved the Service and Assessment Plan, K Hovnanian Homes, HMH/Stratford Elevon, GRBK Edgewood, UMH Development, and Qualico, owned 100% of the Improvement Area #1 Assessed Property. These landowners acknowledged that the Improvement Area #1 Authorized Improvements confer a special benefit on the Improvement Area #1 Assessed Property and consented to the imposition of the Improvement Area #1 Assessment to pay for the Actual Costs associated therewith. , K Hovnanian Homes, HMH/Stratford Elevon, GRBK Edgewood, UMH Development, and Qualico, ratified, confirmed, accepted, agreed to, and approved: (1) the determinations and findings by the City Council as to the special benefits

described herein and the applicable Assessment Ordinance; (2) the Service and Assessment Plan and the applicable Assessment Ordinance; and (3) the levying of the Improvement Area #1 Assessment on the Improvement Area #1 Assessed Property.

D. Annual Collection Costs

The Annual Collection Costs shall be paid for annually by the owner of each Parcel pro rata based on the ratio of the amount of outstanding Assessment remaining on the Parcel to the total outstanding Assessment. The Annual Collection Costs shall be collected as part of and in the same manner as Annual Installments in the amounts shown on the Assessment Roll, which may be revised based on Actual Costs incurred in Annual Service Plan Updates.

E. Additional Interest

The interest rate on Assessments securing each respective series of PID Bonds may exceed the interest rate on each respective series of PID Bonds by the Additional Interest Rate. To the extent required by any Indenture, Additional Interest shall be collected as part of each Annual Installment and shall be deposited pursuant to the applicable Indenture.

The interest on the Improvement Area #1 Assessment securing the Improvement Area #1 Reimbursement Obligation shall be collected at rates established under the Reimbursement Agreement as part of the Improvement Area #1 Annual Installment pursuant to the Reimbursement Agreement.

SECTION VI: TERMS OF THE ASSESSMENTS

A. Reallocation of Assessments

1. Upon Division Prior to Recording of Subdivision Plat

Upon the division of any Assessed Property (without the recording of a subdivision plat), the Administrator shall reallocate the Assessment for the Assessed Property prior to the division among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for the newly divided Assessed Property
- B = the Assessment for the Assessed Property prior to division
- C = the Estimated Buildout Value of the newly divided Assessed Property
- D = the sum of the Estimated Buildout Value for all of the newly divided Assessed Properties

The calculation of the Assessment of an Assessed Property shall be performed by the Administrator and shall be based on the Estimated Buildout Value of that Assessed Property, as provided by the Owner. The Estimated Buildout Value for Lot Type 1, Lot Type 2, Lot Type 3, Lot Type 4, Lot Type 5, Lot Type 6, and Lot Type 7 are shown on **Exhibit H-1** and will not change in future Annual Service Plan Updates. The calculation as confirmed by the City Council shall be conclusive.

The sum of the Assessments for all newly divided Assessed Properties shall equal the Assessment for the Assessed Property prior to subdivision. The calculation shall be made separately for each newly divided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update immediately following such reallocation.

2. Upon Subdivision by a Recorded Subdivision Plat

Upon the subdivision of any Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots based on Estimated Buildout Value according to the following formula:

$$A = [B \times (C \div D)] / E$$

Where the terms have the following meanings:

A = the Assessment for the newly subdivided Lot

B = the Assessment for the Parcel prior to subdivision

C = the sum of the Estimated Buildout Value of all newly subdivided Lots with same Lot Type

D = the sum of the Estimated Buildout Value for all of the newly subdivided Lots excluding Non-Benefitted Property

E = the number of newly subdivided Lots with same Lot Type

Prior to the recording of a subdivision plat, the Owner shall provide the City an Estimated Buildout Value as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat. The calculation of the Assessment for a Lot shall be performed by the Administrator and confirmed by the City Council based on the Estimated Buildout Value information provided by the Owner. The Estimated Buildout Value for Lot Type 1, Lot Type 2, Lot Type 3, Lot Type 4, Lot Type 5, Lot Type 6, and Lot Type 7 are shown on **Exhibit H-1** and will not change in future Annual Service Plan Updates.

The sum of the Assessments for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update immediately following such reallocation.

3. Upon Consolidation

If two or more Lots or Parcels are consolidated into a single Parcel or Lot, the Administrator shall allocate the Assessments against the Lots or Parcels before the consolidation to the consolidated Lot or Parcel, which allocation shall be reflected in the next Annual Service Plan Update and approved by the City Council. The Assessment for any resulting Lot may not exceed the Maximum Assessment for the applicable Lot Type and compliance may require a mandatory Prepayment of Assessments pursuant to **Section VI.C.**

B. Mandatory Prepayment of Assessments

If an Assessed Property or a portion thereof is conveyed to a party that is exempt from payment of the Assessment under applicable law, or the owner causes a Lot, Parcel or portion thereof to become Non-Benefitted Property, the owner of such Lot, Parcel or portion thereof shall pay to the City, or cause to be paid to the City, the full amount of the Assessment, plus all Prepayment Costs and Delinquent Collection Costs for such Assessed Property, prior to any such conveyance or act, and no such conveyance shall be effective until the City receives such payment. Following payment of the foregoing costs in full, the City shall provide the owner with a recordable “Notice of Assessment Termination,” a form of which is attached hereto as **Exhibit I.**

C. True-Up of Assessments if Maximum Assessment Exceeded at Plat

Prior to the City approving a final subdivision plat, the Administrator will certify that such plat will not result in the Assessment per Lot for any Lot Type to exceed the Maximum Assessment. If the Administrator determines that the resulting Assessment per Lot for any Lot Type will exceed the Maximum Assessment for that Lot Type, then (1) the Assessment applicable to each Lot Type shall each be reduced to the Maximum Assessment, and (2) the person or entity filing the plat shall pay to the City, or cause to be paid to the City, the amount the Assessment was reduced, plus Prepayment Costs and Delinquent Collection Costs, if any, prior to the City approving the final plat. The City’s approval of a plat without payment of such amounts does not eliminate the obligation of the person or entity filing the plat to pay such amounts. At no time shall the aggregate Assessments for any Lot exceed the Maximum Assessment.

D. Reduction of Assessments

If as a result of cost savings or the failure to construct all or a portion of an Authorized Improvement, the Actual Costs of any Authorized Improvements are less than the Assessments, then (i) in the event PID Bonds are not issued, the City Council shall reduce each Assessment on a pro rata basis such that the sum of the resulting reduced Assessments for all Assessed Property equals the reduced Actual Costs that were expended, or (ii) in the event that PID Bonds are issued, the Trustee shall apply amounts on deposit in the applicable account of the Project Fund created under the Indenture relating to the specific set of PID Bonds affected by such reduction in Actual Costs, that are not expected to be used for the purposes of the Project Fund specified in such Indenture to redeem outstanding PID Bonds, unless otherwise directed by the applicable Indenture. Excess PID Bond proceeds shall be applied to redeem outstanding PID Bonds, or for such other purposes authorized by an Indenture. The Assessments shall never be reduced to an amount less than the amount required to pay all outstanding debt service requirements on all outstanding PID Bonds.

The Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Assessment Roll and corresponding Annual Installments to reflect the reduced Assessments.

E. Prepayment of Assessments

The owner of any Assessed Property may pay, at any time, all or any part of an Assessment in accordance with the PID Act. Prepayment Costs, if any, may be paid from a reserve established under the applicable Indenture. If an Annual Installment has been billed, or the Annual Service Plan Update has been approved by City Council prior to the Prepayment, the Annual Installment shall be due and payable and shall be credited against the Prepayment.

If an Assessment on an Assessed Property is prepaid in full, with Prepayment Costs, (1) the Administrator shall cause the Assessment to be reduced to zero on said Assessed Property and the Assessment Roll to be revised accordingly; (2) the Administrator shall prepare the revised Assessment Roll and submit such revised Assessment Roll to the City Council for review and approval as part of the next Annual Service Plan Update; (3) the obligation to pay the Assessment and corresponding Annual Installments shall terminate with respect to said Assessed Property; and (4) the City shall provide the owner with a recordable "Notice of Assessment Termination."

If an Assessment on an Assessed Property is prepaid in part with Prepayment Costs: (1) the Administrator shall cause the Assessment to be reduced on said Assessed Property and the Assessment Roll revised accordingly; (2) the Administrator shall prepare the revised Assessment Roll and submit to the City Council for review and approval as part of the next Annual Service

Plan Update; and (3) the obligation to pay the Assessment will be reduced to the extent of the Prepayment made.

For purposes of Prepayments, the Improvement Area #1 Reimbursement Obligation is and will remain subordinated to (i) the Improvement Area #1 Bonds and (ii) any additional PID Bonds secured by a parity lien on the Improvement Area #1 Assessments issued to refinance all or a portion of the Improvement Area #1 Reimbursement Obligation. For purposes of Prepayments, additional PID Bonds issued to refinance all or a portion of the Improvement Area #1 Reimbursement Obligation will be on parity with the Improvement Area #1 Bonds.

F. Payment of Assessment in Annual Installments

Assessments that are not paid in full shall be due and payable in Annual Installments. **Exhibit E-2** shows the estimated Zone 1 Remainder Area Annual Installments, and **Exhibit F-2** shows the estimated Improvement Area #1 Annual Installments. Annual Installments are subject to adjustment in each Annual Service Plan Update.

Prior to the recording of a final subdivision plat, if any Parcel shown on the Assessment Roll is assigned multiple tax parcel identification numbers for billing and collection purposes, the Annual Installment shall be allocated pro rata based on the acreage of the property not including any Non-Benefitted Property or Non-Assessed Property, as shown by the Collin Central Appraisal District for each tax parcel identification number.

The Administrator shall prepare and submit to the City Council for its review and approval 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 updated calculations of Annual Installments. The Annual Collection Costs for a given Assessment shall be paid by the owner of each Parcel pro rata based on the ratio of the amount of outstanding Assessment remaining on the Parcel to the total outstanding Assessment. Annual Installments shall be reduced by any credits applied under an applicable Indenture, such as capitalized interest, interest earnings on account balances, and any other funds available to the Trustee for such purposes. Annual Installments shall be collected by the City in the same manner and at the same time as ad valorem taxes. Annual Installments shall be subject to the penalties, procedures, and foreclosure sale in case of delinquencies as set forth in the PID Act and in the same manner as ad valorem taxes due and owing to the City. The City Council may provide for other means of collecting Annual Installments, to the extent permitted by the PID Act or other applicable law, but in no case shall the City take any action, or fail to take any action, that would cause it to be in default under any Indenture. Assessments shall have the lien priority specified in the PID Act.

Sales of the Assessed Property for nonpayment of Annual Installments shall be subject to the lien for the remaining unpaid Annual Installments against the Assessed Property, and the Assessed

Property may again be sold at a judicial foreclosure sale if the purchaser fails to timely pay any of the remaining unpaid Annual Installments as they become due and payable.

The City reserves the right to refund PID Bonds in accordance with applicable law, including the PID Act. In the event of a refunding, the Administrator shall recalculate the Annual Installments so that total Annual Installments will be sufficient to pay the refunding bonds, and the refunding bonds shall constitute "PID Bonds."

Each Annual Installment of an Assessment, including interest on the unpaid principal of the Assessment, shall be updated annually. Each Annual Installment shall be due when billed and shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments shall be due when billed and shall be delinquent if not paid prior to February 1, 2022.

Failure of an owner of an Assessed Property to receive an invoice for an Annual Installment shall not relieve said owner of the responsibility for payment of the Assessment. Assessments, or Annual Installments thereof, that are delinquent shall incur Delinquent Collection Costs.

G. Allocating Improvement Area #1 Annual Installments

Any amounts collected from the Improvement Area #1 Annual Installments paid by the owner of Improvement Area #1 Assessed Property shall be allocated, first on a pro rata basis to amounts due for the Improvement Area #1 Bonds including any amounts due for Additional Interest and Annual Collection Costs, and second to amounts due the Improvement Area #1 Reimbursement Obligation.

For example, if the owner of a Parcel owes an Improvement Area #1 Annual Installment of \$1,000, of which \$500 is due for the Improvement Area #1 Bonds and \$500 is due for the Improvement Area #1 Reimbursement Obligation, then:

- If a partial Annual Installment of \$250 is made, \$250 shall be credited to the payment of Improvement Area #1 Bonds and \$0 shall be credited to the Improvement Area #1 Reimbursement Obligation.
- If a partial Annual Installment of \$500 is made, \$500 shall be credited to the payment of Improvement Area #1 Bonds and \$0 shall be credited to the Improvement Area #1 Reimbursement Obligation.
- If a partial Annual Installment of \$750 is made, \$500 shall be credited to the payment of Improvement Area #1 Bonds, and \$250 shall be credited to the Improvement Area #1 Reimbursement Obligation.

With regard to the payment of Annual Installments, the Improvement Area #1 Reimbursement Obligation will remain subordinated to (i) the Improvement Area #1 Bonds and (ii) any additional

PID Bonds secured by a parity lien on the Improvement Area #1 Assessments issued to refinance all or a portion of the Improvement Area #1 Reimbursement Obligation. With regard to the payment of Annual Installments, additional PID Bonds issued to refinance all or a portion of the Improvement Area #1 Reimbursement Obligation will be on parity with the Improvement Area #1 Bonds.

H. Prepayment as a Result of an Eminent Domain Proceeding or Taking

Subject to applicable law, if any portion of any Parcel of Assessed Property is taken from an owner as a result of eminent domain proceedings or if a transfer of any portion of any Parcel of Assessed Property is made to an entity with the authority to condemn all or a portion of the Assessed Property in lieu of or as a part of an eminent domain proceeding (a “**Taking**”), the portion of the Assessed Property that was taken or transferred (the “**Taken Property**”) shall be reclassified as Non-Benefitted Property.

For the Assessed Property that is subject to the Taking as described in the preceding paragraph, the Assessment that was levied against the Assessed Property (when it was included in the Taken Property) prior to the Taking shall remain in force against the remaining Assessed Property (the Assessed Property less the Taken Property) (the “**Remaining Property**”), following the reclassification of the Taken Property as Non-Benefitted Property, subject to an adjustment of the Assessment applicable to the Remaining Property after any required Prepayment as set forth below. The owner of the Remaining Property will remain liable to pay in Annual Installments, or payable as otherwise provided by this Service and Assessment Plan, as updated, or the PID Act, the Assessment that remains due on the Remaining Property, subject to an adjustment in the Assessment applicable to the Remaining Property after any required Prepayment as set forth below. Notwithstanding the foregoing, if the Assessment that remains due on the Remaining Property exceeds the applicable Maximum Assessment, the owner of the Remaining Property will be required to make a Prepayment in an amount necessary to ensure that the Assessment against the Remaining Property does not exceed such Maximum Assessment, in which case the Assessment applicable to the Remaining Property will be reduced by the amount of the partial Prepayment. If the City receives all or a portion of the eminent domain proceeds (or payment made in an agreed sale in lieu of condemnation), such amount shall be credited against the amount of Prepayment, with any remainder credited against the Assessment on the Remaining Property.

