

NEW ISSUE

NOT RATED

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

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

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



\$14,650,000*

CITY OF PILOT POINT, TEXAS,

(a municipal corporation of the State of Texas located in Denton, Grayson, and Cooke Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 PROJECT)

Dated Date: June 1, 2022

Due: September 15, as shown on the inside cover

Interest to Accrue from Date of Delivery

The City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project) (the “Bonds”), are being issued by the City of Pilot Point, 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 DTC as the registered owner thereof. See “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance expected to be adopted by the City Council of the City (the “City Council”) on May 12, 2022, and an Indenture of Trust, dated as of June 1, 2022 (the “Indenture”), to be entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the “Improvement Area #1 Projects”, which consist of (a) Improvement Area #1’s proportionate share of the costs of major infrastructure benefitting the entire Mobberly Public Improvement District (the “District”) and (b) the costs of local infrastructure benefitting only Improvement Area #1 (as defined herein) of the District, (ii) paying the District Formation Costs (as defined herein) allocable to Improvement Area #1, and (iii) paying the Bond Issuance Costs (as defined herein) related to the issuance of the Bonds. See “THE IMPROVEMENT AREA #1 PROJECTS” and “APPENDIX A — Form of Indenture.” Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

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

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

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

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

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

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Norton Rose Fulbright US LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX C — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, and for the Developer by its counsel, Miklos Cinclair, PLLC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about June 3, 2022.

FMSbonds, Inc.

* Preliminary; subject to change.

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

CUSIP Prefix: _____ (a)

\$14,650,000*

CITY OF PILOT POINT, TEXAS,

(a municipal corporation of the State of Texas located in Denton, Grayson, and Cooke Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(MOBBERLY 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)

\$ _____ % 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)

* Preliminary; subject to change.

- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- (b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 15, 20 __, at the redemption price of 100% of the principal amount plus accrued interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- (c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

**CITY OF PILOT POINT, TEXAS
CITY COUNCIL**

<u>Name</u>	<u>Place</u>	<u>Term Expires (May)</u>
Shea Dane-Patterson	Mayor	2022
Mario Cisneros	Place 1	2023
Everett Cummings	Place 2	2024
Chad Major	Place 3	2023
Elizabeth Jones	Place 4	2022
Dean Cordell	Place 5	2024
Matt McIlravy	Place 6, Mayor Pro Tem	2022

CITY MANAGER
Britt M. Lusk

CITY SECRETARY
Lenette Cox

FINANCE DIRECTOR
Michele Sanchez

ADMINISTRATOR
P3Works, LLC

FINANCIAL ADVISOR TO THE CITY
Hilltop Securities Inc.

BOND COUNSEL
Norton Rose Fulbright US LLP

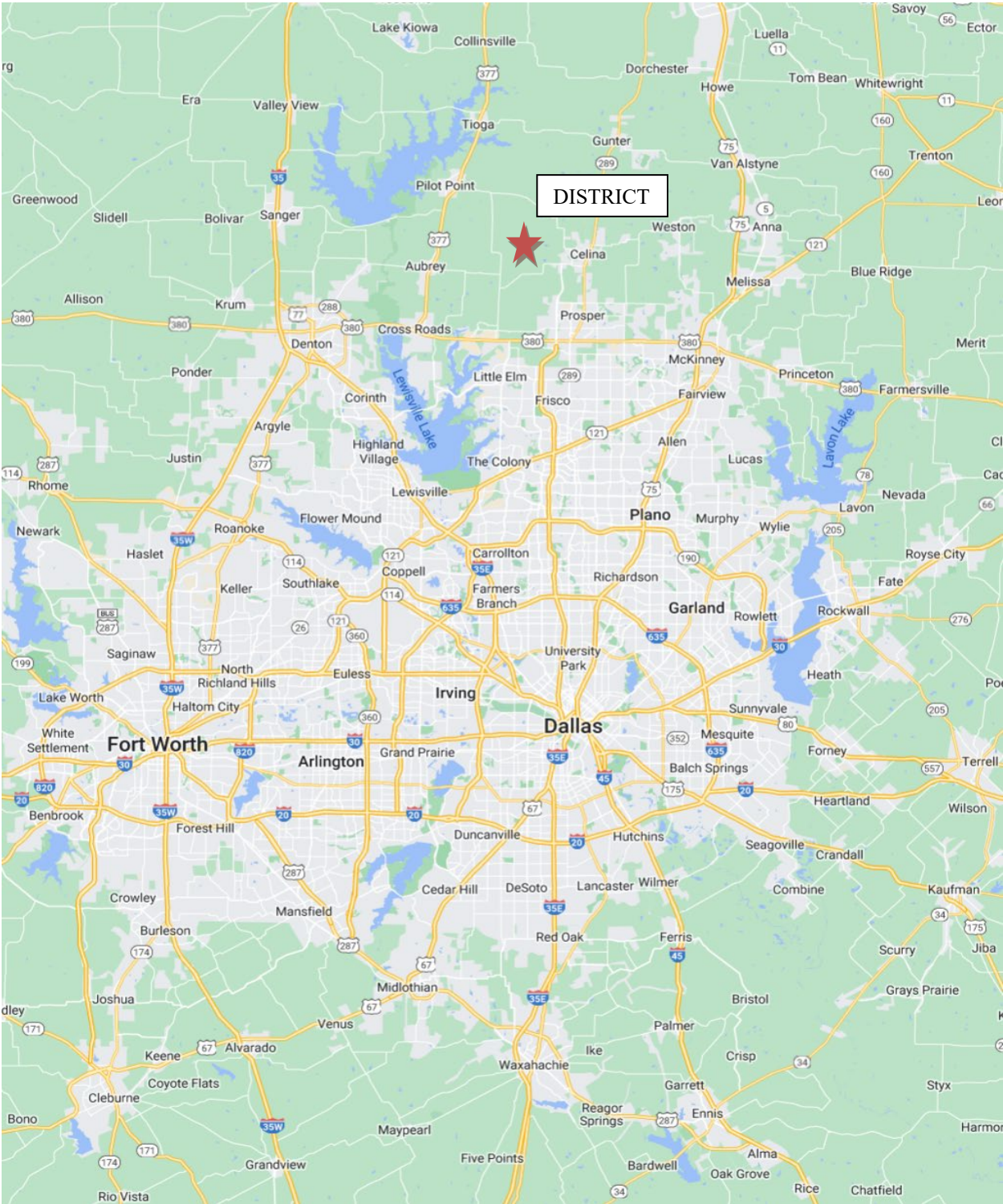
UNDERWRITER'S COUNSEL
Winstead PC

For additional information regarding the City, please contact:

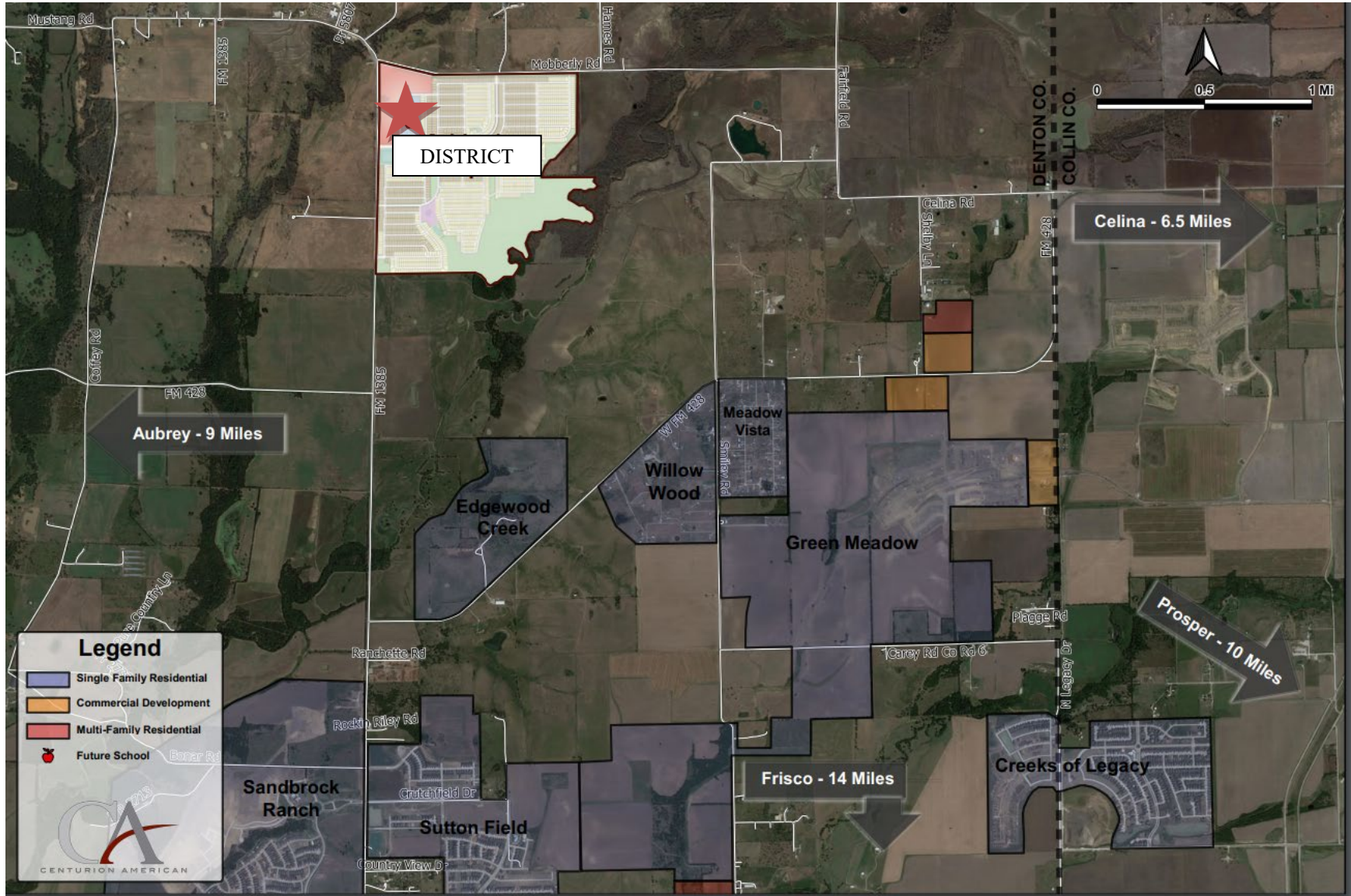
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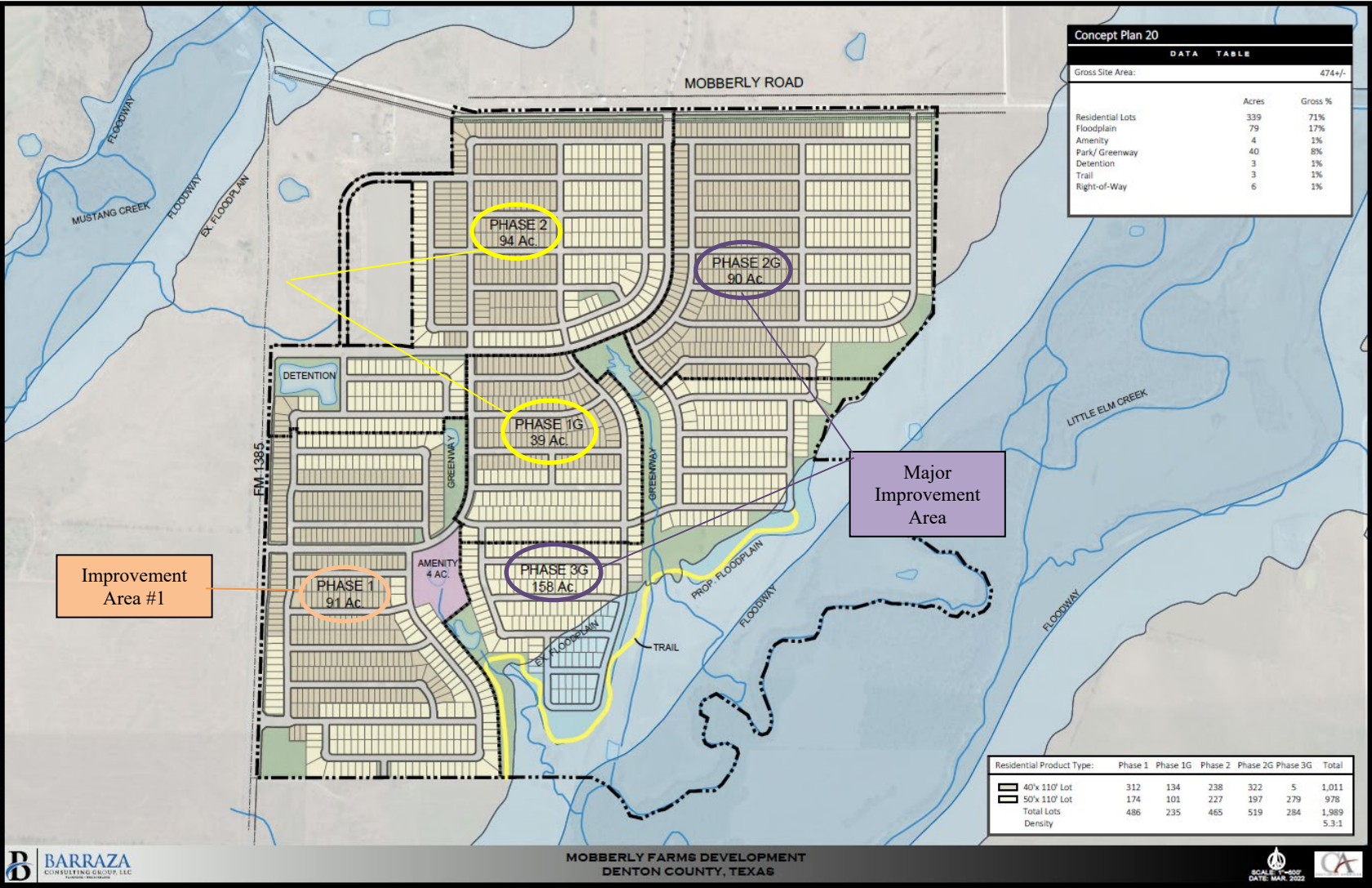
REGIONAL LOCATION MAP OF THE DISTRICT



AREA LOCATION MAP OF THE DISTRICT



MAP SHOWING BOUNDARIES OF THE DISTRICT, PHASES AND IMPROVEMENT AREAS



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

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

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

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

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

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

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES 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

\$14,650,000*

CITY OF PILOT POINT, TEXAS,

(a municipal corporation of the State of Texas located in Denton, Grayson, and Cooke Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022

(MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 PROJECT)

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Pilot Point, Texas (the “City”), of its \$14,650,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project) (the “Bonds”).

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

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be enacted by the City Council of the City (the “City Council”) on May 12, 2022 (the “Bond Ordinance”), and an Indenture of Trust, dated as of June 1, 2022 (the “Indenture”), to be entered into by and between the City and Wilmington Trust, National Association, as Trustee (the “Trustee”). The Bonds will be secured by assessments (“Assessments”) levied against assessable property located within Improvement Area #1 (as defined herein) of the Mobberly Public Improvement District (the “District”) pursuant to an ordinance enacted by the City Council on February 10, 2022 (the “Assessment Ordinance”). The City created the District pursuant to a resolution adopted by the City Council on January 27, 2022 (the “Creation Resolution”).

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

Set forth herein are brief descriptions of the City, the District, the Administrator (as defined herein), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the Reimbursement Agreement (as defined herein), the Construction, Funding, and Acquisition Agreement (as defined herein), the Mobberly Development Agreement among the City and MM Mobberly 236, LLC, a Texas limited liability company (the “Developer”) and MM Mobberly 13, LLC, a Texas limited liability company, effective January 27, 2022 (the “Development Agreement”), and P3Works, LLC (the “Administrator”), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas, 75034, Phone: (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed in this Limited Offering Memorandum.

* Preliminary; subject to change.

PLAN OF FINANCE

The District

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

The boundaries of the District are shown in the “MAP SHOWING BOUNDARIES OF THE DISTRICT, PHASES AND IMPROVEMENT AREAS” on page v. The District is currently located within the extraterritorial jurisdiction of the City. The Developer has submitted an annexation petition for the property within the District and the City has called a public hearing on such annexation. The City expects to annex the property in the District on April 28, 2022. See “THE DEVELOPMENT – Development Agreement” and “THE DEVELOPER – History and Financing of the District.”

Development Plan, Status of Development and Plan of Finance

The District is composed of approximately 474 acres which are being developed as a master-planned residential development expected to contain approximately 1,989 single-family residential lots. The Developer will develop the District in distinct areas, which development began with development of the infrastructure to serve Improvement Area #1 of the District (as defined herein) and a portion of the major infrastructure to serve the entire District. Such development is continuing with the development of the infrastructure to serve Improvement Area #2 (as defined herein) and will be followed by development of the infrastructure to serve the Future Improvement Areas (as defined herein) and additional major infrastructure to serve the District. See “THE DEVELOPMENT — Development Plan and Status of Development”. The area shown as Phase 1 on the “MAP SHOWING BOUNDARIES OF THE DISTRICT, PHASES AND IMPROVEMENT AREAS” on page v is referred to herein as “Improvement Area #1.” The areas shown as Phase 1G and 2 on the “MAP SHOWING BOUNDARIES OF THE DISTRICT, PHASES AND IMPROVEMENT AREAS” on page v are referred to herein as “Improvement Area #2.” The areas shown as Phase 2G and 3G on the “MAP SHOWING BOUNDARIES OF THE DISTRICT, PHASES AND IMPROVEMENT AREAS” on page v are referred to herein as the “Major Improvement Area.” Individual distinct areas which may be developed within the Major Improvement Area in the future are referred to herein as “Future Improvement Areas.”

The Developer purchased an assemblage of approximately 511 acres of land which included the land within the District in three separate transactions in 2018 and 2019 at a total purchase price of \$16,569,376. The developer obtained various loans for the purchase of such land and to fund initial development in the District. Such initial loans have been refinanced into a loan from Liberty Bankers Life Insurance Company (the “Liberty Loan”). The principal amount of the Liberty Loan is up to \$34,000,000. The Liberty Loan is currently outstanding in the principal amount of \$24,594,823. The Liberty Loan is secured by all property within the District. The Developer is the current owner of all property within the District. See “THE DEVELOPER – History and Financing of the District.”

Construction of the various authorized improvements necessary to complete finished lots has begun within the District as described below, and all 486 lots in Improvement Area #1 are complete. The Developer has entered into lot purchase and sale agreements with Lennar, M/I Homes and Pulte (each as defined herein) for all 1,989 expected lots within the District. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in the District.” No closings have occurred under such lot purchase and sale agreements, but approximately 72 lots are expected to be taken down in Improvement Area #1 by various builders on April 28, 2022.

The Developer has constructed improvements consisting of (i) certain street improvements, water distribution system improvements, sanitary sewer improvements, and storm drainage improvements that will benefit only Improvement Area #1 of the District (the “Improvement Area #1 Improvements”) and (ii) certain street improvements, water distribution system improvements, sanitary sewer improvements, and storm drainage improvements benefitting the entire District (the “Major Improvements”). The Improvement Area #1 Improvements and the portion of the Major

Improvements benefitting Improvement Area #1 are collectively referred to herein as the “Improvement Area #1 Projects.”

Construction of the Improvement Area #1 Projects began in December 2019. The Improvement Area #1 Improvements were completed in April 2022, and completion of the Major Improvements applicable to Improvement Area #1 is expected in April 2022. The Improvement Area #1 Projects will be dedicated to and accepted by the City and/or Mustang Special Utility District (“MSUD”), as applicable. As of April 4, 2022, the Developer has expended \$10,604,091 on the Improvement Area #1 Projects, which expenditures were financed with development loans and builder earnest money delivered pursuant to the lot purchase and sale agreements. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in the District” and “THE DEVELOPER – History and Financing of the District.” The remaining costs expected to be expended with respect to the Improvement Area #1 Projects include approximately \$1,252,740 relating to the Major Improvements applicable to Improvement Area #1 and bond issuance costs expected to be paid at the closing of the Bonds. In addition, City will acquire certain right of way from the Developer at closing of the Bonds as part of the costs of the Improvement Area #1 Projects. See “SOURCES AND USES” and “THE IMPROVEMENT AREA #1 IMPROVEMENTS.” A final plat for Improvement Area #1 is expected to be accepted by the City on April 28, 2022.

The Developer expects to construct improvements consisting of (i) certain street improvements, water distribution system improvements, sanitary sewer improvements, and storm drainage improvements that will benefit only Improvement Area #2 of the District (the “Improvement Area #2 Improvements”) and (ii) the portion of the Major Improvements benefitting Improvement Area #2 ((i)and (ii) collectively, the “Improvement Area #2 Projects”). The Developer expects to begin construction of the Improvement Area #2 Projects in 2Q 2022 and complete the Improvement Area #2 Projects in 3Q 2023.

In addition to the Improvement Area #1 Projects and Improvement Area #2 Projects, the Developer will construct the portion of the Major Improvements benefitting the Major Improvement Area (the “Major Improvement Area Projects”). The Developer will begin construction of the Major Improvement Area Projects in 2Q 2022 and expects to complete construction of the Major Improvement Area Projects in 3Q 2023.

The City entered into a reimbursement agreement with the Developer (the “Reimbursement Agreement”) to finance a portion of the costs of the Improvement Area #1 Projects not paid with proceeds of the Bonds. The Bonds and the City’s payment obligations under the Reimbursement Agreement will be secured by the Assessments on property in Improvement Area #1 of the District only; however, the payment of debt service on the Bonds will be superior in right to payment of obligations under the Reimbursement Agreement. The City, upon satisfying certain financial covenants, may issue additional bonds (the “Additional Bonds”) to finance its obligations under the Reimbursement Agreement. See “THE IMPROVEMENT AREA #1 PROJECTS” and “SECURITY FOR THE BONDS.”

The City will pay a portion of the project costs for the Improvement Area #1 Projects in the amount of \$14,650,000* from proceeds of the Bonds. The remaining costs of the Improvement Area #1 Projects in the amount of \$3,273,531* have been or will be funded by the Developer. A portion of such amount previously funded by the Developer is expected to be reimbursed to the Developer pursuant to the Reimbursement Agreement. The Developer will submit payment requests on a monthly basis for costs actually incurred in developing and constructing the Improvement Area #1 Projects and be paid in accordance with the Indenture, the Improvement Area #1 Projects Construction, Funding, and Acquisition Agreement (the “Construction, Funding, and Acquisition Agreement”) and the Reimbursement Agreement. The Indenture requires the Developer to satisfy certain conditions before all of the proceeds of the bonds related to the Improvement Area #1 Projects may be disbursed. See “THE IMPROVEMENT AREA #1 PROJECTS – General,” “THE DEVELOPMENT – Development Plan and Status of Development,” “SECURITY FOR THE BONDS – Project Fund,” “APPENDIX A – Form of Indenture” and “APPENDIX F – Form of Construction, Funding, and Acquisition Agreement.”

Concurrently with the issuance of the Bonds, the City will issue its \$22,550,000* City of Pilot Point, Texas, Special Assessment Revenue Bonds (Mobberly Public Improvement District Improvement Area #2 Project) (the

* Preliminary; subject to change.

“Improvement Area #2 Bonds”) to finance a portion of the Improvement Area #2 Projects and its \$6,684,000* City of Pilot Point, Texas, Special Assessment Revenue Bonds (Mobberly Public Improvement District Major Improvement Area Project) (the “Major Improvement Area Bonds”) to finance a portion of the costs of the Major Improvement Area Projects. The Improvement Area #2 Bonds will be secured by assessments on property in Improvement Area #2 of the District only and the Major Improvement Area Bonds will be secured by assessments on property in the Major Improvement Area of the District only.

The City expects to issue one or more series of bonds (collectively, the “Future Improvement Area Bonds”) to finance the cost of local improvements benefitting the Future Improvement Areas. Future Improvement Area Bonds to finance the cost of local improvements benefitting the Future Improvement Areas are anticipated to be issued in the future. The estimated costs of the local improvements benefitting the Future Improvement Areas of the District will be determined at the same time Future Improvement Areas are developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within the Future Improvement Areas of the District and financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within the applicable Future Improvement Area of the District, as applicable. The Developer anticipates that Future Improvement Area Bonds will be issued over a one to four-year period. “THE DEVELOPMENT – Future Improvement Area Bonds.”

The Bonds

Proceeds of the Bonds will be used primarily to provide funds for (i) paying a portion of the Actual Costs of the Improvement Area #1 Projects, (ii) paying the District Formation Costs allocable to Improvement Area #1, and (iii) paying the Bond Issuance Costs related to the issuance of the Bonds. “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. “Bond Issuance Costs” means the costs associated with issuing the 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 the of Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount may, at the option of the City, be transferred to another Account of the Project Fund or to the Principal and Interest Account of the Bond Fund to pay interest on the Bonds. See “THE IMPROVEMENT AREA #1 PROJECTS,” “APPENDIX A – Form of Indenture” and “SOURCES AND USES OF FUNDS.”

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments levied against the assessable parcels or lots within Improvement Area #1 of the District, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES” and “APPENDIX A – Form of Indenture.”

The Bonds, the Major Improvement Area Bonds, the Improvement Area #2 Bonds, and any Future Improvement Area Bonds shall never constitute an indebtedness or general obligation of the City, the State, or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds. Any Additional Bonds issued by the City will likewise be separate and distinct issues of securities and will be secured by the portion of the Assessments currently securing the Reimbursement Agreement. The Major Improvement Area Bonds, the Improvement Area #2 Bonds, any Additional Bonds, and any Future Improvement Area Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.

DESCRIPTION OF THE BONDS

General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be

computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 15 and September 15, commencing September 15, 2022 (each an “Interest Payment Date”), until maturity or prior redemption. Wilmington Trust, National Association is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal and any integral multiple of \$1,000 in excess thereof; provided, however, that if the total principal amount of any Outstanding Bond is less than \$100,000, then the authorized denomination of such Bonds shall be the amount of such Outstanding Bond (“Authorized Denominations”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

Redemption Provisions

Optional Redemption. The City reserves the right and option to redeem the Bonds maturing on or after September 15, 20__ , before their respective scheduled maturity dates, 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 par plus accrued and unpaid interest to the date of redemption (the “Redemption Price”).

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

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

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

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

† Stated maturity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

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

- 1) The Investor has authority and is duly authorized to purchase the Bonds and to execute any instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.
- 2) The Investor is an "accredited investor" under Rule 501 of Regulation D of the Securities Act or a "qualified institutional buyer" under Rule 144A of the Securities Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
- 3) The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the investor may sell 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 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 Projects, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the "Investor Information"). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor's purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for, or in connection with the Investor's decision to purchase the Bonds except for fraud or willful misconduct, to the extent permitted by law. For the avoidance of doubt, it is acknowledged that 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 District (which has no taxing power), the State of Texas (the "State") or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.
- 7) The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.

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

SECURITY FOR THE BONDS

General

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

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenues (the "Pledged Revenues"), consisting primarily of Assessments levied against the assessable parcels or lots within Improvement Area #1 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. Improvement Area #1 of the District contains approximately 91.076 acres. In accordance with the PID Act, the City previously caused the preparation of a Service and Assessment Plan in connection with the levy of assessments in the District (including the Improvement Area #1 Assessments), and expects to adopt an amended and restated Service and Assessment Plan in connection with the

authorization of the issuance of the Bonds (as so amended and restated, and as may be further amended and supplemented, the “Service and Assessment Plan”). The Service and Assessment Plan describes the special benefit received by the property within the District, including Improvement Area #1 of the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX B — Form of Service and Assessment Plan.”

Pledged Revenues

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

Pursuant to the Indenture, Pledged Revenues are the sum of (i) the Assessment Revenue, less the Annual Collection Costs; and (ii) any additional revenues that the City may pledge to the payment of Bonds, any Additional Bonds, and any Refunding Bonds hereafter issued pursuant to the Indenture (the “Bonds Similarly Secured”). “Assessment Revenue” means monies collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against a parcel of assessable property in Improvement Area #1 (“Improvement Area #1 Assessed Property”), or an Annual Installment payment thereof, including any interest on such Assessment or Annual Installment thereof during any period of delinquency, (ii) a Prepayment and (iii) Foreclosure Proceeds. “Annual Installments” means, with respect to each parcel of Improvement Area #1 Assessed Property, each annual payment of the Assessments (including both principal of and interest on the Assessments) as shown on the Assessment Roll for Improvement Area #1 attached to the Service and Assessment Plan and related to the Improvement Area #1 Projects; which annual payment includes the Annual Collection Costs and the 0.50% additional interest rate (the “Additional Interest”) collected on each annual payment of the Assessments as described in the Indenture and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update. The City has covenanted in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. See “SECURITY FOR THE BONDS — Pledged Revenue Fund,” “APPENDIX A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

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

Collection and Deposit of Assessments

The Assessments shown on the Assessment Roll, together with the interest thereon, shall first be applied to the payment of the principal of and interest on the Bonds as and to the extent provided in the Service and Assessment Plan and the Indenture.

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

A record of the Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds is shown on the Assessment Roll. Sums received from the collection of the Assessments to pay the debt service requirements (including delinquent installments, Foreclosure Proceeds and penalties) and of the interest thereon shall be deposited into the Bond Pledged Revenue Account of the Pledged Revenue Fund. Notwithstanding the foregoing, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account to restore any transfers from the Reserve Account made with respect to the parcel(s) of Improvement Area #1 Assessed Property to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the parcel(s) of Improvement Area #1 Assessed Property to which the Foreclosure Proceeds relate, and third, to the Redemption Fund. The Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund. See "SECURITY FOR THE BONDS — Pledged Revenue Fund" and "APPENDIX A — Form of Indenture."

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

Unconditional Levy of Assessments

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

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

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

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

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

Perfected Security Interest

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

Pledged Revenue Fund

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

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

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

Subject to the provisions of the Reimbursement Agreement, from time to time as needed to pay the obligations relating to the Actual Costs of the Improvement Area #1 Projects that are paid by the Developer, the Trustee shall withdraw from the Developer Reimbursement Pledged Revenue Account and transfer to the Reimbursement Fund such amount needed to pay the Developer for funds it paid to fund Actual Costs of the Improvement Area #1 Improvements, including any accrued interest. When all amounts due to the Developer to pay it for the funds it used to pay for the Actual Costs of the Improvement Area #1 Projects have been paid to the Developer, whether through Assessments received and applied in accordance with the Indenture and the Service and

Assessment Plan or an Annual Service Plan Update, or through the proceeds of Additional Bonds, no further deposits shall be made to the Developer Reimbursement Pledged Revenue Account and the Developer Reimbursement Pledged Revenue Account shall be closed.

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

Notwithstanding the deposits described in (i) through (vi) of the first paragraph of this subsection, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account to restore any transfers from the Reserve Account made with respect to the Assessed Parcels to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, and third, to the Redemption Fund.

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

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

Bond Fund

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds Similarly Secured, less any amount to be used to pay interest on the Bonds Similarly Secured on such Interest Payment Date from the Capitalized Interest Account as provided in the Indenture.

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

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

<u>Date</u>	<u>Amount</u>
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Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Improvement Area #1 Improvements Account of the Project Fund or the Improvement Area #1 Major Improvements Account of the Project Fund, as directed by the City Certificate, or if the Improvement Area #1 Improvements Account of the Project Fund and the Improvement Area #1 Major Improvements Account of the Project Fund have been closed as provided in the Indenture, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Project Fund

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

The disbursement of funds from the Improvement Area #1 Improvements Account or Improvement Area #1 Major Improvements Account pursuant to a Certification for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Construction, Funding, and Acquisition Agreement and subject to the limitation below.

Until such time as \$_____ (the "Unrestricted Amount") has, collectively, been disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account, disbursements from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund to pay Actual Costs of the Improvement Area #1 Projects shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the City or its designee approving the disbursement to the Developer or the Developer's designee. Once the Unrestricted Amount has, collectively, been disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account, and until such time as the Trustee receives a City Certificate confirming that the Release Restriction (as defined below) has been satisfied, the Trustee is prohibited from releasing additional funds from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account to the Developer or the Developer's designee pursuant to a Certification for Payment. Once the Trustee has received the City Certificate confirming the satisfaction of the Release Restriction, disbursements of funds in excess of the Unrestricted Amount from Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the City or its designee approving the disbursement to the Developer or the Developer's designee, without the requirement for an additional City Certificate.

Moneys in excess of the Unrestricted Amount may be disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund only if the City has issued a certificate of occupancy for at least 10 homes within Improvement Area #1 (the "Release Restriction"). Until such time as the Release Restriction has been satisfied and the City has submitted a City Certificate to the Trustee confirming that the Release Restriction has been satisfied, the City may not approve a Certification for Payment and the Trustee may not disburse funds in an amount that would cause the total amount to be and that has been disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund to exceed the Unrestricted Amount. In the event all amounts deposited into the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund pursuant to the Indenture have not been expended by May 15, 2025, the City, pursuant to a City Certificate, shall direct the Trustee to transfer all funds then on deposit in the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund to the Redemption Funds in order to redeem Bonds pursuant to the Indenture.

If a City Representative determines in his or her sole discretion that amounts then on deposit in the Improvement Area #1 Improvements Account of the Project Fund or the Improvement Area #1 Major Improvements Account of the Project Fund are not expected to be expended for the purposes of such Account, due to the abandonment, or constructive abandonment, of the Improvement Area #1 Improvements or the Improvement Area #1 Major Improvements, as the case may be, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Improvement Area #1 Improvements Account of the Project Fund or the Improvement Area #1 Major Improvements Account of the Project Fund, will ever be expended for the purposes of such Account, the City

Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Area #1 Improvements Account of the Project Fund or the Improvement Area #1 Major Improvements Account of the Project Fund that are not expected to be used for purposes of such Account. If such City Certificate is so filed, the amounts on deposit in the Improvement Area #1 Improvements Account of the Project Fund and/or Improvement Area #1 Major Improvements Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds Similarly Secured on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

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

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

Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Reserve Account has been created within the Reserve Fund for the benefit of the Bonds Similarly Secured and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the initial Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds as of their date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of their date of issuance, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$ _____. In the event a series of Additional Bonds is issued, the Reserve Account Requirement will be adjusted in accordance with the provisions of the Indenture. See "SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds" herein.

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

Whenever Bonds Similarly Secured are to be redeemed with the proceeds of Prepayments pursuant to the Indenture, the Trustee shall transfer, on the Business Day prior to the redemption date (or on such other date as agreed to by the City and the Trustee), from the Reserve Account of the Reserve Fund to the Redemption Fund, an amount specified in a City Certificate to be applied to the redemption of the Bonds Similarly Secured. The amount so

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

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

Additional Interest Account of the Reserve Fund

Pursuant to the Indenture, an Additional Interest Reserve Account has been created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 15 and September 15 of each year, commencing March 15, 2023, an amount equal to the Additional Interest collected, if any, and as shown in the Improvement Area #1 Assessment Roll attached to the Service and Assessment Plan or an Annual Service Plan Update, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall, and the City shall resume collecting the Additional Interest and shall file a City Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the City shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds Similarly Secured from the proceeds of a Prepayment pursuant to the Indenture. In the event the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement then the deposits described in the immediately preceding sentence shall continue until the Additional Interest Reserve Account has been fully replenished to the Additional Interest Reserve Requirement. If, after such deposits, there is surplus Additional Interest remaining in excess of the Additional Interest Reserve Requirement, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the City of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update, unless and until it receives a City Certificate directing that a different amount be used. Whenever a transfer is made from an Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn and the source of said funds.

The Additional Interest Reserve Requirement is an amount equal to 5.5% of the principal amount of the Outstanding Bonds Similarly Secured to be funded from Assessment Revenues to be deposited to the Pledged Revenue

Fund and transferred to the Additional Interest Reserve Account. See “APPENDIX A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

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

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

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

Administrative Fund

The City has created under the Indenture an Administrative Fund held by the Trustee and in the Administrative Fund, the District Administration Account. The City shall deposit or cause to be deposited to the District Administration Account of the Administrative Fund the amounts collected each year to pay Annual Collection Costs and Delinquent Collection Costs. Moneys in the District Administration Account of the Administrative Fund shall be held by the Trustee separate and apart from the other Funds and Accounts created and administered under the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan. See “APPENDIX B — Form of Service and Assessment Plan.”