In all instances the Assessment remaining on the Remaining Property shall not exceed the applicable Maximum Assessment.

By way of illustration, if an owner owns 100 acres of Assessed Property subject to a \$100 Assessment and 10 acres is taken through a Taking, the 10 acres of Taken Property shall be

reclassified as Non-Benefitted Property and the remaining 90 acres constituting the Remaining Property shall be subject to the \$100 Assessment (provided that this \$100 Assessment does not exceed the Maximum Assessment on the Remaining Property). If the Administrator determines that the \$100 Assessment reallocated to the Remaining Property would exceed the Maximum Assessment, as applicable, on the Remaining Property by \$10, then the owner shall be required to pay \$10 as a Prepayment of the Assessment against the Remaining Property and the Assessment on the Remaining Property shall be adjusted to be \$90.

Notwithstanding the previous paragraphs in this subsection, if the owner of the Remaining Property notifies the City and the Administrator that the Taking prevents the Remaining Property from being developed for any use which could support the Estimated Buildout Value requirement, the owner shall, upon receipt of the compensation for the Taken Property, be required to prepay the amount of the Assessment required to buy down the outstanding Assessment to the applicable Maximum Assessment on the Remaining Property to support the Estimated Buildout Value requirement. The owner will remain liable to pay the Annual Installments on both the Taken Property and the Remaining Property until such time that such Assessment has been prepaid in full.

Notwithstanding the previous paragraphs in this subsection, the Assessments shall never be reduced to an amount less than the amount required to pay all outstanding debt service requirements on all outstanding PID Bonds.

SECTION VII: ASSESSMENT ROLL

The Zone 1 Remainder Area Assessment Roll is attached as **Exhibit E-1**. The Administrator shall prepare and submit to the City Council for review and approval proposed revisions to the Zone 1 Remainder Assessment Roll and Zone 1 Remainder Area Annual Installments for each Parcel as part of each Annual Service Plan Update.

The Improvement Area #1 Assessment Roll is attached as **Exhibit F-1**. The Administrator shall prepare and submit to the City Council for review and approval proposed revisions to the Improvement Area #1 Assessment Roll and Improvement Area #1 Annual Installments for each Parcel as part of each Annual Service Plan Update.

SECTION VIII: ADDITIONAL PROVISIONS

A. Calculation Errors

If the owner of a Parcel claims that an error has been made in any calculation required by this Service and Assessment Plan, including, but not limited to, any calculation made as part of any

Annual Service Plan Update, the owner's sole and exclusive remedy shall be to submit a written notice of error to the Administrator by December 1st of each year following City Council's approval of the calculation. Otherwise, the owner shall be deemed to have unconditionally approved and accepted the calculation. The Administrator shall provide a written response to the City Council and the owner not later than 30 days of such receipt of a written notice of error by the Administrator. The City Council shall consider the owner's notice of error and the Administrator's response at a public meeting, and, not later than 30 days after closing such meeting, the City Council shall make a final determination as to whether an error has been made. If the City Council determines that an error has been made, the City Council take such corrective action as is authorized by the PID Act, this Service and Assessment Plan, the applicable Assessment Ordinance, the applicable Indenture, or as otherwise authorized by the discretionary power of the City Council. The determination by the City Council as to whether an error has been made, and any corrective action taken by the City Council, shall be final and binding on the owner and the Administrator.

B. Amendments

Amendments to this Service and Assessment Plan must be made by the City Council in accordance with the PID Act. To the extent permitted by the PID Act, this Service and Assessment Plan may be amended without notice to owners of the Assessed Property: (1) to correct mistakes and clerical errors; (2) to clarify ambiguities; and (3) to provide procedures to collect Assessments, Annual Installments, and other charges imposed by this Service and Assessment Plan.

C. Administration and Interpretation

The Administrator shall: (1) perform the obligations of the Administrator as set forth in this Service and Assessment Plan; (2) administer the District for and on behalf of and at the direction of the City Council; and (3) interpret the provisions of this Service and Assessment Plan. Interpretations of this Service and Assessment Plan by the Administrator shall be in writing and shall be appealable to the City Council by owners of Assessed Property adversely affected by the interpretation. Appeals shall be decided by the City Council after holding a public meeting at which all interested parties have an opportunity to be heard. Decisions by the City Council shall be final and binding on the owners of Assessed Property and developers and their successors and assigns.

D. Form of Buyer Disclosure

Per Section 5.014 of the Texas Property Code, as amended, this Service and Assessment Plan, and any future Annual Service Plan Updates, shall include a form of the buyer disclosures for the District. The buyer disclosures are attached hereto as **Appendix C-1** through **Appendix C-12**.

Within seven days of approval by the City Council, the City shall file with the county clerk of the County, and record in the real property records of the County this Service and Assessment Plan, and any future Annual Service Plan Updates. This Service and Assessment Plan and any future Annual Service Plan Updates shall be filed and recorded in their entirety.

E. Severability

If any provision of this Service and Assessment Plan is determined by a governmental agency or court to be unenforceable, the unenforceable provision shall be deleted and, to the maximum extent possible, shall be rewritten to be enforceable. Every effort shall be made to enforce the remaining provisions.

EXHIBITS

The following Exhibits are attached to and made a part of this Service and Assessment Plan for all purposes:

Exhibit A-1	Map of the District
Exhibit A-2	Map of the Future Improvement Area, Zone 1, Improvement Area #1, Zone 1 Remainder Area, and PODs
Exhibit B-1	Project Costs
Exhibit B-2	Improvement Area #1 Authorized Improvements by POD
Exhibit C	Service Plan
Exhibit D	Sources and Uses of Funds
Exhibit E-1	Zone 1 Remainder Area Assessment Roll
Exhibit E-2	Zone 1 Remainder Area Annual Installments
Exhibit F-1	Improvement Area #1 Assessment Roll
Exhibit F-2	Improvement Area #1 Annual Installments
Exhibit F-3	POD 2A Annual Installments
Exhibit F-4	POD 2B-1 Annual Installments
Exhibit F-5	POD 2C Annual Installments
Exhibit F-6	POD 2D Annual Installments
Exhibit G-1	Maps of Zone 1 Improvements and Offsite Improvements
Exhibit G-2	Maps of Improvement Area #1 Improvements
Exhibit H-1	Maximum Assessment and Tax Rate Equivalent
Exhibit H-2	Improvement Area #1 POD Allocation
Exhibit I	Form of Notice of Assessment Termination
Exhibit J-1	Debt Service Schedule for Zone 1 Remainder Area Bonds
Exhibit J-2	Debt Service Schedule for Improvement Area #1 Bonds
Exhibit J-3	Annual Installment Schedule for the Improvement Area #1 Reimbursement Obligation
Exhibit K-1	District Legal Description
Exhibit K-2	Future Improvement Area Legal Description
Exhibit K-3	Zone 1 Legal Description
Exhibit K-4	Improvement Area #1 Legal Description
Exhibit K-5	Zone 1 Remainder Area

APPENDICES

The following Appendices are attached to and made a part of this Service and Assessment Plan for all purposes:

Appendix A	Engineer's Report
Appendix B	Sources and Uses of Funds in Improvement Area #1 by POD
Appendix C-1	Zone 1 Remainder Area Initial Parcel Buyer Disclosure
Appendix C-2	POD 2A Buyer Disclosure
Appendix C-3	POD 2B-1 Buyer Disclosure
Appendix C-4	POD 2C Buyer Disclosure
Appendix C-5	POD 2D Buyer Disclosure
Appendix C-6	Lot Type 1 Buyer Disclosure
Appendix C-7	Lot Type 2 Buyer Disclosure
Appendix C-8	Lot type 3 Buyer Disclosure
Appendix C-9	Lot Type 4 Buyer Disclosure
Appendix C-10	Lot Type 5 Buyer Disclosure
Appendix C-11	Lot Type 6 Buyer Disclosure
Appendix C-12	Lot Type 7 Buyer Disclosure

EXHIBIT A-1 – MAP OF THE DISTRICT

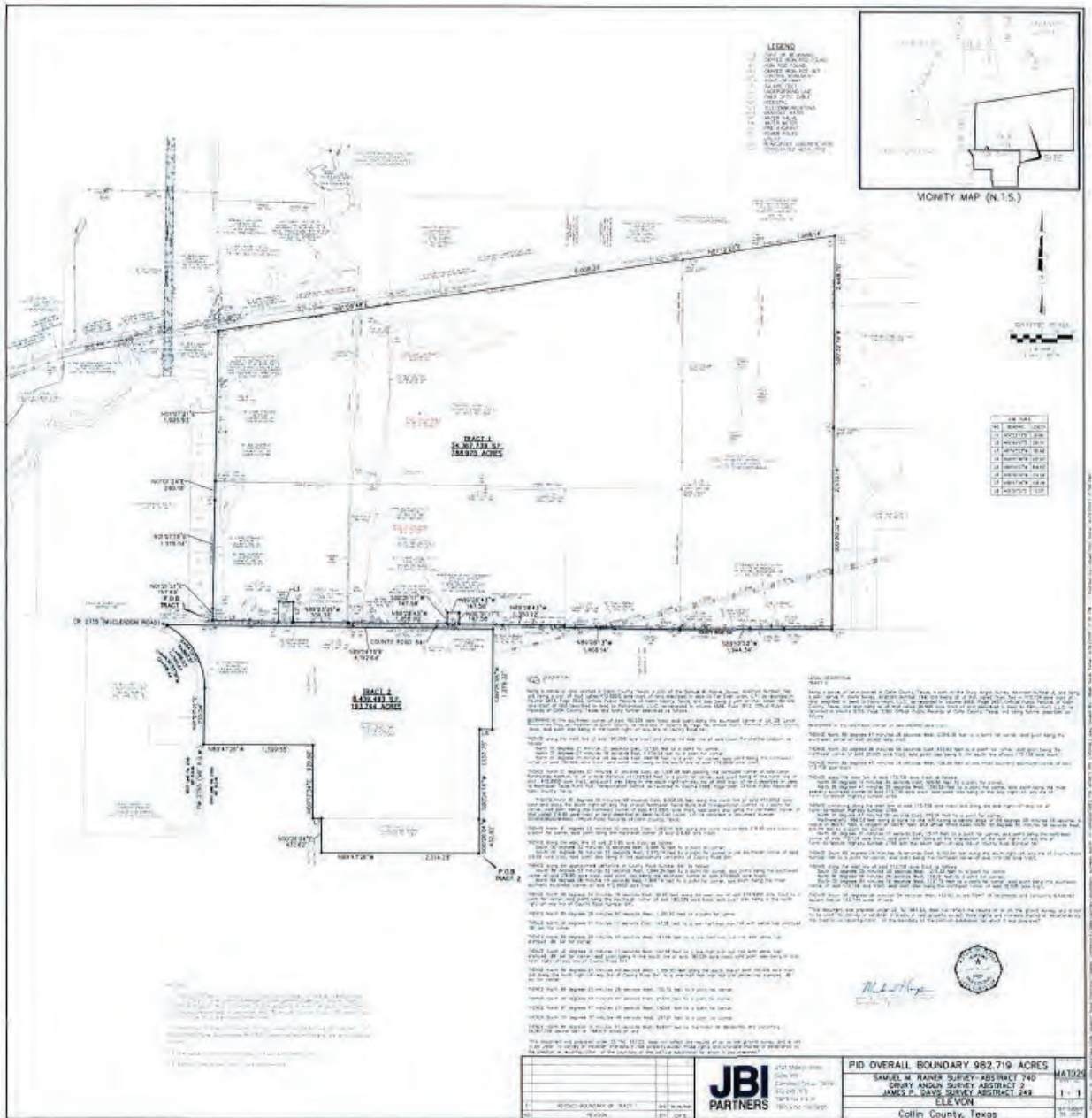


EXHIBIT A-2 – MAP OF THE FUTURE IMPROVEMENT AREA, ZONE 1, IMPROVEMENT AREA #1, THE ZONE 1 REMAINDER AREA, AND PODS

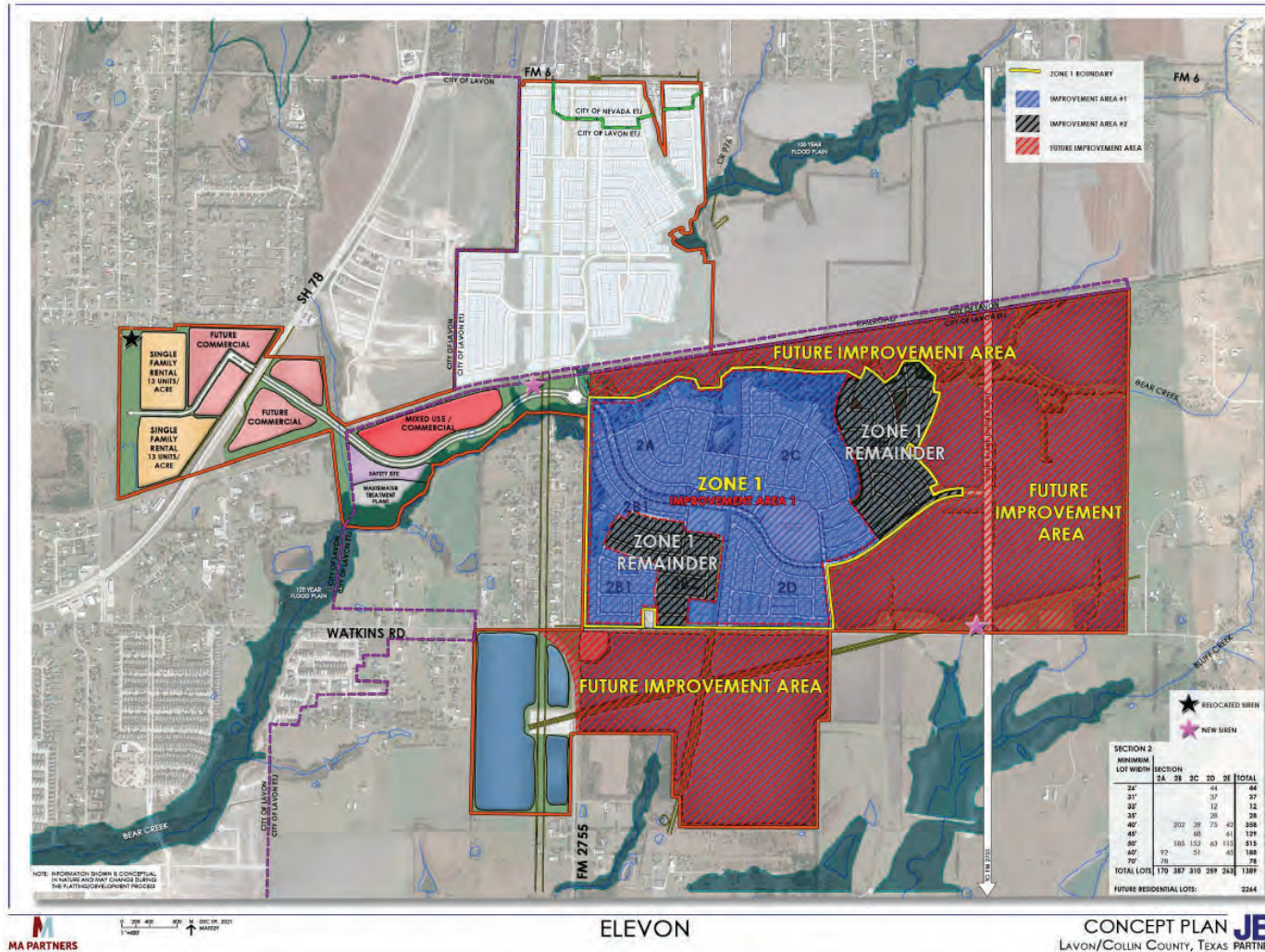


EXHIBIT B-1 – PROJECT COSTS

	Total	Private	Oversizing	Non-Assessed Property ¹	PID Funded Costs Total	Zone 1 Remainder Area Authorized Improvements		Improvement Area #1 Authorized Improvements	
						% ²	Cost	% ²	Cost
Zone 1 Improvements									
Streets ³	\$ 5,039,515	\$ -	\$ -	\$ -	\$ 5,039,515	32.16%	\$ 1,620,870	67.84%	\$ 3,418,645
Water	1,589,146	-	-	-	1,589,146	32.16%	511,121	67.84%	1,078,025
Sewer	404,293	-	-	-	404,293	32.16%	130,034	67.84%	274,259
Drainage	521,867	-	-	-	521,867	32.16%	167,849	67.84%	354,018
ROW Areas	516,600	-	-	-	516,600	32.16%	166,155	67.84%	350,445
Soft Costs ⁴	3,146,170	-	-	-	3,146,170	32.16%	1,011,910	67.84%	2,134,260
	<u>\$ 11,217,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,217,591</u>		<u>\$ 3,607,939</u>		<u>\$ 7,609,652</u>
Improvement Area #1 Improvements									
Streets	\$ 11,981,250	\$ -	\$ -	\$ 22,432	\$ 11,958,818	0.00%	\$ -	100.00%	\$ 11,958,818
Water	3,498,472	-	-	-	3,498,472	0.00%	-	100.00%	3,498,472
Sewer	3,139,817	-	-	-	3,139,817	0.00%	-	100.00%	3,139,817
Drainage	3,931,421	-	-	20,625	3,910,796	0.00%	-	100.00%	3,910,796
ROW Areas	2,030,580	-	-	-	2,030,580	0.00%	-	100.00%	2,030,580
Soft Costs ⁵	4,716,434	-	-	-	4,716,434	0.00%	-	100.00%	4,716,434
	<u>\$ 29,297,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,057</u>	<u>\$ 29,254,917</u>		<u>\$ -</u>		<u>\$ 29,254,917</u>
Offsite Improvements⁶									
Streets	\$ 2,224,177	\$ -	\$ 104,016	\$ -	\$ 2,120,161	32.16%	\$ 681,912	67.84%	\$ 1,438,249
Water	1,079,834	-	53,992	-	1,025,842	32.16%	329,944	67.84%	695,898
Sewer	651,090	-	31,004	-	620,086	32.16%	199,440	67.84%	420,646
Wastewater Plant Site	233,550	-	-	-	233,550	32.16%	75,117	67.84%	158,433
Drainage	872,150	-	41,531	-	830,619	32.16%	267,154	67.84%	563,465
ROW Areas	1,604,800	-	-	-	1,604,800	32.16%	516,155	67.84%	1,088,645
Soft Costs ⁴	1,691,395	-	-	-	1,691,395	32.16%	544,007	67.84%	1,147,388
	<u>\$ 8,356,996</u>	<u>\$ -</u>	<u>\$ 230,543</u>	<u>\$ -</u>	<u>\$ 8,126,453</u>		<u>\$ 2,613,729</u>		<u>\$ 5,512,724</u>
Private Improvements									
Earthwork	\$ 1,615,568	\$ 1,615,568	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%	\$ -
Retaining Walls	1,064,675	1,064,675	-	-	-	0.00%	-	0.00%	-
Erosion Control	288,063	288,063	-	-	-	0.00%	-	0.00%	-
Soft Costs	671,712	671,712	-	-	-	0.00%	-	0.00%	-
City Fees	843,370	843,370	-	-	-	0.00%	-	0.00%	-
Contingency	148,415	148,415	-	-	-	0.00%	-	0.00%	-
	<u>\$ 4,631,803</u>	<u>\$ 4,631,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
Bond Issuance Costs									
Debt Service Reserve Fund	\$ 2,419,753				\$ 2,419,753		\$ 535,273		\$ 1,884,480
Capitalized Interest	1,409,649				1,409,649		628,924		780,725
Underwriter's Discount	1,181,310				1,181,310		244,440		936,870
Costs of Issuance	1,974,728				1,974,728		487,568		1,487,160
	<u>\$ 6,985,439</u>				<u>\$ 6,985,439</u>		<u>\$ 1,896,204</u>		<u>\$ 5,089,235</u>
Other Costs									
Deposit to Administrative Fund	\$ 75,000				\$ 75,000		\$ 30,000		\$ 45,000
	<u>\$ 75,000</u>				<u>\$ 75,000</u>		<u>\$ 30,000</u>		<u>\$ 45,000</u>
Rounding Amount	\$ 893				\$ 893		\$ 128		\$ 765
Total	\$ 60,565,696	\$ 4,631,803	\$ 230,543	\$ 43,057	\$ 55,660,293		\$ 8,148,000		\$ 47,512,294

Notes:

¹ The Improvement Area #1 Authorized Improvements are allocated by the Developer's engineer in the Engineering Report attached to the SAP and **Appendix A**, and as confirmed by the City Engineer, first to the POD area and the Non-Assessed Property based on specific land use. Non-Assessed Property within the District requires oversizing of some improvements to bring District to finished Lot value. Costs attributable to Non-Assessed Property provided by Owner 1/4/2022.

² PID Funded Zone 1 Improvements are allocated between Improvement Area #1 and the Zone 1 Remainder Area pro rata based on the ratio of Estimated Buildout Value of each area to the Estimated Buildout Value of Zone 1. The Estimated Buildout Value of Improvement Area #1 is \$315,981,000, the Estimated Buildout Value of the Zone 1 Remainder Area is \$149,815,000 and the Estimated Buildout Value of Zone 1 is \$465,796,000 so 67.84% of PID Funded Zone 1 Improvements are allocated to Improvement Area #1 ($315,981,000 / 465,796,000 = 67.84\%$) and 32.16% of PID Funded Zone 1 Improvements are allocated to the Zone 1 Remainder Area ($149,815,000 / 465,796,000 = 32.16\%$).

³ Zone 1 Improvement streets includes paving, earthwork, and erosion control.

⁴ Zone 1 Improvement soft costs and Offsite Improvement soft costs include offsite and onsite engineering, surveying, construction services, city fees, contingency, construction management, and District Creation Costs.

⁵ Improvement Area #1 soft costs include engineering, surveying, construction services, construction management fee, and contingency.

⁶ PID Funded Offsite Improvements are allocated between Improvement Area #1 and the Zone 1 Remainder Area in the same manner as the PID Funded Zone 1 Improvements.

EXHIBIT B-2 – IMPROVEMENT AREA #1 AUTHORIZED IMPROVEMENTS

	Total	POD 2A		POD 2B-1		POD 2C		POD 2D	
		% ¹	Cost	% ¹	Cost	% ¹	Cost	% ¹	Cost
<i>Zone 1 Improvements</i>									
Streets ²	\$ 3,418,645	24.01%	\$ 820,957	19.69%	\$ 673,275	34.07%	\$ 1,164,573	22.23%	\$ 759,839
Water	1,078,025	24.01%	258,878	19.69%	212,309	34.07%	367,233	22.23%	239,606
Sewer	274,259	24.01%	65,861	19.69%	54,013	34.07%	93,427	22.23%	60,958
Drainage	354,018	24.01%	85,014	19.69%	69,721	34.07%	120,597	22.23%	78,685
ROW Areas	350,445	24.01%	84,156	19.69%	69,017	34.07%	119,380	22.23%	77,891
Soft Costs ³	2,134,260	24.01%	512,523	19.69%	420,326	34.07%	727,043	22.23%	474,368
	<u>\$ 7,609,652</u>		<u>\$ 1,827,390</u>		<u>\$ 1,498,662</u>		<u>\$ 2,592,254</u>		<u>\$ 1,691,347</u>
<i>Improvement Area #1 Improvements</i>									
Streets	\$ 11,958,818	24.01%	\$ 2,871,803	19.69%	\$ 2,355,196	34.07%	\$ 4,073,812	22.23%	\$ 2,658,007
Water	3,498,472	24.01%	840,127	19.69%	688,997	34.07%	1,191,766	22.23%	777,582
Sewer	3,139,817	24.01%	753,999	19.69%	618,363	34.07%	1,069,589	22.23%	697,866
Drainage	3,910,796	24.01%	939,143	19.69%	770,201	34.07%	1,332,226	22.23%	869,227
ROW Areas	2,030,580	24.01%	487,626	19.69%	399,907	34.07%	691,724	22.23%	451,324
Soft Costs ⁴	4,716,434	24.01%	1,132,609	19.69%	928,865	34.07%	1,606,669	22.23%	1,048,290
	<u>\$ 29,254,917</u>		<u>\$ 7,025,306</u>		<u>\$ 5,761,528</u>		<u>\$ 9,965,787</u>		<u>\$ 6,502,296</u>
<i>Offsite Improvements⁵</i>									
Streets	\$ 1,438,249	24.01%	\$ 345,383	19.69%	\$ 283,252	34.07%	\$ 489,944	22.23%	\$ 319,670
Water	695,898	24.01%	167,114	19.69%	137,052	34.07%	237,060	22.23%	154,673
Sewer	420,646	24.01%	101,014	19.69%	82,843	34.07%	143,295	22.23%	93,494
Wastewater Plant Site	158,433	24.01%	38,046	19.69%	31,202	34.07%	53,971	22.23%	35,214
Drainage	563,465	24.01%	135,311	19.69%	110,970	34.07%	191,946	22.23%	125,238
ROW Areas	1,088,645	24.01%	261,428	19.69%	214,400	34.07%	370,850	22.23%	241,966
Soft Costs ³	1,147,388	24.01%	275,535	19.69%	225,969	34.07%	390,862	22.23%	255,022
	<u>\$ 5,512,724</u>		<u>\$ 1,323,831</u>		<u>\$ 1,085,688</u>		<u>\$ 1,877,928</u>		<u>\$ 1,225,277</u>
<i>Bond Issuance Costs</i>									
Debt Service Reserve Fund	\$ 1,884,480	24.01%	\$ 452,541	19.69%	\$ 371,134	34.07%	\$ 641,955	22.23%	\$ 418,851
Capitalized Interest	780,725	24.01%	187,484	19.69%	153,758	34.07%	265,957	22.23%	173,527
Underwriter's Discount	936,870	24.01%	224,981	19.69%	184,509	34.07%	319,148	22.23%	208,232
Costs of Issuance	1,487,160	24.01%	357,128	19.69%	292,885	34.07%	506,606	22.23%	330,541
	<u>\$ 5,089,235</u>		<u>\$ 1,222,134</u>		<u>\$ 1,002,285</u>		<u>\$ 1,733,665</u>		<u>\$ 1,131,150</u>
<i>Other Costs</i>									
Deposit to Administrative Fund	\$ 45,000	24.01%	\$ 10,806	19.69%	\$ 8,862	34.07%	\$ 15,329	22.23%	\$ 10,002
	<u>\$ 45,000</u>		<u>\$ 10,806</u>		<u>\$ 8,862</u>		<u>\$ 15,329</u>		<u>\$ 10,002</u>
Total	\$ 47,511,529		\$ 11,409,467		\$ 9,357,026		\$ 16,184,963		\$ 10,560,072

Notes:

¹ Improvement Area #1 Authorized Improvements are allocated between POD 2A, POD 2B-1, POD 2C, and POD 2D pro rata based on the ratio of Estimated Buildout Value of each area to the Estimated Buildout Value of Zone 1. See Exhibit H-2 for the Estimated Buildout Value calculations for the PODs within Improvement Area #1.

² Zone 1 Improvement streets includes paving, earthwork, and erosion control.

³ Zone 1 Improvement soft costs and Offsite Improvement soft costs include offsite and onsite engineering, surveying, construction services, city fees, contingency, construction management, and District Creation Costs.

⁴ Improvement Area #1 soft costs include engineering, surveying, construction services, construction management fee, and contingency.

⁵ Offsite Improvements are allocated between Improvement Area #1 and the Zone 1 Remainder Area in the same manner as the Zone 1 Improvements.