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

Defeasance

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

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

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

Events of Default

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

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

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

Remedies in Event of Default

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

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

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

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the 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 under the Indenture, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of not less than 25% of the aggregate principal amount of the Bonds Similarly Secured then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds Similarly Secured then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds Similarly Secured shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right under the Indenture except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the registered owners of all Bonds Similarly Secured then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, 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 and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee, on behalf of the City, and the fees of the Trustee in carrying out the Indenture, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds Similarly Secured, as follows:

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

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

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

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

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

Investment or Deposit of Funds

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

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

Against Encumbrances

Other than Refunding Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate, other than that specified in the Indenture,

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

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

Additional Obligations or Other Liens; Additional Bonds

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

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

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

- (i) The Trustee shall receive a certificate from the City Representative certifying that (A) the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in the Indenture and (B) the Developer is not delinquent with respect to fees or any other funds or commitments to be paid to the City in accordance with the Development Agreement or the Reimbursement Agreement;
- (ii) The Trustee and the City shall receive a certificate from the Developer, through an authorized representative, certifying that the Developer is not in default beyond any applicable notice and cure period in the performance and observance of any of the terms, provisions and conditions applicable to the Developer contained in the Reimbursement Agreement, the Development Agreement or any continuing disclosure agreement entered into by the Developer relating to any Bonds Similarly Secured or Additional Obligations, unless any defaults under the foregoing agreements (except for defaults under any continuing disclosure agreements entered into by the Developer which defaults shall be cured) are disclosed in a certificate from the Developer to the City and the City elects to proceed with the issuance of the Additional Bonds regardless of the existence of such default or defaults;
- (iii) The Trustee and the City shall receive a certificate from the Administrator certifying that the Developer is not delinquent with respect to the payment of Assessments or any ad valorem taxes (other than any ad valorem taxes being contested in good faith);
- (iv) The City and the Trustee shall receive a certificate from the Developer, through an authorized representative, certifying that no less than sixty (60) certificates of occupancy have been issued for single-family lots located with in Improvement Area #1 of the District;
- (v) The principal (including sinking fund installments) of the Additional Bonds must be scheduled to mature on September 15 of the years in which principal is scheduled to mature;
- (vi) The interest on the Additional Bonds must be scheduled to be paid on March 15 and September 15 of the years in which interest is scheduled to be paid;

- (vii) The Reserve Account Requirement shall be increased by an amount equal to twenty-five percent (25%) of the Maximum Annual Debt Service on the proposed Additional Bonds to be issued as of the Closing Date of such series of Additional Bonds; provided, however, that the Reserve Account Requirement will not be increased by more than 10% of the principal amount of the Additional Bonds (or if the Additional Bonds are issued with more than 2% net original issue discount or premium, 10% of the proceeds of the Additional Bonds); provided further, however, the Reserve Account Requirement shall not exceed the least of (i) Maximum Annual Debt Service on the Bonds Similarly Secured, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds Similarly Secured or the combined original issue price of the Bonds Similarly Secured;
- (viii) The issuance of such Additional Bonds shall not cause the amount of the Annual Installments to be collected in any year after the issuance of such Additional Bonds to exceed the amount of the Annual Installments collected in the year of the issuance of such Additional Bonds; and
- (ix) The maximum principal amount of Additional Bonds that may be issued, subject to the approval of the City, in total, is the lesser of (i) the then outstanding balance of the Reimbursement Agreement and (ii) the then outstanding Assessments, less the Assessments required to pay the principal of the Bonds.

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

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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 15)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	\$	\$
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total	\$	\$	\$

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SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount	\$
Total Sources	\$
Uses of Funds:	
Deposit to Improvement Area #1 Improvements Account of the Project Fund	\$
Deposit to Improvement Area #1 Major Improvements Account of the Project Fund	
Deposit to Capitalized Interest Account of Bond Fund	
Deposit to Reserve Account of the Reserve Fund	
Deposit to District Administration Account of the Administrative Fund	
Deposit to Costs of Issuance Account of the Project Fund	
Underwriter's Discount ⁽¹⁾	
Total Uses	\$

⁽¹⁾ Includes Underwriter's Counsel's fee of \$ _____.

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OVERLAPPING TAXES AND DEBT

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

In addition to the Assessments described above, the Developer anticipates that each lot owner in Improvement Area #1 of the District will pay a maintenance and operation fee and/or a property owner’s association fee annually to a homeowner’s association (the “HOA”). The District is currently located within the extraterritorial jurisdiction of the City. The Developer has submitted an annexation petition for the property within the District and the City has called a public hearing on such annexation. The City expects to annex the property in the District on April 28, 2022.

In addition to the City, Denton County, Texas, and the Pilot Point Independent School District may each levy ad valorem taxes upon land in Improvement Area #1 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. The District is currently located within the extraterritorial jurisdiction of the City and within Denton County, Texas. The District also lies within the boundaries of Mobberly Water Control and Improvement District of Denton County (“Mobberly WCID”), a water control and improvement district, which may levy ad valorem taxes, but does not currently do so. Mobberly WCID has no outstanding debt secured by ad valorem taxes and is expected to dissolve and be inactive by operation of State law upon the annexation of the District into the City limits of the City. See “THE DEVELOPMENT – Mobberly Water Control and Improvement District of Denton County.”

The following tables reflect the estimated overlapping ad valorem tax rates and overlapping indebtedness payable from ad valorem taxes with respect to property within Improvement Area #1 of the District, as well as City debt secured by the Assessments, after delivery of the Bonds.

OVERLAPPING TAX RATES (PRIOR TO ANNEXATION)

<u>Taxing Entity⁽³⁾</u>	<u>Tax Year 2022 Ad Valorem Tax Rate⁽¹⁾</u>
Denton County, Texas	0.2331
Pilot Point Independent School District	<u>1.1603</u>
Total Existing Tax Rate	<u>\$1.3934</u>
Estimated Average Annual Installment in Improvement Area #1 of the District as a tax rate equivalent per Parcel⁽²⁾	<u>\$0.9383</u>
Estimated Total Tax Rate and Average Annual Installment in Improvement Area #1 of the District as a tax rate equivalent per Parcel⁽²⁾	<u>\$2.3317</u>

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

⁽²⁾ Source: P3Works, LLC. Derived from information presented in the Service and Assessment Plan. See “APPENDIX B – Form of Service and Assessment Plan.” Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. *Preliminary, subject to change.*

⁽³⁾ The District lies within the boundaries of Mobberly WCID. Mobberly WCID may levy taxes but does not currently levy an ad valorem tax. Mobberly WCID is expected to dissolve and be inactive by operation of State law upon the annexation of the District into the City limits of the City. The City expects to annex the land within the District on April 28, 2022. See “THE DEVELOPMENT – Mobberly Water Control and Improvement District of Denton County.”

Source: Denton Central Appraisal District and the City.

As noted above, Improvement Area #1 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is

an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to the property within Improvement Area #1 of the District, as of March 31, 2022, and City debt secured by the Assessments:

OVERLAPPING DEBT (PRIOR TO ANNEXATION)

<u>Taxing or Assessing Entity</u>	Gross Outstanding Debt as of 3/31/2022	Estimated Percentage Applicable ⁽¹⁾	Direct and Estimated Overlapping Debt ^{(1),(2)}
The City (Assessments – The Bonds)	\$ 14,650,000	100.000%	\$14,650,000
The City (Assessments – Reimbursement Agreement) ⁽²⁾	2,960,287	100.000%	2,960,287
Denton County, Texas	572,620,000	0.023%	132,097
Pilot Point Independent School District	<u>39,555,000</u>	2.818%	<u>1,114,666</u>
TOTAL	<u>\$629,785,287</u>		<u>\$18,857,050</u>

⁽¹⁾ Based on the Appraisal for Improvement Area #1 of the District and on the Tax Year 2021 Net Taxable Assessed Valuations for the taxing entities.

⁽²⁾ Represents the amount financed for the Improvement Area #1 Projects pursuant to the Reimbursement Agreement, which is secured by a subordinate lien on the Assessments. The City, upon satisfying certain financial covenants, may issue additional bonds to finance its obligations under the Reimbursement Agreement. See “SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds.”

Source: *Municipal Advisory Council of Texas*

The Developer has submitted an annexation petition for the property within the District and the City has called a public hearing on such annexation. The City expects to annex the property in the District on April 28, 2022. See “THE DEVELOPMENT – Development Agreement.” The following table reflects the estimated overlapping ad valorem tax rates and overlapping indebtedness payable from ad valorem taxes with respect to property within the District, as well as City debt secured by the Assessments, after delivery of the Bonds and the City’s annexation of the land within the District.

OVERLAPPING TAX RATES (AFTER ANNEXATION)

<u>Taxing Entity⁽³⁾</u>	<u>Tax Year 2022 Ad Valorem Tax Rate⁽¹⁾</u>
The City	\$0.6362
Denton County, Texas	0.2331
Pilot Point Independent School District	<u>1.1603</u>
Total Existing Tax Rate	<u>\$2.0296</u>
Estimated Average Annual Installment in Improvement Area #1 of the District as a tax rate equivalent per Parcel⁽²⁾	<u>\$0.9383</u>
Estimated Total Tax Rate and Average Annual Installment in Improvement Area #1 of the District as a tax rate equivalent per Parcel⁽²⁾	<u>\$2.9679</u>

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

⁽²⁾ Source: P3Works, LLC. Derived from information presented in the Service and Assessment Plan. See “APPENDIX B – Form of Service and Assessment Plan.” Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. *Preliminary, subject to change.*

⁽³⁾ The District lies within the boundaries of Moberly WCID. Moberly WCID may levy taxes but does not currently levy an ad valorem tax. Moberly WCID is expected to dissolve and be inactive by operation of State law upon the annexation of the District into the City limits of the City. The City expects to annex the land within the District on April 28, 2022. See “THE DEVELOPMENT – Moberly Water Control and Improvement District of Denton County.”

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

OVERLAPPING DEBT (AFTER ANNEXATION)

<u>Taxing or Assessing Entity</u>	Gross Outstanding Debt as of 3/31/2022	Estimated Percentage Applicable ⁽¹⁾	Direct and Estimated Overlapping Debt ^{(1),(2)}
The City (Assessments - The Bonds)	\$ 14,650,000	100.000%	\$14,650,000
The City (Assessments – Reimbursement Agreement) ⁽²⁾	2,960,287	100.000%	2,960,287
The City (Ad Valorem Taxes)	31,775,000	6.606%	2,098,987
Denton County, Texas	572,620,000	0.023%	132,097
Pilot Point Independent School District	<u>39,555,000</u>	2.818%	<u>1,114,666</u>
TOTAL	<u>\$661,560,287</u>		<u>\$20,956,037</u>

⁽¹⁾ Based on the Appraisal for Improvement Area #1 of the District and on the Tax Year 2021 Net Taxable Assessed Valuations for the taxing entities.

⁽²⁾ Represents the amount financed for the Improvement Area #1 Projects pursuant to the Reimbursement Agreement, which is secured by a subordinate lien on the Assessments. The City, upon satisfying certain financial covenants, may issue additional bonds to finance its obligations under the Reimbursement Agreement. See “SECURITY FOR THE BONDS – Additional Obligations or Other Liens; Additional Bonds.”

Source: Municipal Advisory Council of Texas

If land is devoted principally to agricultural use, a landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land’s agricultural value. All of the property in the District is currently subject to an agricultural use valuation with respect to its ad valorem taxes. Agricultural use includes production of crops or livestock. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. The property in the District is subject to hay and/or grazing leases. These leases and lessees’ operations on the property allow the property to maintain its agricultural valuation. The Developer expects to terminate these leases as construction of improvements commences. The Developer expects that the agricultural valuation in Improvement Area #1 of the District will terminate in 2Q 2022.

If land is devoted principally to agricultural use, a landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land’s agricultural value. If land qualified for an agricultural valuation but the land use changes to a non-agricultural use, “rollback taxes” are assessed for each of the previous 3 years in which the land received the lower agricultural valuation. The rollback tax is the difference between taxes paid on land’s agricultural value and the taxes that the landowner would have paid if the land had been taxed on a higher market value plus interest charged for each year from the date on which taxes would have been due.

If the land use changes to a non-agricultural use on only a portion of a larger tract, the 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 for which use changed and not for the entire tract.

Under Texas law, an owner of land that is entitled to an agricultural valuation has the right to redeem such property after a tax sale for delinquent ad valorem property taxes for a period of two years after the tax sale by paying to the tax sale purchaser a 25% premium, if redeemed during the first year, or a 50% premium, if redeemed during the second year, over the purchase price paid at the tax sale and certain qualifying costs incurred by the purchaser.

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

ASSESSMENT PROCEDURES

General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when

the City determined to defray a portion of the costs of the Improvement Area #1 Projects through Assessments, it adopted a resolution generally describing the Improvement Area #1 Projects and the land within Improvement Area #1 of the District to be subject to Assessments to pay the cost therefor. The City has caused an assessment roll to be prepared (the “Assessment Roll”), which Assessment Roll shows the land within Improvement Area #1 of the District to be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of Annual Installments in which the Assessment is divided. The Assessment Roll was filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area #1 Projects and funding a portion of the same with Assessments. The City levied the Assessments and adopted the Assessment Ordinance on February 10, 2022 and, after the adoption, the Assessments became legal, valid and binding liens upon the property against which the Assessments are made.

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

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of assessable property as a result of the Improvement Area #1 Projects, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Improvement Area #1 Projects 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 Projects are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Improvement Area #1 Projects will be allocated to the parcels against which the Assessments are levied (the “Assessed Parcels”) by spreading the entire Assessment across all Parcels and Lots within Improvement Area #1 of the District on the ratio of estimated build-out value of each Parcel or Lot to the estimated build-out value for all Parcels or Lots within Improvement Area #1 of the District.

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

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

Lot type	Planned No. of Units	Estimated Finished lot Value per unit ⁽¹⁾	Projected Average Home Value per unit	Total Assessment per unit	Portion of Assessment per unit Applicable to the Bonds	Average Annual Installment of Total Assessment per unit ⁽⁴⁾	Tax Rate Equivalent of Average Annual Installment of Total Assessment (per \$100 lot Value) ⁽⁴⁾	Tax Rate Equivalent of Average Annual Installment of Total Assessment (per \$100 Home Value) ⁽⁴⁾	Estimated Ratio of Estimated Lot Value to Portion of Assessment Applicable to the Bonds ⁽²⁾	Estimated Ratio of Estimated Lot Value to Total Assessment ⁽³⁾	Ratio of Projected Average Home Value to Total Assessment
40'	312	\$56,500	\$294,000	\$34,512.02	\$28,710.55	\$2,758.71	\$4.8827	\$0.9383	1.9679	1.6371	10.2401
50'	174	\$61,500	\$335,000	\$39,324.92	\$32,714.41	\$3,143.43	\$5.1113	\$0.9383	1.8799	1.5639	10.2401
Total	486										

Source: P3Works, LLC and information presented in the Service and Assessment Plan

⁽¹⁾ Estimated value of finished lots provided by the Developer at the time of levying the Assessments. Such amount differs from the base lot price for lots under the Lot Purchase and Sale Agreements (\$44,000 for 40' lots and \$49,000 for 50' lots). See "THE DEVELOPMENT—Merchant Builder Lot Purchase and Sale Agreements in the District." The Appraiser (based on the limiting conditions and assumptions described in the Appraisal) has estimated that the value of the finished lots in Improvement Area #1 of the District is approximately \$60,288 per lot. See "APPRAISAL OF PROPERTY IN IMPROVEMENT AREA #1 OF THE DISTRICT" and "APPENDIX E – Appraisal of Property in the District."

⁽²⁾ Includes only the portion of the Assessments securing the Bonds.

⁽³⁾ Includes the Assessments securing the Bonds and Assessments securing the Reimbursement Obligation.

⁽⁴⁾ Preliminary; subject to change.

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The estimated aggregate retail value of the assessable property in Improvement Area #1 of the District, as provided in the Appraisal (as defined herein) and subject to the limiting conditions therein, including the hypothetical condition that the Improvement Area #1 Projects are completed, is approximately \$29,300,000. The estimated ratio of the estimated aggregate retail value of the assessable property in Improvement Area #1 of the District to the par amount of the Bonds is 2.0:1.* See “THE DEVELOPMENT — Development Plan and Status of Development” for further information regarding the expected completion of the development within Improvement Area #1 of the District, “APPRAISAL OF PROPERTY IN IMPROVEMENT AREA #1 OF THE DISTRICT” and “APPENDIX E — Appraisal of Property in the District.”

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

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

Collection and Enforcement of Assessment Amounts

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

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

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

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

The City will determine or cause to be determined, no later than March 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the

* Preliminary; subject to change.

currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel.

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

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

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

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

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

Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments will be established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property consisting of the annual payment allocable to the Bonds and the Reimbursement Agreement and the Improvement Area #1 Projects for each Assessed Property, which amount includes: (1) principal; (2) interest; (3) Annual Collection Costs; and (4) Additional Interest, if applicable. The Annual Installments for the Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments have been levied against the parcels comprising the Assessed Property as indicated on the Assessment Roll. See “APPENDIX B — Form of Service and Assessment Plan” and “APPENDIX F — Form of Construction, Funding and Acquisition Agreement.”

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments shall be initially allocated to the Parcels consisting of the Assessed Property based on the ratio of estimated build-out value of each Parcel in Improvement Area #1 to estimated build-out value of all Parcels in Improvement Area #1.

Division Prior to Recording of Subdivision Plat. Upon the division of any Assessed Property prior to the recording of 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 buildout value of an Assessed Property shall be performed by the Administrator and confirmed by the City Council based on information from homebuilders, market studies, appraisals, Official Public Records of the County, and any other relevant information regarding the Assessed Property, as provided by the Owner. 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 next Annual Service Plan Update and approved by the City Council.

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 the 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 Average Buildout Value of all newly subdivided Lots with same Lot Type

D = the sum of the Estimated Average Buildout Value for all of the newly subdivided Lots excluding Non-Benefitted Property

E = the number of 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 considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any other factors that may impact value. The calculation of the estimated buildout value for a lot shall be performed by the Administrator and confirmed by the City Council based on information provided by the Owner, homebuilders, third party consultants, and/or the Official Public Records of the County regarding the lot.

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 next Annual Service Plan Update and approved by the City Council.

Upon Consolidation. If two or more lots or Parcels are consolidated, 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.

Mandatory Prepayment of Assessments. If an Assessed Property is transferred to a person or entity that is exempt from payment of the Assessment, the owner transferring the Assessed Property shall pay to the City the full amount of the applicable Assessment, plus Prepayment Costs and Delinquent Collection Costs for such Assessed Property, prior to the transfer. If the owner of an Assessed Property causes the Assessed Property to become Non-Benefited Property, the owner causing the change in status shall pay the full amount of the Assessment, plus Prepayment Costs and Delinquent Collection Costs, prior to the change in status. Following payment of the foregoing costs in full, the City shall provide the owner with a recordable “Notice of PID Assessment Termination,” a form of which is attached to the Service and Assessment Plan.

Maximum Assessment. Notwithstanding the foregoing, the Service and Assessment Plan establishes a “Maximum Assessment” for each lot type in Improvement Area #1 of the District, which Maximum Assessment is currently calculated at \$34,512.02 for 40’ lots and \$39,324.92 for 50’ lots in Improvement Area #1. See “APPENDIX B — Form of Service and Assessment Plan.”

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 exceeding the Maximum Assessment. If the Administrator determines that the resulting Assessment per lot for any lot type will exceed the Maximum Assessment, then (i) the Assessment applicable to each lot type shall each be reduced to the Maximum Assessment, and (ii) the person or entity filing the plat shall pay to the City, as a mandatory prepayment of the Assessment, the amount the Assessment was reduced, plus Prepayment Costs and Delinquent Collection Costs, prior to the City approving the final plat.

A final plat for Improvement Area #1 is expected to be accepted by the City on April 28, 2022.

For further information about apportionment of the Assessments, See “APPENDIX B — Form of Service and Assessment Plan.”

Prepayment of Assessments

Pursuant to the PID Act and the Indenture, the owner of any property assessed may voluntarily prepay (a “Prepayment”) all or part of any Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments. To the extent that any Assessment is prepaid, the lien on real property associated with such Assessment prepayment shall be released and any rights of the Trustee and the bond owners to request the City to proceed with foreclosure procedures for the purpose of protecting and enforcing the rights of the bond owners with respect to such property shall terminate.

Allocation of Annual Installments

Amounts collected from the Annual Installments shall be allocated, first, to the amount due for the Bonds, including any amounts collected and due for Additional Interest and Annual Collection Costs, and second, to amounts due to pay the City’s obligation under the Reimbursement Agreement. If an owner makes a partial payment

of an Annual Installment, such amount shall be allocated entirely to the amount due for the Bonds, until the portion of the Annual Installment related to the Bonds has been satisfied and only after satisfying the amounts due for the Bonds, will the partial payment be used to pay amounts due under the Reimbursement Agreement. The amounts due under the Reimbursement Agreement will remain subordinated to the Bonds and any Additional Bonds issued, which will be secured on a partial lien of the Assessments with the Bonds.

Priority of Lien

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

Foreclosure Proceedings

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

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

In the Indenture, the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided that the City is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See "APPENDIX A – Form of Indenture." See also "APPENDIX D-1 – Form of City Disclosure Agreement" for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

In the Indenture, the City creates the Additional Interest Reserve Account under the Reserve Fund and will fund such account as provided in the Indenture. The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See "SECURITY FOR THE BONDS – Additional Interest Account of the Reserve Fund," "APPENDIX A – Form of Indenture" and "APPENDIX B – Form of Service and Assessment Plan."

THE CITY

Background

The District is currently located within the extraterritorial jurisdiction of the City. The Developer has submitted an annexation petition for the property within the District and the City has called a public hearing on such annexation. The City intends to annex the property in the District on April 28, 2022. The City is located in Denton, Grayson, and Cooke Counties, 50 miles north of Dallas and 15 miles northwest of the City of Denton. Access to the City is provided by State Highway 377, State Highway 1385, and Farm Road 455. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The City currently covers approximately 40 square miles. The City's current population estimate is 5,047.

City Government

The City is a political subdivision and is a municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City adopted a Home Rule Charter in November 2009. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members who are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

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

<u>Name</u>	<u>Place</u>	<u>Term Expires (May)</u>
Shea Dane-Patterson	Mayor	2022
Mario Cisneros	Place 1	2023
Everett Cummings	Place 2	2024
Chad Major	Place 3	2023
Elizabeth James	Place 4	2022
Dean Cordell	Place 5	2024
Matt McIlravy	Place 6, Mayor Pro Tem	2022

The principal administrators of the City include the following:

<u>Name</u>	<u>Position</u>
Britt M. Lusk	City Manager
Lenette Cox	City Secretary
Michele Sanchez	Finance Director

Major Employers

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

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Chandler Cabinets	Retail Store	240
Pilot Point ISD	Education	209
Empire Countertops	Counter Tops	100
Western Distillery	Beverage Manufacturing Plant	100
Countryside Nursing Center	Nursing Home	70
Pilot Point Care Center	Nursing Home	58
Brookshire Brothers	Retail Grocery	50
TriTex Cabinets	Cabinet Construction	45
Stanley Ford	Car Dealership	40
Trim Line, Inc.	Veterinary Product	13

Source: Municipal Advisory Council of Texas

Historical Employment in Denton County

	Average Annual				
	2022 ⁽¹⁾	2021	2020	2019	2018
Civilian Labor Force	548,055	528,401	503,962	503,398	483,589
Total Employed	532,024	505,287	471,296	488,509	468,029
Total Unemployed	16,031	23,114	32,666	14,889	15,560
Unemployment Rate	2.9%	4.4%	6.5%	3.0%	3.2%

Source: Texas Workforce Commission.

⁽¹⁾ Data through March 2022.

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Surrounding Economic Activity

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

City of Denton		City of Frisco		City of McKinney		City of Plano	
Approximately 20 miles from the City		Approximately 26 miles from the City		Approximately 30 miles from the City		Approximately 42 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees	Employer	Employees
University of North Texas	4,614	Frisco Independent School District	7,442	Raytheon Space & Airborne Systems	3,096	JP Morgan Chase	4,934
Denton Independent School District	4,417	City of Frisco	1,628	McKinney Independent School District	2,800	Capital One Finance	4,537
Peterbilt Motors-Headquarters & Plant	3,075	T-Mobile USA	1,000	Torchmark/United American	1,640	Bank of America	4,500
Texas Woman's University	1,875	Mario Sinacola & Sons Excavating	800	City of McKinney	1,369	Toyota Motor North America, Inc.	3,815
Denton County	1,803	Conifer	615	Encore Wire Corp.	1,350	NTT Data, Inc.	3,134
City of Denton	1,757	Baylor Medical Center	460	Collin College	852	Liberty Mutual Insurance Company	2,854
Denton State Supported Living Center	1,700	Fiserv	460	Baylor Medical Center	700	Ericsson	2,703
Texas Presbyterian Hospital	1,076	IKEA Frisco	423	Medical Center of McKinney	670	J.C. Penney Co., Inc.	2,420
Medical City Denton	950	UT Southwestern/ Texas Health Hosp.	415	Timber Blinds	350	USAA	2,092
Sally Beauty Holdings, Inc.	950	Baylor Scott White/ Centennial Hosp.	400	Watson & Chalin	350	Fannie Mae	2,000

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

City of Dallas	
Approximately 50 miles from the City	
Employer	Employees
Texas Instruments Inc.	11,527
Baylor University Medical Center	9,671
AT&T Inc.	8,100
Southwestern Airlines	7,859
Texas Health Presbyterian Hospital Dalla	6,501
TXU	5,500
Match Group	4,800
ClubCorp USA Inc.	4,634
Children's Medical Center of Dallas	4,487
Walmart Store	4,205

Source: Municipal Advisory Council of Texas

THE DISTRICT

General

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

Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake, or pay a developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The District is currently located within the extraterritorial jurisdiction of the City. The Developer has submitted an annexation petition for the property within the District and the City has called a public hearing on such annexation. The City expects to annex the property in the District on April 28, 2022. The PID Act provides that the City may levy and collect Assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or pay a developer for the costs of, the financing, acquisition, construction or improvement of the Improvement Area #1 Projects. See "THE IMPROVEMENT AREA #1 PROJECTS." Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain road, water, sanitary sewer, drainage, landscaping, hardscaping, and park improvements within Improvement Area #1 of the District and outside of the District comprising the Improvement Area #1 Projects and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See "ASSESSMENT PROCEDURES" herein and "APPENDIX B — Form of Service and Assessment Plan."

THE IMPROVEMENT AREA #1 PROJECTS

General

The Improvement Area #1 Projects consist of (a) Improvement Area #1's proportionate share of the costs of the Major Improvements and (b) the costs of the Improvement Area #1 Improvements. The Improvement Area #1 Projects will be dedicated to the City and/or MSUD, as applicable. The Developer was responsible for the completion of the construction, acquisition or purchase of the Improvement Area #1 Projects.

The City will pay project costs for the Improvement Area #1 Projects from proceeds of the Bonds. The Developer will submit payment requests on a monthly basis for costs actually incurred in developing and constructing the Improvement Area #1 Projects and be paid in accordance with the Indenture, the Reimbursement Agreement and the Construction, Funding, and Acquisition Agreement. See "THE DEVELOPMENT – Development Plan and Status of Development".

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

Street improvements: The street improvements within Improvement Area #1 of the District include 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. The street improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Water improvements: The water improvements within Improvement Area #1 of the District include 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. The water improvements will be designed and constructed according to MSUD and City standards and will be owned and operated by MSUD.

Sanitary sewer improvements: The sanitary sewer improvements within Improvement Area #1 of the District include 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. The sanitary sewer improvements will be designed and constructed according to MSUD and City standards and will be owned and operated by MSUD.

Storm drainage improvements: The storm drainage improvements within Improvement Area #1 of the District include 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. The storm drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Soft Costs: The soft costs within Improvement Area #1 of the District include 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.

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

Street improvements: The major street improvements within the District include 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. The street improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Sanitary sewer improvements: The major sanitary sewer improvements within the District include 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. The sanitary sewer improvements will be designed and constructed according to MSUD and City standards and will be owned and operated by MSUD.

Water improvements: The major water distribution system improvements within the District consist of 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. The water improvements will be designed and constructed according to MSUD and City standards and will be owned and operated by MSUD.

Storm drainage improvements: The major storm drainage improvements within the District consist of 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. The storm drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Soft Costs: The major improvements soft costs include costs related to designing, constructing, and installing the Major Improvements, including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, legal fees, and consultant fees.

The cost of the Improvement Area #1 Projects is expected to be approximately \$17,923,531*. A portion of the costs of construction of the Improvement Area #1 Projects in the amount of \$14,650,000* is expected to be funded with proceeds of the Bonds. See “SOURCES AND USES OF FUNDS.” The balance of the costs of the Improvement Area #1 Projects in the amount of \$3,273,531* has been paid or will be paid by the Developer, and a portion of such amount is expected to be reimbursed to the Developer under the terms of the Reimbursement Agreement or the proceeds of the Additional Bonds.

Construction of the Improvement Area #1 Projects began in December 2019. The Improvement Area #1 Improvements were completed in April 2022, and completion of the Major Improvements applicable to Improvement Area #1 is expected in April 2022. The Improvement Area #1 Projects will be dedicated to and accepted by the City and/or MSUD, as applicable, and a final plat for Improvement Area #1 is expected to be accepted by the City on April 28, 2022. As of April 4, 2022, the Developer has expended \$10,604,091 on the Improvement Area #1 Projects, which expenditures were financed with development loans and builder earnest money delivered pursuant to the lot purchase and sale agreements. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in the District” and “THE DEVELOPER – History and Financing of the District.” The remaining costs expected to be expended with respect to the Improvement Area #1 Projects include approximately \$1,252,740 relating to the Major Improvements applicable to Improvement Area #1 and bond issuance costs expected to be paid at the closing of the Bonds. In addition, City will acquire certain right of way from the Developer at closing of the Bonds as part of the costs of the Improvement Area #1 Projects.

The following table reflects the total expected costs of the Improvement Area #1 Projects.

<u>Type of Improvement</u>	<u>Costs*</u>
Street Improvements	\$3,618,897
Water	1,505,852
Sanitary Sewer	1,136,575
Storm Drainage	1,248,472
Right of Way	2,038,300
Soft Costs ⁽¹⁾	1,843,321
Bond Issuance & Other Costs ⁽²⁾	<u>3,326,090</u>
Subtotal	<u>\$14,717,507</u>
Major Improvements allocated to Improvement Area #1	<u>\$3,206,024</u>
Total Cost of Improvement Area #1 Projects	<u>\$17,923,531</u>

⁽¹⁾ 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, District Formation Costs, legal costs, consultants, and costs associated with financing the Improvement Area #1 Improvements.

⁽²⁾ Other Costs include a deposit to the Administrative Fund equal to the first year’s Annual Collection Costs.

Additionally, the Developer plans to construct or fund certain private improvements to serve the entire District over a period of five years consisting of an amenity center, retention walls, landscape and hardscape park amenities, trails and miscellaneous items related thereto and to the District (collectively, the “Private Improvements”). The approximate cost of the Private Improvements in the District is \$12,658,805. The costs of the Private Improvements will be paid entirely by the Developer using funds from the Liberty Loan without reimbursement by the City. As of April 4, 2022, the Developer has expended approximately \$377,000 on the Private Improvements in the District.

* Preliminary; subject to change.

Ownership and Maintenance of Improvements

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

THE DEVELOPMENT

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

Overview

The land within the District will be developed as a development to be known as "Mobberly Farms" (the "Development"). The Development is an approximately 474 acre master planned project currently located within the extraterritorial jurisdiction of the City, near the intersection of FM 1385 and Mobberly Road. The Development is approximately 26 miles northeast of the City of Frisco, Texas, 45 miles northeast of the City of Plano, Texas, and 45 miles northeast of Dallas Fort Worth International Airport. The City expects to annex the land within the Development into the corporate limits of the City on April 28, 2022. The City, located in the north-central region of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (the "DFW MSA"), is poised for significant growth as the overall DFW MSA continues its growth trajectory.

The land within the Development is owned by the Developer, which is an affiliate of Centurion American Custom Homes Inc. d/b/a Centurion American Development Group Inc. ("Centurion"), as described below in "THE DEVELOPER — Description of the Developer." See "THE DEVELOPER — History and Financing of the District". The Developer develops infrastructure and community improvements (amenities, parks, trails, etc.) and sells residential lots to high-quality production homebuilders under lot takedown contracts. The Development will include a variety of trails, ponds, an amenity center and open space areas for its residents and others to enjoy. This combination will provide its residents a community environment in which to live. The Development is located in the Pilot Point Independent School District.

Development Plan and Status of Development

The Developer expects to develop the Development as a master planned development which is expected to consist of approximately 1,989 single-family units at buildout. The Developer will develop the Development in distinct areas, which development began with development of the infrastructure to serve Improvement Area #1 of the District and a portion of the major infrastructure to serve the entire District. Such development is continuing with development of the infrastructure to serve Improvement Area #2 and will be followed by the infrastructure to serve the Future Improvement Areas and additional major infrastructure to serve the District. See "THE DEVELOPMENT — Concept Plan," "THE IMPROVEMENT AREA #1 PROJECTS" and "APPENDIX B — Form of Service and Assessment Plan."

Construction of the Improvement Area #1 Projects began in December 2019. The Improvement Area #1 Improvements were completed in April 2022, and completion of the Major Improvements applicable to Improvement

Area #1 is expected in April 2022. As of April 4, 2022, the Developer has expended \$10,604,091 on the Improvement Area #1 Projects, which expenditures were financed with development loans and builder earnest money delivered pursuant to the lot purchase and sale agreements. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in the District” and “THE DEVELOPER – History and Financing of the District.” The remaining costs expected to be expended with respect to the Improvement Area #1 Projects include approximately \$1,252,740 relating to the Major Improvements applicable to Improvement Area #1 and bond issuance costs expected to be paid at the closing of the Bonds. In addition, City will acquire certain right of way from the Developer at closing of the Bonds as part of the costs of the Improvement Area #1 Projects. See “SOURCES AND USES” and “THE IMPROVEMENT AREA #1 PROJECTS.”

The Developer expects to begin construction of the Improvement Area #2 Projects in 2Q 2022 and complete the Improvement Area #2 Projects in 3Q 2023.

In addition to the Improvement Area #1 Projects and Improvement Area #2 Projects, the Developer will construct the Major Improvement Area Projects. The Developer will begin construction of the Major Improvement Area Projects in 2Q 2022 and expects to complete construction of the Major Improvement Area Projects in 3Q 2023.

Proceeds of the Bonds will pay for a portion of the costs of the Improvement Area #1 Projects. The Developer has funded or will fund the \$3,273,531* balance of the Improvement Area #1 Projects not expected to be paid with proceeds of the Bonds using funds from the Liberty Loan and a portion of such costs is expected to be reimbursed in accordance with the terms of the Reimbursement Agreement. See “SOURCES AND USES OF FUNDS.” Proceeds of the Improvement Area #2 Bonds are expected to pay for a portion of the costs of the Improvement Area #2 Projects and proceeds of the Major Improvement Area Bonds are expected to pay a portion of the costs of the Major Improvement Area Projects. See “PLAN OF FINANCE.”

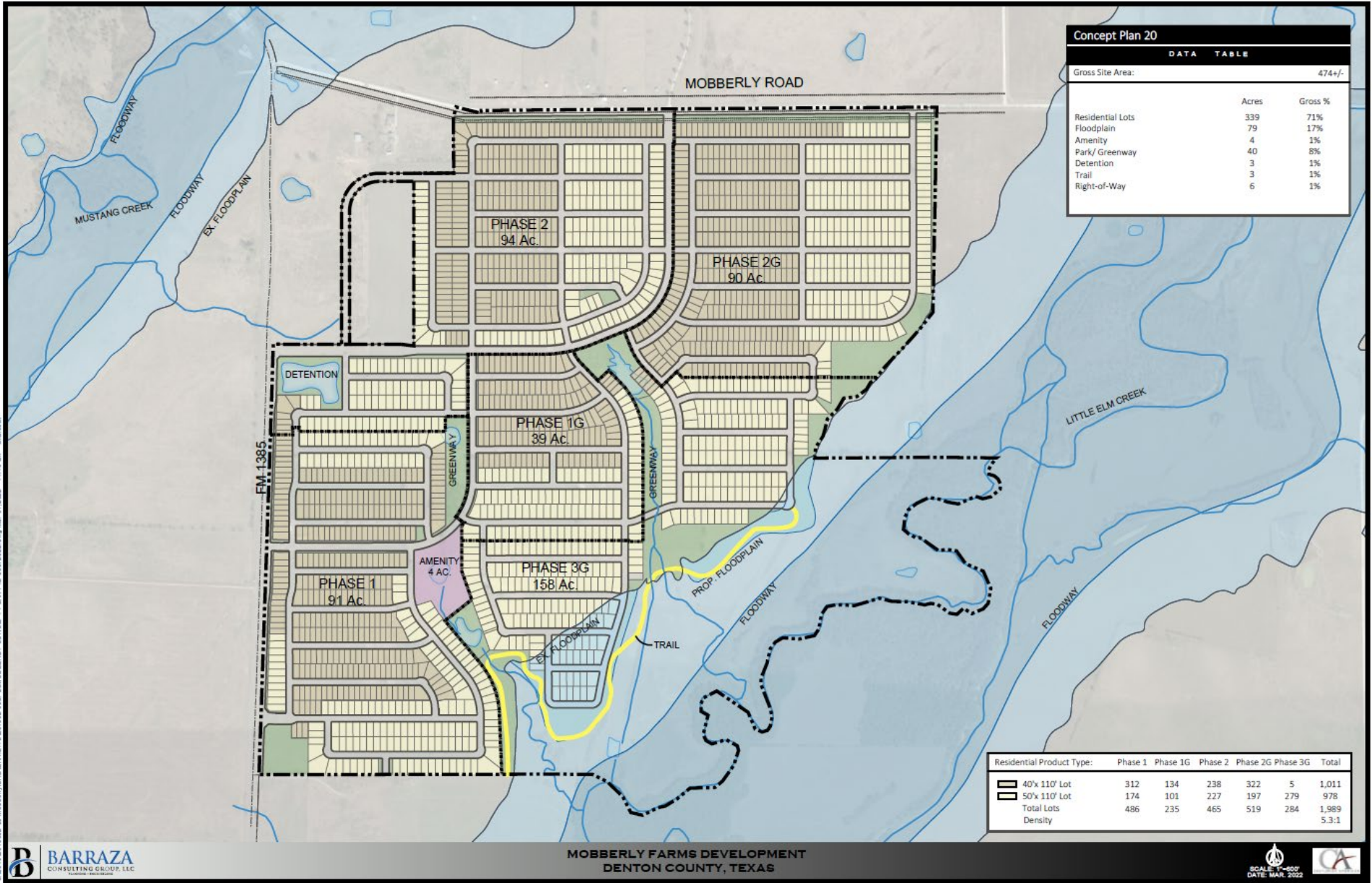
See “APPENDIX H – Photographs of Development within the District (Improvement Area #1)” for photographs of completed development within the District.

Concept Plan

Below is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City’s zoning and subdivision regulations upon annexation of the property in the District.

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* Preliminary; subject to change.