EXHIBIT C – SERVICE PLAN

		Zone 1 Remainder Area					
		1/31/2022	1/31/2023	1/31/2024	1/31/2025	1/31/2026	1/31/2027
Principal		\$ -	\$ -	\$ 133,000	\$ 140,000	\$ 146,000	\$ 153,000
Interest		241,894	387,030	387,030	380,713	374,063	367,128
Capitalized Interest		(241,894)	(387,030)	-	-	-	-
	(1)	\$ -	\$ -	\$ 520,030	\$ 520,713	\$ 520,063	\$ 520,128
Additional Interest	(2)	\$ -	\$ 40,740	\$ 40,740	\$ 40,075	\$ 39,375	\$ 38,645
Annual Collection Costs	(3)	\$ -	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122
Total Annual Installment Due	(4) = (1) + (2) + (3)	\$ -	\$ 71,340	\$ 591,982	\$ 592,624	\$ 591,910	\$ 591,895

		Improvement Area #1					
		1/31/2022	1/31/2023	1/31/2024	1/31/2025	1/31/2026	1/31/2027
<i>Improvement Area #1 Bonds</i>							
Principal		\$ -	\$ 524,000	\$ 547,000	\$ 571,000	\$ 595,000	\$ 621,000
Interest		780,725	1,249,160	1,228,200	1,206,320	1,183,480	1,159,680
Capitalized Interest		(780,725)	-	-	-	-	-
Additional Interest		-	156,145	153,525	150,790	147,935	144,960
	(1)	\$ -	\$ 1,929,305	\$ 1,928,725	\$ 1,928,110	\$ 1,926,415	\$ 1,925,640
<i>Improvement Area #1 Reimbursement Obligation</i>							
Principal		\$ -	\$ 180,155	\$ 187,362	\$ 194,856	\$ 202,650	\$ 210,756
Interest		-	404,160	396,954	389,459	381,665	373,559
	(2)	\$ -	\$ 584,315	\$ 584,316	\$ 584,315	\$ 584,315	\$ 584,315
Annual Collection Costs	(3)	\$ -	\$ 45,900	\$ 46,818	\$ 47,754	\$ 48,709	\$ 49,684
Total Annual Installment Due	(4) = (1) + (2) + (3)	\$ -	\$ 2,559,520	\$ 2,559,859	\$ 2,560,180	\$ 2,559,440	\$ 2,559,639

EXHIBIT D – SOURCES AND USES OF FUNDS

	Private/Oversizing	Zone 1 Remainder Area	Improvement Area #1
Zone 1 Remainder Area Bond Par	\$ -	\$ 8,148,000	\$ -
Improvement Area #1 Bond Par ¹	-	-	31,229,000
Improvement Area #1 Reimbursement Obligation	-	-	10,104,000
Owner or Homebuilder Participation - Offsite Improvements ²	230,543	-	-
Owner or Homebuilder Participation - Private Improvements ²	4,631,803	-	-
Owner or Homebuilder Participation - Non-Assessed Property ²	43,057	-	-
Owner or Homebuilder Participation ³	-	-	6,179,294
Total Sources	\$ 4,905,403	\$ 8,148,000	\$ 47,512,294
Uses of Funds			
Zone 1 Improvements	\$ -	\$ 3,607,939	\$ 7,609,652
Improvement Area #1 Improvements	43,057	-	29,254,917
Offsite Improvements	230,543	2,613,729	5,512,724
Private Improvements	4,631,803	-	-
	<u>\$ 4,905,403</u>	<u>\$ 6,221,668</u>	<u>\$ 42,377,294</u>
<i>Bond Issuance Costs</i>			
Debt Service Reserve Fund	\$ -	\$ 535,273	\$ 1,884,480
Capitalized Interest	-	628,924	780,725
Underwriter's Discount	-	244,440	936,870
Costs of Issuance	-	487,568	1,487,160
	<u>\$ -</u>	<u>\$ 1,896,204</u>	<u>\$ 5,089,235</u>
<i>Other Costs</i>			
Deposit to Administrative Fund	\$ -	\$ 30,000	\$ 45,000
	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 45,000</u>
Rounding Amount	\$ -	\$ 128	\$ 765
Total Uses	\$ 4,905,403	\$ 8,148,000	\$ 47,512,294

Notes:

¹ Improvement Area #1 Bond preliminary sizing based on an estimated appraised value of \$1,400 per front foot per Lot. Any future increase in the Improvement Area #1 Bond par resulting from value adjustments in appraisal will become restricted funds, per the terms of the Development Agreement.

² Not reimburseable to Owner through Assessments.

³ Not reimburseable to Owner through Assessments. To be financed through TIRZ No. 2.

EXHIBIT E-1 – ZONE 1 REMAINDER AREA ASSESSMENT ROLL

Property ID ¹	Lot Type	Outstanding Assessment	Annual Installment due 1/31/2023 ²
1290169, 1290203, 2032794, 1290150	Zone 1 Remainder Area Initial Parcel	\$ 8,148,000.00	\$ 71,340.00
Total		\$ 8,148,000.00	\$ 71,340.00

Notes:

¹ Subject to change. The Zone 1 Remainder Area Assessment and Zone 1 Remainder Area Annual Installment will be allocated to each property ID within the Zone 1 Remainer Area Initial Parcel based on acreage for billing purposes.

² Annual Installment covers the period September 1, 2022 to August 31, 2023 and is due by January 31, 2023.

EXHIBIT E-2 – ZONE 1 REMAINDER AREA ANNUAL INSTALLMENTS

Due 1/31	Principal	Interest ¹	Capitalized Interest	Additional Interest	Reserve Fund Release	Annual Collection Costs	Total Annual Installment
2022	\$ -	\$ 241,894	\$ (241,894)	\$ -	\$ -	\$ -	\$ -
2023	\$ -	\$ 387,030	\$ (387,030)	\$ 40,740	\$ -	\$ 30,600	\$ 71,340
2024	\$ 133,000	\$ 387,030	\$ -	\$ 40,740	\$ -	\$ 31,212	\$ 591,982
2025	\$ 140,000	\$ 380,713	\$ -	\$ 40,075	\$ -	\$ 31,836	\$ 592,624
2026	\$ 146,000	\$ 374,063	\$ -	\$ 39,375	\$ -	\$ 32,473	\$ 591,910
2027	\$ 153,000	\$ 367,128	\$ -	\$ 38,645	\$ -	\$ 33,122	\$ 591,895
2028	\$ 161,000	\$ 359,860	\$ -	\$ 37,880	\$ -	\$ 33,785	\$ 592,525
2029	\$ 168,000	\$ 352,213	\$ -	\$ 37,075	\$ -	\$ 34,461	\$ 591,748
2030	\$ 177,000	\$ 344,233	\$ -	\$ 36,235	\$ -	\$ 35,150	\$ 592,617
2031	\$ 185,000	\$ 335,825	\$ -	\$ 35,350	\$ -	\$ 35,853	\$ 592,028
2032	\$ 194,000	\$ 327,038	\$ -	\$ 34,425	\$ -	\$ 36,570	\$ 592,032
2033	\$ 204,000	\$ 317,823	\$ -	\$ 33,455	\$ -	\$ 37,301	\$ 592,579
2034	\$ 214,000	\$ 308,133	\$ -	\$ 32,435	\$ -	\$ 38,047	\$ 592,615
2035	\$ 224,000	\$ 297,968	\$ -	\$ 31,365	\$ -	\$ 38,808	\$ 592,141
2036	\$ 235,000	\$ 287,328	\$ -	\$ 30,245	\$ -	\$ 39,584	\$ 592,157
2037	\$ 246,000	\$ 276,165	\$ -	\$ 29,070	\$ -	\$ 40,376	\$ 591,611
2038	\$ 259,000	\$ 264,480	\$ -	\$ 27,840	\$ -	\$ 41,184	\$ 592,504
2039	\$ 271,000	\$ 252,178	\$ -	\$ 26,545	\$ -	\$ 42,007	\$ 591,730
2040	\$ 285,000	\$ 239,305	\$ -	\$ 25,190	\$ -	\$ 42,847	\$ 592,342
2041	\$ 299,000	\$ 225,768	\$ -	\$ 23,765	\$ -	\$ 43,704	\$ 592,237
2042	\$ 314,000	\$ 211,565	\$ -	\$ 22,270	\$ -	\$ 44,578	\$ 592,413
2043	\$ 329,000	\$ 196,650	\$ -	\$ 20,700	\$ -	\$ 45,470	\$ 591,820
2044	\$ 346,000	\$ 181,023	\$ -	\$ 19,055	\$ -	\$ 46,379	\$ 592,457
2045	\$ 363,000	\$ 164,588	\$ -	\$ 17,325	\$ -	\$ 47,307	\$ 592,219
2046	\$ 381,000	\$ 147,345	\$ -	\$ 15,510	\$ -	\$ 48,253	\$ 592,108
2047	\$ 400,000	\$ 129,248	\$ -	\$ 13,605	\$ -	\$ 49,218	\$ 592,071
2048	\$ 420,000	\$ 110,248	\$ -	\$ 11,605	\$ -	\$ 50,203	\$ 592,055
2049	\$ 441,000	\$ 90,298	\$ -	\$ 9,505	\$ -	\$ 51,207	\$ 592,009
2050	\$ 463,000	\$ 69,350	\$ -	\$ 7,300	\$ -	\$ 52,231	\$ 591,881
2051	\$ 486,000	\$ 47,358	\$ -	\$ 4,985	\$ -	\$ 53,275	\$ 591,618
2052	\$ 511,000	\$ 24,273	\$ -	\$ 2,555	\$ (535,273)	\$ 54,341	\$ 56,896
Total	\$ 8,148,000	\$ 7,698,111	\$ (628,924)	\$ 784,865	\$ (535,273)	\$ 1,241,383	\$ 16,708,163

¹ Interest on the Zone 1 Remainder Area Bonds is calculated at a 4.75% rate for illustrative purposes.

Note: The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

EXHIBIT F-1 –IMPROVEMENT AREA #1 ASSESSMENT ROLL

Property ID ¹	Lot Type	Outstanding Assessment		Annual Installment due 1/31/2023 ²
		Improvement Area #1 Bonds	Improvement Area #1 Reimbursement Obligation	
1290178, 1290169	POD 2A	\$ 7,499,363.95	\$ 2,426,384.88	\$ 614,645.75
1290178, 1290150	POD 2B-1	\$ 6,150,308.63	\$ 1,989,904.20	\$ 504,077.55
1290169, 1290203, 2032794	POD 2C	\$ 10,638,264.83	\$ 3,441,961.89	\$ 871,909.17
2032794	POD 2D	\$ 6,941,062.59	\$ 2,245,749.03	\$ 568,887.53
Total		\$ 31,229,000.00	\$ 10,104,000.00	\$ 2,559,520.00

Notes:

¹ Subject to change. The Improvement Area #1 Assessment and Improvement Area #1 Annual Installment allocable Improvement Area #1 Assessed Property will be allocated to each Property ID within each POD pro rata based on acreage for billing purposes.

² Annual Installment covers the period September 1, 2022 to August 31, 2023 and is due by January 31, 2023.

EXHIBIT F-2 –IMPROVEMENT AREA #1 ANNUAL INSTALLMENTS

Due 1/31	Improvement Area #1 Bonds					Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Reserve Fund Release	Principal	Interest ²		
2022	\$ -	\$ 780,725	\$ (780,725)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 524,000	\$ 1,249,160	\$ -	\$ 156,145	\$ -	\$ 180,155	\$ 404,160	\$ 45,900	\$ 2,559,520
2024	\$ 547,000	\$ 1,228,200	\$ -	\$ 153,525	\$ -	\$ 187,362	\$ 396,954	\$ 46,818	\$ 2,559,859
2025	\$ 571,000	\$ 1,206,320	\$ -	\$ 150,790	\$ -	\$ 194,856	\$ 389,459	\$ 47,754	\$ 2,560,180
2026	\$ 595,000	\$ 1,183,480	\$ -	\$ 147,935	\$ -	\$ 202,650	\$ 381,665	\$ 48,709	\$ 2,559,440
2027	\$ 621,000	\$ 1,159,680	\$ -	\$ 144,960	\$ -	\$ 210,756	\$ 373,559	\$ 49,684	\$ 2,559,639
2028	\$ 648,000	\$ 1,134,840	\$ -	\$ 141,855	\$ -	\$ 219,186	\$ 365,129	\$ 50,677	\$ 2,559,687
2029	\$ 676,000	\$ 1,108,920	\$ -	\$ 138,615	\$ -	\$ 227,954	\$ 356,361	\$ 51,691	\$ 2,559,541
2030	\$ 706,000	\$ 1,081,880	\$ -	\$ 135,235	\$ -	\$ 237,072	\$ 347,243	\$ 52,725	\$ 2,560,155
2031	\$ 736,000	\$ 1,053,640	\$ -	\$ 131,705	\$ -	\$ 246,555	\$ 337,760	\$ 53,779	\$ 2,559,440
2032	\$ 768,000	\$ 1,024,200	\$ -	\$ 128,025	\$ -	\$ 256,417	\$ 327,898	\$ 54,855	\$ 2,559,395
2033	\$ 802,000	\$ 993,480	\$ -	\$ 124,185	\$ -	\$ 266,674	\$ 317,641	\$ 55,952	\$ 2,559,932
2034	\$ 837,000	\$ 961,400	\$ -	\$ 120,175	\$ -	\$ 277,341	\$ 306,975	\$ 57,071	\$ 2,559,961
2035	\$ 873,000	\$ 927,920	\$ -	\$ 115,990	\$ -	\$ 288,434	\$ 295,881	\$ 58,212	\$ 2,559,437
2036	\$ 911,000	\$ 893,000	\$ -	\$ 111,625	\$ -	\$ 299,972	\$ 284,344	\$ 59,377	\$ 2,559,317
2037	\$ 951,000	\$ 856,560	\$ -	\$ 107,070	\$ -	\$ 311,971	\$ 272,345	\$ 60,564	\$ 2,559,510
2038	\$ 993,000	\$ 818,520	\$ -	\$ 102,315	\$ -	\$ 324,450	\$ 259,866	\$ 61,775	\$ 2,559,926
2039	\$ 1,036,000	\$ 778,800	\$ -	\$ 97,350	\$ -	\$ 337,428	\$ 246,888	\$ 63,011	\$ 2,559,477
2040	\$ 1,082,000	\$ 737,360	\$ -	\$ 92,170	\$ -	\$ 350,925	\$ 233,391	\$ 64,271	\$ 2,560,117
2041	\$ 1,129,000	\$ 694,080	\$ -	\$ 86,760	\$ -	\$ 364,962	\$ 219,354	\$ 65,557	\$ 2,559,712
2042	\$ 1,179,000	\$ 648,920	\$ -	\$ 81,115	\$ -	\$ 379,560	\$ 204,755	\$ 66,868	\$ 2,560,218
2043	\$ 1,230,000	\$ 601,760	\$ -	\$ 75,220	\$ -	\$ 394,742	\$ 189,573	\$ 68,205	\$ 2,559,500
2044	\$ 1,284,000	\$ 552,560	\$ -	\$ 69,070	\$ -	\$ 410,532	\$ 173,783	\$ 69,569	\$ 2,559,514
2045	\$ 1,341,000	\$ 501,200	\$ -	\$ 62,650	\$ -	\$ 426,953	\$ 157,362	\$ 70,960	\$ 2,560,125
2046	\$ 1,400,000	\$ 447,560	\$ -	\$ 55,945	\$ -	\$ 444,032	\$ 140,284	\$ 72,380	\$ 2,560,200
2047	\$ 1,461,000	\$ 391,560	\$ -	\$ 48,945	\$ -	\$ 461,793	\$ 122,522	\$ 73,827	\$ 2,559,648
2048	\$ 1,525,000	\$ 333,120	\$ -	\$ 41,640	\$ -	\$ 480,265	\$ 104,051	\$ 75,304	\$ 2,559,380
2049	\$ 1,592,000	\$ 272,120	\$ -	\$ 34,015	\$ -	\$ 499,475	\$ 84,840	\$ 76,810	\$ 2,559,260
2050	\$ 1,663,000	\$ 208,440	\$ -	\$ 26,055	\$ -	\$ 519,454	\$ 64,861	\$ 78,346	\$ 2,560,156
2051	\$ 1,736,000	\$ 141,920	\$ -	\$ 17,740	\$ -	\$ 540,232	\$ 44,083	\$ 79,913	\$ 2,559,888
2052	\$ 1,812,000	\$ 72,480	\$ -	\$ 9,060	\$ (1,884,480)	\$ 561,842	\$ 22,474	\$ 81,511	\$ 674,887
Total	\$ 31,229,000	\$ 24,043,805	\$ (780,725)	\$ 2,907,885	\$ (1,884,480)	\$ 10,104,000	\$ 7,425,460	\$ 1,862,075	\$ 74,907,020

¹ Interest on the Improvement Area #1 Bonds is calculated at a 4.00% rate.

² Interest on the Improvement Area #1 Reimbursement Obligation is calculated at a 4.00% rate.

Note: The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

EXHIBIT F-3 –POD 2A ANNUAL INSTALLMENTS

Due 1/31	Improvement Area #1 Bonds					Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Reserve Fund Release	Principal	Interest ²		
2022	\$ -	\$ 187,484	\$ (187,484)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 125,834	\$ 299,975	\$ -	\$ 37,497	\$ -	\$ 43,263	\$ 97,055	\$ 11,022	\$ 614,646
2024	\$ 131,357	\$ 294,941	\$ -	\$ 36,868	\$ -	\$ 44,993	\$ 95,325	\$ 11,243	\$ 614,727
2025	\$ 137,121	\$ 289,687	\$ -	\$ 36,211	\$ -	\$ 46,793	\$ 93,525	\$ 11,468	\$ 614,804
2026	\$ 142,884	\$ 284,202	\$ -	\$ 35,525	\$ -	\$ 48,665	\$ 91,653	\$ 11,697	\$ 614,626
2027	\$ 149,128	\$ 278,487	\$ -	\$ 34,811	\$ -	\$ 50,611	\$ 89,707	\$ 11,931	\$ 614,674
2028	\$ 155,611	\$ 272,522	\$ -	\$ 34,065	\$ -	\$ 52,636	\$ 87,682	\$ 12,170	\$ 614,686
2029	\$ 162,335	\$ 266,297	\$ -	\$ 33,287	\$ -	\$ 54,741	\$ 85,577	\$ 12,413	\$ 614,651
2030	\$ 169,540	\$ 259,804	\$ -	\$ 32,475	\$ -	\$ 56,931	\$ 83,387	\$ 12,661	\$ 614,798
2031	\$ 176,744	\$ 253,022	\$ -	\$ 31,628	\$ -	\$ 59,208	\$ 81,110	\$ 12,915	\$ 614,626
2032	\$ 184,428	\$ 245,952	\$ -	\$ 30,744	\$ -	\$ 61,576	\$ 78,742	\$ 13,173	\$ 614,616
2033	\$ 192,593	\$ 238,575	\$ -	\$ 29,822	\$ -	\$ 64,039	\$ 76,279	\$ 13,436	\$ 614,745
2034	\$ 200,998	\$ 230,872	\$ -	\$ 28,859	\$ -	\$ 66,601	\$ 73,717	\$ 13,705	\$ 614,752
2035	\$ 209,643	\$ 222,832	\$ -	\$ 27,854	\$ -	\$ 69,265	\$ 71,053	\$ 13,979	\$ 614,626
2036	\$ 218,768	\$ 214,446	\$ -	\$ 26,806	\$ -	\$ 72,036	\$ 68,283	\$ 14,259	\$ 614,597
2037	\$ 228,374	\$ 205,695	\$ -	\$ 25,712	\$ -	\$ 74,917	\$ 65,401	\$ 14,544	\$ 614,643
2038	\$ 238,460	\$ 196,560	\$ -	\$ 24,570	\$ -	\$ 77,914	\$ 62,404	\$ 14,835	\$ 614,743
2039	\$ 248,786	\$ 187,022	\$ -	\$ 23,378	\$ -	\$ 81,030	\$ 59,288	\$ 15,131	\$ 614,635
2040	\$ 259,833	\$ 177,070	\$ -	\$ 22,134	\$ -	\$ 84,271	\$ 56,047	\$ 15,434	\$ 614,789
2041	\$ 271,119	\$ 166,677	\$ -	\$ 20,835	\$ -	\$ 87,642	\$ 52,676	\$ 15,743	\$ 614,692
2042	\$ 283,126	\$ 155,832	\$ -	\$ 19,479	\$ -	\$ 91,148	\$ 49,170	\$ 16,058	\$ 614,813
2043	\$ 295,373	\$ 144,507	\$ -	\$ 18,063	\$ -	\$ 94,794	\$ 45,524	\$ 16,379	\$ 614,641
2044	\$ 308,341	\$ 132,692	\$ -	\$ 16,587	\$ -	\$ 98,586	\$ 41,732	\$ 16,706	\$ 614,644
2045	\$ 322,029	\$ 120,359	\$ -	\$ 15,045	\$ -	\$ 102,529	\$ 37,789	\$ 17,041	\$ 614,791
2046	\$ 336,197	\$ 107,478	\$ -	\$ 13,435	\$ -	\$ 106,630	\$ 33,688	\$ 17,381	\$ 614,809
2047	\$ 350,846	\$ 94,030	\$ -	\$ 11,754	\$ -	\$ 110,895	\$ 29,423	\$ 17,729	\$ 614,676
2048	\$ 366,215	\$ 79,996	\$ -	\$ 9,999	\$ -	\$ 115,331	\$ 24,987	\$ 18,084	\$ 614,612
2049	\$ 382,305	\$ 65,347	\$ -	\$ 8,168	\$ -	\$ 119,944	\$ 20,374	\$ 18,445	\$ 614,583
2050	\$ 399,355	\$ 50,055	\$ -	\$ 6,257	\$ -	\$ 124,742	\$ 15,576	\$ 18,814	\$ 614,799
2051	\$ 416,885	\$ 34,081	\$ -	\$ 4,260	\$ -	\$ 129,732	\$ 10,586	\$ 19,190	\$ 614,734
2052	\$ 435,136	\$ 17,405	\$ -	\$ 2,176	\$ (452,541)	\$ 134,921	\$ 5,397	\$ 19,574	\$ 162,068
Total	\$ 7,499,364	\$ 5,773,904	\$ (187,484)	\$ 698,302	\$ (452,541)	\$ 2,426,385	\$ 1,783,158	\$ 447,161	\$ 17,988,248

¹ Interest on the Improvement Area #1 Bonds is calculated at a 4.00% rate.

² Interest on the Improvement Area #1 Reimbursement Obligation is calculated at a 4.00% rate.

Note: The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

EXHIBIT F-4 –POD 2B-1 ANNUAL INSTALLMENTS

Due 1/31	Improvement Area #1 Bonds					Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Reserve Fund Release	Principal	Interest ²		
2022	\$ -	\$ 153,758	\$ (153,758)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 103,198	\$ 246,012	\$ -	\$ 30,752	\$ -	\$ 35,480	\$ 79,596	\$ 9,040	\$ 504,078
2024	\$ 107,727	\$ 241,884	\$ -	\$ 30,236	\$ -	\$ 36,899	\$ 78,177	\$ 9,220	\$ 504,144
2025	\$ 112,454	\$ 237,575	\$ -	\$ 29,697	\$ -	\$ 38,375	\$ 76,701	\$ 9,405	\$ 504,207
2026	\$ 117,181	\$ 233,077	\$ -	\$ 29,135	\$ -	\$ 39,910	\$ 75,166	\$ 9,593	\$ 504,062
2027	\$ 122,301	\$ 228,390	\$ -	\$ 28,549	\$ -	\$ 41,507	\$ 73,570	\$ 9,785	\$ 504,101
2028	\$ 127,619	\$ 223,498	\$ -	\$ 27,937	\$ -	\$ 43,167	\$ 71,909	\$ 9,981	\$ 504,110
2029	\$ 133,133	\$ 218,393	\$ -	\$ 27,299	\$ -	\$ 44,894	\$ 70,183	\$ 10,180	\$ 504,082
2030	\$ 139,041	\$ 213,068	\$ -	\$ 26,633	\$ -	\$ 46,689	\$ 68,387	\$ 10,384	\$ 504,203
2031	\$ 144,949	\$ 207,506	\$ -	\$ 25,938	\$ -	\$ 48,557	\$ 66,519	\$ 10,591	\$ 504,062
2032	\$ 151,252	\$ 201,708	\$ -	\$ 25,214	\$ -	\$ 50,499	\$ 64,577	\$ 10,803	\$ 504,053
2033	\$ 157,948	\$ 195,658	\$ -	\$ 24,457	\$ -	\$ 52,519	\$ 62,557	\$ 11,019	\$ 504,159
2034	\$ 164,841	\$ 189,340	\$ -	\$ 23,668	\$ -	\$ 54,620	\$ 60,456	\$ 11,240	\$ 504,164
2035	\$ 171,931	\$ 182,747	\$ -	\$ 22,843	\$ -	\$ 56,805	\$ 58,271	\$ 11,464	\$ 504,061
2036	\$ 179,414	\$ 175,869	\$ -	\$ 21,984	\$ -	\$ 59,077	\$ 55,999	\$ 11,694	\$ 504,038
2037	\$ 187,292	\$ 168,693	\$ -	\$ 21,087	\$ -	\$ 61,440	\$ 53,636	\$ 11,928	\$ 504,076
2038	\$ 195,564	\$ 161,201	\$ -	\$ 20,150	\$ -	\$ 63,898	\$ 51,179	\$ 12,166	\$ 504,158
2039	\$ 204,032	\$ 153,379	\$ -	\$ 19,172	\$ -	\$ 66,454	\$ 48,623	\$ 12,409	\$ 504,069
2040	\$ 213,091	\$ 145,217	\$ -	\$ 18,152	\$ -	\$ 69,112	\$ 45,964	\$ 12,658	\$ 504,195
2041	\$ 222,348	\$ 136,694	\$ -	\$ 17,087	\$ -	\$ 71,876	\$ 43,200	\$ 12,911	\$ 504,115
2042	\$ 232,195	\$ 127,800	\$ -	\$ 15,975	\$ -	\$ 74,751	\$ 40,325	\$ 13,169	\$ 504,215
2043	\$ 242,239	\$ 118,512	\$ -	\$ 14,814	\$ -	\$ 77,741	\$ 37,335	\$ 13,432	\$ 504,074
2044	\$ 252,874	\$ 108,822	\$ -	\$ 13,603	\$ -	\$ 80,851	\$ 34,225	\$ 13,701	\$ 504,076
2045	\$ 264,100	\$ 98,707	\$ -	\$ 12,338	\$ -	\$ 84,085	\$ 30,991	\$ 13,975	\$ 504,197
2046	\$ 275,719	\$ 88,143	\$ -	\$ 11,018	\$ -	\$ 87,449	\$ 27,628	\$ 14,255	\$ 504,212
2047	\$ 287,733	\$ 77,115	\$ -	\$ 9,639	\$ -	\$ 90,947	\$ 24,130	\$ 14,540	\$ 504,103
2048	\$ 300,337	\$ 65,605	\$ -	\$ 8,201	\$ -	\$ 94,584	\$ 20,492	\$ 14,831	\$ 504,050
2049	\$ 313,532	\$ 53,592	\$ -	\$ 6,699	\$ -	\$ 98,368	\$ 16,709	\$ 15,127	\$ 504,026
2050	\$ 327,515	\$ 41,051	\$ -	\$ 5,131	\$ -	\$ 102,302	\$ 12,774	\$ 15,430	\$ 504,203
2051	\$ 341,892	\$ 27,950	\$ -	\$ 3,494	\$ -	\$ 106,394	\$ 8,682	\$ 15,738	\$ 504,150
2052	\$ 356,859	\$ 14,274	\$ -	\$ 1,784	\$ (371,134)	\$ 110,650	\$ 4,426	\$ 16,053	\$ 132,914
Total	\$ 6,150,309	\$ 4,735,240	\$ (153,758)	\$ 572,685	\$ (371,134)	\$ 1,989,904	\$ 1,462,387	\$ 366,721	\$ 14,752,355

¹ Interest on the Improvement Area #1 Bonds is calculated at a 4.00% rate.

² Interest on the Improvement Area #1 Reimbursement Obligation is calculated at a 4.00% rate.

Note: The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

EXHIBIT F-5 –POD 2C ANNUAL INSTALLMENTS

Due 1/31	Improvement Area #1 Bonds					Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Reserve Fund Release	Principal	Interest ²		
2022	\$ -	\$ 265,957	\$ (265,957)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 178,502	\$ 425,531	\$ -	\$ 53,191	\$ -	\$ 61,370	\$ 137,678	\$ 15,636	\$ 871,909
2024	\$ 186,337	\$ 418,390	\$ -	\$ 52,299	\$ -	\$ 63,826	\$ 135,224	\$ 15,949	\$ 872,025
2025	\$ 194,513	\$ 410,937	\$ -	\$ 51,367	\$ -	\$ 66,378	\$ 132,671	\$ 16,268	\$ 872,134
2026	\$ 202,689	\$ 403,156	\$ -	\$ 50,395	\$ -	\$ 69,033	\$ 130,016	\$ 16,593	\$ 871,882
2027	\$ 211,546	\$ 395,049	\$ -	\$ 49,381	\$ -	\$ 71,795	\$ 127,254	\$ 16,925	\$ 871,950
2028	\$ 220,743	\$ 386,587	\$ -	\$ 48,323	\$ -	\$ 74,666	\$ 124,382	\$ 17,263	\$ 871,966
2029	\$ 230,282	\$ 377,757	\$ -	\$ 47,220	\$ -	\$ 77,653	\$ 121,396	\$ 17,609	\$ 871,916
2030	\$ 240,501	\$ 368,546	\$ -	\$ 46,068	\$ -	\$ 80,759	\$ 118,290	\$ 17,961	\$ 872,125
2031	\$ 250,721	\$ 358,926	\$ -	\$ 44,866	\$ -	\$ 83,990	\$ 115,059	\$ 18,320	\$ 871,882
2032	\$ 261,622	\$ 348,897	\$ -	\$ 43,612	\$ -	\$ 87,349	\$ 111,700	\$ 18,686	\$ 871,867
2033	\$ 273,204	\$ 338,432	\$ -	\$ 42,304	\$ -	\$ 90,843	\$ 108,206	\$ 19,060	\$ 872,050
2034	\$ 285,127	\$ 327,504	\$ -	\$ 40,938	\$ -	\$ 94,477	\$ 104,572	\$ 19,441	\$ 872,060
2035	\$ 297,390	\$ 316,099	\$ -	\$ 39,512	\$ -	\$ 98,256	\$ 100,793	\$ 19,830	\$ 871,881
2036	\$ 310,335	\$ 304,203	\$ -	\$ 38,025	\$ -	\$ 102,186	\$ 96,863	\$ 20,227	\$ 871,840
2037	\$ 323,961	\$ 291,790	\$ -	\$ 36,474	\$ -	\$ 106,274	\$ 92,775	\$ 20,631	\$ 871,906
2038	\$ 338,269	\$ 278,832	\$ -	\$ 34,854	\$ -	\$ 110,525	\$ 88,524	\$ 21,044	\$ 872,048
2039	\$ 352,917	\$ 265,301	\$ -	\$ 33,163	\$ -	\$ 114,946	\$ 84,103	\$ 21,465	\$ 871,894
2040	\$ 368,587	\$ 251,184	\$ -	\$ 31,398	\$ -	\$ 119,544	\$ 79,505	\$ 21,894	\$ 872,112
2041	\$ 384,598	\$ 236,441	\$ -	\$ 29,555	\$ -	\$ 124,326	\$ 74,724	\$ 22,332	\$ 871,975
2042	\$ 401,630	\$ 221,057	\$ -	\$ 27,632	\$ -	\$ 129,298	\$ 69,751	\$ 22,779	\$ 872,147
2043	\$ 419,004	\$ 204,992	\$ -	\$ 25,624	\$ -	\$ 134,470	\$ 64,579	\$ 23,234	\$ 871,902
2044	\$ 437,399	\$ 188,231	\$ -	\$ 23,529	\$ -	\$ 139,849	\$ 59,200	\$ 23,699	\$ 871,907
2045	\$ 456,816	\$ 170,735	\$ -	\$ 21,342	\$ -	\$ 145,443	\$ 53,606	\$ 24,173	\$ 872,115
2046	\$ 476,915	\$ 152,463	\$ -	\$ 19,058	\$ -	\$ 151,261	\$ 47,788	\$ 24,656	\$ 872,141
2047	\$ 497,695	\$ 133,386	\$ -	\$ 16,673	\$ -	\$ 157,311	\$ 41,738	\$ 25,150	\$ 871,953
2048	\$ 519,496	\$ 113,478	\$ -	\$ 14,185	\$ -	\$ 163,604	\$ 35,445	\$ 25,653	\$ 871,861
2049	\$ 542,320	\$ 92,699	\$ -	\$ 11,587	\$ -	\$ 170,148	\$ 28,901	\$ 26,166	\$ 871,821
2050	\$ 566,507	\$ 71,006	\$ -	\$ 8,876	\$ -	\$ 176,954	\$ 22,095	\$ 26,689	\$ 872,126
2051	\$ 591,374	\$ 48,346	\$ -	\$ 6,043	\$ -	\$ 184,032	\$ 15,017	\$ 27,223	\$ 872,035
2052	\$ 617,264	\$ 24,691	\$ -	\$ 3,086	\$ (641,955)	\$ 191,393	\$ 7,656	\$ 27,767	\$ 229,903
Total	\$ 10,638,265	\$ 8,190,604	\$ (265,957)	\$ 990,581	\$ (641,955)	\$ 3,441,962	\$ 2,529,508	\$ 634,322	\$ 25,517,331