Concept Plan 20		
DATA TABLE		
Gross Site Area:		474+/-
	Acres	Gross %
Residential Lots	339	71%
Floodplain	79	17%
Amenity	4	1%
Park/ Greenway	40	8%
Detention	3	1%
Trail	3	1%
Right-of-Way	6	1%

Residential Product Type:	Phase 1	Phase 1G	Phase 2	Phase 2G	Phase 3G	Total
40'x 110' Lot	312	134	238	322	5	1,011
50'x 110' Lot	174	101	227	197	279	978
Total Lots	486	235	465	519	284	1,989
Density						5.3:1

Merchant Builder Lot Purchase and Sale Agreements in the District

The Developer has entered into lot purchase and sale agreements for all 1,989 lots within the District as described below.

Lennar. The Developer has entered into an Amended and Restated Purchase and Sale Agreement (as amended, the “Lennar 50’ PSA”) with Lennar Homes of Texas Land and Construction, Ltd. (“Lennar”) for approximately 200 fifty foot (50’) lots in the Development at a base lot price of \$49,000 per lot plus an escalator of 6% per annum. Under the Lennar 50’ PSA, the Developer and Lennar have agreed that the taxes and assessments to be incurred on the lots shall not exceed \$3.09.

The Developer has also entered into an Amended and Restated Purchase and Sale Agreement (as amended, the “Lennar 40’ PSA”) with Lennar for approximately 203 forty foot (40’) lots in the Development at a base lot price of \$44,000 per lot plus an escalator of 6%. Under the Lennar 40’ PSA, the Developer and Lennar have agreed that the taxes and assessments to be incurred on the lots shall not exceed \$3.09.

The Developer has also entered into a Purchase and Sale Agreement with Lennar for 786 lots in the Development (the “Lennar 786 PSA”) which will consist of 408 forty foot (40’) lots and 378 fifty foot (50’) lots. The base lot prices under the Lennar 786 PSA are \$44,000 per 40’ lot and \$49,000 per 50’ lot plus an escalator of 6% per annum.

M/I Homes. The Developer has entered into a Contract of Sale (as amended, the “M/I Homes PSA”) with M/I Homes of DFW, LLC (“M/I Homes”) for approximately 400 lots in the Development which is expected to include 200 forty foot (40’) lots and 200 fifty foot (50’) lots. The base lot prices under the M/I Homes PSA are \$44,000 per 40’ lot and \$49,000 per 50’ lot, plus an escalator of 5% per annum. Under the M/I Homes PSA, the Developer and M/I Homes have agreed that the taxes and assessments to be incurred on the lots shall not exceed \$3.09.

Pulte. The Developer has entered into a Real Estate Purchase and Sale Agreement (as amended, the “Pulte PSA”) with Pulte Homes of Texas, LP (“Pulte”) for approximately 400 lots in the Development which is expected to include 200 forty foot (40’) lots and 200 fifty foot (50’) lots. The base lot prices under the Pulte PSA are \$44,000 per 40’ lot and \$49,000 per 50’ lot, plus an escalator of 6% per annum. Under the Pulte PSA, the Developer and Pulte have agreed that the taxes and assessments to be incurred on the lots shall not exceed \$3.09.

The following table provides a summary of the earnest money deposited and to be deposited and released under the various lot purchase and sale agreements. No closings have occurred under such lot purchase and sale agreements, but approximately 72 lots are expected to be taken down in Improvement Area #1 by various builders on April 28, 2022.

<u>Homebuilder</u>	<u>Earnest Money Required</u>	<u>Earnest Money Deposited</u>	<u>Earnest Money Released</u>	<u>Earnest Money Remaining</u>
Lennar	\$8,200,000	\$6,074,488	\$6,074,488	\$2,125,512
M/I Homes	\$3,701,400	\$1,412,900	\$1,412,900	\$2,288,500
Pulte	\$3,701,000	\$1,460,000	\$1,460,000	\$2,241,000
	<u>\$15,602,000</u>	<u>\$8,947,388</u>	<u>\$8,947,388</u>	<u>\$6,655,012</u>

The Developer has executed earnest money deeds of trust securing the portion of earnest money which has been released to the Developer in connection with the development of Improvement Area #1. The Developer will execute an earnest money deed of trust securing additional earnest money deposited by the builder upon its release to the Developer for each respective phase of development. Such earnest money deeds of trust will grant the respective builder a second lien on certain property within the District. The Developer has used and expects to use the funds to pay for the costs of improvements within the Development.

The following table provides a summary of the terms of the lot purchase and sale agreements.

LOT PURCHASE AND SALE AGREEMENTS

<u>Homebuilder</u>	<u>Phase</u>	<u>Total Lots</u>	<u>Lot Size</u>	<u>Base Price Per Lot*</u>	<u>Fees</u>	<u>Lots per Takedown</u>
Lennar (40' PSA)	1	113	40'	\$44,000	\$500 marketing	<u>Initial Closing:</u> 13 lots
	2	90			\$1500 amenity	<u>Subsequent closings:</u> 13 lots every 90 days thereafter
Lennar (50' PSA)	1	58	50'	\$49,000	\$500 marketing	<u>Initial Closing:</u> 13 lots
	2	87			\$1500 amenity	<u>Subsequent closings:</u> 13 lots every 90 days thereafter
	2G	55				
Lennar (786 PSA)	1G	134	40'	\$44,000	\$500 marketing \$1500 amenity	<u>Phase 1G:</u> 50 lots at initial closing; 50 lots 120 days thereafter; 50 lots every 90 days thereafter
	2G	269				<u>Phase 2G:</u> 50 lots at initial closing; 50 lots 120 days thereafter; 50 lots every 90 days thereafter
	3G	5				<u>Phase 3G:</u> 50 lots at initial closing; 50 lots 120 days thereafter; 50 lots every 90 days thereafter
	1G	101	50'	\$49,000		<u>Phase 3G:</u> 50 lots at initial closing; 50 lots 120 days thereafter; 50 lots every 90 days thereafter
	3G	277				
M/I Homes	1	99	40'	\$44,000	\$500 marketing \$1500 amenity	<u>Initial Closing:</u> 11 x 40' lots and 10 x 50' lots <u>Second Closing:</u> 11 x 40' lots and 10 x 50' lots 120 days after Initial Closing <u>Subsequent closings:</u> 11 x 40' lots and 10 x 50' lots each quarter
	1	56	50'	\$49,000		
	2	60	40'	\$44,000		
	2	60	50'	\$49,000		
	2G	41	40'	\$44,000		
	2G	84	50'	\$49,000		
Pulte	1	100	40'	\$44,000	\$500 marketing \$1500 amenity	<u>Initial Closing:</u> 13 x 40' lots and 12 x 50' lots <u>Second Closing:</u> 13 x 40' lots and 12 x 50' lots 125 days after Initial Closing <u>Subsequent closings:</u> 13 x 40' lots and 12 x 50' lots every 90 days thereafter
	1	60	50'	\$49,000		
	2	88	40'	\$44,000		
	2	80	50'	\$49,000		
	2G	12	40'	\$44,000		
	2G	58	50'	\$49,000		
	3G	2	50	\$49,000		
Total		<u>1,989</u>				

* Excludes annual escalator.

Expected Build-Out and Home Prices in the Development

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

ESTIMATED HOME PRICES

<u>Improvement Area</u>	<u>Lot Size (Width in Ft.)</u>	<u>Quantity</u>	<u>Base Lot Price Excluding Fees*</u>	<u>Average Base Home Price**</u>
1	40'	312	\$44,000	\$294,000
	50'	174	\$49,000	\$335,000
2	40'	372	\$44,000	\$294,000
	50'	328	\$49,000	\$335,000
Future	40'	327	\$44,000	\$294,000
	50'	476	\$49,000	\$335,000

* Base Lot Prices differ from the assumed finished lot value utilized in the Service and Assessment Plan for the purposes of levying the Assessments (\$56,500 for 40’ lots and \$61,500 for 50’ lots). See “Assessment Procedures – Assessment Methodology - LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND LEVERAGE PER UNIT IN IMPROVEMENT AREA #1 OF THE DISTRICT”. The Appraiser (based on the limiting conditions and assumptions described in the Appraisal) has estimated that the value of the finished lots in Improvement Area #1 of the District is approximately \$60,288 per lot. See “THE APPRAISAL” and APPENDIX E.

** Developer estimates.

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

EXPECTED BUILD-OUT SCHEDULE THE DISTRICT

<u>Improvement Area</u>	<u>Single-Family Lots</u>	<u>Expected Start of Internal Infrastructure</u>	<u>Expected Internal Infrastructure Completion Date</u>	<u>Expected Final Lot Sale Date</u>
1	486	December 2019	March 2022	1Q 2023
2 (Phases 2 and 1G)	700	May 2022	3Q 2023	4Q 2025
Future (Phases 2G and 3G)	803	1Q 2025	1Q 2026	2Q 2028
Total	1,989			

EXPECTED ABSORPTION OF LOTS IN THE DISTRICT

<u>Improvement Area #1</u>		<u>Improvement Area #2 (Phase #2 and Phase # 1G)</u>		<u>Future Improvement Areas (Phase #2G and Phase # 3G)</u>	
<u>Expected Final Sale Date</u>	<u>Total Lots</u>	<u>Expected Final Sale Date</u>	<u>Total Lots</u>	<u>Expected Final Sale Date</u>	<u>Total Lots</u>
Q1 2022	72	Q3 2023	122	Q1 2025	100
Q2 2022	72	Q4 2023	122	Q2 2025	100
Q3 2022	72	Q1 2024	122	Q3 2025	100
Q4 2022	72	Q2 2024	122	Q4 2025	100
Q1 2023	72	Q3 2024	122	Q1 2026	100
Q2 2023	72	Q4 2024	90	Q2 2026	100
Q3 2023	54			Q3 2026	100
				Q4 2026	103

Future Improvement Area Bonds

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

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

Additional Bonds

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

Development Agreement

The Development Agreement sets forth certain agreements between the City and the Developer relating to the development of all property within the District, including the Developer’s and the City’s respective contributions to the Development, the issuance of public improvement district bonds for development in the District and agreements relating to a tax increment reinvestment zone (a “TIRZ”) which consists of land within the District and an adjacent development. Under the Development Agreement, the Developer is obligated, inter alia, to construct the Authorized Improvements to benefit the District and submit a petition for annexation for the property in the District prior to the issuance of the Bonds. The City further agreed in the Development Agreement to consider zoning for the Development in accordance with the Development Agreement after annexation. See “– Zoning” below.

The Development Agreement also sets forth the City’s commitment to form the TIRZ and to reimburse the Developer, in the form of Chapter 380 grant, for TIRZ projects and costs which promote local economic development and stimulate business and commercial activity in the City. See “THE DEVELOPER – History and Financing of the District – TIRZ and Chapter 380 Grant.”

Zoning

Development in the District is currently governed by the standards set forth in the Development Agreement, which allow certain residential uses and establishes guidelines pertaining to purpose, height, area, setbacks, landscaping and the like. The District is currently located in the extraterritorial jurisdiction of the City. Pursuant to the Development Agreement, the City intends to consider zoning the District as a planned development district after annexation into the City’s corporate limits. Upon annexation, the City will consider zoning the District consistent with the development standards, the Concept Plan, and the Development Agreement. Provisions of the Development Agreement control over any conflict with other City regulations.

Amenities

The Developer will construct certain amenities within the Development as part of the costs of the Private Improvements to serve the District, including hike and bike trails, open space improvements, pocket parks and a 2,000 square foot amenity center which will include a pool, playground, restrooms and parking. Construction of the amenity center is expected to begin in May 2022 and be completed in June 2023. The amenity center is expected to cost approximately \$2,000,000. Construction of the amenities other than the amenity center and applicable to each phase

will be completed on a phase by phase basis as each phase is developed. Construction of the amenities applicable to Improvement Area #1 is complete and construction of the amenities applicable to Improvement Area #2 is expected to be completed in 4Q 2023. The amenities, including the amenity center, are expected to be funded by the Liberty Loan.

Education

The Pilot Point Independent School District (“PPISD”) which serves a portion of Collin and Denton Counties, serves the District. PPISD enrolls over 1,400 students in one high school, one intermediate school, one middle school and one elementary school. Students in the District desiring to attend public school will attend Pilot Point Elementary (9.3 miles from the District), Pilot Point Selz Middle School (8.9 miles from the District) and Pilot Point High School (9.8 miles from the District). According to the Texas Education Agency (“TEA”), for 2018-2019 PISD, Pilot Point Middle School and Pilot Point High School most recently received a “District Accountability Rating” of “B” from the TEA and Pilot Point Elementary and Pilot Point Intermediate School most recently received a “District Accountability Rating” of “C” from the TEA. The TEA labeled all districts and campuses “Not Rated: Declared State of Disaster” for 2019-2020 and 2020-2021.

Existing Mineral Rights, Easements and Other Third Party Property Rights

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

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

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

Environmental

Phase One Environmental Site Assessments (the “Phase One ESAs”) of two tracts of land that included all land within the District, were completed on March 1, 2018 and May 13, 2019 by Alpha Testing. Based on the information presented in the Phase One ESAs, there was no evidence that the land within the District was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review and historical source review revealed no evidence of recognized environmental conditions involving the site.

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

Flood Designation

According to the Federal Emergency Management Agency (“FEMA”) FEMA Insurance Rate Map No. Panel Map Nos. 48121C0260G and 48121C0270G, each dated April 18, 2011 (the “FIRM Map”), an approximately 95.75 acre portion of the property in Improvement Area #1 of the District lies within Zone AE, which is within the 100 year

flood plain. A portion of land within the floodplain consisting of approximately 16.27 acres is expected to be reclaimed, with 13.27 of such acres being reclaimed for lot development in the Future Improvement Areas and 3 acres to be reclaimed for trails. The remaining portion of the land within the floodplain is expected to be open space.

Utilities

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

MSUD will construct the off-site water and wastewater infrastructure required to provide water supply and the wastewater collection system for the District.

MSUD will construct approximately 20,000 linear feet of 36-inch water main from their Houlihan Pump Station, along Shelby Lane to Mobberly Road and then to the intersection of Mobberly Road and FM 1385. The water improvements consist of the construction and installation of waterlines, mains, pipes, valves, and appurtenances, necessary to provide water services the District. These water improvements will be designed and constructed according to MSUD standards and specifications and will be owned and operated by the MSUD. The improvements are scheduled to be completed during the first quarter of 2022.

MSUD will construct approximately 8,000 linear feet of 12-inch to 15-inch gravity sanitary sewer line from the south portion of the District to a lift station to be located just north of FM 428. Then, approximately 3,000 linear feet of force main from the lift station across FM 1385 to their Sandbrock Wastewater Treatment Plant. The sanitary sewer improvements consist of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer collection service to the District. These sanitary sewer improvements will be designed and constructed according to MSUD standards and specifications and will be owned and operated by MSUD. The improvements are scheduled to be completed during the third quarter of 2022.

Other Utilities. Additional utilities in the District are provided by: (1) Phone/Data - AT&T and Suddenlink; (2) Electric - CoServ; (3) Cable – AT&T and Suddenlink; and (4) Natural Gas – Si Energy.

Mobberly Water Control and Improvement District of Denton County

The Development is currently covered by the Mobberly WCID. Mobberly WCID has not levied an ad valorem tax or issued debt secured by ad valorem taxes. Mobberly WCID is expected to dissolve and be inactive by operation of State law upon the annexation of the land within the District into the corporate limits of the City. The Developer has submitted an annexation petition for the property within the District and the City has called a public hearing on such annexation. The City expects to annex the property in the District on April 28, 2022.

THE DEVELOPER

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

General

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

Description of the Developer

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

Since 1990, Centurion has developed over 100,000 single-family lots in dozens of communities surrounding North Texas. It has worked closely with investors, land-owners, financial institutions, and vendors to acquire over 50,000 acres of land inventory for a diverse mix of developments in size and scope. Centurion's communities include amenities such as parks, golf courses, water park themes, and hiking and biking trails. Over the past thirty years, Centurion has demonstrated the ability to successfully deliver master-planned communities that have been recognized in the real estate industry.

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

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

<u>Name</u>	<u>County</u>	<u>Property Type</u>	<u>Starting Home Price</u>	<u>Status of Development</u>
*Entrada at Westlake	Tarrant	Mixed-use	\$1,100,000	Vertical ongoing
River Walk at Central Park	Denton	Mixed-use	\$375,000	Vertical Ongoing
The Villas at Twin Creeks	Collin	Single-family	\$230,000	Completed
Kensington Gardens	Dallas	Single-family	\$500,000	Phase 1: Started 6/2012 Phase 2: Delivered 12/2018
Water's Edge at Hogan's Glen	Denton	Single-family	\$480,000	Completed/Ashton Finishing Construction
Montalcino Estates	Denton	Single-family	\$700,000	Under Development
Estancia Estates	Denton	Single-family	\$400,000	Completed /Built Out
Highlands Glen	Denton	Single-family	\$300,000	Completed/Ashton Finishing Up

The Highlands at Trophy Club	Denton	Single-family	\$250,000	Completed/Ashton Finishing Up
Water's Edge	Denton	Single/Multifamily	\$300,000	Started 9/2018 * Delivered Q4 2019
Williamsburg	Rockwall	Single-family	\$150,000	Fee Developer
Crestview at Prosper Creek	Collin	Single-family	\$250,000	Complete - Megatel Finishing Construction
Palomar Estates	Tarrant	Single-family	\$750,000	Complete
Estancia	Tarrant	Single-family	\$450,000	Complete
Verandah	Rockwall	Single-family	\$200,000	Development Phase Ongoing
Terracina	Denton	Single-family	\$400,000	Development Complete / Toll Brothers Bldg Phase 3
The Resort on Eagle Mountain Lake	Tarrant	Single	\$250,000	Development Ongoing - Builder Doing Takedowns
Travis Ranch	Kaufman	Single-family	\$200,000	Development Ongoing - Builder Doing Takedowns
Carter Ranch	Collin	Single-family	\$150,000	Phase 1: Completed * Phase 2CII: Bldg Completed
Frisco Hills	Denton	Single-family	\$200,000	Development Complete / HB Finishing Up
Rolling Meadows	Tarrant	Single-family	\$100,000	Phase 1: Completed * Phase 2A2 & 3 HB Completed
Waterfront at Enchanted Bay	Tarrant	Single-family	\$150,000	Phase 1: Started 5/2005 * Phase 1: Delivered 2/2007 Phase 2: Being Engineered
Thornbury	Travis	Single-family	\$150,000	Development Complete / HB Complete
Rough Hollow	Travis	Single-family	\$550,000	Development Complete / HB Complete
Lexington Parke	Travis	Single-family	\$150,000	Development Complete / HB Complete
Villages of Woodland Springs	Tarrant	Single-family	\$150,000	Started Q4 2000 * Delivered Q4 2017
Spring Creek	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Silver Ridge	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Sendera Ranch	Tarrant	Single-family	\$150,000	Centurion Owns Future Land / Banking Land
Rosemary Ridge	Tarrant	Single-family	\$100,000	Development Complete / HB Complete
Llano Springs	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Hills of Lake Country	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Garden Springs	Tarrant	Single-family	\$125,000	Development Complete / HB Complete
Dominion Estates	Tarrant	Single-family	\$125,000	Development Complete / HB Complete
Deer Creek North	Tarrant	Single-family	\$125,000	Development Complete / HB Complete
Creskide of Crowley	Tarrant	Single-family	\$150,000	Sold Land / Ashton Building / Also Banking
Bonds Ranch	Tarrant	Single-family	\$150,000	Purchased all Finished Lots / All Lots sold in Q4 2017
Crown Valley	Parker	Single-family	\$150,000	Development Complete / Sold Phase / Pod Sale
Windmill Farms	Kaufman	Single-family	\$150,000	HB Complete
Knox Ranch	Hood	Mixed-use	\$450,000	HB Complete
Windsor Hills	Ellis	Single-family	\$250,000	Undeveloped; in the Zoning Process
Saddlebrook	Ellis	Mixed-use	\$175,000	Next Phase Going Through Engineering
The Villas of Indian Creek	Denton	Single-family	\$150,000	Development Complete / HB Complete
*Valencia on the Lake	Denton	Single-family	\$175,000	Next Phase Going Through Engineering
Shale Creek	Wise	Single-family	\$100,000	Last Phase Going Through Engineering

Shahan Prairie	Denton	Single-family	\$150,000	Sold Land
Frisco Ranch	Denton	Single-family	\$150,000	Development Complete / HB Complete
Brookfield	Denton	Single-family	\$180,000	Sold Land
Sweetwater Crossing	Collin	Single-family	\$150,000	Development Complete / HB Complete
Prestwyck	Collin	Mixed-use	\$190,000	Development Complete / HB Complete
Oak Hollow	Collin	Single-family	\$100,000	Development Complete / HB Complete
Northpointe Crossing	Collin	Single-family	\$100,000	Development Complete / HB Complete
McKinney Greens	Collin	Single-family	\$150,000	Development Complete / HB Complete
The Dominion	Dallas	Single-family	\$250,000	Development Complete / HB Ongoing
Residences at the Stoneleigh	Dallas	Condo	\$750,000	Unit Sales Ongoing
Mountain Creek	Dallas	Multifamily	\$225,000	Development Complete / HB Complete
Chateaus of Coppell	Dallas	Single-family	\$350,000	Development Ongoing - HB Building
The Bridges at Preston Crossings	Parker	Single-family	\$250,000	Development Complete / HB Complete
*Winn Ridge	Denton	Single-family	\$250,000	Development Complete / HB Complete
*Sutton Fields	Denton	Single-family	\$350,000	Development Complete / HB Complete
*Hillstone Pointe	Denton	Single-family	\$250,000	Phase 1: Delivered 12/2017, Remainder Raw Land Sold to Horton & Lennar
*Northlake Estates	Denton	Single-family	\$300,000	Development Ongoing - HB Building
*Creeks of Legacy	Denton/Collin	Single-family	\$350,000	Development Ongoing - HB Building
University Place	Dallas	Single-family	\$450,000	Development Ongoing - HB Building
*Lakewood Hills	Denton	Single-family	\$450,000	Development Ongoing - HB Building
Steeplechase	Denton	Single-family	\$500,000	Development Ongoing - HB Building
*Mercer Crossing	Dallas	Mixed-use	\$350,000	Development Ongoing - HB Building
*Ownsby Farms	Collin	Single-family	\$300,000	Development Ongoing - HB Building
*Anna Hurricane Creek	Collin	Single-family	\$300,000	PID Bonds issued; Phase 1: Started 9/2018, Currently Being Developed
*Chalk Hill	Collin	Single-family	\$300,000	Phase 1: Started 9/2018, Currently Being Developed
Windsor Hills	Dallas	Single-family	TBD	Pre-development process.
Walden Pond	Kaufman	Single/Multifamily	TBD	Pre-development process.
Mobberly	Denton	Single-family	TBD	Pre-development process.
*Whitewing Trails	Collin	Single-family/Multifamily	\$281,000	PID Bonds issued; Development ongoing.
Denton - Kings Ridge	Denton	Single/Multifamily	\$250,000	Zoning approved.
*Hickory Farms	Dallas	Single-family	TBD	PID bonds issued.
Dove Creek	Collin	Single-family	\$275,000	Under Development
Preston Hills	Collin	Single-family	\$400,000	Under Development
Founders Park	Tarrant	Single/Multifamily	300,000	Development Complete -HB Building
Barcelona	Collin	Single-family	\$350,000	Phase 3; Under Development
Bloomridge	Collin	Single-family	\$300,000	Phase 2; Under Development
Erwin Farms	Collin	Single-family	\$350,000	Phase 3; Under Development
Enchanted Creek	Collin	Single-family	\$300,000	Engineering Phase 2

Alpha Ranch	Wise/Denton	Single-family	\$225,000	Pre-development process.
Bear Creek	Dallas	Single-family	\$250,000	Phase 3; Under Development
Wade Settlement	Collin	Single-family	\$350,000	Phase 2; Development
Falls of Prosper	Collin	Single-family	\$400,000	Phase 2; Development
*Iron Horse	Dallas	Mixed-use	\$250,000	PID bonds issued; Development Ongoing
*Polo Ridge	Kaufman	Single-family	\$350,000	PID bonds issued; Development Ongoing
*City Point	Tarrant	Mixed-use	\$290,000	PID bonds issued; Development Ongoing
*Edgewood Creek	Denton	Single-family	\$300,000	PID bonds issued; Development Ongoing
*Cartwright Ranch	Kaufman	Single-family	\$220,000	PID bonds issued; Development Ongoing
*Spiritas Ranch	Denton	Single-family	\$250,000	PID bonds issued; Development Ongoing
*Thunder Rock	Burnet	Mixed-use	\$250,000	PID Bonds issued; Development Ongoing
*Anna Hurricane North	Collin	Single-family	\$300,000	PID Bonds issued; Development Ongoing
* Collin Creek Redevelopment	Collin	Mixed-use	\$600,000	PID Bonds issued; Development Ongoing
*Sutton Fields East	Collin	Single-family	\$315-375,000	PID Bonds issued; Development Ongoing

* — developments utilizing public improvement districts

Executive Biography

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

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

General Development Financing by Centurion

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

Centurion has also recently completed a financing (the “Financing”) under which acquisition loans relating to certain projects (the “Financing Projects”) owned by various Centurion affiliates were refinanced with the proceeds of securities issued by an unaffiliated newly-formed limited liability company created for the purpose of (i) acquiring the property relating to such Financing Projects, (ii) providing funds for limited infrastructure development by the Centurion affiliates related to such Financing Projects and (iii) issuing the bonds secured by inter alia, the property relating to such Financing Projects and certain proceeds derived from lot contracts relating to such Financing Projects. The Financing was completed for the purpose of refinancing loans related to the Financing Projects at a lower rate and achieving debt service savings, terminating certain covenants and freeing up certain collateral related to the refinanced loans, and providing additional funds for development of a portion of the Financing Projects, which funds are expected to be provided at a lower interest rate than development loans typically available relating to the Financing

Projects from traditional lenders. Property relating to the Financing Projects is cross-collateralized under the Financing.

History and Financing of the District

Acquisition and Subsequent Sales; Loans. The Developer purchased an assemblage of approximately 511 acres of land which included the land within the District in three separate transactions in 2018 and 2019 at a total purchase price of \$16,569,376. An additional 10 acres were conveyed to the Developer on July 30, 2020 from directors of a prior municipal utility district covering the property in the District. The initial purchase of the purchased property was financed through a loan from Chambers Bank and various loans from Trez Capital (2015) Corporation (the “Trez Loans”), which Trez Loans refinanced the loan from Chambers Bank and also provided funds for development in Improvement Area #1 of the District.

On October 15, 2021 the developer conveyed approximately 34.489 acres of such purchased land to Cul De Sac Investments, LLC at a price of \$3,500,000. An additional 13 acres which are expected to be used as a school site were transferred to MM Mobberly 13, LLC, a related entity, on October 28, 2021. After such transfers, the Developer owned all approximately 474 acres within the District.

To refinance the Trez Loans and fund additional development expenses, the Developer obtained the Liberty Loan from Liberty Bankers Life Insurance Company (the “Lender”) in an amount up to \$34,000,000. The Liberty Loan is secured by all property in the District and is personally guaranteed by Mehrdad Moayedi. The Liberty Loan bears interest at a rate of 7% per annum, and interest is payable monthly. Principal of the Liberty Loan is due and payable in full at maturity. The Liberty Loan matures on November 1, 2022. As of March 23, 2022, the outstanding principal balance of the Liberty Loan was \$24,594,823.

The PID Act provides that the Assessment Lien is a first and prior lien against an Assessed Parcel within the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes. Additionally, at or prior to delivery of the Bonds, the Lender shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Liberty Loan to the assessment liens on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over the lien on the property within the District securing the Liberty Loan.

TIRZ and Chapter 380 Grant. Pursuant to the Development Agreement, the Developer has requested that the city form the TIRZ and provide tax increment revenue generated from the TIRZ as follows: (i) fifty-five percent (55%) of the ad valorem tax increment generated by the TIRZ for a period of up to thirty-six (36) years (the “City Participation”), or (ii) until the aggregate amount of the City’s TIRZ increment placed into the TIRZ Fund (as defined herein), including interest on any balance, totals \$99,792,002 whichever comes first (the “Developer Grant”). The City Participation will be reduced dollar for dollar with participation by Denton County, if any.

In connection with the request to form the TIRZ pursuant to the Development Agreement, the City has formed Reinvestment Zone No. 2, City of Pilot Point, Texas (“TIRZ No. 2”). TIRZ No. 2 includes approximately 1,550.57 acres of land, including the land within the District and land within an adjacent development. The City expects to enter into one or more agreements (the “TIRZ Agreements”) with owners in TIRZ No. 2, including the Developer, pursuant to which the City will contribute a portion of its ad valorem tax increment attributable to new development in TIRZ No. 2 (the “Tax Increment”) into a tax increment fund created by the City and segregated from all other funds of the City (the “TIRZ Fund”) to pay to grants in accordance with the TIRZ Agreements, the costs of public improvements and other projects benefiting TIRZ No. 2. In addition to the Developer Grant, the City is expected to pay a grant of up to \$135,869,385 pursuant to a TIRZ Agreement with a developer of an adjacent project, which developer is an affiliate of Centurion (the “Adjacent Project Developer Grant”).

The City approved a preliminary project and finance plan for TIRZ No. 2 (the “Preliminary Plan”) on April 14, 2022. The City is expected to approve a final project and finance plan (the “Final Plan”) on April 28, 2022. The Preliminary Plan provides that the Final Plan shall obligate the City to deposit into the TIRZ Fund each year for the duration of TIRZ No. 2 an amount equal to seventy percent (70%) of the Tax Increment for that year during the duration of TIRZ No. 2. A portion of such amount, equal to fifty-five percent (55%) of the Tax Increment, is expected

to be dedicated to the payment of the Developer Grant and the Adjacent Project Developer Grant. The remaining portion of the Tax Increment will be dedicated to projects to be constructed by the City for the benefit of TIRZ No. 2. The term of TIRZ No. 2 is 36 years or until such time as all project costs within TIRZ No. 2 are paid.

Sufficiency of Developer's Financing. According to the Developer, the Developer's available financing sources are sufficient to fund the total budgeted costs of the Improvement Area #1 Projects, the Improvement Area #2 Projects and the Major Improvement Area Projects, which total budgeted costs are approximately \$65,651,906. The Developer's financing sources include the Liberty Loan, the net proceeds of the Bonds, the Improvement Area #2 Bonds and the Major Improvement Area Bonds, and earnest money deposits from the homebuilders.

Summary of Entities with At-Risk Capital Subordinate to the Lien Securing the Bonds

<u>At Risk Entity</u>	<u>Funding Type</u>	<u>Funding Purpose</u>	<u>Security</u>	<u>Position to Assessment Lien</u>	<u>Initial Amount</u>	<u>Current Outstanding Balance⁽¹⁾</u>
Lennar Homes	Earnest Money Deposit	Purchase of Lots	Lien on real property within the District	Subordinate	\$6,074,488	\$6,074,488
M/I Homes	Earnest Money Deposit	Purchase of Lots	Lien on real property within the District	Subordinate	\$1,412,900	\$1,412,900
Pulte	Earnest Money Deposit	Purchase of Lots	Lien on real property within the District	Subordinate	\$1,460,000	\$1,460,000
Liberty Bankers Life	Acquisition and Development Loan	Refinance of Land Purchase and Development	Lien on real property within the District; Collateral Assignment of Reimbursement Rights and Earnest Money Deposits	Subordinate	\$24,594,823 ⁽²⁾	\$24,594,823
TOTAL					<u>\$33,542,211</u>	<u>\$33,542,211</u>

⁽¹⁾ As of April 4, 2022.

⁽²⁾ As described above, the amount drawn under the Liberty Loan may not exceed \$34,000,000.

THE ADMINISTRATOR

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

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

The Administrator’s duties will include:

- Preparation of the annual update to the Service and Assessment Plan
- Preparation of assessment rolls for City billing and collection
- Establishing and maintaining a database of all City parcel IDs within the District
- Trust account analysis and reconciliation
- Property owner inquires
- Determination of Prepayment amounts
- Preparation and review of disclosure notices with Dissemination Agent
- Review of developer draw requests for reimbursement of authorized improvement costs.

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by P3Works and has been included in reliance upon the authority of such firm as an expert in the field formation and administration of public improvement districts.

APPRAISAL OF PROPERTY IN IMPROVEMENT AREA #1 OF THE DISTRICT

The Appraisal

General. Peyco Southwest Realty (the “Appraiser”) prepared an appraisal report for the City dated March 14, 2022 and effective as to Improvement Area #1 as of April 1, 2022, based upon a physical inspection of the District conducted on February 19, 2022 (the “Appraisal”). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to Improvement Area #1 of the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX E — Appraisal of Property in the District.”

Value Estimates. The Appraiser estimated the aggregate market value of the fee simple interest in various tracts of land comprising the land in Improvement Area #1 of the District under the hypothetical condition that the Improvement Area #1 Projects are completed. See “THE IMPROVEMENT AREA #1 PROJECTS.” The Appraisal does not reflect the as-is condition of Improvement Area #1 of the District as the Improvement Area #1 Projects have not yet been constructed. Moreover, the Appraisal does not reflect the value of Improvement Area #1 of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for Improvement Area #1 of the District. See “APPENDIX E — Appraisal of Property in the District.”

The value estimate for the assessable property within Improvement Area #1 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of April 1, 2022 is \$29,300,000.

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

BONDHOLDERS’ RISKS

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

Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.

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

The ability of the City to pay debt service on the Bonds as due is subject to various factors that are beyond the City's control. These factors include, among others, (a) the ability or willingness of property owners within the District to pay Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within Improvement Area #1 of the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such lots.

The rate of development of the property in Improvement Area #1 of the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within Improvement Area #1 of the District should proceed more slowly than expected and the Developer is unable to pay the Assessments, only the value of the lands, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or liquidation of the lands within Improvement Area #1 of the District. There is no assurance that the value of such lands will be sufficient for that purpose and the liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

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

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

Assessment Limitations

Annual Installments of Assessments are billed to property owners in Improvement Area #1 of the District. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year, payment obligations under the Reimbursement Agreement, and the Annual Collection Costs for such year. See "ASSESSMENT PROCEDURES" herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Assessment payments in the future.

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

Upon an ad valorem tax lien foreclosure event of a property within Improvement Area #1 of the District, any Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

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

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

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

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

THE ASSESSMENTS WILL CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE PROPERTY ASSESSED, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND WILL BE A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA #1 OF THE DISTRICT.

Competition; Real Estate Market

The housing industry in the Dallas-Fort Worth area is very competitive, and none of the Developer, the City, the City’s Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will ever commence. The successful development of the land within Improvement Area #1 of the District, the success of the Development, and the sale of residential units therein, once such homes are built, may be affected by unforeseen changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of

the Developer. Moreover, the Developer has the right to modify or change its plans for development of the land within the District, including Improvement Area #1, and the Development as a whole from time to time, including, without limitation, land use changes, changes in overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No prediction can be made about the state of the real estate market in the future or the availability of financing for potential home buyers. The competitive position of the Developer in the 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. Below is a list of a few competitive projects in the area.

Project Name	# of Units	Proximity to District (Miles)	Developer	Builders	Date Started	Completed/Expected ⁽¹⁾	Prices	# of Units Remaining
Creekview Meadows	2,454	>1/4 mile	Centurion American	Pulte, Ashton Woods, Pacesetter, Stonehollow	Q2 2022	Q4 2028	\$320,000	2,454
Legacy Hills	6,895	>9 miles	Centurion American	Lennar, D.R. Horton, Beazer, Pulte, First Texas, M/I Homes, Mattamy	Q2 2022	Q3 2028	\$374,000	6,895
Edgewood Creek	847	>2 miles	Centurion American	First Texas	Q4 2020	Q1 2026	\$290,000	547
Green Meadows	4,378	>5 miles	Tomlin Investments	Gehan Homes, CastleRock Communities	Q3 2016	Q1 2025	\$350,000	4,255
Sutton Fields	2,280	>2 miles	Centurion American	Lennar, D.R. Horton, Beazer, First Texas, M/I Homes, Mattamy, Oakdale, Sandlin, Stonehollow	Q2 2017	Q1 2025	\$315,000	450

⁽¹⁾ Developer assumptions based on available data.

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.

Contracts that the Developer may have with individual homebuilders are subject to a myriad of contractual conditions and contingencies, all or some of which if not complied with, could precipitate a termination or winding up of such contractual arrangement for the sale of lots, causing the Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the Development. As described herein, the Assessments are an imposition against the land only. Neither the Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein.

Recent Changes in State Law Regarding Public Improvement Districts; Failure of Developer to Deliver Required Notice Pursuant to Texas Property Code May Affect Absorption Schedule and Provide for Prepayments Causing Partial Redemptions of 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 intended purchaser is entitled to terminate the contract or purchase and sale. If the Developer 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. In addition to the right to terminate the purchase contract, a property owner who did not receive the required notice is entitled, after sale, to sue for damages for (i) all

costs relative to the purchase, plus interest and reasonable attorney's fees, or (ii) an amount not to exceed \$5,000, plus reasonable attorney's fees. In a suit filed pursuant to clause (i), any damages awarded must go first to pay any outstanding liens on the property. In such an event, the outstanding Assessments on such property may be prepaid. In the event of such prepayment, a partial redemption of the Bonds could occur. See "DESCRIPTION OF THE BONDS – Redemption Provisions." On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further however, if the Developer or homebuilders within the District do not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The form of notice to be provided to homebuyers is attached to the Service and Assessment Plan and will be attached to each Annual Service Plan Update. See "APPENDIX B – Form of Service and Assessment Plan."