¹ Interest on the Improvement Area #1 Bonds is calculated at a 4.00% rate.

² Interest on the Improvement Area #1 Reimbursement Obligation is calculated at a 4.00% rate.

Note: The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

EXHIBIT F-6 –POD 2D ANNUAL INSTALLMENTS

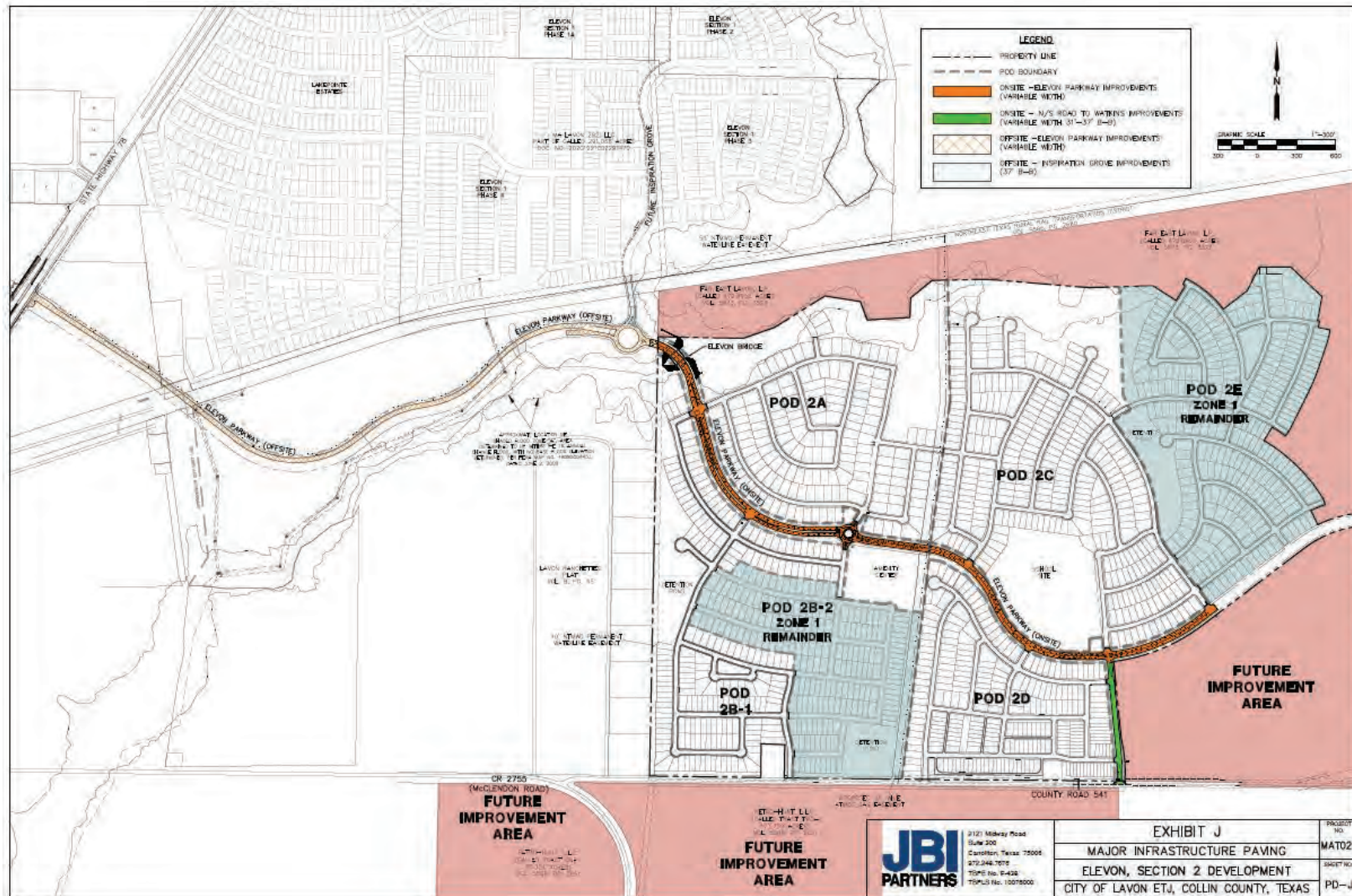
Due 1/31	Improvement Area #1 Bonds					Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Reserve Fund Release	Principal	Interest ²		
2022	\$ -	\$ 173,527	\$ (173,527)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 116,466	\$ 277,643	\$ -	\$ 34,705	\$ -	\$ 40,042	\$ 89,830	\$ 10,202	\$ 568,888
2024	\$ 121,578	\$ 272,984	\$ -	\$ 34,123	\$ -	\$ 41,644	\$ 88,228	\$ 10,406	\$ 568,963
2025	\$ 126,912	\$ 268,121	\$ -	\$ 33,515	\$ -	\$ 43,309	\$ 86,563	\$ 10,614	\$ 569,034
2026	\$ 132,247	\$ 263,044	\$ -	\$ 32,881	\$ -	\$ 45,042	\$ 84,830	\$ 10,826	\$ 568,870
2027	\$ 138,026	\$ 257,754	\$ -	\$ 32,219	\$ -	\$ 46,843	\$ 83,028	\$ 11,043	\$ 568,914
2028	\$ 144,027	\$ 252,233	\$ -	\$ 31,529	\$ -	\$ 48,717	\$ 81,155	\$ 11,264	\$ 568,925
2029	\$ 150,250	\$ 246,472	\$ -	\$ 30,809	\$ -	\$ 50,666	\$ 79,206	\$ 11,489	\$ 568,892
2030	\$ 156,918	\$ 240,462	\$ -	\$ 30,058	\$ -	\$ 52,692	\$ 77,179	\$ 11,719	\$ 569,029
2031	\$ 163,586	\$ 234,186	\$ -	\$ 29,273	\$ -	\$ 54,800	\$ 75,072	\$ 11,953	\$ 568,870
2032	\$ 170,698	\$ 227,642	\$ -	\$ 28,455	\$ -	\$ 56,992	\$ 72,880	\$ 12,192	\$ 568,860
2033	\$ 178,255	\$ 220,814	\$ -	\$ 27,602	\$ -	\$ 59,272	\$ 70,600	\$ 12,436	\$ 568,979
2034	\$ 186,034	\$ 213,684	\$ -	\$ 26,710	\$ -	\$ 61,643	\$ 68,229	\$ 12,685	\$ 568,986
2035	\$ 194,036	\$ 206,243	\$ -	\$ 25,780	\$ -	\$ 64,108	\$ 65,763	\$ 12,938	\$ 568,869
2036	\$ 202,482	\$ 198,481	\$ -	\$ 24,810	\$ -	\$ 66,673	\$ 63,199	\$ 13,197	\$ 568,842
2037	\$ 211,372	\$ 190,382	\$ -	\$ 23,798	\$ -	\$ 69,340	\$ 60,532	\$ 13,461	\$ 568,885
2038	\$ 220,708	\$ 181,927	\$ -	\$ 22,741	\$ -	\$ 72,113	\$ 57,759	\$ 13,730	\$ 568,978
2039	\$ 230,265	\$ 173,099	\$ -	\$ 21,637	\$ -	\$ 74,998	\$ 54,874	\$ 14,005	\$ 568,878
2040	\$ 240,489	\$ 163,888	\$ -	\$ 20,486	\$ -	\$ 77,998	\$ 51,874	\$ 14,285	\$ 569,020
2041	\$ 250,935	\$ 154,269	\$ -	\$ 19,284	\$ -	\$ 81,118	\$ 48,754	\$ 14,571	\$ 568,930
2042	\$ 262,049	\$ 144,231	\$ -	\$ 18,029	\$ -	\$ 84,362	\$ 45,510	\$ 14,862	\$ 569,043
2043	\$ 273,384	\$ 133,749	\$ -	\$ 16,719	\$ -	\$ 87,737	\$ 42,135	\$ 15,159	\$ 568,883
2044	\$ 285,386	\$ 122,814	\$ -	\$ 15,352	\$ -	\$ 91,246	\$ 38,626	\$ 15,463	\$ 568,886
2045	\$ 298,055	\$ 111,398	\$ -	\$ 13,925	\$ -	\$ 94,896	\$ 34,976	\$ 15,772	\$ 569,022
2046	\$ 311,169	\$ 99,476	\$ -	\$ 12,435	\$ -	\$ 98,692	\$ 31,180	\$ 16,087	\$ 569,039
2047	\$ 324,727	\$ 87,029	\$ -	\$ 10,879	\$ -	\$ 102,640	\$ 27,232	\$ 16,409	\$ 568,916
2048	\$ 338,952	\$ 74,040	\$ -	\$ 9,255	\$ -	\$ 106,745	\$ 23,127	\$ 16,737	\$ 568,856
2049	\$ 353,843	\$ 60,482	\$ -	\$ 7,560	\$ -	\$ 111,015	\$ 18,857	\$ 17,072	\$ 568,830
2050	\$ 369,624	\$ 46,329	\$ -	\$ 5,791	\$ -	\$ 115,456	\$ 14,416	\$ 17,413	\$ 569,029
2051	\$ 385,849	\$ 31,544	\$ -	\$ 3,943	\$ -	\$ 120,074	\$ 9,798	\$ 17,762	\$ 568,969
2052	\$ 402,741	\$ 16,110	\$ -	\$ 2,014	\$ (418,851)	\$ 124,877	\$ 4,995	\$ 18,117	\$ 150,003
Total	\$ 6,941,063	\$ 5,344,057	\$ (173,527)	\$ 646,316	\$ (418,851)	\$ 2,245,749	\$ 1,650,408	\$ 413,871	\$ 16,649,086

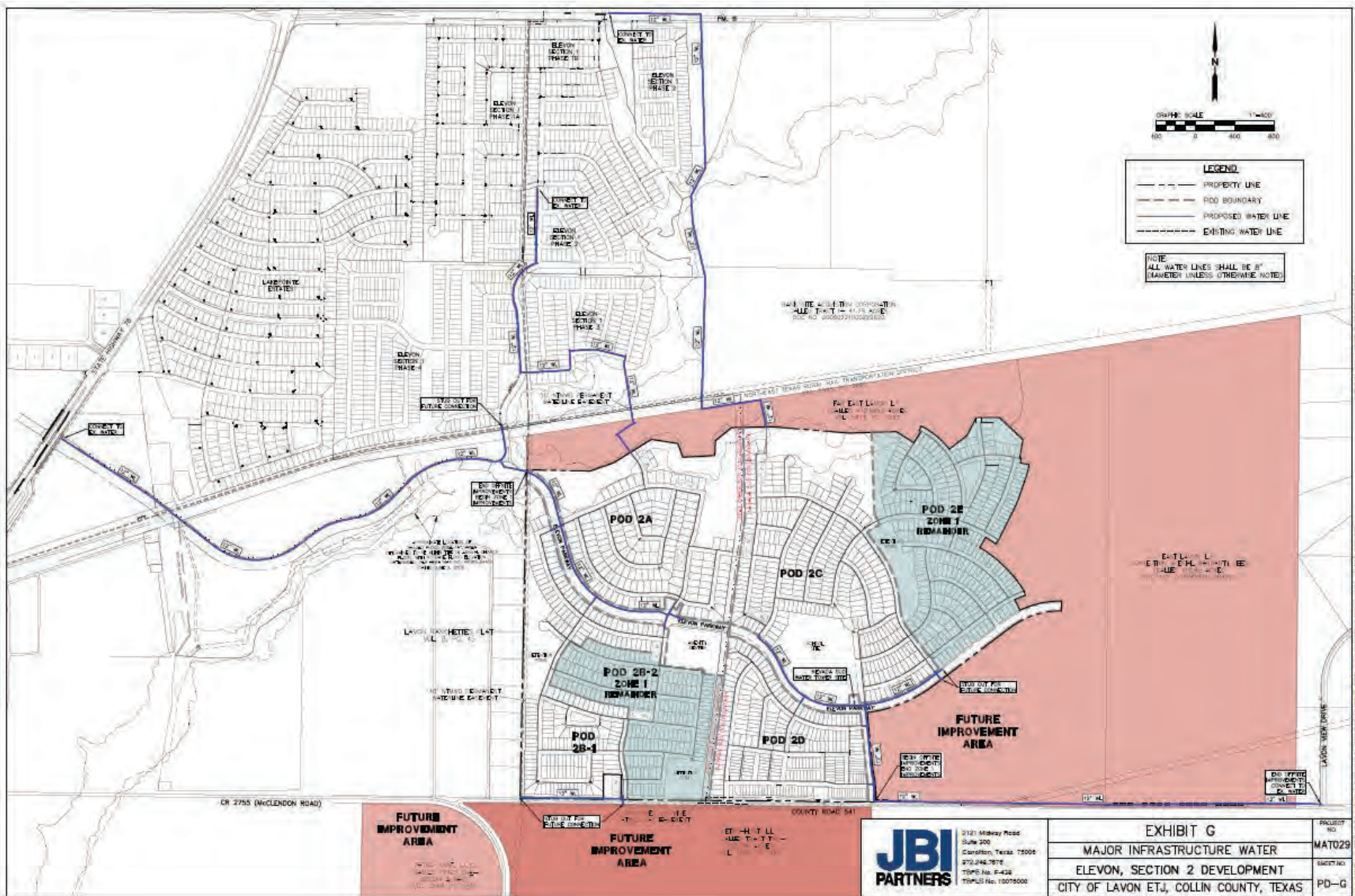
¹ Interest on the Improvement Area #1 Bonds is calculated at a 4.00% rate.