Risks Related to Current Increase in Costs of Building Materials

As a result of the Pandemic (as defined herein), low supply, high 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. If the construction costs associated with completing homes in the District are substantially higher than the estimated costs or if homebuilders in the District are unable to access building materials in a timely manner, it may affect the ability of homebuilders in the District to complete the construction of homes or pay the Assessments when due. 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.

Loss of Tax Exemption

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

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

Bankruptcy

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

Direct and Overlapping Indebtedness, Assessments and Taxes

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

Depletion of Reserve Account of Reserve Fund

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS — Reserve Account of the Reserve Fund” herein.

Hazardous Substance

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

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

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

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

100-Year Flood Plain

According to the FEMA FIRM Map (Panel Nos. 48121C0260G and 48121C0270G) an approximately 95.75 acre portion of the property in Improvement Area #1 of the District lies within Zone AE, which is within the 100 year flood plain. A portion of land within the floodplain consisting of approximately 16.27 acres is expected to be reclaimed, with 13.27 of such acres being reclaimed for lot development in the Future Improvement Areas and 3 acres to be reclaimed for trails. The remaining portion of the land within the floodplain is expected to be open space.

Regulation

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

Bondholders' Remedies and Bankruptcy

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

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

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Court reviewed *Wasson Interests, Ltd. v. City of Jacksonville* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in

Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

No Acceleration

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

Bankruptcy Limitation to Bondholders' Rights

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

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

Management and Ownership

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

General Risks of Real Estate Investment and Development

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

adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer. Furthermore, the operating revenues of the Developer may be materially adversely affected if specific conditions in the lot purchase contracts are not met. Failure to meet the lot purchase contract's conditions allows the applicable lot purchaser to terminate its obligation to purchase lots from the Developer and obtain its earnest money deposit back. See "THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in the District" and "THE DEVELOPMENT – Expected Build-Out and Home Prices in the Development" herein.

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

Dependence Upon Developer

The Developer, as the owner of all of the parcels in Improvement Area #1 of the District, currently has the obligation for payment of 100% of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. The only assets of the Developer are land within the District, related permits and development rights, and minor operating accounts. The source of funding for future land development activities and infrastructure construction to develop the lots proposed for the District also consists of proceeds from the Bonds and proceeds of lot sales, as well as possible bank financing and equity contributions by the Developer. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

Moreover, the City will pay to the Developer or the Developer's designee, from proceeds of the Bonds and/or from amounts collected pursuant to the Reimbursement Agreement for project costs actually incurred in developing and constructing the Improvement Area #1 Projects and be paid in accordance with the Construction, Funding and Acquisition Agreement, the Reimbursement Agreement and the Indenture. See "THE IMPROVEMENT AREA #1 PROJECTS – General" and "THE DEVELOPMENT – Development Plan and Status of Development".

Potential Future Changes in State Law Regarding Public Improvement Districts

During prior Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of the Texas Senate and the Texas House of Representatives 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 special assessments. The Governor called three special legislative sessions, which all concluded without any legislation being introduced or passed related to the oversight of bonds secured by special 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.

Agricultural Use Valuation and Redemption Rights

All of the property within the District is currently entitled to valuation for ad valorem tax purposes based upon its agricultural use. Under Texas law, an owner of land that is entitled to an agricultural valuation has the right to redeem such property after a tax sale for a period of two years after the tax sale by paying to the tax sale purchaser a 25% premium, if redeemed during the first year, or a 50% premium, if redeemed during the second year, over the purchase price paid at the tax sale and certain qualifying costs incurred by the purchaser. Although Assessments are not considered a tax under Texas law, the PID Act provides that the lien for Assessments may be enforced in the same manner as a lien for ad valorem taxes. This shared enforcement mechanism raises a possibility that the right to redeem

agricultural valuation property may be available following a foreclosure of a lien for Assessments, though there is no indication in Texas law that such redemption rights would be available in such a case.

The Developer expects that the agricultural use valuation within Improvement Area #1 of the District will terminate in 2Q 2022.

Use of Appraisal

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

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

Successor Trustee

The Indenture provides a contractual limitation which limits the compensation of the Trustee under the terms thereof. In the event that at some point subsequent to the date of the Indenture, the Trustee reasonably expects that the value to be received under the Indenture would otherwise exceed the value limitation established under the terms of the Indenture but for such contractual limitation, the Trustee may seek to (i) amend the Indenture to increase such value if such amendment may be made in accordance with applicable Texas law and the Indenture or (ii) resign as trustee and paying agent pursuant to the terms of the Indenture. Any such amendment to the Indenture (including a supplement appointing a successor trustee) would have to be made in accordance with the terms of the Indenture. Any successor trustee would have to satisfy the qualifications set forth in, and be appointed in accordance with the terms of, the Indenture. Under certain facts and circumstances, a delay in identifying or appointing a qualified successor trustee to assume the duties and responsibilities of trustee under the Indenture and in accordance with applicable Texas law could result in the delay of certain remedies being available to the Owners of the Bonds. See "APPENDIX A — Form of Indenture" for more information regarding the process of amending or supplementing the Indenture and the appointment of a successor trustee.

The Indenture provides that, if the position of Trustee shall become vacant for any reason, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least 25% of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the City. Unless such successor Trustee shall have been appointed by the Owners the Bonds, the City shall forthwith (and in no event in excess of 30 days after such vacancy occurs) appoint a Trustee to act under the Indenture. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the Trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds within 30 days after such appointment. Any appointment of a successor Trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Owners of Bonds in accordance with the provisions of the Indenture. See "APPENDIX A — Form of Indenture" for more information regarding the process of amending or supplementing the Indenture and the appointment of a successor trustee.

Exercise of Third Party Property Rights

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

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

Developer Principal Financial Relationships and Other Matters Relating to Developer Affiliates

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

Investigation of United Development Funding. Subsidiaries of Centurion American are involved in the development of master planned residential community and mixed-use projects. Some of these projects have previously been developed using funding provided by various entities associated with United Development Funding (“UDF”), including United Development Funding IV, a publicly traded real estate investment trust (“UDF IV”). In connection with governmental investigations of UDF (the “UDF Investigations”), Centurion and some of its employees were contacted in mid-2016 to provide certain information to such governmental fact-finders as part of an information gathering process on the UDF Investigations. Centurion and its employees fully complied with the information gathering process. Neither Centurion nor any of its employees or affiliates have received any information indicating that they are either targets or subjects of any governmental investigation.

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

Megatel Homes III, LLC v. Wilbow-Windhaven Development Corporation v. Centurion Windhaven, LP, et al.: in Denton County Texas. Plaintiff Megatel Homes III, LLC (“Megatel”) brought claims against both Defendant Wilbow Windhaven Development Corp. (“Wilbow”), Defendant Centurion Acquisitions, LP (“CA”), and Defendant CADG Windhaven, LLC (“CADG,” collectively with CA, “Centurion Defendants”). Megatel’s claims against Wilbow consist of request for Declaratory Judgment; Breach of Contract; and Indemnity. Megatel’s claims against CA and CADG consist of Breach of Contract; Fraud; and Indemnity. A Motion to Expunge Lis Pendens was granted

by court on October 2, 2020. Megatel re-filed the Lis Pendens and Wilbow filed a Motion to Expunge. The court granted the Motion to Expunge the Lis Pendens on May 19, 2021. No trial date is set.

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

1. *Cause No. 3:20-CV-00688-L: Megatel Homes, LLC, et al. v. Mehrdad Moayed, et al., in U.S. District Court, Northern District of Texas;*
2. *Cause No. DC-19-08774 in the 160th Judicial District Court, Dallas Co., Texas; Megatel Homes, LLC, et. al. v. United Development Funding L.P., et. al.;*
3. *Cause No. 380-02960-2020 in the 380th District Court, Collin County, Texas; Megatel Homes III, LLC v. MM Plano 54, LLC;*
4. *Cause No. DC-19-18033 in the 160th District Court, Dallas County, Texas; Megatel Homes III, LLC v. CADG Mercer MM Holdings, LLC et. al.;*
5. *Cause No. 219-01995-2021 in the 219th Judicial District Court, Collin County, Texas; Megatel Homes III, LLC v. CTMGT Erwin Farms, LLC and CADG Erwin Farms, LLC;*
6. *Cause No. 199-01546-2021 in the 199th Judicial District Court, Collin County, Texas; Megatel Homes III, LLC v. CTMGT Frontier 80, LLC;*
7. *Cause No. DC-21-08227 in the 68th District Court, Dallas County, Texas; Megatel Homes III, LLC v. MM Finished Lots, LLC and CADG Shady Side, LLC; and*
8. *Cause No. 1-21-0893 in the 439th District Court, Rockwall County, Texas; Megatel Homes III, LLC v. One Verandah, LP and MM Verandah, LLC.*
9. *Cause No. 21-8109-431; Megatel Homes III, LLC v. MM Northlake Phase 203, LLC, as successor in interest to CADG Property Holdings III, LLC.*

Infectious Disease Outbreak – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed his declaration monthly, most recently on March 23, 2022. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

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

efforts and available resources to follow the minimum standard health protocols. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>.

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 Developer will continue to be responsible for the payment of the Assessments as long as it owns such lots.

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

Risk from Weather Events

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

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted (subject to the provisions set forth in the Indenture) to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within Improvement Area #1 of the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See "OVERLAPPING TAXES AND DEBT." Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

No Credit Rating

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue,

secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limited Secondary Market for the Bonds

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

TAX MATTERS

Tax Exemption

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

LEGAL MATTERS

Legal Proceedings

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

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

Legal Opinions

The City will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding special obligations of the City. The City will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal thereof and interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS." A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX C —Form of Opinion of Bond Counsel."

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

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

Litigation — The City

At the time of delivery and payment for the Bonds, the City will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of Assessments securing the Bonds, or in any way contesting or affecting

the validity or enforceability of the Bonds, the Assessment Ordinance, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Pledged Revenues, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any documents relating to the Bonds.

Litigation — The Developer

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

For a description of litigation and other matters related to affiliated entities of Centurion, see “BONDHOLDERS’ RISKS — Developer Principal Financial Relationships and Other Matters Relating to Developer Affiliates.”

SUITABILITY FOR INVESTMENT

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

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — 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 bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

NO RATING

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

CONTINUING DISCLOSURE

The City

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

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

The Developer

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

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

UNDERWRITING

FMSbonds, Inc. (the “Underwriter”) has agreed to purchase the Bonds from the City at a purchase price of \$_____ (the par amount of the Bonds, less an underwriting discount of \$_____, which includes Underwriter’s Counsel’s fee of \$_____). The Underwriter’s obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be

offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENTS

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

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally

insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying

mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

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

excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

INFORMATION RELATING TO THE TRUSTEE

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

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

Additional information about the Trustee may be found at its website at www.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; MISCELLANEOUS

General

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

Source of Certain Information

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

Experts

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by P3Works, LLC and has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

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

Information Concerning Centurion VP of Entitlements Sean Terry

In December 2020, the Federal Bureau of Investigation executed a search warrant on the home of Sean Terry, VP of Entitlements of Centurion. Centurion has been made aware of the search warrant. Centurion is investigating the matter internally. To date, the FBI has not served Centurion with a subpoena or warrant relating to such matters. Management of Centurion does not believe that the matter will have a material adverse effect on Centurion, the Developer or their operations.

Updating of Limited Offering Memorandum

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

FORWARD-LOOKING STATEMENTS

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

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

AUTHORIZATION AND APPROVAL

In the Bond Ordinance, the City Council is expected to approve the form and content of this preliminary Limited Offering Memorandum and authorize and ratify the use of this preliminary Limited Offering Memorandum by the Underwriter in connection with the marketing and sale of the Bonds, and approve the form and content of the final Limited Offering Memorandum.

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APPENDIX A
FORM OF INDENTURE

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INDENTURE OF TRUST

By and Between

CITY OF PILOT POINT, TEXAS

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

DATED AS OF JUNE 1, 2022

SECURING

\$ _____
CITY OF PILOT POINT, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(MOBBERLY PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #1 PROJECT)

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INDENTURE OF TRUST

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

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

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

WHEREAS, the City Council of the City (the "City Council") convened the hearing with respect to the creation of the District on January 13, 2022 and then the City Council recessed such public hearing until January 27, 2022; and

WHEREAS, on January 27, 2022, after due notice, the City Council reconvened 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 January 27, 2022, the City Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 2022-06-531, adopted by a majority of the members of the City Council, authorized the District in accordance with its finding as to the advisability of the improvement projects and services and also made findings and determinations relating to the estimated total costs of certain Authorized Improvements; and

WHEREAS, on January 31, 2022, the City Secretary filed a copy of Resolution No. 2022-06-531 with the county clerk of each county in which all or a part of the District is located in accordance with the provisions of the PID Act; and

WHEREAS, no written protests of the District from any owners of record of property within the District were filed with the City Secretary within 20 days after January 27, 2022; and

WHEREAS, on January 27, 2022, the City Council by Resolution No. 2022-06-532 made findings and determinations relating to the Actual Costs of certain Improvement Area #1 Projects, received and accepted a preliminary service and assessment plan and proposed assessment rolls, called public hearings for February 10, 2022 and directed City staff to (i) file said proposed assessment rolls with the City Secretary and to make it available for public inspection as required by Section 372.016(b) of the PID Act, and (ii) publish such notice relating to the February 10, 2022 hearings as required by Section 372.016(b) of the PID Act; and

WHEREAS, on January 30, 2022, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice of the public hearings in the *Dallas Morning News*, a newspaper of general circulation in the City and in the part of the City's extraterritorial jurisdiction in which the District is located, or in which the Improvement Area #1 Projects are to be undertaken, to consider

the proposed Service and Assessment Plan and the Improvement Area #1 Assessment Roll and the levy of the Assessments on property within Improvement Area #1 of the District; and

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

WHEREAS, the City Council opened and convened the hearing on February 10, 2022 and at such public hearing all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the proposed Service and Assessment Plan, the proposed Improvement Area #1 Assessment Roll and the Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of estimated costs of the Improvement Area #1 Projects, the purposes of the Assessments, the special benefits of the Improvement Area #1 Projects, and the penalties and interest on Annual Installments and on delinquent Annual Installments of the Assessments, and there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of estimated costs of the Improvement Area #1 Projects, the Improvement Area #1 Assessment Roll, and the levy of the Assessments; and

WHEREAS, the City Council closed the hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, the City approved Ordinance No. 473-14-2022, which levied the Assessments and approved the Service and Assessment Plan, in conformity with the requirements of the PID Act; and;

WHEREAS, the City Council found and determined that the Assessments should be levied as provided in the Service and Assessment Plan; and

WHEREAS, the City Secretary of the City filed a copy of the Assessment Ordinance not later than the seventh day after the date the City Council approved the Assessment Ordinance and the Service and Assessment Plan with the County Clerk of Denton County; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purpose of (i) paying a portion of the Actual Costs of the Improvement Area #1 Projects, (ii) paying the District Formation Costs allocable to Improvement Area #1, and (iii) paying the Bond Issuance Costs related to the issuance of the Bonds; and

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

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

NOW, THEREFORE, the City, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds Similarly Secured by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN, and DELIVER to the Trustee for the benefit of the Owners, a security

Improvement Area #1 Indenture of Trust

interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the "Trust Estate"):

FIRST GRANTING CLAUSE

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

SECOND GRANTING CLAUSE

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

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

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

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

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

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

ARTICLE I

DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.1. Definitions.

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

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

“Actual Costs” mean, with respect to an Improvement Area #1 Project, the actual costs paid or incurred by or on behalf of the Developer, (either directly or through affiliates), including: (1) the costs for the design, planning, financing, administration/management, acquisition, installation, construction and/or implementation of such Improvement Area #1 Project; (2) the fees paid for obtaining permits, licenses, or other governmental approvals for such Improvement Area #1 Project; (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 Improvement Area #1 Project; (5) all related permitting and public approval expenses, and architectural, engineering, consulting, and governmental fees and charges and (6) costs to implement, administer, and manage the above-described activities including, but not limited to, a construction management fee equal to four percent (4%) of construction costs if managed by or on behalf of the Developer.

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

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

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

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

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

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

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

“Administrator” means an employee of the City or third-party designee of the City who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or

any other agreement or document approved by the City related to the duties and responsibilities of the administration of the District. The initial Administrator is 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 the Improvement Area #1 Assessment Roll and Annual Service Plan Updates; (6) paying and redeeming Bonds Similarly Secured; (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 Bonds Similarly Secured, including the City’s continuing disclosure requirements; and (9) the paying agent/registrar and Trustee in connection with Bonds Similarly Secured, 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 Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds Similarly Secured in such Bond Year, assuming that the Outstanding Bonds Similarly Secured are retired as scheduled (including by reason of Sinking Fund Installments), and (ii) the principal amount of the Outstanding Bonds Similarly Secured due in such Bond Year (including any Sinking Fund Installments due in such Bond Year).

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of the Assessments (including both principal of and interest on the Assessments) as shown on the Improvement Area #1 Assessment Roll attached to the Service and Assessment Plan as Exhibit F-1 and related to the Improvement Area #1 Projects; which annual payment includes Annual Collection Costs and the Additional Interest collected on each annual payment of the Assessments as described in Section 6.7 herein and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update.

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

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

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

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

“Assessment Ordinance” means Ordinance No. 473-14-2022 adopted by the City Council on February 10, 2022, which levied the Assessments on the Assessed Property located within Improvement Area #1 of the District.

“Assessments” means the aggregate assessments shown on the Improvement Area #1 Assessment Roll. The singular of such term means the assessment levied against an Assessed Parcel, including the portion to be paid for Annual Collection Costs, as shown on the Improvement Area #1 Assessment Roll, subject to reallocation upon the subdivision of an Assessed Parcel, or Improvement Area #1 Indenture of Trust

consolidation of multiple Assessed Parcels, or reduction according to the provisions of the Service and Assessment Plan and the PID Act.

“Assessment Revenue” means monies collected by or on behalf of the City from any one or more of the following: (i) an Assessment levied against an Assessed Parcel, or Annual Installment payment thereof, including any interest on such Assessment or Annual Installment thereof during any period of delinquency, (ii) a Prepayment, and (iii) Foreclosure Proceeds.

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

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

“Bond” means any of the Bonds.

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

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

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

“Bond Issuance Costs” means the costs associated with issuing a specific series of Bonds Similarly Secured, 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 Bonds Similarly Secured.

“Bond Ordinance” means Ordinance No. ___-___ adopted by the City Council on May 12, 2022, authorizing the issuance of the Bonds pursuant to this Indenture.

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

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

“Bonds” means the City’s bonds authorized to be issued by Section 3.1(a) of this Indenture entitled “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project)”

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

Improvement Area #1 Indenture of Trust

“Bond Year” means the one-year period beginning on September 15 in each year and ending on September 14 in the following year.

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

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

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

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

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

“Closing Date” means the date of the initial delivery of and payment for each series of the Bonds Similarly Secured. With respect to the Bonds, the Closing Date is June 3, 2022.

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

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

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

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

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

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

“Developer” means MM Mobberly 236, LLC, a Texas limited liability company, and its successors and assigns.

“Development Agreement” means that certain Mobberly Development Agreement by and among the City, the Developer, and MM Mobberly 13, LLC, approved by the City on January 27, 2022, and related to development of the property within the District, as the same may be amended from time to time.

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

“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.

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

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

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

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

“Improvement Area #1” means the initial phase to be developed in the District, as further identified and depicted in Exhibit A-3 in the Service and Assessment Plan.

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

“Improvement Area #1 Construction, Funding, and Acquisition Agreement” means the “Mobberly Public Improvement District Improvement Area #1 Construction, Funding, and Acquisition Agreement” by and between the City and the Developer dated as of May 12, 2022, which provides, in part, for the deposit of proceeds from the issuance and sale of the Bonds and the payment of costs of Improvement Area #1 Projects within the District, the issuance of bonds, and other matters related thereto.

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

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

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

“Improvement Area #1 Major Improvements” means the pro rata portion of the Major Improvements allocable to Improvement Area #1.

“Improvement Area #1 Projects” means, collectively, (i) the Improvement Area #1 Improvements and (ii) the Improvement Area #1 Major Improvements.

“Improvement Area #1 Reimbursement Agreement” means the “Mobberly Public Improvement District Improvement Area #1 Reimbursement Agreement” between the City and the Developer, dated as of February 10, 2022, which provides for the reimbursement of costs to the Developer for funds advanced by the Developer and used to pay a portion of the costs of the Improvement Area #1 Projects and other matters related thereto.

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

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

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

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

“Investment Securities” means those authorized investments described in the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended; and provided further investments are, at the time made, included in and authorized by the City’s official investment policy as approved by the City Council from time to time.

“Major Improvements” means the Authorized Improvements which benefit all of the property within the District subject to assessments, as more particularly described in Section III.A of the Service and Assessment Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improvement Area #1 Indenture of Trust

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

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

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

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

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

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

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

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

“Release Restriction” shall have the meaning assigned to such term in Section 6.5(c) hereof.

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

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

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

“Service and Assessment Plan” means the “Mobberly Public Improvement District Service and Assessment Plan” dated May 12, 2022, including the Improvement Area #1 Assessment Roll, as hereinafter amended, updated, and/or restated by an Annual Service Plan Update or otherwise, a version of which is attached as an exhibit to the Bond Ordinance.

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

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

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

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

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

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

“Trustee” means 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.

[“Unrestricted Amount” means \$_____.]

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.

Improvement Area #1 Indenture of Trust

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

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

ARTICLE II

THE BONDS SIMILARLY SECURED

Section 2.1. Security for the Bonds Similarly Secured.

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

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

Section 2.2. Limited Obligations.

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

Section 2.3. Authorization for Indenture.

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

Section 2.4. Contract with Owners and Trustee.

(a) The purposes of this Indenture are to establish a lien and the security for, and to prescribe the minimum standards for the authorization, issuance, execution and delivery of, the

Bonds Similarly Secured and to prescribe the rights of the Owners, and the rights and duties of the City and the Trustee.

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

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS SIMILARLY SECURED

Section 3.1. Authorization of the Bonds Similarly Secured.

(a) The Bonds. The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act, as amended. The Bonds shall be issued in the aggregate principal amount of \$_____ for the purpose of (i) paying a portion of the Actual Costs of the Improvement Area #1 Projects; (ii) paying the District Formation Costs allocable to Improvement Area #1; and (iii) paying the Bond Issuance Costs related to the issuance of the Bonds.

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

(a) The Bonds.

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

(ii) Interest shall accrue and be paid on each Bond from the later of the Closing Date of the Bonds or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 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.

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

<u>Years</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
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(iv) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article

IV herein, and shall otherwise have the terms, tenor, denominations, details, and specifications as set forth in the form of Bond set forth in Exhibit A to this Indenture.

Section 3.3. Conditions Precedent to Delivery of Bonds.

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

- (i) a certified copy of the Assessment Ordinance;
- (ii) a certified copy of the Bond Ordinance;
- (iii) a copy of the executed Improvement Area #1 Construction, Funding, and Acquisition Agreement;
- (iv) a copy of the executed Improvement Area #1 Reimbursement Agreement;
- (v) a copy of this Indenture executed by the Trustee and the City; and
- (vi) a City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the City.

Section 3.4. Medium, Method and Place of Payment.

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

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

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

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

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

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

Section 3.5. Execution and Registration of Bonds Similarly Secured.

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

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

(c) Except as provided below, no Bond Similarly Secured shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Indenture unless and until there appears thereon the Certificate of Trustee substantially in the form provided herein or in a Supplemental Indenture, duly authenticated by manual execution by an officer or duly authorized signatory of the Trustee. It shall not be required that the same officer or authorized signatory of the Trustee sign the Certificate of Trustee on all of the Bonds Similarly Secured. In lieu of the executed Certificate of Trustee described above, the Initial Bond delivered at the Closing Date

for such series of Bonds Similarly Secured shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein or in a Supplemental Indenture, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his or her duly authorized agent, which certificate shall be evidence that such Initial Bond has been duly approved by the Attorney General of the State of Texas, is a valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State of Texas.

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

Section 3.6. Ownership.

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

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

Section 3.7. Registration, Transfer and Exchange.

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

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

(c) The Bonds Similarly Secured shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond Similarly Secured or Bonds Similarly Secured of the same series, and of the same Improvement Area #1 Indenture of Trust

maturity and bearing the same interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond Similarly Secured presented for exchange.

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

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

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

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

Section 3.8. Cancellation.

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

Section 3.9. Temporary Bonds Similarly Secured.

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

temporary Bonds Similarly Secured may determine, as evidenced by their signing of such temporary Bonds Similarly Secured.

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

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

Section 3.10. Replacement Bonds Similarly Secured.

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

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

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

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

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

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

(c) After the delivery of such replacement Bond Similarly Secured, if a bona fide purchaser of the original Bond Similarly Secured in lieu of which such replacement Bond Similarly Secured was issued presents for payment such original Bond Similarly Secured, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond Similarly Secured

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from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the City, the Paying Agent/Registrar or the Trustee in connection therewith.

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

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

Section 3.11. Book-Entry Only System.

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

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

amounts due pursuant to this Indenture. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks or drafts being mailed to the registered owner at the close of business on the relevant Record Date, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

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

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

Section 3.13. Payments to Cede & Co.

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

ARTICLE IV

REDEMPTION OF BONDS SIMILARLY SECURED BEFORE MATURITY

Section 4.1. Limitation on Redemption.

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

Section 4.2. Mandatory Sinking Fund Redemption.

(a) The Bonds.

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

Term Bonds Maturing September 15, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	

* maturity

Term Bonds Maturing September 15, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	

* maturity

Term Bonds Maturing September 15, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	

* maturity

Term Bonds Maturing September 15, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	
_____, 20__	

* maturity

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

(iii) The principal amount of Bonds of a Stated Maturity required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (i) of this Section 4.2(a) shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least forty-five (45) days prior to the mandatory sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

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

Section 4.3. Optional Redemption.

(a) The Bonds.

(i) The City reserves the right and option to redeem Bonds maturing on or after September 15, 20__, before their respective scheduled maturity dates, 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.

Section 4.4. Extraordinary Optional Redemption.

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

Section 4.5. Partial Redemption.

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

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

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

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

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

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

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

Section 4.6. Notice of Redemption to Owners.

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

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

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

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

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

Section 4.7. Payment Upon Redemption.

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

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

Section 4.8. Effect of Redemption.

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

ARTICLE V

FORM OF THE BONDS SIMILARLY SECURED

Section 5.1. Form Generally.

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

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

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

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

Section 5.2. CUSIP Registration.

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

numbers on the Bonds Similarly Secured have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Bonds Similarly Secured and that neither the City nor the Trustee shall be liable for any inaccuracies of such numbers.

Section 5.3. Legal Opinion.

The approving legal opinion of Bond Counsel may be printed on or attached to each Bond Similarly Secured 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.

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

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

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

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

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

- (A) Improvement Area #1 Improvements Account;

Improvement Area #1 Indenture of Trust

- (B) Improvement Area #1 Major Improvements Account; and
- (C) Costs of Issuance Account.

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

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

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

- (A) District Administration Account.

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

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

Section 6.2. Initial Deposits to Funds and Accounts.

(a) The Bonds.

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

- (A) to the Capitalized Interest Account of the Bond Fund: \$_____;
- (B) to the Improvement Area #1 Improvements Account of the Project Fund: \$_____;
- (C) to the Improvement Area #1 Major Improvements Account of the Project Fund: \$_____;
- (D) to the Costs of Issuance Account of the Project Fund: \$_____;
- (E) to the Reserve Account of the Reserve Fund: \$_____; and
- (F) to the District Administration Account of the Administrative Fund: \$_____.

Section 6.3. Pledged Revenue Fund.

(a) On or before March 1 of each year while the Bonds Similarly Secured are Outstanding and beginning March 1, 2023, the City shall deposit or cause to be deposited the

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

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

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

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

(e) Notwithstanding Section 6.3(a) hereof, the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund.

(f) Notwithstanding Section 6.3(a) hereof, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first, to the Reserve Account to restore any transfers from the Improvement Area #1 Indenture of Trust

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

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

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

Section 6.4. Bond Fund.

(a) On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds Similarly Secured, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account, as provided below.

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

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

<u>Date</u>	<u>Amount (\$)</u>
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Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Improvement Area #1 Improvements Account of the Project Fund or the Improvement Area #1 Major Improvements Account of the Project Fund, as directed by City Certificate, or if the Improvement Area #1 Improvements Account of the Project Fund and the Improvement Area #1 Major Improvements Account of the Project Fund have been closed as provided in Section 6.5(f) herein, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Section 6.5. Project Fund.

(a) Money on deposit in the Project Fund shall be used for the purposes specified in Section 3.1 hereof. Money on deposit in the Improvement Area #1 Improvements Account of the Project Fund shall only be used to pay Actual Costs of Improvement Area #1 Improvements and money on deposit in the Improvement Area #1 Major Improvements Account of the Project Fund shall only be used to pay Actual Costs of Improvement Area #1 Major Improvements.

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds Similarly Secured pursuant to one or more City Certificates. Until such time as the Unrestricted Amount has, collectively, been disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account, disbursements from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund to pay Actual Costs of the Improvement Area #1 Projects shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the City or its designee approving the disbursement to the Developer or the Developer's designee. Once the Unrestricted Amount has, collectively, been disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account, and until such time as the Trustee receives a City Certificate confirming that the Release Restriction set forth in Section 6.5(c) of this Indenture has been satisfied, the Trustee is prohibited from releasing additional funds from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account to the Developer or the Developer's designee pursuant to a Certification for Payment. Once the Trustee has received the City Certificate confirming the satisfaction of the Release Restriction, disbursements of funds in excess of the Unrestricted Amount from Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the City or its designee approving the disbursement to the Developer or the Developer's designee, without the requirement for an additional City Certificate. The disbursement of funds from the Improvement Area #1 Improvements Account or the Improvement Area #1 Major Improvements Account pursuant to a Certification for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Improvement Area #1 Construction, Funding, and Acquisition Agreement, including restrictions contained in the Improvement Area #1 Construction, Funding, and Acquisition Agreement regarding the disbursement of funds in excess of the Unrestricted Amount. Such provisions and procedures related to such disbursements contained in the Improvement Area #1 Construction, Funding, and Acquisition Agreement, are herein incorporated by reference and deemed set forth herein in full. The Trustee shall be permitted to rely fully on any Certification for Payment, City Certificate, or other written direction received pursuant to this section of the Indenture without investigation.

(c) Moneys in excess of the Unrestricted Amount may be disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund only if the City has issued a certificate of occupancy for at least 10 homes within Improvement Area #1 (the "Release Restriction"). Until such time as the Release Restriction has been satisfied and the City has submitted a City Certificate to the Trustee confirming that the Release Restriction has been satisfied, the City may not approve a Certification for Payment and the Trustee may not disburse funds in an amount that would cause the total amount to be and that has been disbursed from the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund to

exceed the Unrestricted Amount. In the event all amounts deposited into the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund pursuant to Section 6.2(a)(i)(B) and Section 6.2(a)(i)(C) have not been expended by May 15, 2025, the City, pursuant to a City Certificate, shall direct the Trustee to transfer all funds then on deposit in the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund to the Redemption Funds in order to redeem Bonds pursuant to Section 4.4 hereof. Following such transfer, the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account of the Project Fund shall be closed.

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

(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 Improvements have been completed and that all Actual Costs of the Improvement Area #1 Improvements have been paid, or that any such Actual Costs of the Improvement Area #1 Improvements are not required to be paid from the Improvement Area #1 Improvements Account of the Project Fund pursuant to a Certification for Payment or written direction from the City or its designee, the Trustee (i) shall transfer the amount, if any, remaining within the Improvement Area #1 Improvements Account of the Project Fund to the Bond Fund and (ii) shall close the Improvement Area #1 Improvements Account. Upon the filing of a City Certificate stating that all Improvement Area #1 Major Improvements have been completed and that all Actual Costs of the Improvement Area #1 Major Improvements have been paid, or that any such Actual Costs of the Improvement Area #1 Major Improvements are not required to be paid from the Improvement Area #1 Major Improvements Account of the Project Fund pursuant to a Certificate for Payment, the Trustee (i) shall transfer the amount, if any, remaining within the Improvement Area #1 Major Improvements Account of the Project Fund to the Bond Fund and (ii) shall close the Improvement Area #1 Major Improvements Account. If the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account are closed as provided above, and the Cost of Issuance Account of the Project Fund has been closed pursuant to the provisions of Section 6.5(g), the Project Fund shall be closed.

(g) Not later than six months following each respective Closing Date, or upon a determination by the City Representative that all costs of issuance of such series of Bonds

Similarly Secured have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account of the Project Fund and used to pay Actual Costs or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds Similarly Secured, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Section 6.6. Redemption Fund.

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

Section 6.7. Reserve Fund.

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

(b) The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 15 and September 15 of each year, commencing March 15, 2023, an amount equal to the Additional Interest collected, if any, and as shown on the Improvement Area #1 Assessment Roll attached to the Service and Assessment Plan or an Annual Service Plan Update, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall, and the City shall resume collecting the Additional Interest and shall file a City Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the City shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds Similarly Secured from the proceeds of a Prepayment pursuant to Section 4.4 of this Indenture. In the event the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement then the deposits described in the immediately preceding sentence shall continue until the Additional Interest Reserve Account has been fully replenished to the Additional Interest Reserve Requirement. If, after such deposits, there is surplus Additional Interest remaining in excess of the Additional Interest Reserve Requirement, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the City of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Improvement Area #1 Assessment Roll in the Service and

Assessment Plan or an Annual Service Plan Update, unless and until it receives a City Certificate directing that a different amount be used.

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

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

(e) Whenever, on any Interest Payment Date, or on any other date at the written request of a City Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds Similarly Secured on the next Interest Payment Date in accordance with Section 6.4 hereof, unless within thirty days of such notice to the City Representative, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof, (ii) to a specified Account of the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date hereof, or (iii) for such other use specified in such City Certificate if the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured.

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

(g) At the final maturity of the Bonds Similarly Secured, the amount on deposit in the Reserve Account and the Additional Interest Reserve Account shall be transferred to the

Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds Similarly Secured.

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

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

Section 6.8. Rebate Fund: Rebate Amount.

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

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

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

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

Section 6.9. Administrative Fund.

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

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

Section 6.10. Investment of Funds.

(a) Money in any Fund or Account established pursuant to this Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) days in advance of the making of such investment. The money in any Fund or Account shall be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Notwithstanding the preceding sentence, amounts in the Additional Interest Reserve Account may not be invested above the Yield (as defined in Section 7.5(a) hereof) on the Bonds Similarly Secured, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such investment and/or the failure to comply with such yield restriction will not adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured. Investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds or Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold to prevent any default. To ensure that cash on hand is invested, if the Town 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 Wilmington U.S. Government Money Market Fund – Institutional Share Class (CUSIP 97181C605) provided, however, that money required to be expended from any Fund or Account 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 have no investment discretion and the Trustee's only responsibility for investments shall be to follow the written instructions contained in any City Certificate. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments. 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 Improvement Area #1 Indenture of Trust

amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture.

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

(f) The Trustee may conclusively rely on City Certificates pursuant to Section 6.10(a) that such investment will comply with the City's investment policy and with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

Section 6.11. Security of Funds.

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

Section 6.12. Reimbursement Fund.

Money on deposit in the Reimbursement Fund shall be disbursed to the Developer to reimburse the Actual Costs of the Improvement Area #1 Projects paid for by the Developer. When all amounts due to the Developer to pay it for the funds it has contributed to pay Actual Costs of the Improvement Area #1 Projects have been paid to the Developer, whether through Assessments received and applied in accordance with this Indenture and the Service and Assessment Plan or an Annual Service Plan Update, or through the proceeds of Additional Bonds, no further deposits shall be made to the Reimbursement Fund and the Reimbursement Fund shall be closed.

ARTICLE VII

COVENANTS

Section 7.1. Confirmation of Assessments.

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

Section 7.2. Collection and Enforcement of Assessments.

(a) For so long as any Bonds Similarly Secured are Outstanding, and/or amounts are due to the Developer to pay it for funds it has contributed to pay Actual Costs of the Improvement Area #1 Projects in accordance with the Improvement Area #1 Reimbursement Agreement, the City covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced

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continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments.

(b) The City will determine or cause to be determined, no later than March 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel. Furthermore, nothing shall obligate the City, the City Attorney, or any appropriate designee to undertake collection or foreclosure actions against delinquent accounts in violation of applicable state law, court order, or existing contractual provisions between the City and its appropriate collections enforcement designees.

Section 7.3. Against Encumbrances.

(a) Other than Refunding Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate, other than that specified in Section 9.6 of this Indenture, or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds Similarly Secured, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

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

Section 7.4. Records, Accounts, Accounting Reports.

The City hereby covenants and agrees that so long as any of the Bonds Similarly Secured or any interest thereon remain Outstanding and unpaid, and/or the obligation to the Developer to pay it for funds it has contributed to pay Actual Costs of the Improvement Area #1 Projects in accordance with the Improvement Area #1 Reimbursement Agreement and the Improvement Area #1 Construction, Funding, and Acquisition Agreement remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and Owners of any Bonds Similarly Secured or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the City by the Trustee or duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds Similarly Secured during the City's regular business hours and on a mutually agreeable date not later than thirty days after the City receives such request.

Section 7.5. Covenants to Maintain Tax-Exempt Status.

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

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

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

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

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

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

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

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

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

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond Similarly Secured to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not

adversely affect the exemption from federal income tax of the interest on any Bond Similarly Secured, the City shall comply with each of the specific covenants in this Section.

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

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

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

(d) No Private Loan.

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

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

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

Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of such series of Bonds Similarly Secured.