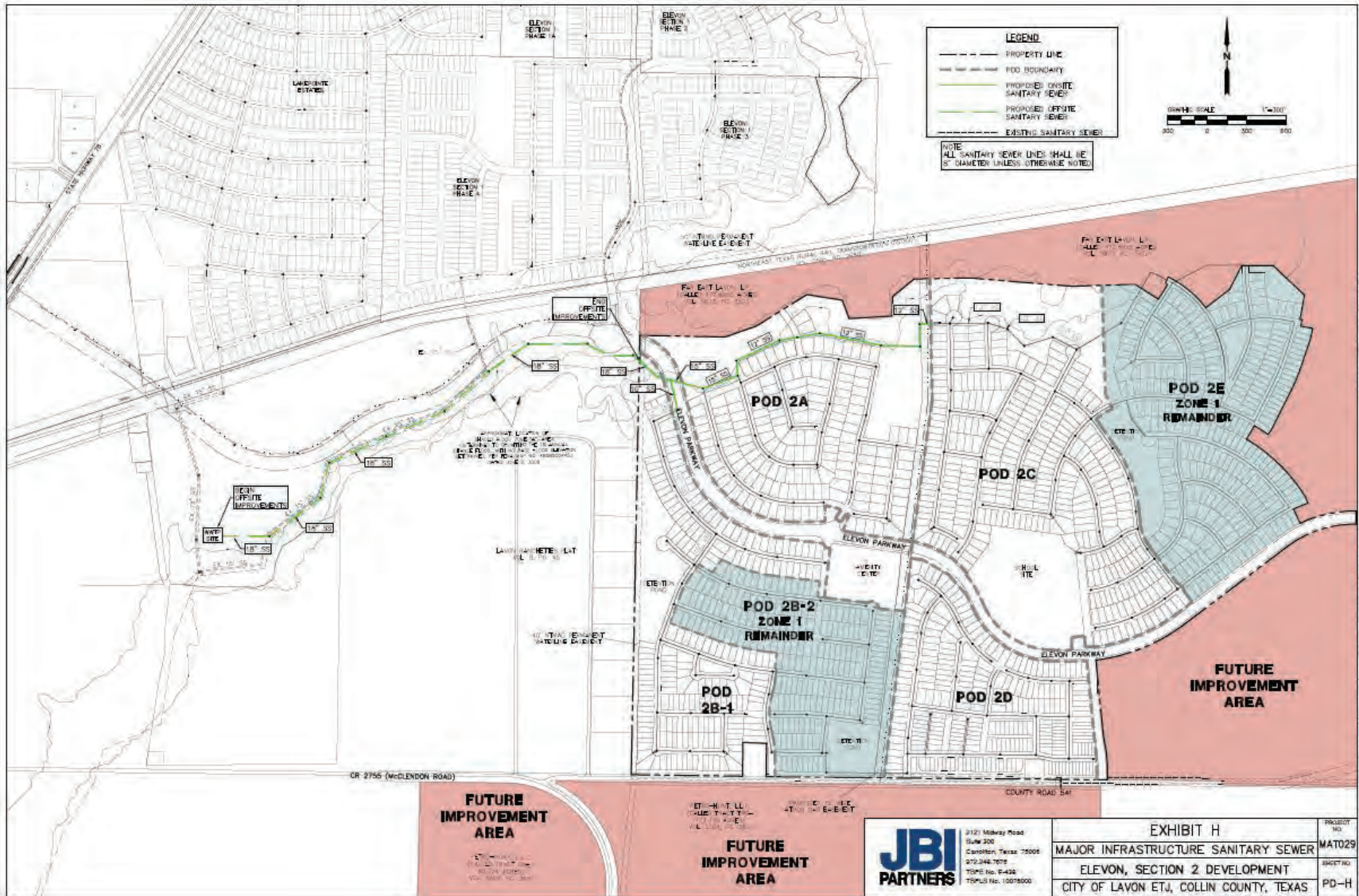
² Interest on the Improvement Area #1 Reimbursement Obligation is calculated at a 4.00% rate.

Note: The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

EXHIBIT G-1 – MAPS OF ZONE 1 IMPROVEMENTS AND OFFSITE IMPROVEMENTS







**ELEVON PID
SERVICE AND ASSESSMENT PLAN**

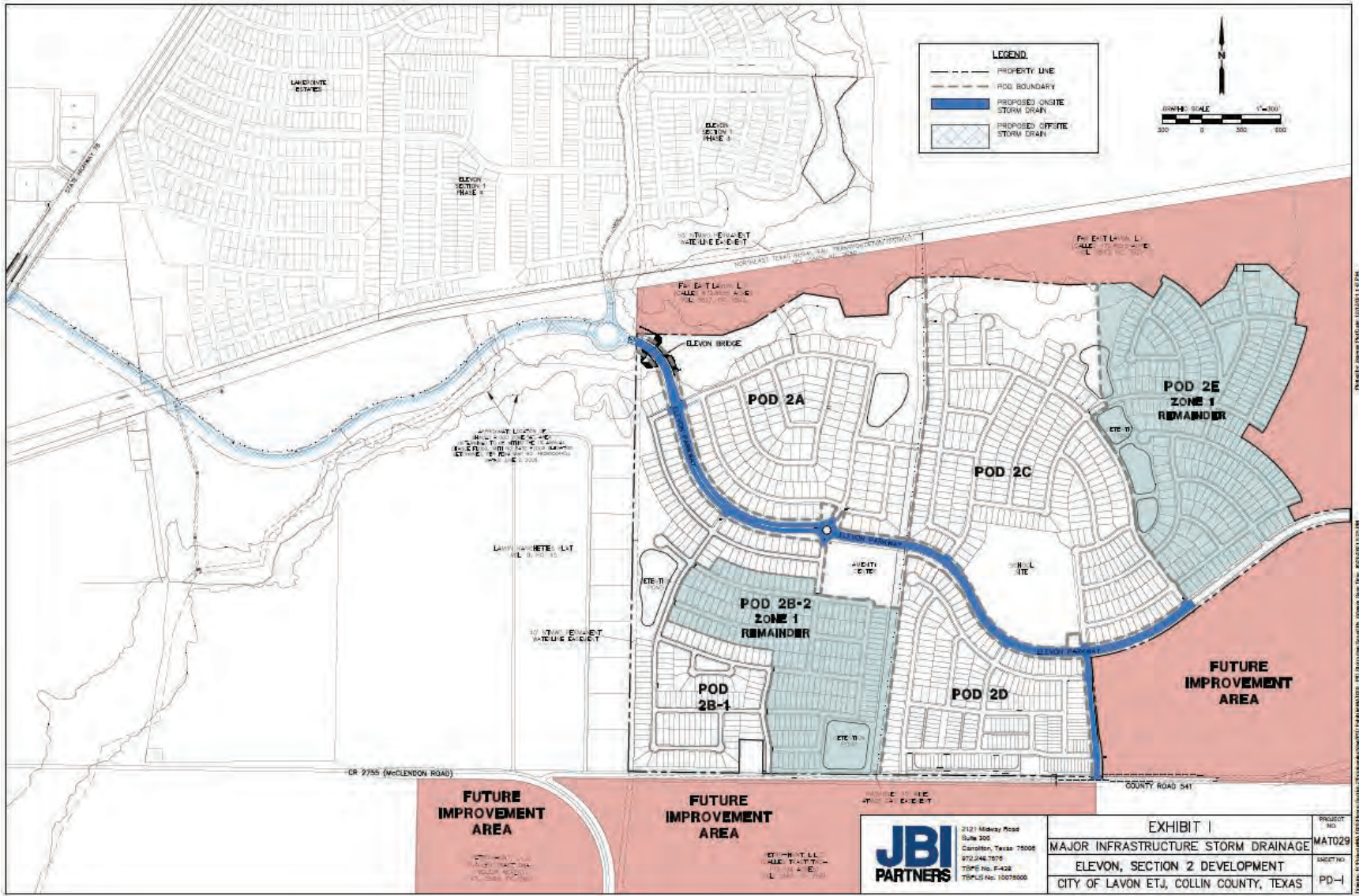
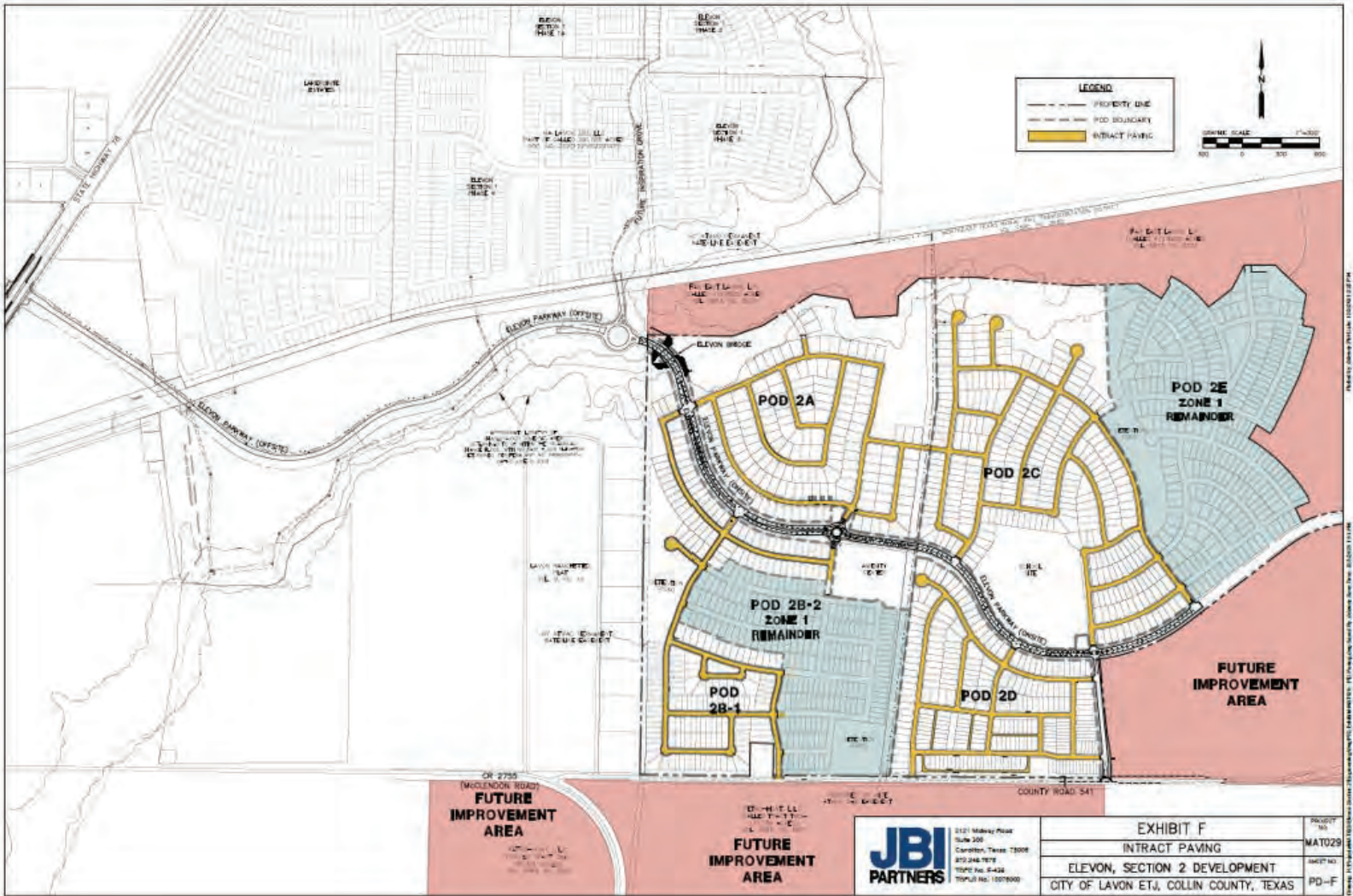
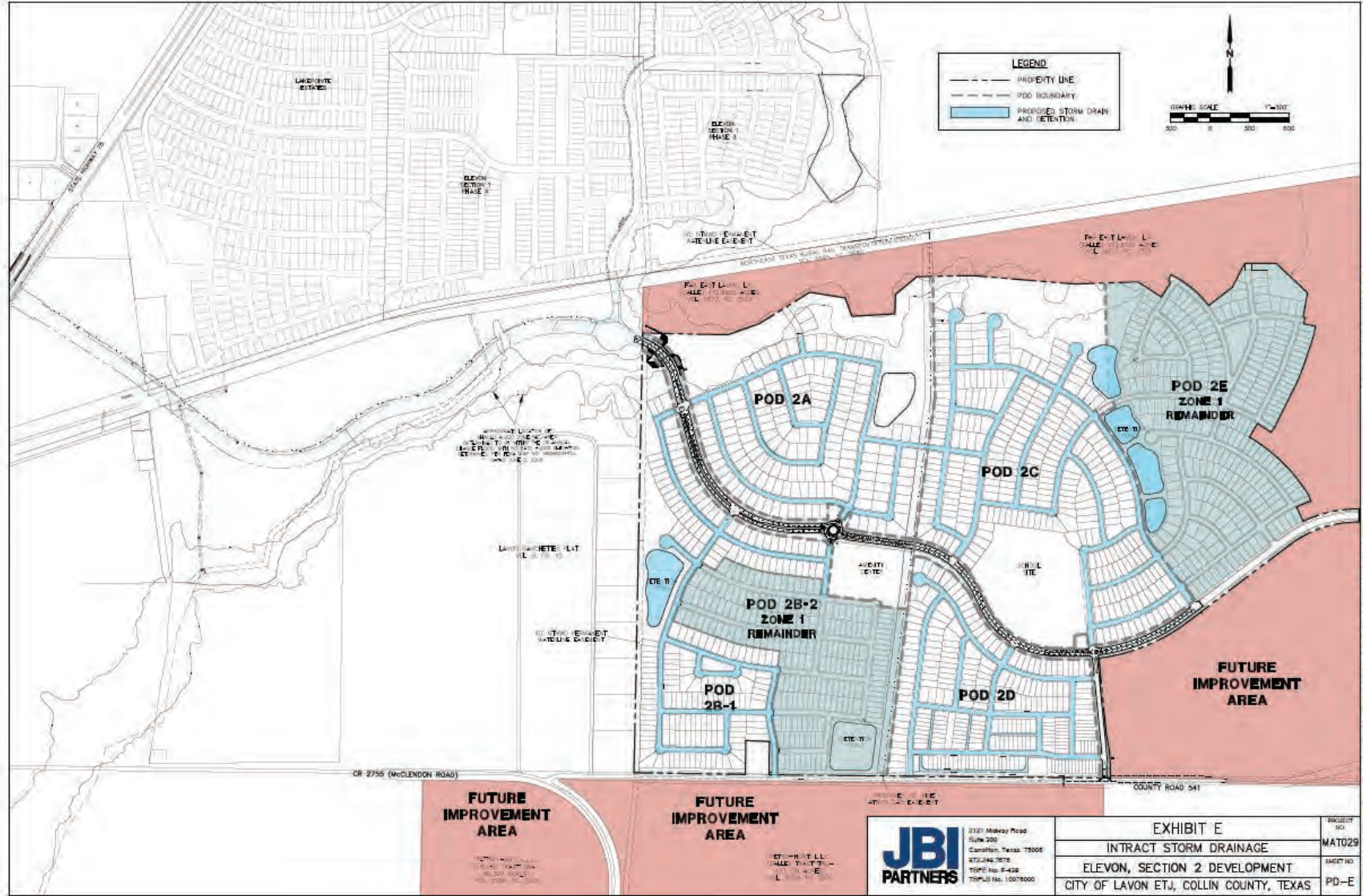