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

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

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

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

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

(iii) As additional consideration for the purchase of the Bonds Similarly Secured by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall, pursuant to a City Certificate, direct the Trustee to transfer to the Rebate Fund from the funds or subaccounts designated in such City Certificate and direct the Trustee to pay to the United States from the Rebate Fund the amount that when added to the future value of previous rebate payments made for any series of Bonds Similarly Secured equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

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

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

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

ARTICLE VIII

LIABILITY OF CITY

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

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

No provision of this Indenture, the Bonds Similarly Secured, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds Similarly Secured (the "Bond Documents"), shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Trust Estate and the Annual Collection Costs) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

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

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

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

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

ARTICLE IX

THE TRUSTEE

Section 9.1. Trustee as Paying Agent/Registrar.

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

Section 9.2. Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to spend its own funds, to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend Improvement Area #1 Indenture of Trust

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 by the Owners, to the extent permitted by law and the provisions of this Indenture, to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except to the extent the same shall have been finally adjudicated by a court of competent jurisdiction to have been directly caused by the Trustee's 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 delivering any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may, to the extent permitted pursuant to the provisions of this Indenture, make transfers from the District Administration Account of the Administrative Fund, and to the extent moneys in the District Administration Account of the Administrative Fund are insufficient, from the Pledged Revenue Fund, to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall, to the extent permitted by law, be entitled to a preference therefor over any Bonds Similarly Secured Outstanding hereunder.

Section 9.3. Responsibilities of the Trustee.

The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(a) Prior to the occurrence of an Event of Default of which the Trustee has been notified, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this Indenture, and no duties or obligations shall be implied to the Trustee, these duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants shall be read into this Indenture against the Trustee; and

(ii) the Trustee may request and rely conclusively, as to the due execution, the truth of the statements, and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance therewith; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

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

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subparagraph shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(1) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(2) of this Section;

(2) the Trustee shall not be liable for any actions taken, or error of judgment, made in good faith by any one of its officers, employees or agents unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the controlling Owners relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

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

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

(f) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for such losses, damages, or expenses which have been fully 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, punitive, special or consequential loss or damage whatsoever (including, but not limited to, loss of profit) in connection with or arising from this Indenture, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless

of the form of action. The Trustee will not be liable with respect to any action taken or omitted to be taken 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.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care.

(h) Except for its certificate of authentication on the Bonds Similarly Secured, the Trustee shall not be responsible for:

(1) the validity, priority, recording, re-recording, filing or re-filing of this Indenture or any Supplemental Indenture,

(2) any instrument or document of further assurance or collateral assignment,

(3) the filing, execution, delivery, recording, or authorization of any financing statements, amendments thereto or continuation statements,

(4) insurance of the Improvement Area #1 Projects or collection of insurance money,

(5) the validity of the execution by the City of this Indenture, any Supplemental Indenture or instruments or documents of further assurance, or

(6) the sufficiency of the security for the Bonds Similarly Secured issued hereunder or intended to be secured hereby.

(i) The Trustee shall not be accountable for the application by any Person of the proceeds of any Bonds Similarly Secured authenticated or delivered hereunder; provided the Trustee follows the written instructions provided by the City with respect to the use of the proceeds of the Bonds Similarly Secured.

(j) The Trustee, as an Annual Collection Cost, may request, conclusively rely on and shall be protected in acting upon any resolution, statement, instrument, opinion, report, notice, request, direction, consent, certificate, order, judgment, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, not only as to due execution, validity, and effectiveness, but also as to the truth and accuracy of any information contained therein. Any action taken by the Trustee pursuant to this Indenture upon the direction, request, authority or consent of any Person who is the Owner of any Bonds Similarly Secured at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond Similarly Secured and of Bonds Similarly Secured issued in exchange therefor or in place thereof.

(k) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any events or information, default or Event of Default, except Events of Default described in Section 11.1(a)(1), unless the Trustee has actual knowledge thereof or shall be Improvement Area #1 Indenture of Trust

notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the Owners of more than 66-2/3% of the aggregate outstanding principal amount of Bonds Similarly Secured. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default, except as noted above.

(l) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(m) Any resolution by the City, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions or inactions taken hereunder.

(n) The Trustee shall be entitled to file proofs of claim in bankruptcy at the direction of no less than 66-2/3% of the Owners. Ordinary trustee and paying agent/registrar fees and expenses and extraordinary fees and expenses of the Trustee and the Paying Agent/Registrar incurred hereunder are intended to constitute administrative expenses in bankruptcy.

(o) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation for trustee and paying agent/registrar services, subject to the limitations set forth herein, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds Similarly Secured.

(p) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(q) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds Similarly Secured, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds Similarly Secured.

(r) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and, with respect to such permissive rights, the Trustee shall not be answerable for other than its negligence or willful misconduct.

(s) The Trustee shall not be responsible or liable for the environmental condition or any contamination of the Improvement Area #1 Projects or any real property or improvements related thereto or for any diminution in value of the same as a result of any contamination by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee shall not be liable for any claims by or on behalf of the Owners or any other person or entity arising from contamination by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of the Improvement Area #1 Projects or any real property or improvements related thereto or with respect to compliance Improvement Area #1 Indenture of Trust

thereof under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

(t) Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the City, or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all Persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other Person.

(u) In the event that any assets held hereunder 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 such assets, 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 of its own choosing 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.

The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

Section 9.4. Property Held in Trust.

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

Section 9.5. Trustee Protected in Relying on Certain Documents.

The Trustee may, as an Annual Collection Cost, request, conclusively rely on and shall be protected in acting upon any resolution, instrument, opinion, report, order, notice, judgment, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or for any action taken or omitted to be taken upon the written opinion or advice of any counsel, architect, engineer, insurance consultant, management consultant, accountant or other professional retained or consulted by the Trustee reasonably believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any

investigation or inquiry into any statements contained or matters referred to in any such instrument. Subject to Section 9.1 and 9.3 hereof, the Trustee may consult with counsel, selected by the Trustee with due care, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of, and the Trustee shall not be liable for, any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

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

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

Section 9.6. Compensation.

The City hereby agrees to compensate the Trustee, from the amount collected each year for Annual Collection Costs and in the manner set forth in this section, for the Trustee's services as Trustee and as Paying Agent/Registrar; provided, however, notwithstanding anything herein to the contrary, the aggregate value of this Indenture shall not exceed the dollar limitation set forth in Section 2274.002(a)(2) of the Texas Government Code, as amended. The Trustee hereby agrees that the fees it is to be paid for the current fiscal year will not cause the aggregate compensation received by the Trustee pursuant to the terms of this Indenture to exceed the limitation set forth in Section 2274.002(a)(2), as amended.

Unless otherwise provided by contract with the Trustee and subject to the limitations set forth above, the Trustee shall transfer from the District Administration Account of the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by specific agreement, and the Trustee shall have a lien therefor on any and all funds at any time held by it in the Administrative Fund. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession in the Administrative Fund, subject to the limitations set forth herein.

In the event that the Trustee renders any service not contemplated in this Indenture, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Indenture or the subject matter hereof, then the Trustee shall, subject to the limitations set forth herein, be compensated from any and all funds at any time held by it for such extraordinary services and any services or work performed by Trustee in connection with any delay, controversy, litigation or event, and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event.

Section 9.7. Permitted Acts.

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

Section 9.8. Resignation of Trustee.

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

Section 9.9. Removal of Trustee.

The Trustee may be removed at any time on 30 days' advance written notice to the Trustee by (i) the Owners of at least a majority of the aggregate Outstanding principal of the Bonds Similarly Secured by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City, or (ii) the City, so long as the City is not in default under this Indenture. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate Outstanding principal of the Bonds Similarly Secured.

Section 9.10. Successor Trustee.

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

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

(c) Unless such successor Trustee shall have been appointed by the Owners of the Bonds Similarly Secured, the City shall forthwith (and in no event in excess of 30 days after such vacancy occurs) appoint a Trustee to act hereunder. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the Trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds Similarly Secured within 30 days after such appointment. Any appointment of a successor Trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Owners of Bonds Similarly Secured, in accordance with the immediately preceding paragraph.

(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 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds Similarly Secured may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process.

(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 and Applicable Laws.

(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 for 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 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, including any supplement or amendment to this Indenture, 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 may file or cause to be filed, such continuation statements as are delivered to the Trustee by the City, or on behalf of the City, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. Under no circumstance shall the Trustee have an obligation or responsibility to file such financing statements or continuation statements except as provided in this Section.

Construction of Indenture.

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

ARTICLE X

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1. Amendments Permitted.

(a) This Indenture and the rights and obligations of the City and of the Owners of the Bonds Similarly Secured may be modified or amended at any time by a Supplemental Indenture, executed by both the City and the Trustee, except as provided below, pursuant to the affirmative Improvement Area #1 Indenture of Trust

vote at a meeting of Owners of the Bonds Similarly Secured, or with the written consent without a meeting, of the Owners of at least fifty-one percent (51%) of the aggregate principal amount of the Bonds Similarly Secured then Outstanding. No such modification or amendment shall (i) extend the maturity of any Bond Similarly Secured or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond Similarly Secured, without the express consent of the Owner of such Bond Similarly Secured, or (ii) permit the creation by the City of any pledge or lien upon the Trust Estate superior to or on a parity with the pledge and lien created for the benefit of the Bonds Similarly Secured (except as otherwise permitted by Applicable Laws and this Indenture), or reduce the percentage of Owners of Bonds Similarly Secured required for the amendment hereof. Any such amendment may not modify any of the rights, immunities, or obligations of the Trustee without its written consent.

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

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

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

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

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

(v) to appoint or accept a successor trustee in accordance with the provisions of Section 9.10 hereof; provided, however, in no event shall this provision limit the Owners ability to appoint a successor trustee pursuant to Section 9.10(b) hereof; and

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

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

(d) Notwithstanding the above, no Supplemental Indenture under this Section shall be effective unless the City first delivers to the Trustee an opinion of Bond Counsel to the effect that such amendment or supplement (i) is permitted under Applicable Laws and the provisions of this Indenture in effect after taking into account the proposed amendment or supplement; (ii) will not adversely affect the interests of the Owners in any material respect; provided, however, that an appointment of a successor trustee in accordance with the provisions hereof is deemed

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to not be a material adverse effect for purposes of such opinion; and (iii) will not adversely affect the exclusion of interest on any Bond Similarly Secured from gross income for purposes of federal income taxation.

Section 10.2. Owners' Meetings.

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

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

The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds Similarly Secured or of this Indenture, to the extent that such amendment is permitted by Section 10.1 herein, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, shall be mailed by first-class mail, by the Trustee to each Owner of Bonds Similarly Secured from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

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

After the Owners of the required percentage of Bonds Similarly Secured shall have filed their consents to the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds Similarly Secured and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds Similarly Secured at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable

proceeding for such purpose commenced within such sixty-day period; provided, however, that the Trustee during such sixty day period and any such further period during which any such action or proceeding may be pending shall be entitled in its sole discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture, as it may deem expedient; provided, further, that the Trustee shall have no obligation to take or refrain from taking any such action and the Trustee shall have no liability with respect to any action taken or any instance of inactions.

Section 10.4. Effect of Supplemental Indenture.

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

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

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

Section 10.6. Amendatory Endorsement of Bonds Similarly Secured.

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

Section 10.7. Waiver of Default

Subject to the second and third sentences of Section 10.1 hereof, with the written consent of at least fifty-one percent (51%) in aggregate principal amount of the Bonds Similarly Secured then Outstanding, the Owners may waive non-compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners. For the avoidance of doubt, any waiver given pursuant to this Section shall be subject to Section 11.5 hereof.

Section 10.8. Execution of Supplemental Indenture.

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

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.1. Events of Default.

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

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

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

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

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

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

Section 11.2. Immediate Remedies for Default.

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

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

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

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

Section 11.3. Restriction on Owner's Action.

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

the manner provided herein and for the equal benefit of the Owners of all Bonds Similarly Secured then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

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

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

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

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

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

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

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

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

Improvement Area #1 Indenture of Trust

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

Section 11.5. Effect of Waiver.

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

Section 11.6. Evidence of Ownership of Bonds Similarly Secured.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds Similarly Secured may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds Similarly Secured shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

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

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

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

Section 11.7. No Acceleration.

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

Section 11.8. Mailing of Notice.

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

Section 11.9. Exclusion of Bonds Similarly Secured.

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

Section 11.10. Remedies Not Exclusive.

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

Section 11.11. Direction by Owners.

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

ARTICLE XII

GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. Representations as to Trust Estate.

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

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

Improvement Area #1 Indenture of Trust

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

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

Section 12.2. Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less than 10% in principal amount of any Bonds Similarly Secured then Outstanding or their representatives duly authorized in writing.

Section 12.3. General.

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

ARTICLE XIII

SPECIAL COVENANTS

Section 13.1. Further Assurances; Due Performance.

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

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

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

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

Improvement Area #1 Indenture of Trust

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

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

(i) The Trustee shall receive a certificate from the City Representative certifying that (A) the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in this Indenture and (B) the Developer is not delinquent with respect to fees or any other funds or commitments to be paid to the City in accordance with the Development Agreement or the Improvement Area #1 Reimbursement Agreement;

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

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

(iv) The City and the Trustee shall receive a certificate from the Developer, through an authorized representative, certifying that no less than sixty (60) certificates of occupancy have been issued for single-family lots located within Improvement Area #1 of the District.

(v) The principal (including sinking fund installments) of the Additional Bonds must be scheduled to mature on September 15 of the years in which principal is scheduled to mature;

(vi) The interest on the Additional Bonds must be scheduled to be paid on March 15 and September 15 of the years in which interest is scheduled to be paid;

(vii) The Reserve Account Requirement shall be increased by an amount equal to twenty-five percent (25%) of the Maximum Annual Debt Service on the proposed Additional Bonds to be issued as of the Closing Date of such series of Additional Bonds; provided, however, that the Reserve Account Requirement will not be increased by more than 10% of the principal amount of the Additional Bonds (or if the Additional Bonds are Improvement Area #1 Indenture of Trust

issued with more than 2% net original issue discount or premium, 10% of the proceeds of the Additional Bonds); provided further, however, the Reserve Account Requirement shall not exceed the least of (i) Maximum Annual Debt Service on the Bonds Similarly Secured, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds Similarly Secured or the combined original issue price of the Bonds Similarly Secured;

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

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

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

Section 13.3. Books of Record.

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

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

ARTICLE XIV

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

Section 14.1. Trust Irrevocable.

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

Section 14.2. Satisfaction of Indenture.

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds Similarly Secured, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds Similarly Secured, the Improvement Area #1 Indenture of Trust

Secured have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Owners of such Bonds Similarly Secured, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds Similarly Secured has been paid so that the City may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 14.3. Bonds Similarly Secured Deemed Paid.

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

ARTICLE XV

MISCELLANEOUS

Section 15.1. Benefits of Indenture Limited to Parties.

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

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

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

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

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

Section 15.4. Waiver of Personal Liability.

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

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

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

If to the City: City of Pilot Point, Texas
102 East Main Street
Pilot Point, Texas 76258
Attention: City Manager

If to the Trustee
or the Paying Agent/Registrar: Wilmington Trust, National Association
Attention: Dayna Smith
15950 N. Dallas Parkway, Suite 550
Dallas, Texas 75248

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

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

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

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

fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 15.6. Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds Similarly Secured pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

Section 15.7. Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas. With respect to this Indenture and any conflicts arising therefrom, the parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal district or state district court with jurisdiction in Denton County, Texas, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and, (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party. Each of the parties hereto hereby waives the right to trial by jury with respect to any litigation directly or indirectly arising out of, under, or in connection with this Indenture.

Section 15.8. Payment on Business Day.

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

Section 15.9. Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original. The City and the Trustee agree that electronic signatures to this Indenture may be regarded as original signatures.

Section 15.10. No Boycott of Israel.

To the extent this Indenture constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Indenture. The Improvement Area #1 Indenture of Trust

foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel,' a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

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

The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CITY OF PILOT POINT, TEXAS

By: _____
Mayor

Attest:

City Secretary

[CITY SEAL]

WILMINGTON TRUST, NATIONAL
ASSOCIATION
as Trustee

By: _____
Name: Dayna L. Smith
Title: Vice President

EXHIBIT A

(a) Form of Bond.

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

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas

CITY OF PILOT POINT, TEXAS
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2022
(MOBBERLY PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #1 PROJECT)

INTEREST RATE MATURITY DATE DATE OF DELIVERY CUSIP NUMBER

_____ % September 15, 20____ _____ _____

The City of Pilot Point, Texas (the "City"), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 15 and September 15 of each year, commencing September 15, 2022, until maturity or prior redemption.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Wilmington, Delaware (the "Designated Payment/Transfer Office"), of Wilmington Trust, National Association, as trustee and paying agent/registrar (the "Trustee", which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the

Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth calendar day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated June 1, 2022 and issued in the aggregate principal amount of \$_____ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of June 1, 2022 (the "Indenture"), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Actual Costs of the Improvement Area #1 Projects, (ii) paying the District Formation allocable to Improvement Area #1, and (iii) paying the Bond Issuance Costs related to the issuance of the Bonds.

The Bonds are limited obligations of the City payable solely from the Trust Estate as defined in the Indenture. Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the City, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

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

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$100,000 and any multiple of \$1,000 in excess thereof.

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

Term Bonds Maturing _____, 20

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

* maturity

Term Bonds Maturing _____, 20

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

* maturity

Term Bonds Maturing _____, 20

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

* maturity

At least forty-five (45) days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by the Indenture, the Trustee shall select for redemption, pursuant to the provisions of the Indenture, a principal amount of Bonds of such maturity equal to

the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

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

The City reserves the right and option to redeem Bonds maturing on or after September 15, 20__ before their scheduled maturity dates, 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 par plus accrued interest to the date of redemption.

Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on the first day of any month, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, pursuant to the provisions of the Indenture, from amounts on deposit in the Redemption Fund as a result of Prepayments, other transfers to the Redemption Fund pursuant to the Indenture, or as a result of unexpended amounts transferred from the Project Fund as provided in the Indenture.

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

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

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the rights of the holders of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the holders of all the Bonds, to waive compliance by the City with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the holder of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such holder and upon all future holders thereof and of any Bond issued upon the transfer thereof or in

exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Trustee, and upon delivery to the Trustee of such certifications and/or opinion of counsel as may be required under the Indenture for the transfer of this Bond. Upon satisfaction of such requirements, one or more new fully registered Bonds of the same Stated Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Trustee shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond redeemed in part.

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

The City has reserved the right to issue Additional Bonds on the terms and conditions specified in the Indenture.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF PILOT POINT, TEXAS, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the City, including the Bonds, does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City.

Mayor, City of Pilot Point, Texas

City Secretary, City of Pilot Point, Texas

[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, address and zip code of transferee):

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____

attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Date: _____

Signature Guaranteed By:

Authorized Signatory

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

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

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

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

<u>Years</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
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(Information to be inserted from Section 3.2(a)(iii) hereof); and

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

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APPENDIX B

FORM OF SERVICE AND ASSESSMENT PLAN

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Mobberly Public Improvement District

AMENDED & RESTATED SERVICE AND ASSESSMENT PLAN

MAY 12, 2022



AUSTIN, TX | NORTH RICHLAND HILLS, TX

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INTRODUCTION

Capitalized terms used in this Amended and Restated Service and Assessment Plan shall have the meanings given to them in **Section I** unless otherwise defined in this Amended and Restated 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 Section of this Amended and Restated Service and Assessment Plan or an Exhibit or Appendix attached to and made a part of this Amended and Restated Service and Assessment Plan for all purposes.

On January 27, 2022, the City Council passed and approved Resolution No. 2022-06-531 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 474.04 acres located within the extraterritorial jurisdiction of the City, and will be annexed at or before PID Bonds are sold, as described by the legal description on **Exhibit L-1** and depicted on **Exhibit A-1**.

The PID Act requires a service plan must (i) cover a period of at least five years; (ii) define the annual indebtedness and projected cost of the Authorized Improvements; and (iii) include a copy of the notice form required by Section 5.014 of the Texas Property Code, as amended. The Service Plan is contained in **Section IV** and the notice form is attached as **Appendix B**.

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 Major Improvement Area is included as **Exhibit E-1**. The Assessment Roll for Improvement Area #1 is included as **Exhibit F-1**. The Assessment Roll for Improvement Area #2 is included as **Exhibit G-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; (5) all related permitting and public approval expenses, and architectural, engineering, consulting, and governmental fees and charges and (6) costs to implement, administer, and manage the above-described activities including, but not limited to, a construction management fee equal to four percent (4%) of construction costs if managed by or on behalf of the Owners.

“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 Major Improvement Area Reimbursement Obligation, Improvement Area #1 Reimbursement Obligation, or the Improvement Area #2 Reimbursement Obligation.

“Administrator” means the City or independent firm designated by the City who shall have the responsibilities provided in this Amended and Restated 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.

“Amended and Restated Service and Assessment Plan” means this Moberly Public Improvement District Amended and Restated Service and Assessment Plan as updated, amended, or supplemented from time to time.

“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 Amended and Restated 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 Amended and Restated 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 against which an Assessment is levied.

“Assessment” means an assessment levied against a Parcel within the District, other than Non-Benefitted 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 Major Improvement Area Assessment Roll, the Improvement Area #1 Assessment Roll, and the Improvement Area #2 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, and described in Section III, as further depicted on **Exhibit H-1** and **Exhibit H-2**.

“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 Pilot Point, Texas.

“City Council” means the governing body of the City.

“County” means Denton 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 Amended and Restated Service and Assessment Plan, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing interest and penalty interest.

“District” means Moberly Public Improvement District containing approximately 474.04 acres located within the extraterritorial jurisdiction of the City and more specifically described in **Exhibit L-1** and depicted on **Exhibit A-1**. Annexation will occur on or about when PID Bonds are sold.

“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 Owner 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 I**.

“Improvement Area #1” means approximately 91.076 acres located within the District, more specifically described in **Exhibit L-3** and depicted on **Exhibit A-3**.

“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 and when issued, 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 Amended and Restated Service and Assessment Plan as **Exhibit F-1**.

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

“Improvement Area #1 Initial Bonds” means those certain “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly 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 H-2**.

“Improvement Area #1 Initial Parcel” means all of the Improvement Area #1 Assessed Property against which the entire Improvement Area #1 Assessment is levied, as shown on the Improvement Area #1 Assessment Roll.

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

“Improvement Area #1 Reimbursement Agreement” means that certain Reimbursement Agreement, effective February 10, 2022, entered into by and between the City and Owner, whereby all or a portion of the Actual Costs will be paid to the Owner from the Improvement Area #1 Assessment to reimburse the Owner for Actual Costs paid by the Owner, plus interest, that are eligible to be paid with Improvement Area #1 Assessments. The City anticipates that it will issue PID Bonds in the future, at which time all or a portion of the Improvement Area #1 Reimbursement Agreement balance will be reduced by the amount of the bond proceeds.

“Improvement Area #1 Reimbursement Obligation” means an amount not to exceed \$2,960,287 secured by Improvement Area #1 Assessments to be paid to the Owner pursuant to the Improvement Area #1 Reimbursement Agreement. The Annual Installments for the Improvement Area #1 Reimbursement Obligation are shown on **Exhibit K-3**.

“Improvement Area #2” means approximately 133.213 acres located within the District, more specifically described in **Exhibit L-4** and depicted on **Exhibit A-4**.

“Improvement Area #2 Annual Installment” means the Annual Installment of the Improvement Area #2 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 #2; and (4) Additional Interest related to the Improvement Area #2 Bonds, if and when issued, as shown on **Exhibit G-2**.

“Improvement Area #2 Assessed Property” means any Parcel within Improvement Area #2 against which an Improvement Area #2 Assessment is levied.

“Improvement Area #2 Assessment” means an Assessment levied against a Parcel within Improvement Area #2 and imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on the Improvement Area #2 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 #2 Assessment Roll” means the Assessment Roll for the Improvement Area #2 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 Annual Service Plan Updates. The Improvement Area #2 Assessment Roll is included in this Amended and Restated Service and Assessment Plan as **Exhibit G-1**.

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

“Improvement Area #2 Initial Bonds” means those certain “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #2 Project)” that are secured by Improvement Area #2 Assessments.

“Improvement Area #2 Improvements” means the Authorized Improvements which only benefit the Improvement Area #2 Assessed Property, as further described in **Section III.D** and Depicted on **Exhibit H-2**.

“Improvement Area #2 Initial Parcel” means all of the Improvement Area #2 Assessed Property against which the entire Improvement Area #2 Assessment is levied, as shown on the Improvement Area #2 Assessment Roll.

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

“Improvement Area #2 Reimbursement Agreement” means that certain Reimbursement Agreement, effective February 10, 2022, entered into by and between the City and Owner, whereby all or a portion of the Actual Costs will be paid to the Owner from the Improvement Area #2 Assessment to reimburse the Owner for Actual Costs paid by the Owner, plus interest, that are eligible to be paid with Improvement Area #2 Assessments. The City anticipates that it will issue PID Bonds in the future, at which time all or a portion of the Improvement Area #2 Reimbursement Agreement balance will be reduced by the amount of the bond proceeds.

“Improvement Area #2 Reimbursement Obligation” means an amount not to exceed \$5,807,858 secured by Improvement Area #2 Assessments to be paid to the Owner pursuant to the Improvement Area #2 Reimbursement Agreement. The Annual Installments for the Improvement Area #2 Reimbursement Obligation are shown on **Exhibit K-5**.

“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.

“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, even if such property is designated as a separate described tract or lot on a recorded Subdivision Plat.

“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 I**.

“Lot Type 1” means a Lot within Improvement Area #1 marketed to homebuilders as a 40’ Lot. The buyer disclosure for Lot Type 1 is attached as **Appendix B-3**.

“Lot Type 2” means a Lot within Improvement Area #1 marketed to homebuilders as a 50’ Lot. The buyer disclosure for Lot Type 2 is attached as **Appendix B-4**.

“Lot Type 3” means a Lot within Improvement Area #2 marketed to homebuilders as a 40’ Lot. The buyer disclosure for Lot Type 3 is attached as **Appendix B-5**.

“Lot Type 4” means a Lot within Improvement Area #2 marketed to homebuilders as a 50’ Lot. The buyer disclosure for Lot Type 4 is attached as **Appendix B-6**.

“Major Improvement Area” means approximately 249.751 acres located within the District, and more specifically described in **Exhibit L-2** and depicted on **Exhibit A-2**. The Major Improvement Area includes all of the District save and except Improvement Area #1, and Improvement Area #2.

“Major Improvement Area Annual Installment” means the Annual Installment of the Major Improvement 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 Major Improvement Area; and (4) Additional Interest related to the Major Improvement Area Bonds, if and when issued, as shown on **Exhibit E-2**.

“Major Improvement Area Assessed Property” means any Parcel within the Major Improvement Area against which a Major Improvement Area Assessment is levied.

“Major Improvement Area Assessment” means an Assessment levied against the Major Improvement Area Assessed Property and related to the Major Improvement Area Authorized Improvements and imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on the Major Improvement Area Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and in the PID Act.

“Major Improvement Area Assessment Roll” means the Assessment Roll for the Major Improvement 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 Major Improvement Area Assessment Roll is included in this Amended and Restated Service and Assessment Plan as **Exhibit E-1**.

“Major Improvement Area Authorized Improvements” means, collectively, (1) the pro rata portion of the Major Improvements allocable to the Major Improvement Area; (2) the first year’s Annual Collection Costs related to the Major Improvement Area; and (3) Bond Issuance Costs incurred in connection with the issuance of the Major Improvement Area Bonds.

“Major Improvement Area Bonds” means those certain “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Major Improvement Area Project).”

“Major Improvement Area Initial Parcel” means all of the Major Improvement Area Assessed Property against which the entire Major Improvement Area Assessment is levied as shown on Major Improvement Area Assessment Roll.

“Major Improvement Area Projects” means the pro rata portion of the Major Improvements allocable to the Major Improvement Area.

“Major Improvement Area Reimbursement Agreement” means that certain Reimbursement Agreement, effective February 10, 2022, entered into by and between the City and Owner, whereby all or a portion of the Actual Costs will be paid to the Owner from Major Improvement Area Assessment to reimburse the Owner for Actual Costs paid by the Owner, plus interest, that are eligible to be paid with Major Improvement Area Assessments. The City anticipates that it will issue PID Bonds in the future, at which time all or a portion of the Major Improvement Area Reimbursement Agreement balance will be reduced by the amount of the bond proceeds.

“Major 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.A.** and depicted on **Exhibit H-1**.

“Maximum Assessment” means, for each Lot, an Assessment equal to the lesser of (1) the amount calculated pursuant to **Section VI.A**, or (2) the amount shown on **Exhibit I**.

“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 J**.

“Owner” or **“Owners”** means MM Mobberly 236, LLC, a Texas limited liability company; MM Mobberly 13, 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.

“Parcel” or **“Parcels”** means a specific property within the District identified by either a tax parcel identification number assigned by the Denton Central Appraisal District for real property tax purposes, by legal description, or by lot and block number in a final subdivision plat recorded in the Official Public Records of the County, or by any other means determined by the City.

“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.

“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.

“Service and Assessment Plan” means the Mobberly Public Improvement District Service and Assessment Plan approved on February 10, 2022, by Ordinance No. 472-14-2022.

“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.

SECTION II: THE DISTRICT

The District includes approximately 474.04 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by legal description on **Exhibit L-1** and depicted on **Exhibit A-1**. Annexation of the District is expected to occur at the time of the issuance of PID Bonds but prior to the approval of a Final Plat; the development of the District is anticipated to include approximately 1,989 Lots developed with single-family homes.

The Major Improvement Area includes approximately 249.751 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by the legal description on **Exhibit L-2** and depicted on **Exhibit A-2**. Development of the Major Improvement Area is anticipated to include approximately 803 Lots developed with single-family homes.

Improvement Area #1 includes approximately 91.076 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by the legal description on **Exhibit L-3** and depicted on **Exhibit A-3**. Development of Improvement Area #1 is anticipated to include approximately 486 Lots developed with single-family homes (312 single-family homes that are on Lots classified as Lot Type 1, and 174 single-family homes that are on Lots classified as Lot Type 2).

Improvement Area #2 includes approximately 133.213 contiguous acres located within the extraterritorial jurisdiction of the City, the boundaries of which are more particularly described by the legal description on **Exhibit L-4** and depicted on **Exhibit A-4**. Development of Improvement Area #2 is anticipated to include approximately 700 Lots developed with single-family homes (372 single-family homes that are on Lots classified as Lot Type 3, and 328 single-family homes that are on Lots classified as Lot Type 4).

SECTION III: AUTHORIZED IMPROVEMENTS

Based on information provided by the Owner and its engineer 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. The budget for the Authorized Improvements is shown on **Exhibit B**.

A. Major 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.

- *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 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.

- *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.

- *Soft Costs*

Costs related to designing, constructing, and installing the Major 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 the 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 the Improvement Area #1.

- *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. Improvement Area #2 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 Improvement Area #2.

- *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 #2.

- *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 #2.

- *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 Improvement Area #2.

- *Soft Costs*

Costs related to designing, constructing, and installing the Improvement Area #2 Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, legal fees, 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 Bonds, including a fee for underwriter's counsel.

- *Cost 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

- *Initial Deposit to Administrative Fund*

Equals the amount necessary to fund the first year's Annual Collection Costs.

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 is also required to include a copy of the notice form required by Section 5.014 of the Texas Property Code, as amended. The Service Plan must be reviewed and updated in each Annual Service Plan Update. **Exhibit C** summarizes the initial Service Plan for the District. Per the PID Act and Section 5.014 of the Texas Property Code, as amended, this Amended and Restated 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 B**.

Exhibit D summarizes the sources and uses of funds required to construct the Authorized Improvements. The sources and uses of funds shown on **Exhibit D** shall be updated in an Annual Service Plan Update.

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 Amended and Restated 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 Owner, developers, 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 Owner and its engineer 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 Major Improvement Area Authorized Improvements shall be allocated to each Parcel in the Major Improvement Area based upon Estimated Buildout Value of each Parcel designated as Major Improvement Area Assessed Property to the Estimated Buildout Value of all Major Improvement Area Assessed Property. Currently, the Major Improvement Area Initial Parcel is the only Parcel within the Major Improvement Area, and as such, the Major Improvement Area Initial Parcel is allocated 100% of the Major Improvement Area Authorized Improvements.
- The costs of the Major Improvements shall be allocated to each Improvement Area and the Major Improvement Area based upon Estimated Buildout Value of each Parcel or Assessed Property to the Estimated Buildout Value of the District. Currently the Major Improvement Area is allocated 40.90% of the Major Improvement costs, Improvement Area #1 is allocated 24.01% of the Major Improvement costs, and Improvement Area #2 is allocated 35.09% of the Major Improvement costs. The Major Improvement Area, Improvement Area #1 and Improvement Area #2's shares of the Major Improvement costs are illustrated in **Exhibit B**.
- 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, the Improvement Area #1 Initial Parcel is the only Parcel within Improvement Area #1, and as such, the Improvement Area #1 Initial Parcel is allocated 100% of the Improvement Area #1 Authorized Improvements.
- The costs of the Improvement Area #2 Authorized Improvements shall be allocated to

each Parcel within Improvement Area #2 based on the ratio of the Estimated Buildout Value of each Parcel designated as Improvement Area #2 Assessed Property to the Estimated Buildout Value of all Improvement Area #2 Assessed Property. Currently, the Improvement Area #2 Initial Parcel is the only Parcel within Improvement Area #2, and as such, the Improvement Area #2 Initial Parcel is allocated 100% of the Improvement Area #2 Authorized Improvements.

B. Assessments

The Major Improvement Area Assessment will be levied on the Major Improvement Area Initial Parcel in the amount shown on the Major Improvement Area Assessment Roll, attached hereto as **Exhibit E-1**. The projected Major Improvement Area Annual Installments are shown on **Exhibit E-2**. Upon division or subdivision of the Major Improvement Area Initial Parcel, the Major Improvement Area Assessment will be reallocated pursuant to **Section VI**.

The Improvement Area #1 Assessment will be levied on the Improvement Area #1 Initial Parcel 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 the Improvement Area #1 Initial Parcel, the Improvement Area #1 Assessment will be reallocated pursuant to **Section VI**.

The Improvement Area #2 Assessment will be levied on the Improvement Area #2 Initial Parcel in the amount shown on the Improvement Area #2 Assessment Roll, attached hereto as **Exhibit G-1**. The projected Improvement Area #2 Annual Installments are shown on **Exhibit G-2**. Upon division or subdivision of the Improvement Area #2 Initial Parcel, the Improvement Area #2 Assessment will be reallocated pursuant to **Section VI**.

The Maximum Assessment for each Lot Type is shown on **Exhibit I**. In no case will the Assessment for Lots classified as Lot Type 1, Lot Type 2, Lot Type 3, and Lot Type 4 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 Owner and its engineer and reviewed by the City staff and by third-party consultants retained by the City, the City Council has found and determined:

- *Major Improvement Area*
 - The costs of the Major Improvement Area Authorized Improvements equal \$7,261,237 as shown on **Exhibit B**;

- The Major Improvement Area Assessed Property receives special benefit from the Major Improvement Area Authorized Improvements equal to or greater than the Actual Cost of the Major Improvement Area Authorized Improvements;
 - The Major Improvement Area Initial Parcel will be allocated 100% of the Major Improvement Area Assessment levied for the Major Improvement Area Authorized Improvements, which equals \$6,684,000 as shown on the Major Improvement Area Assessment Roll attached hereto as **Exhibit E-1**;
 - The special benefit ($\geq \$7,261,237$) received by the Major Improvement Area Initial Parcel from the Major Improvement Area Authorized Improvements is greater than or equal to the amount of the Major Improvement Area Assessment (\$6,684,000) levied on the Major Improvement Area Initial Parcel for the Major Improvement Area Authorized Improvements; and
 - At the time the City Council approved the Service and Assessment Plan, the Owner owned 100% of the Major Improvement Area Initial Parcel. The Owner acknowledged that the Major Improvement Area Authorized Improvements conferred a special benefit on the Major Improvement Area Initial Parcel and consented to the imposition of the Major Improvement Area Assessments to pay for the Actual Costs associated therewith. The Owner has 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 Major Improvement Area Assessment on the Major Improvement Area Initial Parcel.
- *Improvement Area #1*
 - The costs of the Improvement Area #1 Authorized Improvements equal \$17,923,531 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 Initial Parcel will be allocated 100% of the Improvement Area #1 Assessment levied for the Improvement Area #1 Authorized Improvements, which equals \$17,610,287 as shown on the Improvement Area #1 Assessment Roll attached hereto as **Exhibit F-1**;

- The special benefit (\geq \$17,923,531) received by the Improvement Area #1 Initial Parcel from the Improvement Area #1 Authorized Improvements is equal to or greater than the amount of the Improvement Area #1 Assessment (\$17,610,287) levied on the Improvement Area #1 Initial Parcel for the Improvement Area #1 Authorized Improvements; and
 - At the time the City Council approved the Service and Assessment Plan, the Owner owned 100% of the Improvement Area #1 Initial Parcel. The Owner acknowledged that the Improvement Area #1 Authorized Improvements conferred a special benefit on the Improvement Area #1 Initial Parcel and consented to the imposition of the Improvement Area #1 Assessment to pay for the Actual Costs associated therewith. The Owner 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 Initial Parcel.
- *Improvement Area #2*
 - The costs of the Improvement Area #2 Authorized Improvements equal \$30,389,202 as shown on **Exhibit B**;
 - The Improvement Area #2 Assessed Property receives special benefit from the Improvement Area #2 Authorized Improvements equal to or greater than the Actual Cost of the Improvement Area #2 Authorized Improvements;
 - The Improvement Area #2 Initial Parcel will be allocated 100% of the Improvement Area #2 Assessment levied for the Improvement Area #2 Authorized Improvements, which equals \$28,357,858 as shown on the Improvement Area #2 Assessment Roll attached hereto as **Exhibit G-1**;
 - The special benefit (\geq \$30,389,202) received by the Improvement Area #2 Initial Parcel from the Improvement Area #2 Authorized Improvements is equal to or greater than the amount of the Improvement Area #2 Assessment (\$28,357,858) levied on the Improvement Area #2 Initial Parcel for the Improvement Area #2 Authorized Improvements; and
 - At the time the City Council approved the Service and Assessment Plan, the Owner owned 100% of the Improvement Area #2 Initial Parcel. The Owner acknowledged that the Improvement Area #2 Authorized Improvements conferred a special benefit on the Improvement Area #2 Initial Parcel and consented to the imposition

of the Improvement Area #2 Assessment to pay for the Actual Costs associated therewith. The Owner 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 #2 Assessment on the Improvement Area #2 Initial Parcel.

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 Major Improvement Area Assessment securing the Major Improvement Area Reimbursement Obligation shall be collected at rates established under the Major Improvement Area Reimbursement Agreement as part of the Major Improvement Area Annual Installment pursuant to the Major Improvement Area Reimbursement Agreement, which will not include Additional Interest unless and until PID Bonds secured by the Major Improvement Area Assessment are issued.

The interest on the Improvement Area #1 Assessment securing the Improvement Area #1 Reimbursement Obligation shall be collected at rates established under the Improvement Area #1 Reimbursement Agreement as part of the Improvement Area #1 Annual Installment pursuant to the Improvement Area #1 Reimbursement Agreement, which will not include Additional Interest unless and until PID Bonds secured by the Improvement Area #1 Assessment are issued.

The interest on the Improvement Area #2 Assessment securing the Improvement Area #2 Reimbursement Obligation shall be collected at rates established under the Improvement Area #2 Reimbursement Agreement as part of the Improvement Area #2 Annual Installment pursuant to the Improvement Area #2 Reimbursement Agreement, which will not include Additional Interest unless and until PID Bonds secured by the Improvement Area #2 Assessment are issued.

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, relying on information from homebuilders, market studies, appraisals, Official Public Records of the County, and any other relevant information regarding the Assessed Property. The Estimated Buildout Value for Lot Type 1, Lot Type 2, Lot Type 3, and Lot Type 4 are shown on **Exhibit I** 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 Estimated Buildout Value information provided by the Owner, homebuilders, third party consultants, and/or the Official Public Records of the County regarding the Lot. The Estimated Buildout Value for Lot Type 1, Lot Type 2, Lot Type 3, and Lot Type 4 are shown on **Exhibit I** 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 J**.

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.

For purposes of Prepayments, the Improvement Area #2 Reimbursement Obligation is and will remain subordinated to (i) the Improvement Area #2 Bonds and (ii) any additional PID Bonds secured by a parity lien on the Improvement Area #2 Assessments issued to refinance all or a portion of the Improvement Area #2 Reimbursement Obligation. For purposes of Prepayments,

additional PID Bonds issued to refinance all or a portion of the Improvement Area #2 Reimbursement Obligation will be on parity with the Improvement Area #2 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 Major Improvement Area Annual Installments, **Exhibit F-2** shows the estimated Improvement Area #1 Annual Installments, and **Exhibit G-2** shows the estimated Improvements Area #2 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 Denton 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, 2023.

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 Annual Installments

Any amounts collected from the Improvement Area #1 Annual Installments, or Improvement Area #2 Annual Installments paid by the owner of Improvement Area #1 Assessed Property, or Improvement Area #2 Assessed Property respectively, shall be allocated, first to amounts due for the Improvement Area #1 Bonds, or Improvement Area #2 Bonds, respectively, including any amounts due for Additional Interest and Annual Collection Costs, and second to amounts due the Improvement Area #1 Reimbursement Obligation, or Improvement Area #2 Reimbursement Obligation, respectively.

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, or Improvement Area #2 Reimbursement Obligation will remain subordinated to (i) the Improvement Area #1 Bonds, or Improvement Area #2 Bonds respectively, and (ii) any additional PID Bonds secured by a parity lien on the Improvement Area #1 Assessments, or

Improvement Area #2 Assessments issued to refinance all or a portion of the Improvement Area #1 Reimbursement Obligation, or the Improvement Area #2 Reimbursement Obligation respectively. 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, or Improvement Area #2 Reimbursement Obligation will be on parity with the Improvement Area #1 Bonds, or Improvement Area #2 Bonds, respectively.

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 Amended and Restated 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 Remainder 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 Major Improvement 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 Major Improvement Area Assessment Roll and Major Improvement 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.

The Improvement Area #2 Assessment Roll is attached as **Exhibit G-1**. The Administrator shall prepare and submit to the City Council for review and approval proposed revisions to the

Improvement Area #2 Assessment Roll and Improvement Area #2 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 Amended and Restated 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 shall take such corrective action as is authorized by the PID Act, this Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated Service and Assessment Plan.

C. Administration and Interpretation

The Administrator shall: (1) perform the obligations of the Administrator as set forth in this Amended and Restated 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 Amended and Restated Service and Assessment Plan. Interpretations of this Amended and Restated 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. Filing Requirements

Within seven days of approval by the City Council, the City shall file and record in the real property records of the County the executed ordinance of this Amended and Restated Service and Assessment Plan, or any future Annual Service Plan Updates. The executed ordinance, including any attachments, approving this Amended and Restated Service and Assessment Plan or any future Annual Service Plan Updates shall be filed and recorded in their entirety.

E. Severability

If any provision of this Amended and Restated 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 Amended and Restated Service and Assessment Plan for all purposes:

Exhibit A-1	Map of the District
Exhibit A-2	Map Major Improvement Area
Exhibit A-3	Map of Improvement Area #1
Exhibit A-4	Map of Improvement Area #2
Exhibit B	Project Costs
Exhibit C	Service Plan
Exhibit D	Sources and Uses of Funds
Exhibit E-1	Major Improvement Area Assessment Roll
Exhibit E-2	Major Improvement Area Annual Installments
Exhibit F-1	Improvement Area #1 Assessment Roll
Exhibit F-2	Improvement Area #1 Annual Installments
Exhibit G-1	Improvement Area #2 Assessment Roll
Exhibit G-2	Improvement Area #2 Annual Installments
Exhibit H-1	Maps of Major Improvements
Exhibit H-2	Maps of Improvement Area #1 Improvements, and Improvement Area #2 Improvements
Exhibit I	Maximum Assessment and Tax Rate Equivalent
Exhibit J	Form of Notice of Assessment Termination
Exhibit K-1	Debt Service Schedule for Major Improvement Area Reimbursement Obligation
Exhibit K-2	Debt Service Schedule for Improvement Area #1 Bonds
Exhibit K-3	Debt Service Schedule for Improvement Area #1 Reimbursement Obligation
Exhibit K-4	Debt Service Schedule for Improvement Area #2 Bonds
Exhibit K-5	Debt Service Schedule for Improvement Area #2 Reimbursement Obligation
Exhibit L-1	District Legal Description
Exhibit L-2	Major Improvement Area Legal Description
Exhibit L-3	Improvement Area #1 Legal Description
Exhibit L-4	Improvement Area #2 Legal Description

APPENDICES

The following Appendices are attached to and made a part of this Amended and Restated Service and Assessment Plan for all purposes:

Appendix A	Engineer's Report
Appendix B-1	Major Improvement Area Initial Parcel Buyer Disclosure
Appendix B-2	Improvement Area #1 Initial Parcel Buyer Disclosure
Appendix B-3	Improvement Area #2 Initial Parcel Buyer Disclosure
Appendix B-4	Lot Type 1 Buyer Disclosure
Appendix B-5	Lot Type 2 Buyer Disclosure
Appendix B-6	Lot Type 3 Buyer Disclosure
Appendix B-7	Lot Type 4 Buyer Disclosure

EXHIBIT A-1 – MAP OF THE DISTRICT

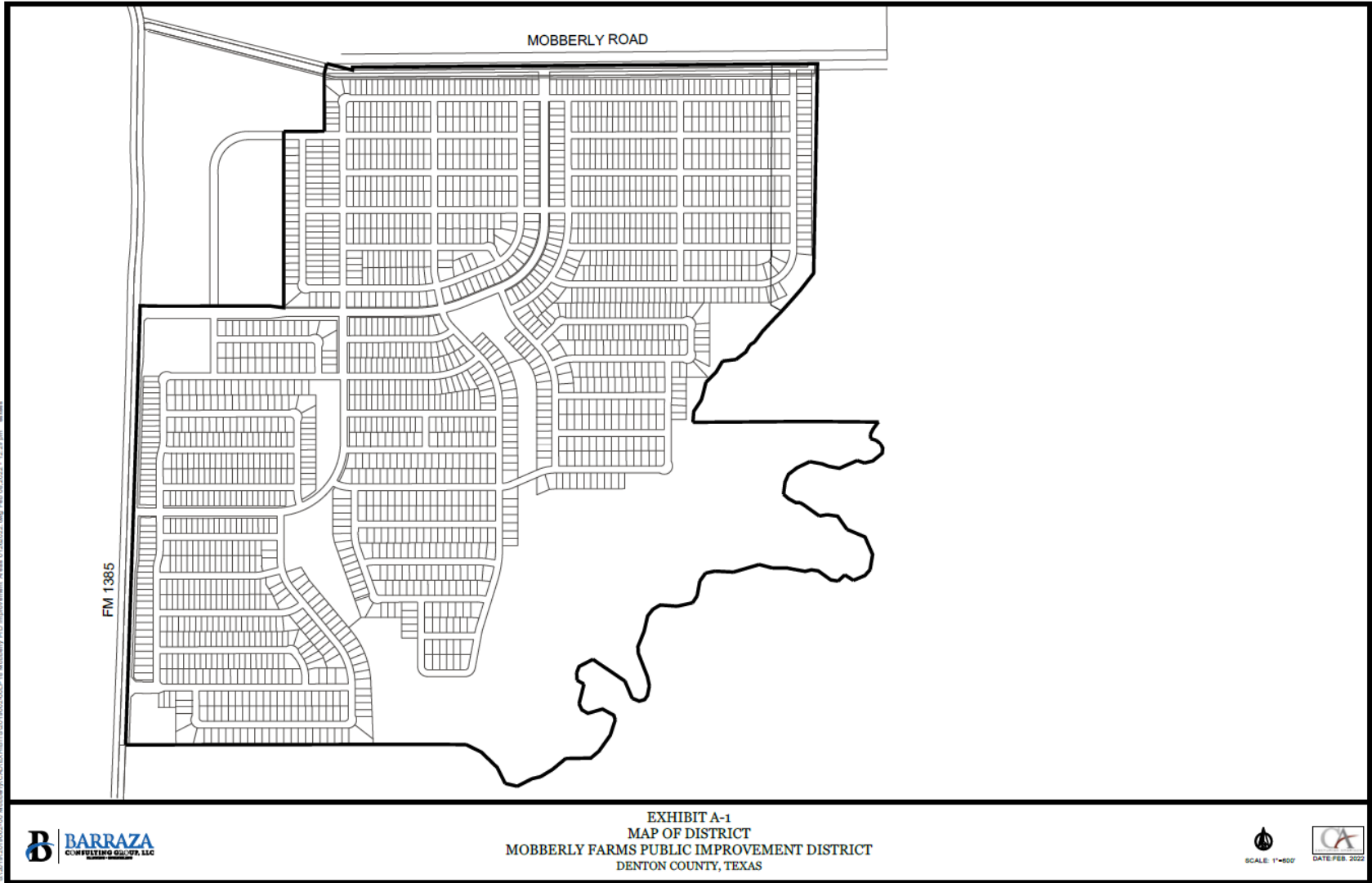


EXHIBIT A-2 – MAP OF MAJOR IMPROVEMENT AREA

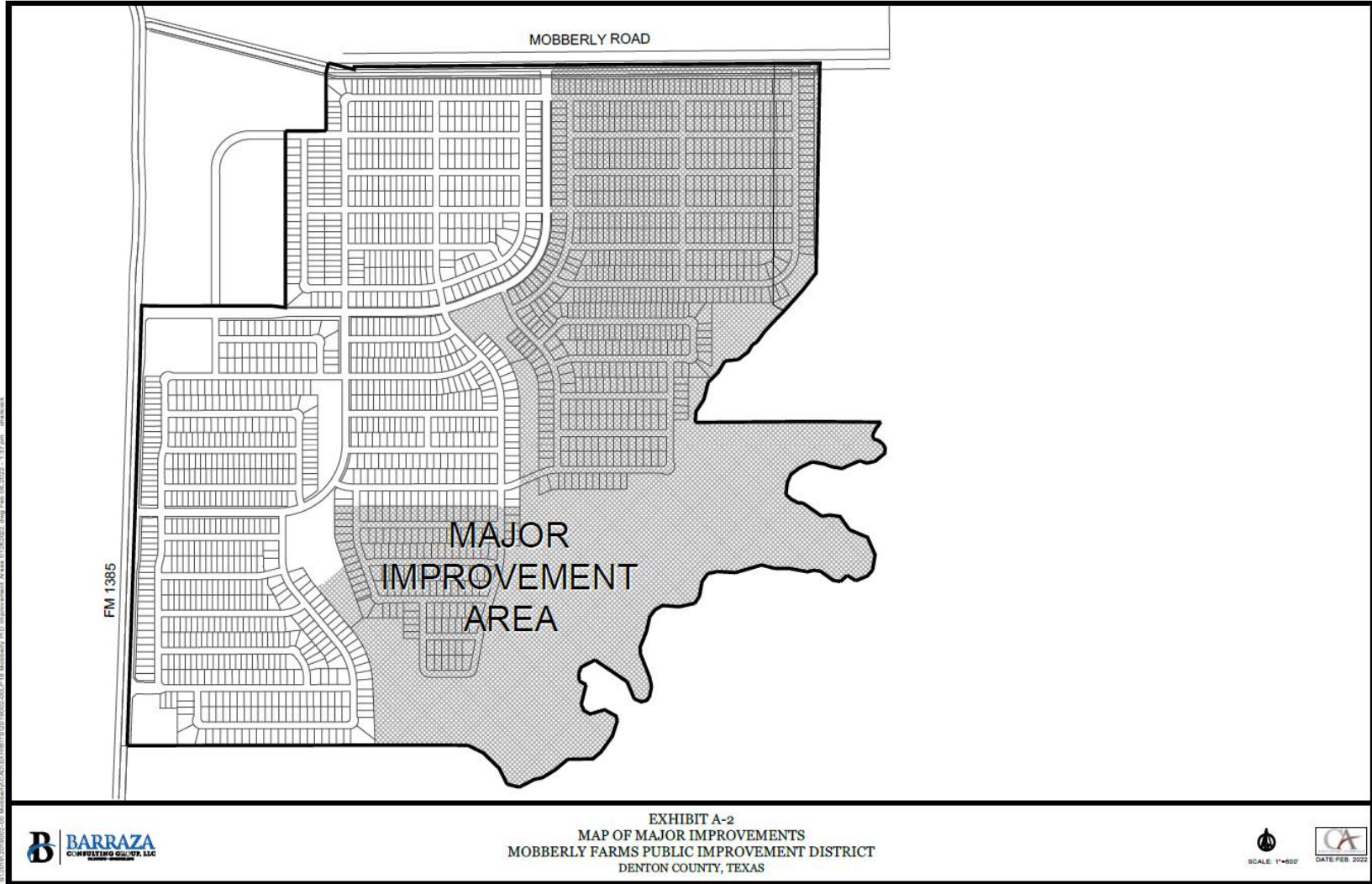


EXHIBIT A-3 – MAP OF IMPROVEMENT AREA #1

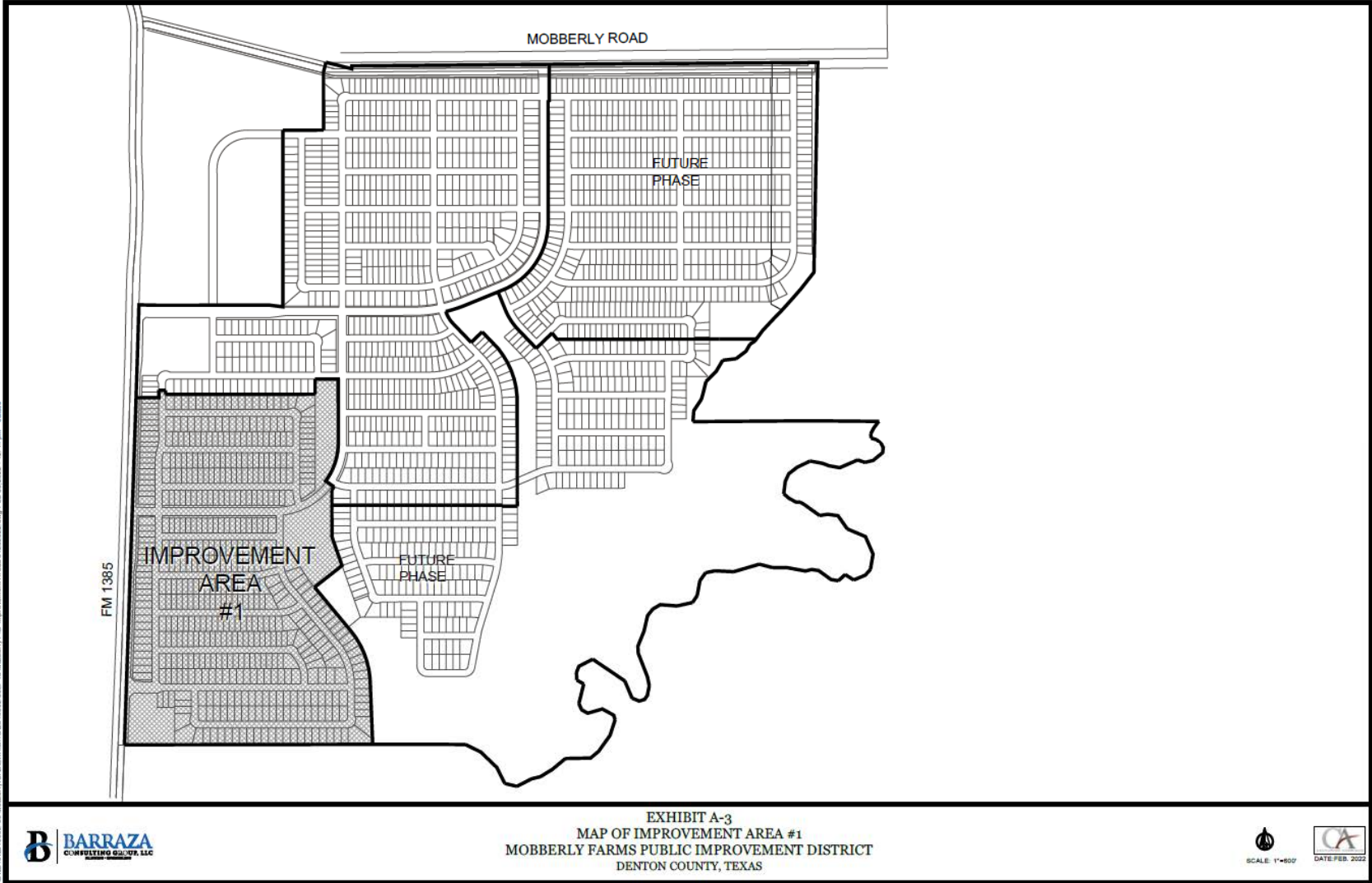


EXHIBIT A-4 – MAP OF IMPROVEMENT AREA #2

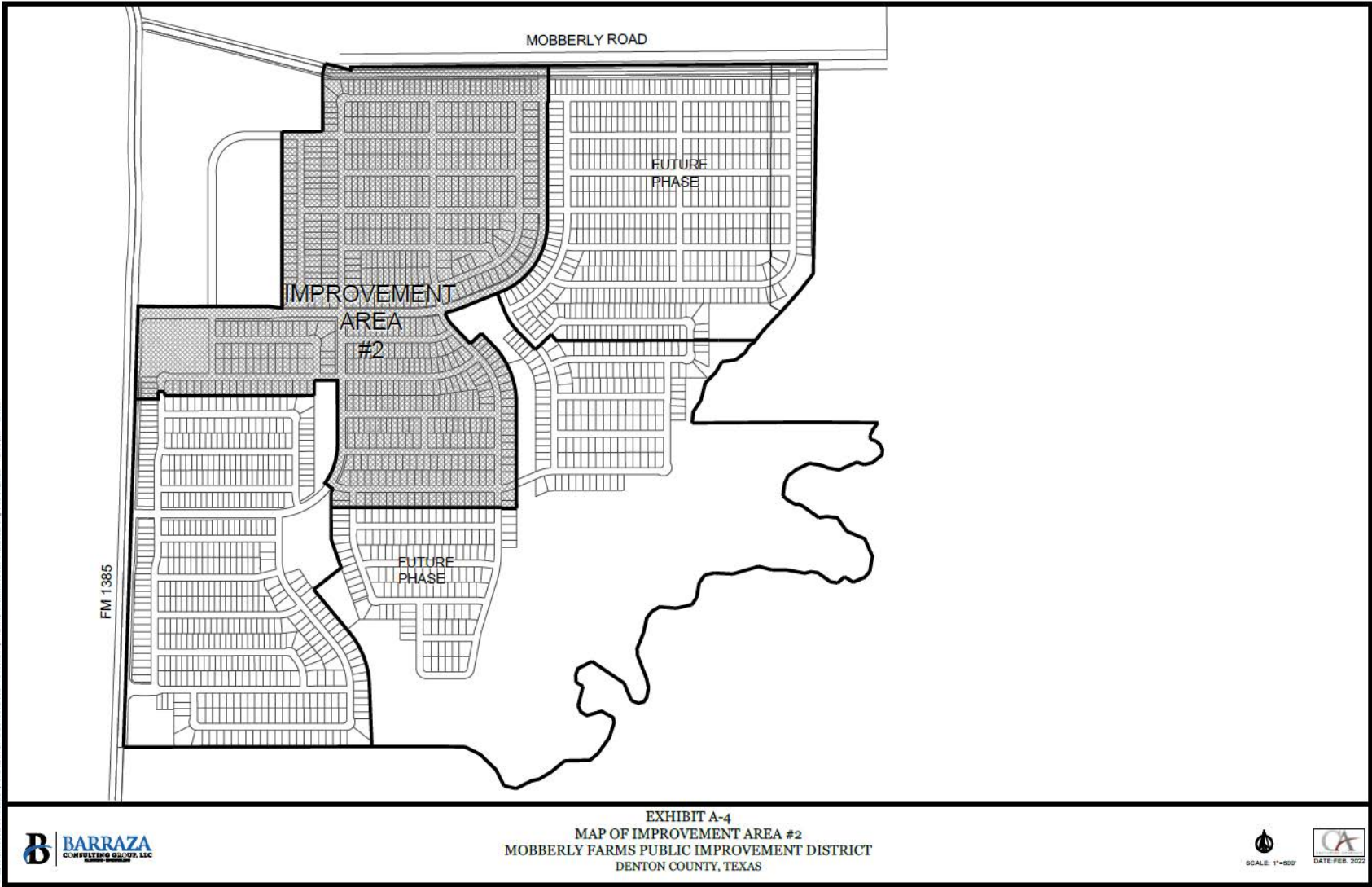


EXHIBIT B – PROJECT COSTS

	Total ¹	Private	Major Improvement Area		Improvement Area #1		Improvement Area #2	
			%	Cost	%	Cost	%	Cost
Major Improvements²								
Streets ³	\$ 8,376,497	\$ -	40.90%	\$ 3,426,371	24.01%	\$ 2,011,038	35.09%	\$ 2,939,088
Water	199,270	-	40.90%	81,511	24.01%	47,841	35.09%	69,918
Sewer	353,589	-	40.90%	144,634	24.01%	84,890	35.09%	124,065
Drainage	731,403	-	40.90%	299,177	24.01%	175,596	35.09%	256,630
Soft Costs ⁴	3,693,163	-	40.90%	1,510,673	24.01%	886,658	35.09%	1,295,832
	<u>\$ 13,353,922</u>	<u>\$ -</u>		<u>\$ 5,462,366</u>		<u>\$ 3,206,024</u>		<u>\$ 4,685,533</u>
Improvement Area #1 Improvements								
Streets ³	\$ 3,618,897	\$ -	0.00%	\$ -	100.00%	\$3,618,897	0.00%	\$ -
Water	1,505,852	-	0.00%	-	100.00%	1,505,852	0.00%	-
Sewer	1,136,575	-	0.00%	-	100.00%	1,136,575	0.00%	-
Drainage	1,248,472	-	0.00%	-	100.00%	1,248,472	0.00%	-
Right of Way	2,038,300	-	0.00%	-	100.00%	2,038,300	0.00%	-
Soft Costs ⁴	1,843,321	-	0.00%	-	100.00%	1,843,321	0.00%	-
	<u>\$ 11,391,417</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ 11,391,417</u>		<u>\$ -</u>
Improvement Area #2 Improvements								
Streets ³	\$ 5,973,729	\$ -	0.00%	\$ -	0.00%	\$ -	100.00%	\$ 5,973,729
Water	2,561,111	-	0.00%	-	0.00%	-	100.00%	2,561,111
Sewer	2,552,534	-	0.00%	-	0.00%	-	100.00%	2,552,534
Drainage	3,358,100	-	0.00%	-	0.00%	-	100.00%	3,358,100
Soft Costs ⁴	4,749,600	-	0.00%	-	0.00%	-	100.00%	4,749,600
	<u>\$ 19,195,074</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 19,195,074</u>
Private Improvements								
Grading Site Preparation	\$ 3,384,231	\$ 3,384,231	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -
Retaining Walls	1,619,018	1,619,018	0.00%	-	0.00%	-	0.00%	-
Dry Utilities	3,826,500	3,826,500	0.00%	-	0.00%	-	0.00%	-
Amenity Center	2,000,000	2,000,000	0.00%	-	0.00%	-	0.00%	-
Soft Costs ⁴	1,829,056	1,829,056	0.00%	-	0.00%	-	0.00%	-
	<u>\$ 12,658,805</u>	<u>\$ 12,658,805</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
Bond Issuance Costs - Initial Bonds								
Debt Service Reserve Fund	\$ 3,207,595			\$ 518,295		\$ 1,072,750		\$ 1,616,550
Capitalized Interest	2,656,124			600,596		318,690		1,736,838
Underwriter Discount	1,316,520			200,520		439,500		676,500
Cost of Issuance	2,852,460			434,460		952,250		1,465,750
	<u>\$ 10,032,699</u>			<u>\$ 1,753,871</u>		<u>\$ 2,783,190</u>		<u>\$ 5,495,638</u>
Other Costs								
Initial Deposit to Administrative Fund	\$ 135,000			\$ 45,000		\$ 45,000		\$ 45,000
	<u>\$ 135,000</u>			<u>\$ 45,000</u>		<u>\$ 45,000</u>		<u>\$ 45,000</u>
Bond Issuance Costs - Future Bonds⁵								
Debt Service Reserve Fund	\$ 632,884			\$ -		\$ 216,673		\$ 416,211
Capitalized Interest	-			-		-		-
Underwriter Discount	263,044			-		88,809		174,236
Cost of Issuance	569,929			-		192,419		377,511
	<u>\$ 1,465,858</u>			<u>\$ -</u>		<u>\$ 497,900</u>		<u>\$ 967,958</u>
Total⁶	\$ 68,232,775	\$ 12,658,805		\$ 7,261,237		\$ 17,923,531		\$ 30,389,202

Notes:

¹ Authorized Improvement costs per Opinion of Probable Costs provided by Barraza Consulting Group, LLC, dated 1/17/2022.

² Major Improvements are allocated to the Major Improvement Area, Improvement Area #1, and Improvement Area #2 pro rata based on the ratio of the Estimated Buildout Value of each respective area, as shown on **Exhibit I**, to the Estimated Buildout Value of the entire District.

³ Street Improvements include grading site preparation, and in the case of Major Improvement streets, TxDOT turn lane improvements, and screening and landscaping.

⁴ Soft Costs include engineering, District creation, construction management, and 10% contingency.

⁵ Bond Issuance Costs associated with future bonds are estimates only and will be determined at the time future PID Bonds are sold to replace the Major Improvement Area Reimbursement Obligation, Improvement Area #1 Reimbursement Obligation, and/or the Improvement Area #2 Reimbursement Obligation.

⁶ Totals may not add due to rounding.

EXHIBIT C – SERVICE PLAN

Major Improvement Area						
Annual Installment Due		1/31/2023	1/31/2024	1/31/2025	1/31/2026	1/31/2027
<i>Major Improvement Area Bonds</i>						
Principal		\$ -	\$ 83,000	\$ 89,000	\$ 95,000	\$ 101,000
Interest		434,460	434,460	429,065	423,280	417,105
Capitalized Interest		(434,460)	-	-	-	-
	(1)	\$ -	\$ 517,460	\$ 518,065	\$ 518,280	\$ 518,105
Additional Interest	(2)	\$ 33,420	\$ 33,420	\$ 33,005	\$ 32,560	\$ 32,085
Annual Collection Costs	(3)	\$ 45,000	\$ 45,900	\$ 46,818	\$ 47,754	\$ 48,709
Total Annual Installment Due	(4) = (1) + (2) + (3)	\$ 78,420	\$ 596,780	\$ 597,888	\$ 598,594	\$ 598,899
Improvement Area #1						
Annual Installment Due		1/31/2023	1/31/2024	1/31/2025	1/31/2026	1/31/2027
<i>Improvement Area #1 Initial Bonds</i>						
Principal		\$ 267,000	\$ 281,000	\$ 297,000	\$ 313,000	\$ 330,000
Interest		805,750	791,065	775,610	759,275	742,060
Capitalized Interest		-	-	-	-	-
	(1)	\$ 1,072,750	\$ 1,072,065	\$ 1,072,610	\$ 1,072,275	\$ 1,072,060
Additional Interest	(2)	\$ 73,250	\$ 71,915	\$ 70,510	\$ 69,025	\$ 67,460
<i>Improvement Area #1 Reimbursement Obligation</i>						
Principal		\$ 53,857	\$ 56,819	\$ 59,944	\$ 63,241	\$ 66,719
Interest		162,816	159,854	156,729	153,432	149,953
	(3)	\$ 216,673	\$ 216,673	\$ 216,673	\$ 216,673	\$ 216,672
Annual Collection Costs	(4)	\$ 45,000	\$ 45,900	\$ 46,818	\$ 47,754	\$ 48,709
Total Annual Installment Due	(5) = (1) + (2) + (3) + (4)	\$ 1,407,673	\$ 1,406,553	\$ 1,406,611	\$ 1,405,727	\$ 1,404,902
Improvement Area #2						
Annual Installment Due		1/31/2023	1/31/2024	1/31/2025	1/31/2026	1/31/2027
<i>Improvement Area #2 Initial Bonds</i>						
Principal		\$ -	\$ 319,000	\$ 338,000	\$ 357,000	\$ 378,000
Interest		1,296,625	1,296,625	1,278,283	1,258,848	1,238,320
Capitalized Interest		(1,296,625)	-	-	-	-
	(1)	\$ -	\$ 1,615,625	\$ 1,616,283	\$ 1,615,848	\$ 1,616,320
Additional Interest	(2)	\$ 112,750	\$ 112,750	\$ 111,155	\$ 109,465	\$ 107,680
<i>Improvement Area #2 Reimbursement Obligation</i>						
Principal		\$ -	\$ 82,259	\$ 86,989	\$ 91,990	\$ 97,280
Interest		-	333,952	329,222	324,220	318,931
	(3)	\$ -	\$ 416,211	\$ 416,211	\$ 416,210	\$ 416,211
Annual Collection Costs	(4)	\$ 45,000	\$ 45,900	\$ 46,818	\$ 47,754	\$ 48,709
Total Annual Installment Due	(5) = (1) + (2) + (3) + (4)	\$ 157,750	\$ 2,190,486	\$ 2,190,466	\$ 2,189,277	\$ 2,188,920

EXHIBIT D – SOURCES AND USES OF FUNDS

	Private	Major Improvement Area	Improvement Area #1	Improvement Area #2
Sources of Funds				
Major Improvement Area Bond	\$ -	\$ 6,684,000	\$ -	\$ -
Improvement Area #1 Initial Bond	-	-	14,650,000	-
Improvement Area #1 Reimbursement Obligation	-	-	2,960,287	-
Improvement Area #2 Initial Bond	-	-	-	22,550,000
Improvement Area #2 Reimbursement Obligation	-	-	-	5,807,858
Owner Contribution - Private Improvements ¹	12,658,805	-	-	-
Owner Contribution ³	-	577,237	313,244	2,031,344
Total Sources	\$ 12,658,805	\$ 7,261,237	\$ 17,923,531	\$ 30,389,202
Uses of Funds				
Major Improvements	\$ -	\$ 5,462,366	\$ 3,206,024	\$ 4,685,533
Improvement Area #1 Improvements	-	-	11,391,417	-
Improvement Area #2 Improvements	-	-	-	19,195,074
Private Improvements	12,658,805	-	-	-
	\$ 12,658,805	\$ 5,462,366	\$ 14,597,441	\$ 23,880,607
<i>Bond Issuance Costs - Initial Bonds</i>				
Debt Service Reserve Fund	\$ -	\$ 518,295	\$ 1,072,750	\$ 1,616,550
Capitalized Interest	-	600,596	318,690	1,736,838
Underwriter Discount	-	200,520	439,500	676,500
Cost of Issuance	-	434,460	952,250	1,465,750
	\$ -	\$ 1,753,871	\$ 2,783,190	\$ 5,495,638
<i>Other Costs</i>				
Initial Deposit to Administrative Fund	\$ -	\$ 45,000	\$ 45,000	\$ 45,000
	\$ -	\$ 45,000	\$ 45,000	\$ 45,000
<i>Bond Issuance Costs - Future Bonds²</i>				
Debt Service Reserve Fund	\$ -	\$ -	\$ 216,673	\$ 416,211
Capitalized Interest	-	-	-	-
Underwriter Discount	-	-	88,809	174,236
Cost of Issuance	-	-	192,419	377,511
	\$ -	\$ -	\$ 497,900	\$ 967,958
Total Uses³	\$ 12,658,805	\$ 7,261,237	\$ 17,923,531	\$ 30,389,202

Notes:

¹ Not reimburseable to the Owner through Assessments. Anticipated to be reimbursed from TIRZ revenues.

² Bond Issuance Costs associated with future bonds are estimates only and will be determined at the time future PID Bonds are sold to replace the Improvement Area #1 Reimbursement Obligation, and/or the Improvement Area #2 Reimbursement Obligation.

³ Totals may not add due to rounding.

EXHIBIT E-1 – MAJOR IMPROVEMENT AREA ASSESSMENT ROLL

Property ID ¹	Lot Type	Expected Initial Major Improvement Area Bonds	
		Outstanding Assessment	Annual Installment Due 1/31/2023
43393, 98917, 294251, 636405, 43264, 43268, 43132, 294254, 729892, 729887, 729889, 729891, 43114, 207134, 43143, 636406, 636407	Major Improvement Area Initial Parcel	\$ 6,684,000.00	\$ 78,420.00
Total		\$ 6,684,000.00	\$ 78,420.00

Notes:

¹ The Major Improvement Area Initial Parcel includes Property IDs 43393, 98917, 294251, 636405, 43264, 43268, 43132, 294254, 729892, 729887, 729889, 729891, 43114, 207134, 43143, 636406, and 636407. The Outstanding Assessment and Annual Installment will be allocated amongst these Property IDs pro rata based on acreage for billing purposes, as shown by Denton County Appraisal District. Property IDs listed are preliminary and subject to change.