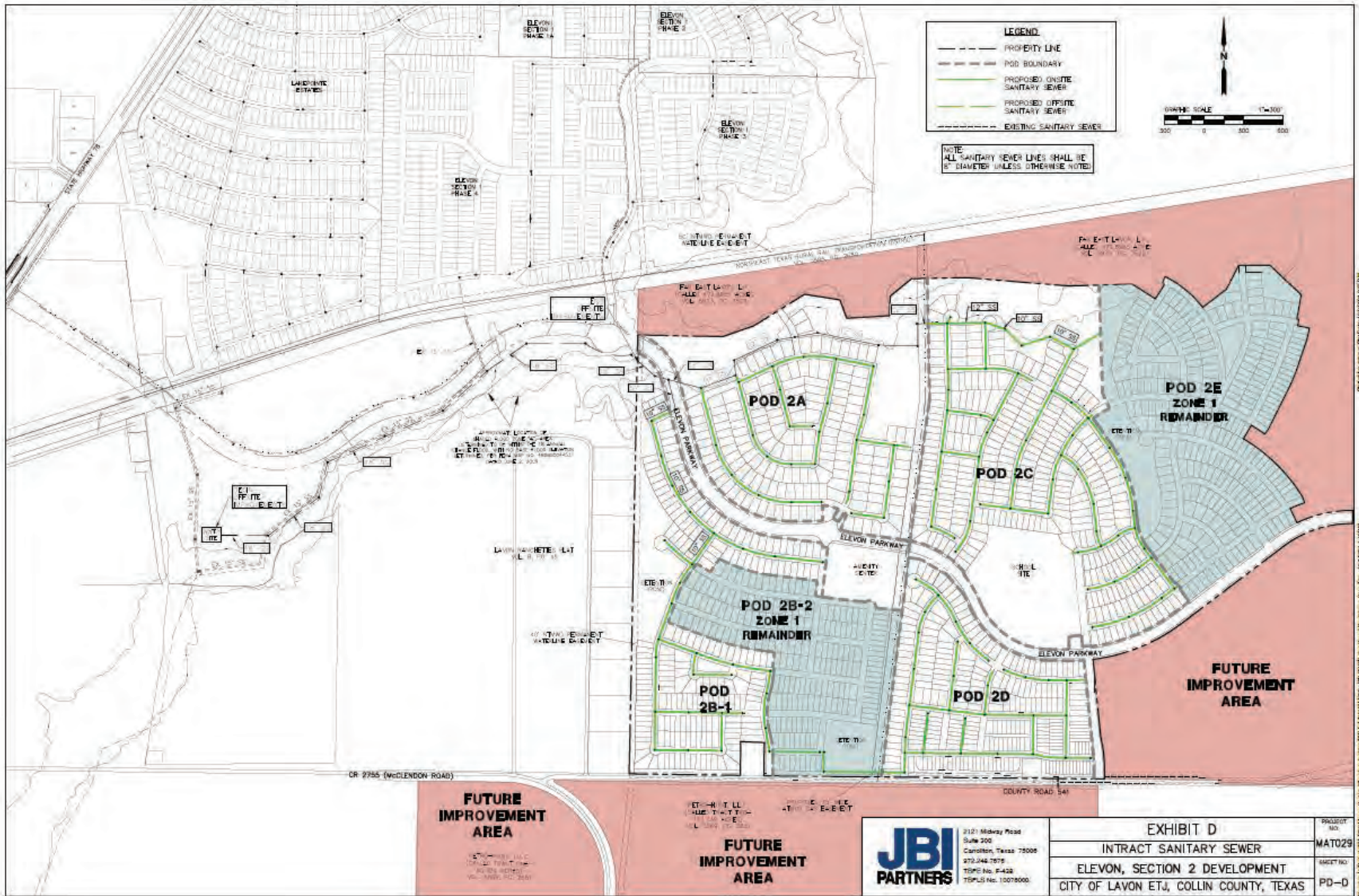
EXHIBIT G-2 – MAPS OF IMPROVEMENT AREA #1 IMPROVEMENTS





**ELEVON PID
SERVICE AND ASSESSMENT PLAN**

<p>2121 Mabry Road Suite 300 Carrollton, Texas 75006 972.244.3675 TSPC No. F-428 TSPUS No. 10078000</p>	EXHIBIT E		PROJECT NO.
	INTRACT STORM DRAINAGE		MAT029
	ELEVON, SECTION 2 DEVELOPMENT		SHEET NO.
	CITY OF LAVON ETJ, COLLIN COUNTY, TEXAS		PD-E



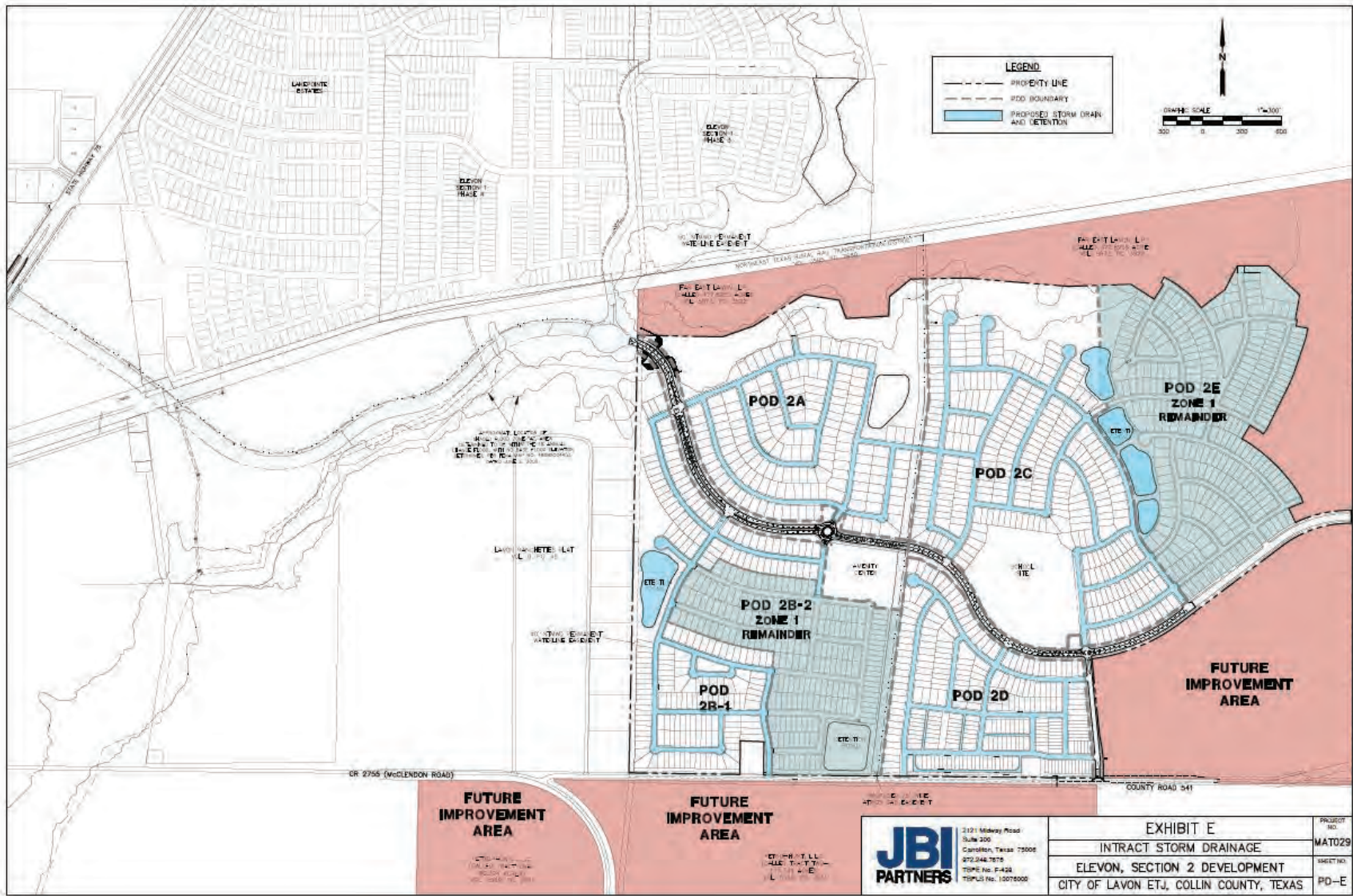


EXHIBIT H-1 – MAXIMUM ASSESSMENT AND TAX RATE EQUIVALENT

Lot Type	Units ¹	Estimated Buildout Value per Unit ¹	Total Estimated Buildout Value	Assessment	Maximum Assessment per Unit	Average Annual Installment	Average Annual Installment per Unit	PID TRE
Zone 1								
<i>Improvement Area #1</i>								
Lot Type 1	77	\$ 233,000	\$ 17,941,000	\$ 2,346,835	\$ 30,478	\$ 145,338	\$ 1,888	\$ 0.8101
Lot Type 2	215	280,000	60,200,000	7,874,672	36,626	487,674	2,268	0.8101
Lot Type 3	68	325,000	22,100,000	2,890,868	42,513	179,030	2,633	0.8101
Lot Type 4	312	350,000	109,200,000	14,284,288	45,783	884,618	2,835	0.8101
Lot Type 5	44	210,000	9,240,000	1,208,671	27,470	74,852	1,701	0.8101
Lot Type 6	143	420,000	60,060,000	7,856,358	54,940	486,540	3,402	0.8101
Lot Type 7	76	490,000	37,240,000	4,871,308	64,096	301,677	3,969	0.8101
Improvement Area #1 Total	935		\$ 315,981,000	\$ 41,333,000		\$ 2,559,729		\$ 0.8101
Zone 1 Remainder Area Total	452		\$ 149,815,000	\$ 8,148,000		\$ 592,140		\$ 0.3952
Total	1387		\$ 465,796,000	\$ 49,481,000		\$ 3,151,869		

Notes:

¹ Based on information provided by the Master Developer.

EXHIBIT H-2 – IMPROVEMENT AREA #1 POD ALLOCATION

Lot Type	Units ¹	Estimated Buildout Value per Unit ¹	Total Estimated Buildout Value	Assessment	Maximum Assessment per Unit	Average Annual Installment	Average Annual Installment per Unit	PID TRE
Improvement Area #1								
<i>Improvement Area #1</i>								
<i>POD 2A</i>								
Lot Type 6	92	\$ 420,000	\$ 38,640,000	\$ 5,054,440	\$ 54,940	\$ 313,019	\$ 3,402	\$ 0.8101
Lot Type 7	76	490,000	37,240,000	4,871,308	64,096	301,677	3,969	0.8101
POD 2A Total	168		\$ 75,880,000	\$ 9,925,749	\$ 59,082	\$ 614,696	\$ 3,659	\$ 0.8101
<i>POD 2B-1</i>								
Lot Type 2	101	\$ 280,000	\$ 28,280,000	\$ 3,699,264	\$ 36,626	\$ 229,093	\$ 2,268	\$ 0.8101
Lot Type 4	97	350,000	33,950,000	4,440,949	45,783	275,025	2,835	0.8101
POD 2B-1 Total	198		\$ 62,230,000	\$ 8,140,213	\$ 41,112	\$ 504,119	\$ 2,546	\$ 0.8101
<i>POD 2C</i>								
Lot Type 2	39	\$ 280,000	\$ 10,920,000	\$ 1,428,429	\$ 36,626	\$ 88,462	\$ 2,268	\$ 0.8101
Lot Type 3	68	325,000	22,100,000	2,890,868	42,513	179,030	2,633	0.8101
Lot Type 4	152	350,000	53,200,000	6,959,012	45,783	430,968	2,835	0.8101
Lot Type 6	51	420,000	21,420,000	2,801,918	54,940	173,521	3,402	0.8101
POD 2C Total	310		\$ 107,640,000	\$ 14,080,227	\$ 45,420	\$ 871,980	\$ 2,813	\$ 0.8101
<i>POD 2D</i>								
Lot Type 1	77	\$ 233,000	\$ 17,941,000	\$ 2,346,835	\$ 30,478	\$ 145,338	\$ 1,888	\$ 0.8101
Lot Type 2	75	280,000	21,000,000	2,746,978	36,626	170,119	2,268	0.8101
Lot Type 4	63	350,000	22,050,000	2,884,327	45,783	178,625	2,835	0.8101
Lot Type 5	44	210,000	9,240,000	1,208,671	27,470	74,852	1,701	0.8101
POD 2D Total	259		\$ 70,231,000	\$ 9,186,812	\$ 35,470	\$ 568,934	\$ 2,197	\$ 0.8101
Improvement Area #1 Total	935		\$ 315,981,000	\$ 41,333,000		\$ 2,559,729		\$ 0.8101

Notes:

¹ Based on information provided by the Master Developer.