EXHIBIT E-2 – MAJOR IMPROVEMENT AREA ANNUAL INSTALLMENTS

Annual Installment Due 1/31	Principal	Interest ¹	Capitalized Interest	Additional Interest	Annual Collection Costs	Total Annual Installment
2022	\$ -	\$ 166,136	\$ (166,136)	\$ -	\$ -	\$ -
2023	\$ -	\$ 434,460	\$ (434,460)	\$ 33,420	\$ 45,000	\$ 78,420
2024	\$ 83,000	\$ 434,460	\$ -	\$ 33,420	\$ 45,900	\$ 596,780
2025	\$ 89,000	\$ 429,065	\$ -	\$ 33,005	\$ 46,818	\$ 597,888
2026	\$ 95,000	\$ 423,280	\$ -	\$ 32,560	\$ 47,754	\$ 598,594
2027	\$ 101,000	\$ 417,105	\$ -	\$ 32,085	\$ 48,709	\$ 598,899
2028	\$ 107,000	\$ 410,540	\$ -	\$ 31,580	\$ 49,684	\$ 598,804
2029	\$ 114,000	\$ 403,585	\$ -	\$ 31,045	\$ 50,677	\$ 599,307
2030	\$ 122,000	\$ 396,175	\$ -	\$ 30,475	\$ 51,691	\$ 600,341
2031	\$ 130,000	\$ 388,245	\$ -	\$ 29,865	\$ 52,725	\$ 600,835
2032	\$ 138,000	\$ 379,795	\$ -	\$ 29,215	\$ 53,779	\$ 600,789
2033	\$ 147,000	\$ 370,825	\$ -	\$ 28,525	\$ 54,855	\$ 601,205
2034	\$ 156,000	\$ 361,270	\$ -	\$ 27,790	\$ 55,952	\$ 601,012
2035	\$ 167,000	\$ 351,130	\$ -	\$ 27,010	\$ 57,071	\$ 602,211
2036	\$ 178,000	\$ 340,275	\$ -	\$ 26,175	\$ 58,212	\$ 602,662
2037	\$ 189,000	\$ 328,705	\$ -	\$ 25,285	\$ 59,377	\$ 602,367
2038	\$ 201,000	\$ 316,420	\$ -	\$ 24,340	\$ 60,564	\$ 602,324
2039	\$ 214,000	\$ 303,355	\$ -	\$ 23,335	\$ 61,775	\$ 602,465
2040	\$ 228,000	\$ 289,445	\$ -	\$ 22,265	\$ 63,011	\$ 602,721
2041	\$ 243,000	\$ 274,625	\$ -	\$ 21,125	\$ 64,271	\$ 603,021
2042	\$ 259,000	\$ 258,830	\$ -	\$ 19,910	\$ 65,557	\$ 603,297
2043	\$ 276,000	\$ 241,995	\$ -	\$ 18,615	\$ 66,868	\$ 603,478
2044	\$ 294,000	\$ 224,055	\$ -	\$ 17,235	\$ 68,205	\$ 603,495
2045	\$ 313,000	\$ 204,945	\$ -	\$ 15,765	\$ 69,569	\$ 603,279
2046	\$ 333,000	\$ 184,600	\$ -	\$ 14,200	\$ 70,960	\$ 602,760
2047	\$ 355,000	\$ 162,955	\$ -	\$ 12,535	\$ 72,380	\$ 602,870
2048	\$ 378,000	\$ 139,880	\$ -	\$ 10,760	\$ 73,827	\$ 602,467
2049	\$ 402,000	\$ 115,310	\$ -	\$ 8,870	\$ 75,304	\$ 601,484
2050	\$ 429,000	\$ 89,180	\$ -	\$ 6,860	\$ 76,810	\$ 601,850
2051	\$ 457,000	\$ 61,295	\$ -	\$ 4,715	\$ 78,346	\$ 601,356
2052	\$ 486,000	\$ 31,590	\$ -	\$ 2,430	\$ 79,913	\$ 599,933
Total	\$ 6,684,000	\$ 8,933,531	\$ (600,596)	\$ 674,415	\$ 1,825,564	\$ 17,516,914

Notes:

¹ Interest rate calculated at a 6.500% 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-1 –IMPROVEMENT AREA #1 ASSESSMENT ROLL

Property ID ¹	Lot Type	Outstanding Assessment		Annual Installment Due 1/31/2023
		Improvement Area #1 Initial Bonds	Improvement Area #1 Reimbursement Obligation	
729885, 43108, 43114, 207134, 636408, 636406	Improvement Area #1 Initial Parcel	\$ 14,650,000.00	\$ 2,960,287.00	\$ 1,407,672.79
Total		\$ 14,650,000.00	\$ 2,960,287.00	\$ 1,407,672.79

Notes:

¹The Improvement Area #1 Initial Parcel includes Property IDs 729885, 43108, 43114, 207134, 636408, and 636406. The Outstanding Assessment and Annual Installment will be allocated amongst these Property IDs pro rata based on acreage for billing purposes, as shown by Denton County Appraisal District. Property IDs listed are preliminary and subject to change.

EXHIBIT F-2 –IMPROVEMENT AREA #1 ANNUAL INSTALLMENTS

Annual Installment Due 1/31	Improvement Area #1 Initial Bonds				Improvement Area #1 Reimbursement Obligation			Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²			
2022	\$ -	\$ 318,690	\$ (318,690)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 267,000	\$ 805,750	\$ -	\$ 73,250	\$ 53,857	\$ 162,816	\$ 45,000	\$ 1,407,673	
2024	\$ 281,000	\$ 791,065	\$ -	\$ 71,915	\$ 56,819	\$ 159,854	\$ 45,900	\$ 1,406,553	
2025	\$ 297,000	\$ 775,610	\$ -	\$ 70,510	\$ 59,944	\$ 156,729	\$ 46,818	\$ 1,406,611	
2026	\$ 313,000	\$ 759,275	\$ -	\$ 69,025	\$ 63,241	\$ 153,432	\$ 47,754	\$ 1,405,727	
2027	\$ 330,000	\$ 742,060	\$ -	\$ 67,460	\$ 66,719	\$ 149,953	\$ 48,709	\$ 1,404,902	
2028	\$ 348,000	\$ 723,910	\$ -	\$ 65,810	\$ 70,388	\$ 146,284	\$ 49,684	\$ 1,404,076	
2029	\$ 367,000	\$ 704,770	\$ -	\$ 64,070	\$ 74,260	\$ 142,413	\$ 50,677	\$ 1,403,190	
2030	\$ 388,000	\$ 684,585	\$ -	\$ 62,235	\$ 78,344	\$ 138,328	\$ 51,691	\$ 1,403,183	
2031	\$ 409,000	\$ 663,245	\$ -	\$ 60,295	\$ 82,653	\$ 134,019	\$ 52,725	\$ 1,401,937	
2032	\$ 432,000	\$ 640,750	\$ -	\$ 58,250	\$ 87,199	\$ 129,473	\$ 53,779	\$ 1,401,452	
2033	\$ 455,000	\$ 616,990	\$ -	\$ 56,090	\$ 91,995	\$ 124,677	\$ 54,855	\$ 1,399,607	
2034	\$ 480,000	\$ 591,965	\$ -	\$ 53,815	\$ 97,055	\$ 119,618	\$ 55,952	\$ 1,398,405	
2035	\$ 507,000	\$ 565,565	\$ -	\$ 51,415	\$ 102,393	\$ 114,280	\$ 57,071	\$ 1,397,724	
2036	\$ 535,000	\$ 537,680	\$ -	\$ 48,880	\$ 108,024	\$ 108,648	\$ 58,212	\$ 1,396,444	
2037	\$ 564,000	\$ 508,255	\$ -	\$ 46,205	\$ 113,966	\$ 102,707	\$ 59,377	\$ 1,394,509	
2038	\$ 595,000	\$ 477,235	\$ -	\$ 43,385	\$ 120,234	\$ 96,439	\$ 60,564	\$ 1,392,857	
2039	\$ 628,000	\$ 444,510	\$ -	\$ 40,410	\$ 126,847	\$ 89,826	\$ 61,775	\$ 1,391,368	
2040	\$ 662,000	\$ 409,970	\$ -	\$ 37,270	\$ 133,823	\$ 82,849	\$ 63,011	\$ 1,388,923	
2041	\$ 699,000	\$ 373,560	\$ -	\$ 33,960	\$ 141,183	\$ 75,489	\$ 64,271	\$ 1,387,463	
2042	\$ 737,000	\$ 335,115	\$ -	\$ 30,465	\$ 148,949	\$ 67,724	\$ 65,557	\$ 1,384,809	
2043	\$ 778,000	\$ 294,580	\$ -	\$ 26,780	\$ 157,141	\$ 59,532	\$ 66,868	\$ 1,382,900	
2044	\$ 820,000	\$ 251,790	\$ -	\$ 22,890	\$ 165,783	\$ 50,889	\$ 68,205	\$ 1,379,557	
2045	\$ 866,000	\$ 206,690	\$ -	\$ 18,790	\$ 174,902	\$ 41,771	\$ 69,569	\$ 1,377,722	
2046	\$ 913,000	\$ 159,060	\$ -	\$ 14,460	\$ 184,521	\$ 32,151	\$ 70,960	\$ 1,374,153	
2047	\$ 963,000	\$ 108,845	\$ -	\$ 9,895	\$ 194,670	\$ 22,003	\$ 72,380	\$ 1,370,792	
2048	\$ 1,016,000	\$ 55,880	\$ -	\$ 5,080	\$ 205,377	\$ 11,296	\$ 73,827	\$ 1,367,460	
Total	\$ 14,650,000	\$ 13,547,400	\$ (318,690)	\$ 1,202,610	\$ 2,960,287	\$ 2,673,198	\$ 1,515,191	\$ 36,229,996	

Notes:

¹ Interest rate on Improvement Area #1 Initial Bonds calculated at a 5.500% rate.

² Interest rate on Improvement Area #1 Reimbursement Obligation calculated at 5.500% 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 –IMPROVEMENT AREA #2 ASSESSMENT ROLL

Property ID	Lot Type	Outstanding Assessment		Annual Installment Due 1/31/2023
		Improvement Area #2 Initial Bonds	Improvement Area #2 Reimbursement Obligation	
43393, 43259, 43264, 729885, 729887, 729889, 43114, 207134	Improvement Area #2 Initial Parcel	\$ 22,550,000.00	\$ 5,807,858.00	\$ 157,750.00
Total		\$ 22,550,000.00	\$ 5,807,858.00	\$ 157,750.00

Notes:

¹ The Improvement Area #2 Initial Parcel includes Property IDs 43393, 43259, 43264, 729885, 729887, 729889, 43114 and 207134. The Outstanding Assessment and Annual Installment will be allocated amongst these Property IDs pro rata based on acreage for billing purposes, as shown by Denton County Appraisal District. Property IDs listed are

EXHIBIT G-2 –IMPROVEMENT AREA #2 ANNUAL INSTALLMENTS

Annual Installment Due 1/31	Improvement Area #2 Initial Bonds				Improvement Area #2 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²		
2022	\$ -	\$ 440,213	\$ (440,213)	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ -	\$ 1,296,625	\$ (1,296,625)	\$ 112,750	\$ -	\$ -	\$ 45,000	\$ 157,750
2024	\$ 319,000	\$ 1,296,625	\$ -	\$ 112,750	\$ 82,259	\$ 333,952	\$ 45,900	\$ 2,190,486
2025	\$ 338,000	\$ 1,278,283	\$ -	\$ 111,155	\$ 86,989	\$ 329,222	\$ 46,818	\$ 2,190,466
2026	\$ 357,000	\$ 1,258,848	\$ -	\$ 109,465	\$ 91,990	\$ 324,220	\$ 47,754	\$ 2,189,277
2027	\$ 378,000	\$ 1,238,320	\$ -	\$ 107,680	\$ 97,280	\$ 318,931	\$ 48,709	\$ 2,188,920
2028	\$ 399,000	\$ 1,216,585	\$ -	\$ 105,790	\$ 102,873	\$ 313,337	\$ 49,684	\$ 2,187,269
2029	\$ 422,000	\$ 1,193,643	\$ -	\$ 103,795	\$ 108,789	\$ 307,422	\$ 50,677	\$ 2,186,326
2030	\$ 447,000	\$ 1,169,378	\$ -	\$ 101,685	\$ 115,044	\$ 301,166	\$ 51,691	\$ 2,185,964
2031	\$ 472,000	\$ 1,143,675	\$ -	\$ 99,450	\$ 121,659	\$ 294,551	\$ 52,725	\$ 2,184,060
2032	\$ 499,000	\$ 1,116,535	\$ -	\$ 97,090	\$ 128,655	\$ 287,556	\$ 53,779	\$ 2,182,615
2033	\$ 528,000	\$ 1,087,843	\$ -	\$ 94,595	\$ 136,052	\$ 280,158	\$ 54,855	\$ 2,181,503
2034	\$ 559,000	\$ 1,057,483	\$ -	\$ 91,955	\$ 143,875	\$ 272,335	\$ 55,952	\$ 2,180,600
2035	\$ 591,000	\$ 1,025,340	\$ -	\$ 89,160	\$ 152,148	\$ 264,063	\$ 57,071	\$ 2,178,781
2036	\$ 625,000	\$ 991,358	\$ -	\$ 86,205	\$ 160,896	\$ 255,314	\$ 58,212	\$ 2,176,985
2037	\$ 661,000	\$ 955,420	\$ -	\$ 83,080	\$ 170,148	\$ 246,063	\$ 59,377	\$ 2,175,087
2038	\$ 699,000	\$ 917,413	\$ -	\$ 79,775	\$ 179,932	\$ 236,279	\$ 60,564	\$ 2,172,963
2039	\$ 739,000	\$ 877,220	\$ -	\$ 76,280	\$ 190,278	\$ 225,933	\$ 61,775	\$ 2,170,486
2040	\$ 781,000	\$ 834,728	\$ -	\$ 72,585	\$ 201,219	\$ 214,992	\$ 63,011	\$ 2,167,534
2041	\$ 826,000	\$ 789,820	\$ -	\$ 68,680	\$ 212,789	\$ 203,422	\$ 64,271	\$ 2,164,982
2042	\$ 874,000	\$ 742,325	\$ -	\$ 64,550	\$ 225,024	\$ 191,187	\$ 65,557	\$ 2,162,642
2043	\$ 924,000	\$ 692,070	\$ -	\$ 60,180	\$ 237,963	\$ 178,248	\$ 66,868	\$ 2,159,328
2044	\$ 977,000	\$ 638,940	\$ -	\$ 55,560	\$ 251,646	\$ 164,565	\$ 68,205	\$ 2,155,916
2045	\$ 1,033,000	\$ 582,763	\$ -	\$ 50,675	\$ 266,115	\$ 150,095	\$ 69,569	\$ 2,152,217
2046	\$ 1,093,000	\$ 523,365	\$ -	\$ 45,510	\$ 281,417	\$ 134,794	\$ 70,960	\$ 2,149,046
2047	\$ 1,155,000	\$ 460,518	\$ -	\$ 40,045	\$ 297,599	\$ 118,612	\$ 72,380	\$ 2,144,153
2048	\$ 1,222,000	\$ 394,105	\$ -	\$ 34,270	\$ 314,711	\$ 101,500	\$ 73,827	\$ 2,140,413
2049	\$ 1,292,000	\$ 323,840	\$ -	\$ 28,160	\$ 332,806	\$ 83,404	\$ 75,304	\$ 2,135,514
2050	\$ 1,367,000	\$ 249,550	\$ -	\$ 21,700	\$ 351,943	\$ 64,268	\$ 76,810	\$ 2,131,271
2051	\$ 1,445,000	\$ 170,948	\$ -	\$ 14,865	\$ 372,179	\$ 44,031	\$ 78,346	\$ 2,125,369
2052	\$ 1,528,000	\$ 87,860	\$ -	\$ 7,640	\$ 393,580	\$ 22,631	\$ 79,913	\$ 2,119,624
Total	\$ 22,550,000	\$ 26,051,633	\$ (1,736,838)	\$ 2,227,080	\$ 5,807,858	\$ 6,262,250	\$ 1,825,564	\$ 62,987,547

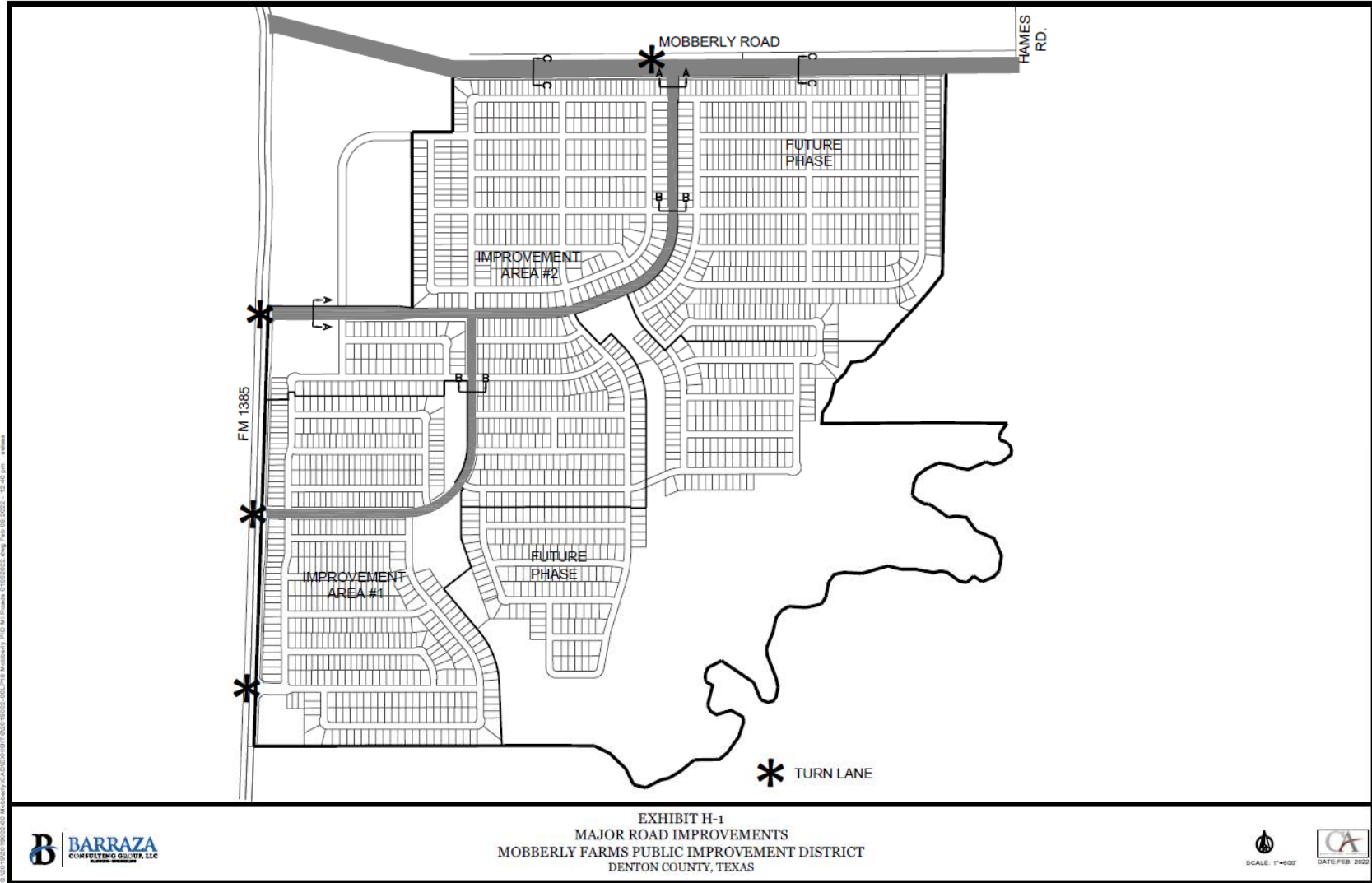
Notes:

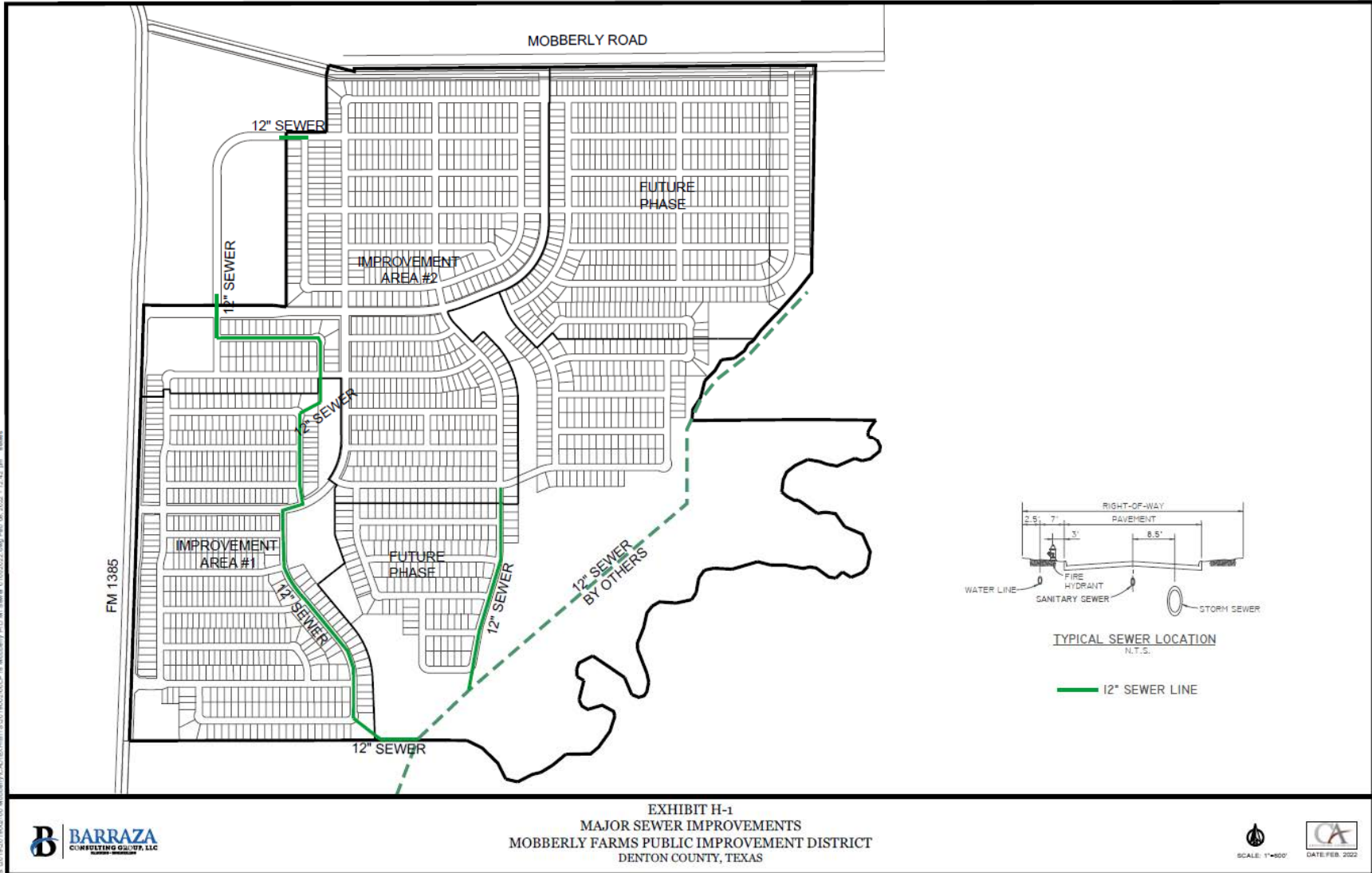
¹ Interest rate on Improvement Area #2 Initial Bonds calculated at a 5.750% rate.

² Interest rate on Improvement Area #2 Reimbursement Obligation calculated at a 5.750% 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 H-1 – MAPS OF MAJOR IMPROVEMENTS





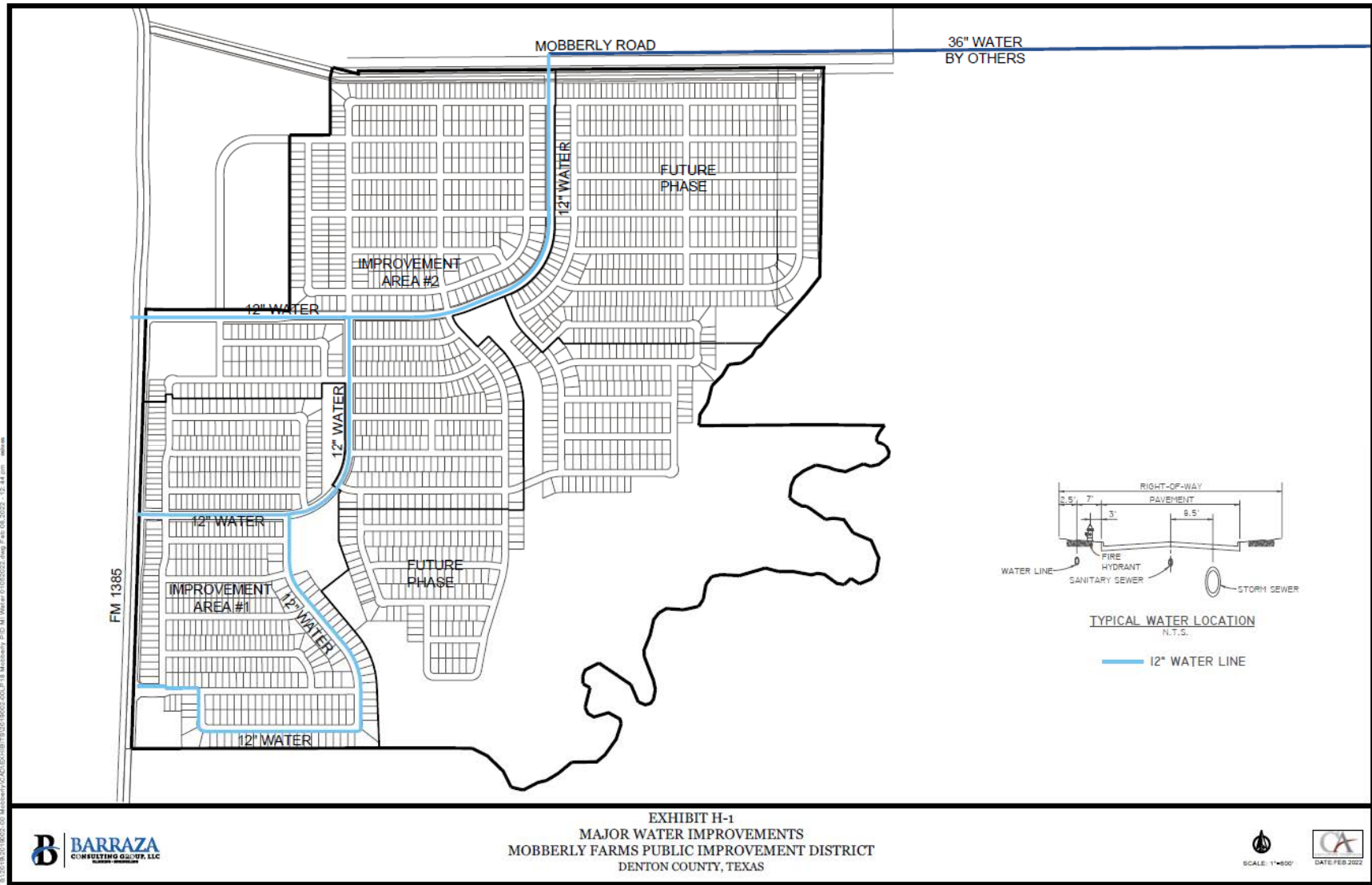
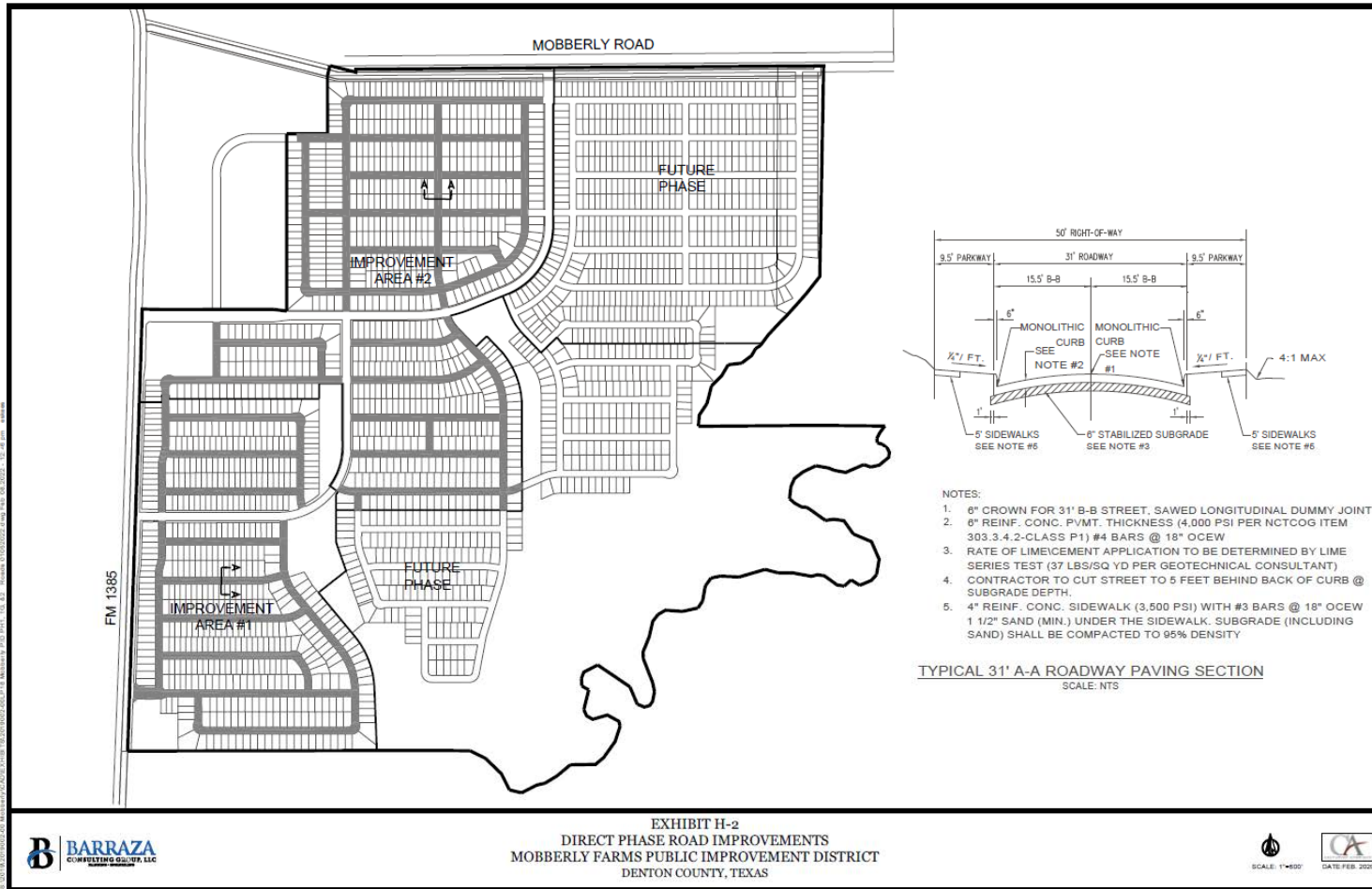
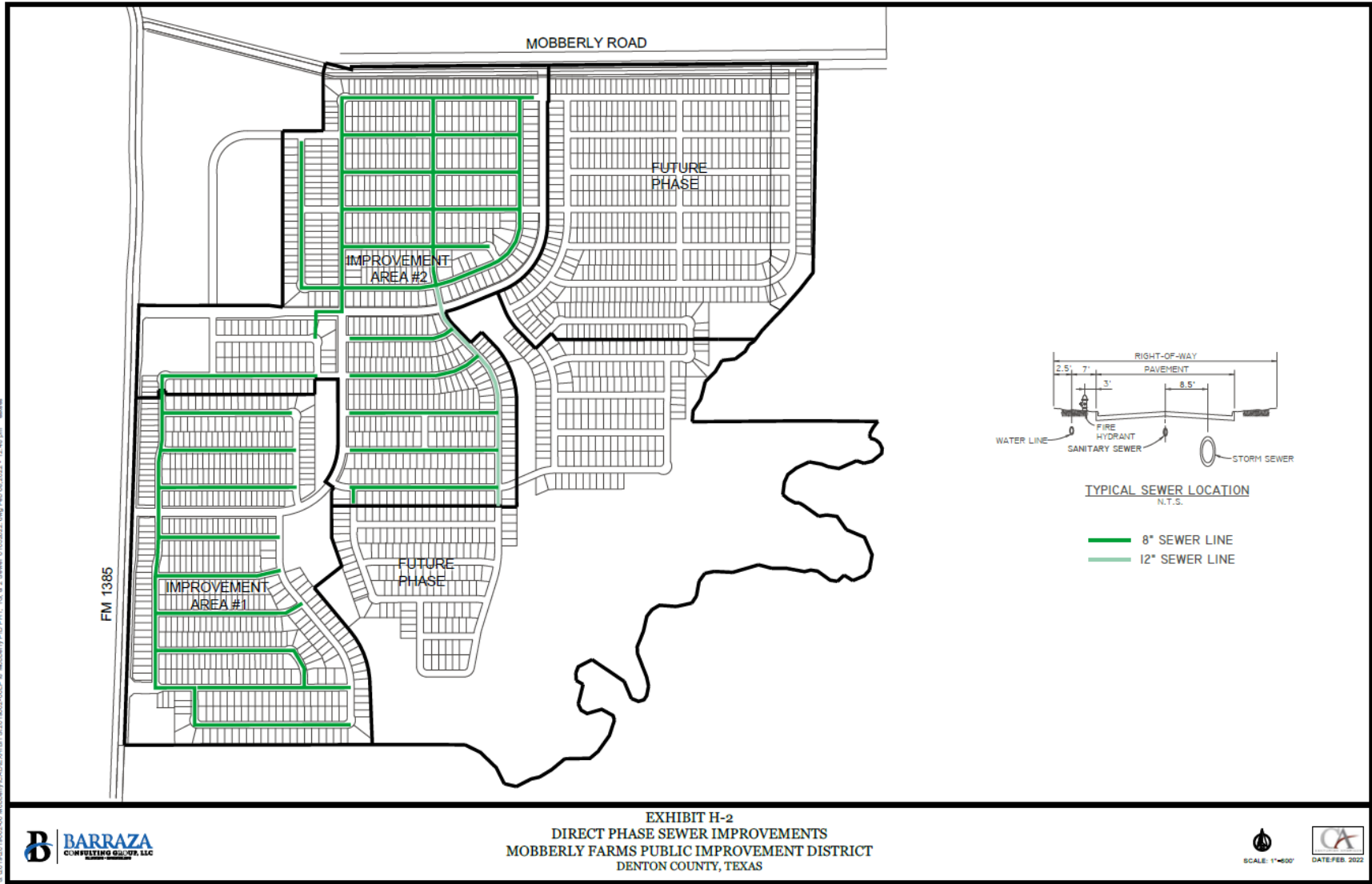


EXHIBIT H-2 – MAPS OF IMPROVEMENT AREA #1 IMPROVEMENTS, AND IMPROVEMENT AREA #2 IMPROVEMENTS





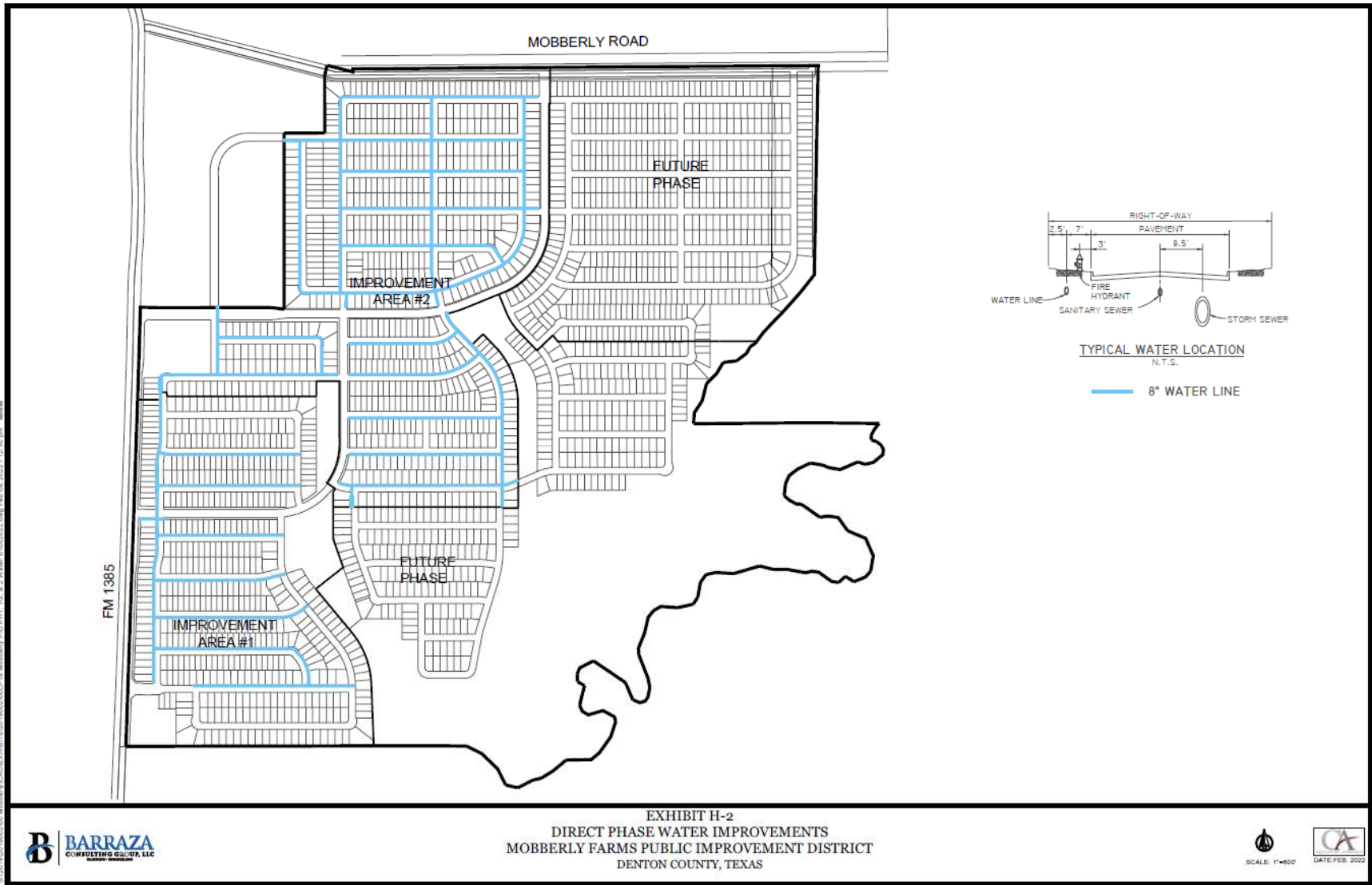


EXHIBIT H-2
 DIRECT PHASE WATER IMPROVEMENTS
 MOBERLY FARMS PUBLIC IMPROVEMENT DISTRICT
 DENTON COUNTY, TEXAS



EXHIBIT I – MAXIMUM ASSESSMENT AND TAX RATE EQUIVALENT

Lot Type	Units	Estimated Buildout Value per Unit	Total Estimated Buildout Value	Assessment	Assessment per Unit	Average Annual Installment	Average Annual Installment per Unit	PID TRE
<i>Improvement Area #1</i>								
Lot Type 1	312	\$ 294,000	\$ 91,728,000	\$ 10,767,751	\$ 34,512.02	\$ 860,717	\$ 2,758.71	\$ 0.9383
Lot Type 2	174	\$ 335,000	\$ 58,290,000	\$ 6,842,536	\$ 39,324.92	\$ 546,956	\$ 3,143.43	\$ 0.9383
Improvement Area #1 Total	486		\$ 150,018,000	\$ 17,610,287		\$ 1,407,673		
<i>Improvement Area #2</i>								
Lot Type 3	372	\$ 294,000	\$ 109,368,000	\$ 14,145,818	\$ 38,026.39	\$ 1,092,685	\$ 2,937.33	\$ 0.9991
Lot Type 4	328	\$ 335,000	\$ 109,880,000	\$ 14,212,040	\$ 43,329.39	\$ 1,097,801	\$ 3,346.95	\$ 0.9991
Improvement Area #2 Total	700		\$ 219,248,000	\$ 28,357,858		\$ 2,190,486		
<i>Major Improvement Area</i>								
40'	327	\$ 294,000	\$ 96,138,000	\$ 2,514,051	\$ 7,688.23	\$ 226,992	\$ 694.17	\$ 0.2361
50'	476	\$ 335,000	\$ 159,460,000	\$ 4,169,949	\$ 8,760.40	\$ 376,503	\$ 790.97	\$ 0.2361
Major Improvement Area Total	803		\$ 255,598,000	\$ 6,684,000		\$ 603,495		
Grand Total	1989		\$ 624,864,000	\$ 52,652,145		\$ 4,201,654		

EXHIBIT J – FORM OF NOTICE OF ASSESSMENT TERMINATION



P3Works, LLC
9284 Huntington Square, Suite 100
North Richland Hills, TX 76182

[Date]
Denton County Clerk's Office
Honorable Juli Luke
Denton County
1450 E McKinney St
Denton, TX 76209

Re: City of Pilot Point Lien Release documents for filing

Dear Ms. Juli Luke

Enclosed is a lien release that the City of Pilot Point is requesting to be filed in your office. Lien release for [insert legal description]. Recording Numbers: [Plat]. Please forward copies of the filed documents to my attention:

City of Pilot Point
Attn: City Secretary
102 E Main Street
Pilot Point, TX 76258

Please contact me if you have any questions or need additional information.

Sincerely,
[Signature]

P3Works, LLC
(817) 393-0353
Admin@P3-Works.com
www.P3-Works.com

AFTER RECORDING RETURN TO:

[City Secretary Name]
 102 E Main Street
 Pilot Point, TX 76258

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

FULL RELEASE OF PUBLIC IMPROVEMENT DISTRICT LIEN

STATE OF TEXAS	§	
	§	KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF DENTON	§	

THIS FULL RELEASE OF PUBLIC IMPROVEMENT DISTRICT LIEN (this "Full Release") is executed and delivered as of the Effective Date by the City of Pilot Point, Texas, a Texas home rule municipality (the "City").

RECITALS

WHEREAS, the governing body (hereinafter referred to as the "City Council") of the City is authorized by Chapter 372, Texas Local Government Code, as amended (hereinafter referred to as the "Act"), to create public improvement districts within the extraterritorial jurisdiction of the City; and

WHEREAS, on _____, the City Council of the City approved Resolution No. _____ creating the Mobberly Public Improvement District (the "District"); and

WHEREAS, the District consists of approximately 474.04 contiguous acres within the extraterritorial jurisdiction of the City; and

WHEREAS, on _____, the City Council, approved Ordinance No. _____, (hereinafter referred to as the "Assessment Ordinance") approving a service and assessment plan and assessment roll for the real property located with the District, the Assessment Ordinance being recorded on _____, as Instrument No. _____ in the Official Public Records of Denton County, TX; and

WHEREAS, the Assessment Ordinance imposed an assessment in the amount of [amount] (hereinafter referred to as the "Lien Amount") and further imposed a lien to secure the payment of the Lien Amount (the "Lien") against the following property located within the District, to wit:

[legal description], an addition to the City of [City], [County], Texas, according to the map or plat thereof recorded as Instrument No. _____ in the Map Records of Denton County, Texas (the "Property");

and

WHEREAS, the Lien Amount has been paid in full.

RELEASE

NOW THEREFORE, for and in consideration of the full payment of the Lien Amount, the City hereby releases and discharges, and by these presents does hereby release and discharge, the Lien to the extent that is affects and encumbers the Property.

EXECUTED to be **EFFECTIVE** this the ____ day of _____, 20__.

CITY OF PILOT POINT, TEXAS,
A Texas home rule municipality,

By: _____
[Manager Name], City Manager

ATTEST:

[Secretary Name], City Secretary

STATE OF TEXAS §
 §
COUNTY OF DENTON §

This instrument was acknowledged before me on the ____ day of _____, 20__, by the City Manager for the City of Pilot Point, Texas, a Texas home rule municipality, on behalf of said municipality.

Notary Public, State of Texas

**EXHIBIT K-1 – DEBT SERVICE SCHEDULE FOR MAJOR IMPROVEMENT AREA
BONDS**

EXHIBIT K-2 – DEBT SERVICE SCHEDULE FOR IMPROVEMENT AREA #1 BONDS

**EXHIBIT K-3 – DEBT SERVICE SCHEDULE FOR IMPROVEMENT AREA #1
REIMBURSEMENT OBLIGATION**

Annual Installment Due 1/31	Principal	Interest ¹	Total Annual Installment
2022	\$ -	\$ -	\$ -
2023	\$ 53,857	\$ 162,816	\$ 216,673
2024	\$ 56,819	\$ 159,854	\$ 216,673
2025	\$ 59,944	\$ 156,729	\$ 216,673
2026	\$ 63,241	\$ 153,432	\$ 216,673
2027	\$ 66,719	\$ 149,953	\$ 216,672
2028	\$ 70,388	\$ 146,284	\$ 216,672
2029	\$ 74,260	\$ 142,413	\$ 216,673
2030	\$ 78,344	\$ 138,328	\$ 216,672
2031	\$ 82,653	\$ 134,019	\$ 216,672
2032	\$ 87,199	\$ 129,473	\$ 216,672
2033	\$ 91,995	\$ 124,677	\$ 216,672
2034	\$ 97,055	\$ 119,618	\$ 216,673
2035	\$ 102,393	\$ 114,280	\$ 216,673
2036	\$ 108,024	\$ 108,648	\$ 216,672
2037	\$ 113,966	\$ 102,707	\$ 216,673
2038	\$ 120,234	\$ 96,439	\$ 216,673
2039	\$ 126,847	\$ 89,826	\$ 216,673
2040	\$ 133,823	\$ 82,849	\$ 216,672
2041	\$ 141,183	\$ 75,489	\$ 216,672
2042	\$ 148,949	\$ 67,724	\$ 216,673
2043	\$ 157,141	\$ 59,532	\$ 216,673
2044	\$ 165,783	\$ 50,889	\$ 216,672
2045	\$ 174,902	\$ 41,771	\$ 216,673
2046	\$ 184,521	\$ 32,151	\$ 216,672
2047	\$ 194,670	\$ 22,003	\$ 216,673
2048	\$ 205,377	\$ 11,296	\$ 216,673
Total	\$ 2,960,287	\$ 2,673,198	\$ 5,633,485

Notes:

¹ Interest rate calculated at a 5.500% 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 K-4 – DEBT SERVICE SCHEDULE FOR IMPROVEMENT AREA #2 BONDS

**EXHIBIT K-5 – DEBT SERVICE SCHEDULE FOR IMPROVEMENT AREA #2
REIMBURSEMENT OBLIGATION**

Annual Installment Due 1/31	Princippal	Interest ¹	Total Annual Installment
2022	\$ -	\$ -	\$ -
2023	\$ -	\$ -	\$ -
2024	\$ 82,259	\$ 333,952	\$ 416,211
2025	\$ 86,989	\$ 329,222	\$ 416,211
2026	\$ 91,990	\$ 324,220	\$ 416,210
2027	\$ 97,280	\$ 318,931	\$ 416,211
2028	\$ 102,873	\$ 313,337	\$ 416,210
2029	\$ 108,789	\$ 307,422	\$ 416,211
2030	\$ 115,044	\$ 301,166	\$ 416,210
2031	\$ 121,659	\$ 294,551	\$ 416,210
2032	\$ 128,655	\$ 287,556	\$ 416,211
2033	\$ 136,052	\$ 280,158	\$ 416,210
2034	\$ 143,875	\$ 272,335	\$ 416,210
2035	\$ 152,148	\$ 264,063	\$ 416,211
2036	\$ 160,896	\$ 255,314	\$ 416,210
2037	\$ 170,148	\$ 246,063	\$ 416,211
2038	\$ 179,932	\$ 236,279	\$ 416,211
2039	\$ 190,278	\$ 225,933	\$ 416,211
2040	\$ 201,219	\$ 214,992	\$ 416,211
2041	\$ 212,789	\$ 203,422	\$ 416,211
2042	\$ 225,024	\$ 191,187	\$ 416,211
2043	\$ 237,963	\$ 178,248	\$ 416,211
2044	\$ 251,646	\$ 164,565	\$ 416,211
2045	\$ 266,115	\$ 150,095	\$ 416,210
2046	\$ 281,417	\$ 134,794	\$ 416,211
2047	\$ 297,599	\$ 118,612	\$ 416,211
2048	\$ 314,711	\$ 101,500	\$ 416,211
2049	\$ 332,806	\$ 83,404	\$ 416,210
2050	\$ 351,943	\$ 64,268	\$ 416,211
2051	\$ 372,179	\$ 44,031	\$ 416,210
2052	\$ 393,580	\$ 22,631	\$ 416,211
Total	\$ 5,807,858	\$ 6,262,250	\$ 12,070,108

Notes:

¹ Interest rate calculated at a 5.750% 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 L-1 – DISTRICT LEGAL DESCRIPTION

DESCRIPTION

474.040 ACRES

BEING that certain tract of land situated in the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, the Levi Robinson Survey, Abstract No. 1488, the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 1504, the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 926, and the James H. Melroy Survey, Abstract No. 895, in Denton County, Texas, and being all of that certain called 236.50 acre tract of land (save and except a called 10.003 acre tract of land) described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), all of that certain called 100.000 acre tract of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, all of that certain called 184.731 acre tract of land (save and except a called 9.498 acre tract of land) described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-103282, RPRDCT, all of that certain called 0.732 acre tract of land described in Quit Claim Deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, all that certain called 10.003 acre tract of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, and all of that certain called 10.003 acre tract of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said called 184.731 acre MM Mobberly 236, LLC tract, and being located at the intersection of the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way described as Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT), and the approximate center of Mobberly Road (an undedicated public right-of-way);

THENCE South 75°56'24" East, with the northerly line of said called 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, a distance of 1566.06 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE, continuing with the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, the following courses to 1/2-inch iron rods found for corner:

North 01°14'47" East, a distance of 20.60 feet;

And North 89°32'36" East, a distance of 1680.27 feet;

THENCE North 89°36'29" East, continuing with the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, passing at a distance of 1438.24 feet the northeast corner of said 184.731 acre MM Mobberly 236, LLC tract, and the northwest corner of said called 10.003 acre tracts of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, continuing with the north line of said 10.003 acre MM Mobberly 236, LLC tracts, and the approximate center of Mobberly Road, in all, a total distance of 1697.73 feet to a 1/2 inch iron rod found for corner, said iron rod being the northeast corner of that certain called 89.661 acre tract of land described in deed to Mobberly Road and 285 Partners, Ltd. recorded in Instrument No. 2007-31541, RPRDCT;

THENCE South 01°03'16" West, with the east line of said Mobberly Road and 285 Partners, Ltd. tract, a distance of 1520.26 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner at the most northerly southeast corner of said 184.731 acre MM Mobberly 236, LLC tract;

THENCE South 38°20'16" West, with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, passing at a distance of 110.56 feet the most easterly southeast corner of said 184.731 acre MM Mobberly 236, LLC tract, continuing with said southeasterly line of the Mobberly Road and 285 Partners, Ltd. tract, in all, a total distance of 155.71 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner;

THENCE continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, the following courses to 1/2 inch iron rods with cap stamped "WINDROSE" found for corner:

South 41°20'04" West, a distance of 99.69 feet;

And South 41°58'03" West, a distance of 99.88 feet;

THENCE South 44°14'27" West, continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, passing at a distance of 51.49 feet a 1/2 inch iron rod with cap stamped "WINDROSE" found at the southwest corner of said called 10.003 acre tracts described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, continuing in all, a total distance of 100.37 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner;

THENCE continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, the following courses to 1/2 inch iron rods with cap stamped "WINDROSE" found for corner:

South 43°03'36" West, a distance of 106.44 feet;

South 36°27'00" West, a distance of 95.30 feet;

South 57°03'58" West, a distance of 41.20 feet;

South 30°13'50" West, a distance of 58.94 feet;

South 53°05'12" West, a distance of 89.83 feet;

South 83°10'55" West, a distance of 97.56 feet;

South 30°23'57" West, a distance of 91.28 feet;

South 44°54'39" West, a distance of 105.64 feet;

South 13°53'58" West, a distance of 85.61 feet;

South 15°57'31" West, a distance of 47.91 feet;

South 33°47'06" West, a distance of 97.77 feet;

And South 04°35'42" West, a distance of 80.14 feet, said iron rod being located at the most southerly southeast corner of said Mobberly Road and 285 Partners, Ltd. tract, and said 100.000 acre MM Mobberly 236, LLC tract recorded in Instrument Number 2018-23944, RPRDCT;

THENCE North 89°35'34" East, with the north line of said called 236.50 acre MM Mobberly 236, LLC tract recorded in Instrument Number 2018-20859, RPRDCT, and the south line of that certain tract of land described as Tract X in deed to HI DEE Properties, L.P. recorded in Instrument No. 2010-6258, RPRDCT, and Instrument No. 6259, RPRDCT, a distance of 857.31 feet to a 1-inch steel pipe found for corner;

THENCE South 89°29'34" East, continuing with said north line of the called 236.50 acre MM Mobberly 236, LLC tract, a distance of 474.74 feet to a point for corner located in the approximate center of Little Elm Creek;

THENCE with said approximate center of Little Elm Creek, and the easterly line of said called 236.50 acre MM Mobberly 236, LLC tract, the following courses to points for corner:

South 36°28'36" West, a distance of 42.91 feet;

South 27°46'36" West, a distance of 47.40 feet;

South 05°25'24" East, a distance of 32.00 feet;

South 73°56'24" East, a distance of 41.00 feet;

South 49°42'24" East, a distance of 38.00 feet;

South 25°53'24" East, a distance of 43.00 feet;

South 06°16'36" West, a distance of 37.00 feet;

South 50°51'19" West, a distance of 88.62 feet;

South 76°35'36" West, a distance of 61.82 feet;

North 71°32'24" West, a distance of 55.18 feet;

South 66°27'36" West, a distance of 140.87 feet;

North 79°59'24" West, a distance of 80.58 feet;

North 69°00'24" West, a distance of 49.56 feet;

North 79°55'24" West, a distance of 91.04 feet;

South 64°27'36" West, a distance of 102.08 feet;

South 52°23'36" West, a distance of 78.33 feet;

South 24°18'36" West, a distance of 62.00 feet;

South 06°53'36" West, a distance of 89.20 feet;

South 48°59'24" East, a distance of 50.20 feet;

South 61°56'24" East, a distance of 59.03 feet;

North 89°32'38" East, a distance of 28.54 feet;

South 60°49'24" East, a distance of 31.70 feet;

South 54°35'24" East, a distance of 140.00 feet;

North 80°59'36" East, a distance of 58.50 feet;

South 82°06'24" East, a distance of 76.20 feet;

South 35°20'24" East, a distance of 117.00 feet;

And South 67°13'24" East, a distance of 142.40 feet;

THENCE South 23°42'24" East, continuing with said approximate center of Little Elm Creek, and said easterly line of the called 236.50 acre MM Mobberly 236, LLC tract, a distance of 138.50 feet to a steel pipe found for corner;

THENCE continuing with said approximate center of Little Elm Creek, and the easterly line of the called 236.50 acre MM Mobberly 236, LLC tract, the following courses to points for corner:

South 09°41'36" West, a distance of 113.56 feet;

South 42°09'36" West, a distance of 54.53 feet;

South 67°14'36" West, a distance of 90.24 feet;

North 57°43'24" West, a distance of 73.70 feet;

South 47°21'36" West, a distance of 66.40 feet;

North 80°55'24" West, a distance of 54.06 feet;

North 54°19'24" West, a distance of 111.60 feet;

North 81°32'24" West, a distance of 50.53 feet;

South 76°20'36" West, a distance of 46.45 feet;

North 79°43'24" West, a distance of 134.98 feet;

North 89°41'24" West, a distance of 107.86 feet;

North 75°30'24" West, a distance of 96.08 feet;

South 73°37'36" West, a distance of 195.09 feet;

North 87°11'24" West, a distance of 134.80 feet;

South 77°58'36" West, a distance of 70.00 feet;

South 35°34'36" West, a distance of 70.50 feet;

South 10°06'36" West, a distance of 109.67 feet;

South 33°53'36" West, a distance of 60.00 feet;

South 77°14'36" West, a distance of 115.00 feet;

North 85°47'24" West, a distance of 122.20 feet;

South 59°50'36" West, a distance of 63.00 feet;

South 37°52'36" West, a distance of 61.20 feet;
South 12°48'36" West, a distance of 113.30 feet;
South 21°50'36" West, a distance of 120.00 feet;
South 03°09'24" East, a distance of 49.64 feet;
South 21°23'24" East, a distance of 182.30 feet;
South 11°55'24" East, a distance of 67.00 feet;
South 11°14'36" West, a distance of 72.30 feet;
South 35°02'36" West, a distance of 35.00 feet;
South 73°07'36" West, a distance of 40.20 feet;
North 67°51'24" West, a distance of 56.00 feet;
North 23°00'24" West, a distance of 135.00 feet;
North 55°59'24" West, a distance of 281.18 feet;
South 62°36'36" West, a distance of 112.42 feet;
South 21°25'36" West, a distance of 47.74 feet;
South 02°15'24" East, a distance of 55.34 feet;
South 60°56'24" East, a distance of 57.76 feet;
South 13°47'36" West, a distance of 147.11 feet;
South 24°54'24" East, a distance of 48.85 feet;
South 60°44'24" East, a distance of 50.23 feet;
North 73°48'36" East, a distance of 110.19 feet;
South 61°25'24" East, a distance of 93.52 feet;
South 16°50'24" East, a distance of 35.56 feet;

And South 17°58'36" West, a distance of 115.12 feet, said point being located at the northeast corner of said called 10.003 acre tracts of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT;

THENCE continuing with the approximate center of said Little Elm Creek, and the southeasterly line of said called 10.003 acre MM Mobberly 236, LLC tracts, the following courses to points for corner:

South 35°30'36" West, a distance of 141.61 feet;

South 49°48'36" West, a distance of 76.66 feet;

South 88°50'36" West, a distance of 182.51 feet;

South 50°18'36" West, a distance of 125.50 feet;

South 58°39'36" West, a distance of 101.20 feet;

South 77°06'36" West, a distance of 61.98 feet;

South 62°47'36" West, a distance of 121.24 feet;

North 76°47'24" West, a distance of 90.54 feet;

North 26°36'24" West, a distance of 129.17 feet;

And North 45°52'24" West, a distance of 161.30 feet;

THENCE North 69°10'24" West, continuing with said center of Little Elm Creek, a distance of 119.81 feet to a 1-inch iron pipe found for corner at a northeast corner of that certain tract of land described in deed to Shiney Hiney Partners I, recorded in Volume 3435, Page 478, RPRDCT;

THENCE North 89°29'24" West, with the north line of that certain called 273.782 acre tract of land described in deed to Kenneth B. Moore and Ruth Moore recorded in Volume 871, Page 856, RPRDCT, a distance of 254.18 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner;

THENCE South 89°55'50" West, continuing with said north line, a distance of 188.45 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner;

THENCE South 89°51'45" West, continuing with said north line, a distance of 2030.15 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner located on said east right-of-way line of Farm-to-Market Road No. 1385, and being the northwest corner of said Kenneth B. Moore and Ruth Moore tract;

THENCE North 02°10'09" East, with said east right-of-way line of Farm-to-Market Road No. 1385, said east right-of-way line according to deed to the State of Texas recorded in Volume 348, Page 364, RPRDCT, and said Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT, a distance of 740.83 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°49'09" East, continuing with said east right-of-way line of Farm-to-Market Road No. 1385, a distance of 2081.98 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 01°14'11" East, with said east right-of-way line of Farm to Market Road No. 1385, a distance of 540.34 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, and the beginning of a non-tangent curve to the right;

THENCE northeasterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°54'56", a radius of 2819.79 feet, a chord which bears North 03°10'41" East, a chord distance of 192.67 feet, and an arc distance of 192.71 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 05°08'09" East, continuing with said east right-of-way line of Farm to Market Road 1385, a distance of 34.70 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, and the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°46'00", a radius of 2909.79 feet, a chord which bears North 03°15'09" East, a chord distance of 191.26 feet, and an arc distance of 191.29 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°22'09" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 137.00 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 04°03'55", a radius of 2909.79 feet, a chord which bears North 00°39'11" West, a chord distance of 206.42 feet, and an arc distance of 206.46 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 02°33'48" West, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 84.83 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the right;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°33'52", a radius of 2819.79 feet, a chord which bears North 00°55'49" West, a chord distance of 175.39 feet, and an arc distance of 175.42 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 00°53'03" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 786.20 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, with said curve which has a central angle of 10°30'47", a radius of 617.96 feet, a chord which bears North 04°21'54" West, a chord distance of 113.23 feet, and an arc distance of 113.39 feet to the end of said curve and the POINT OF BEGINNING, containing an area of 521.519 acres of land, more or less.

SAVE & EXCEPT THE TWO FOLLOWING TACTS OF LAND

SAVE & EXCEPT TRACT A 12.990 ACRES

BEING that certain tract of land situated in the J. H. Holcomb and E. E. Steen Survey, Abstract No. 1467, Denton County, Texas, and being part of a called 184.731 acre (Save and Except 9.498 acres) tract of land as described in deed to MM Moberly 236, LLC, as recorded in Instrument No. 2019-103282, of the Real Property Records of Denton County, Texas (RPRDCT), and part of a called 100.000 acre tract of land as described in deed to MM Moberly 236, LLC, as recorded in Instrument No. 2018-23944, RPRDCT, and being more particular described as follows:

COMMENCING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found in the east right-of-way line of Farm to Market Road No. 1385 (a variable width right-of-way), same being the southwest corner of that certain tract of land as described in deed to Cowboys Center, Ltd., as recorded in Instrument No. 2017-151470, RPRDCT, and the northwest corner of said 184.731 acre tract of land, also being the beginning of a non-tangent curve to the right; THENCE, with said east right-of-way line of Farm to Market Road No. 1385, and the West line of said 184.731 acre tract of land, the following courses and distances as follows:

Southeasterly, along said curve to the right having a central angle of 10 degrees 30 minutes 47 seconds, a radius of 617.96 feet, a chord which bears South 04 degrees 21 minutes 54 seconds East, a distance of 113.23 feet, and an arc length of 113.39 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner; South 00 degrees 53 minutes 03 seconds West, a distance of 760.52 feet to an 'ell' point for corner, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 00 degrees 53 minutes 03 seconds West, a distance of 25.68 feet;

THENCE, leaving said east right-of-way line of Farm to Market Road No. 1385, and the west line of said 184.731 acre tract of land, over and across said 184.731 acre tract of land, the following courses and distances to points for corner as follows:

South 89 degrees 06 minutes 57 seconds East, a distance of 766.26 feet to the POINT OF BEGINNING;

North 89 degrees 57 minutes 39 seconds East, a distance of 256.94 feet;

South 00 degrees 02 minutes 21 seconds East, a distance of 1218.92 feet;

North 82 degrees 54 minutes 51 seconds West, a distance of 95.91 feet;

South 89 degrees 57 minutes 39 seconds West, a distance of 381.77 feet;

North 00 degrees 02 minutes 21 seconds West, a distance of 987.02 feet, said point being the beginning of a tangent curve to the right;

Northeasterly, with said curve to the right with a central angle of 90 degrees 00 minutes 00 seconds, a radius of 220.00 feet, a chord which bears North 44 degrees 57 minutes 39 seconds East, a distance of 311.13 feet, and an arc length of 345.58 feet to the POINT OF BEGINNING, and containing an area of 12.990 acres of land.

SAVE & EXCEPT TRACT B

34.489 ACRES

BEING that certain tract of land situated in the J.H. HOLCOMB AND E.E. STEEN SURVEY, ABSTRACT No. 1467, and the MEMPHIS, EL PASO, AND PACIFIC RAILROAD COMPANY SURVEY, ABSTRACT No. 1504, and being part of that certain called 184.731 acre tract of land described in deed to MM Moberly, LLC (Save and Except 9.498 acres) recorded in Instrument Number 2019-103282, of the Real Property Records of Denton County, Texas (RPRDCT), and that certain called 100.000 acre tract of land described in deed to MM Moberly 236, LLC, recorded in Instrument Number 2018-23944, RPRDCT, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said MM Moberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, and being located on the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way), described as Tract No. 1 in deed to the State of Texas recorded in Volume 348, Page 343, RPRDCT, said iron rod also being located in the approximate center of Moberly Road (undedicated public right-of-way);

THENCE South 75°56'24" East, with said approximate center of Moberly Road, and the northerly line of said MM Moberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, a distance of 1355.52 feet to 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 75°56'24" East, a distance of 210.54 feet;

THENCE, leaving said approximate center of Moberly Road, and over and across said called 184.731 acre and 100.00 acre MM Moberly 236, LLC tracts, the following courses to 5/8-inch iron rods with plastic cap stamped "BCG 10194538" set for corner:

South 00°02'21" East, a distance of 495.48 feet;

South 89°57'39" West, a distance of 552.24 feet, said iron rod being the beginning of a tangent curve to the left;

Southwesterly, with said curve to the left having a central angle of 90°00'00", a radius of 280.00 feet, a chord which bears South 44°57'39" West, a chord distance of 395.98 feet, and an arc distance of 439.82 feet to the end of said curve;

South 00°02'21" East, a distance of 987.02 feet;

South 89°57'39" West, a distance of 363.13 feet, said iron rod being the beginning of a tangent curve to the right;

Northwesterly, said curve to the right having a central angle of $01^{\circ}16'04''$, a radius of 955.00 feet, a chord which bears North $89^{\circ}24'19''$ West, a chord distance of 21.13 feet, and an arc distance of 21.13 feet to the end of said curve;

And North $88^{\circ}46'17''$ West, a distance of 125.74 feet, said iron rod being located on said east right-of-way line of Farm to Market Road No. 1385, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South $01^{\circ}14'11''$ West, a distance of 370.96 feet;

THENCE North $01^{\circ}14'11''$ East, with said east right-of-way line of Farm to Market Road No. 1385, a distance of 169.38 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, and the beginning of a non-tangent curve to the right;

THENCE northeasterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of $03^{\circ}54'56''$, a radius of 2819.79 feet, a chord which bears North $03^{\circ}10'41''$ East, a chord distance of 192.67 feet, and an arc distance of 192.71 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner;

THENCE North $05^{\circ}08'09''$ East, continuing with said east right-of-way line of Farm to Market Road 1385, a distance of 34.70 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, and the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of $03^{\circ}46'00''$, a radius of 2909.79 feet, a chord which bears North $03^{\circ}15'09''$ East, a chord distance of 191.26 feet, and an arc distance of 191.29 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner;

THENCE North $01^{\circ}22'09''$ East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 137.00 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of $04^{\circ}03'55''$, a radius of 2909.79 feet, a chord which bears North $00^{\circ}39'11''$ West, a chord distance of 206.42 feet, and an arc distance of 206.46 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North $02^{\circ}33'48''$ West, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 84.83 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the right;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of $03^{\circ}33'52''$, a radius of 2819.79 feet, a chord which bears North $00^{\circ}55'49''$ West, a chord distance of 175.39 feet, and an arc distance of 175.42 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North $00^{\circ}53'03''$ East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 786.20 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, with said curve which has a central angle of $10^{\circ}30'47''$, a radius of 617.96 feet, a chord which bears North $04^{\circ}21'54''$ West, a chord distance of 113.23 feet, and an arc distance of 113.39 feet to the end of said curve and the POINT OF BEGINNING, containing an area of 34.489 acres of land. Containing a net acreage of 474.040 acres, more or less.

NOTE:

THIS DOCUMENT WAS PREPARED UNDER 22 TAC §663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED.

EXHIBIT L-2 – MAJOR IMPROVEMENT AREA LEGAL DESCRIPTION

DESCRIPTION

249.751 ACRES

BEING that certain tract of land situated in the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, the Levi Robinson Survey, Abstract No. 1488, the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 1504, the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 926, and the James H. Melroy Survey, Abstract No. 895, in Denton County, Texas, and being all of that certain called 236.50 acre tract of land (save and except a called 10.003 acre tract of land) described in deed to MM Moberly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), all of that certain called 100.000 acre tract of land described in deed to MM Moberly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, all of that certain called 184.731 acre tract of land (save and except a called 9.498 acre tract of land) described in deed to MM Moberly 236, LLC recorded in Instrument No. 2019-103282, RPRDCT, all of that certain called 0.732 acre tract of land described in Quit Claim Deed to MM Moberly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, all that certain called 10.003 acre tract of land described in deeds to MM Moberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, and all of that certain called 10.003 acre tract of land described in deeds to MM Moberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with cap stamped “ALLIANCE” found at the northwest corner of said called 184.731 acre MM Moberly 236, LLC tract, and being located at the intersection of the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way described as Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT), and the approximate center of Moberly Road (an undedicated public right-of-way);

THENCE South 75°56'24" East, with the northerly line of said called 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, a distance of 1566.06 feet to a 1/2-inch iron rod with cap stamped “ALLIANCE” found for corner;

THENCE, continuing with the northerly line of the 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, the following courses to 1/2-inch iron rods found for corner:

North 01°14'47" East, a distance of 20.60 feet;

And North 89°32'36" East, a distance of 1680.27 feet;

THENCE North 89°36'29" East, continuing with the northerly line of the 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, passing at a distance of 1438.24 feet the northeast corner of said 184.731 acre MM Moberly 236, LLC tract, and the northwest corner of said called 10.003 acre tracts of land described in deeds to MM Moberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, continuing with the north line of said 10.003 acre MM Moberly 236, LLC tracts, and the approximate center of Moberly Road, in all, a total distance of 1697.73 feet to a 1/2 inch iron rod found for corner, said iron rod being the northeast corner of that certain called 89.661 acre tract of land described in deed to Moberly Road and 285 Partners, Ltd. recorded in Instrument No. 2007-31541, RPRDCT;

THENCE South 01°03'16" West, with the east line of said Moberly Road and 285 Partners, Ltd. tract, a distance of 1520.26 feet to a 1/2 inch iron rod with cap stamped “WINDROSE” found for corner at the most northerly southeast corner of said 184.731 acre MM Moberly 236, LLC tract;

THENCE South 38°20'16" West, with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, passing at a distance of 110.56 feet the most easterly southeast corner of said 184.731 acre MM Mobberly 236, LLC tract, continuing with said southeasterly line of the Mobberly Road and 285 Partners, Ltd. tract, in all, a total distance of 155.71 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner;

THENCE continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, the following courses to 1/2 inch iron rods with cap stamped "WINDROSE" found for corner:

South 41°20'04" West, a distance of 99.69 feet;

And South 41°58'03" West, a distance of 99.88 feet;

THENCE South 44°14'27" West, continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, passing at a distance of 51.49 feet a 1/2 inch iron rod with cap stamped "WINDROSE" found at the southwest corner of said called 10.003 acre tracts described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, continuing in all, a total distance of 100.37 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner;

THENCE continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, the following courses to 1/2 inch iron rods with cap stamped "WINDROSE" found for corner:

South 43°03'36" West, a distance of 106.44 feet;

South 36°27'00" West, a distance of 95.30 feet;

South 57°03'58" West, a distance of 41.20 feet;

South 30°13'50" West, a distance of 58.94 feet;

South 53°05'12" West, a distance of 89.83 feet;

South 83°10'55" West, a distance of 97.56 feet;

South 30°23'57" West, a distance of 91.28 feet;

South 44°54'39" West, a distance of 105.64 feet;

South 13°53'58" West, a distance of 85.61 feet;

South 15°57'31" West, a distance of 47.91 feet;

South 33°47'06" West, a distance of 97.77 feet;

And South 04°35'42" West, a distance of 80.14 feet, said iron rod being located at the most southerly southeast corner of said Mobberly Road and 285 Partners, Ltd. tract, and said 100.000 acre MM Mobberly 236, LLC tract recorded in Instrument Number 2018-23944, RPRDCT;

THENCE North 89°35'34" East, with the north line of said called 236.50 acre MM Mobberly 236, LLC tract recorded in Instrument Number 2018-20859, RPRDCT, and the south line of that certain tract of land described as Tract X in deed to HI DEE Properties, L.P. recorded in Instrument No. 2010-6258, RPRDCT, and Instrument No. 6259, RPRDCT, a distance of 857.31 feet to a 1-inch steel pipe found for corner;

THENCE South 89°29'34" East, continuing with said north line of the called 236.50 acre MM Mobberly 236, LLC tract, a distance of 474.74 feet to a point for corner located in the approximate center of Little Elm Creek;

THENCE with said approximate center of Little Elm Creek, and the easterly line of said called 236.50 acre MM Mobberly 236, LLC tract, the following courses to points for corner:

South 36°28'36" West, a distance of 42.91 feet;

South 27°46'36" West, a distance of 47.40 feet;

South 05°25'24" East, a distance of 32.00 feet;

South 73°56'24" East, a distance of 41.00 feet;

South 49°42'24" East, a distance of 38.00 feet;

South 25°53'24" East, a distance of 43.00 feet;

South 06°16'36" West, a distance of 37.00 feet;

South 50°51'19" West, a distance of 88.62 feet;

South 76°35'36" West, a distance of 61.82 feet;

North 71°32'24" West, a distance of 55.18 feet;

South 66°27'36" West, a distance of 140.87 feet;

North 79°59'24" West, a distance of 80.58 feet;

North 69°00'24" West, a distance of 49.56 feet;

North 79°55'24" West, a distance of 91.04 feet;

South 64°27'36" West, a distance of 102.08 feet;

South 52°23'36" West, a distance of 78.33 feet;

South 24°18'36" West, a distance of 62.00 feet;

South 06°53'36" West, a distance of 89.20 feet;

South 48°59'24" East, a distance of 50.20 feet;

South 61°56'24" East, a distance of 59.03 feet;

North 89°32'38" East, a distance of 28.54 feet;

South 60°49'24" East, a distance of 31.70 feet;

South 54°35'24" East, a distance of 140.00 feet;

North 80°59'36" East, a distance of 58.50 feet;

South 82°06'24" East, a distance of 76.20 feet;

South 35°20'24" East, a distance of 117.00 feet;

And South 67°13'24" East, a distance of 142.40 feet;

THENCE South 23°42'24" East, continuing with said approximate center of Little Elm Creek, and said easterly line of the called 236.50 acre MM Mobberly 236, LLC tract, a distance of 138.50 feet to a steel pipe found for corner;

THENCE continuing with said approximate center of Little Elm Creek, and the easterly line of the called 236.50 acre MM Mobberly 236, LLC tract, the following courses to points for corner:

South 09°41'36" West, a distance of 113.56 feet;

South 42°09'36" West, a distance of 54.53 feet;

South 67°14'36" West, a distance of 90.24 feet;

North 57°43'24" West, a distance of 73.70 feet;

South 47°21'36" West, a distance of 66.40 feet;

North 80°55'24" West, a distance of 54.06 feet;

North 54°19'24" West, a distance of 111.60 feet;

North 81°32'24" West, a distance of 50.53 feet;

South 76°20'36" West, a distance of 46.45 feet;

North 79°43'24" West, a distance of 134.98 feet;

North 89°41'24" West, a distance of 107.86 feet;

North 75°30'24" West, a distance of 96.08 feet;

South 73°37'36" West, a distance of 195.09 feet;

North 87°11'24" West, a distance of 134.80 feet;

South 77°58'36" West, a distance of 70.00 feet;

South 35°34'36" West, a distance of 70.50 feet;

South 10°06'36" West, a distance of 109.67 feet;

South 33°53'36" West, a distance of 60.00 feet;

South 77°14'36" West, a distance of 115.00 feet;

North 85°47'24" West, a distance of 122.20 feet;

South 59°50'36" West, a distance of 63.00 feet;

South 37°52'36" West, a distance of 61.20 feet;
South 12°48'36" West, a distance of 113.30 feet;
South 21°50'36" West, a distance of 120.00 feet;
South 03°09'24" East, a distance of 49.64 feet;
South 21°23'24" East, a distance of 182.30 feet;
South 11°55'24" East, a distance of 67.00 feet;
South 11°14'36" West, a distance of 72.30 feet;
South 35°02'36" West, a distance of 35.00 feet;
South 73°07'36" West, a distance of 40.20 feet;
North 67°51'24" West, a distance of 56.00 feet;
North 23°00'24" West, a distance of 135.00 feet;
North 55°59'24" West, a distance of 281.18 feet;
South 62°36'36" West, a distance of 112.42 feet;
South 21°25'36" West, a distance of 47.74 feet;
South 02°15'24" East, a distance of 55.34 feet;
South 60°56'24" East, a distance of 57.76 feet;
South 13°47'36" West, a distance of 147.11 feet;
South 24°54'24" East, a distance of 48.85 feet;
South 60°44'24" East, a distance of 50.23 feet;
North 73°48'36" East, a distance of 110.19 feet;
South 61°25'24" East, a distance of 93.52 feet;
South 16°50'24" East, a distance of 35.56 feet;

And South 17°58'36" West, a distance of 115.12 feet, said point being located at the northeast corner of said called 10.003 acre tracts of land described in deeds to MM Moberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT;

THENCE continuing with the approximate center of said Little Elm Creek, and the southeasterly line of said called 10.003 acre MM Moberly 236, LLC tracts, the following courses to points for corner:

South 35°30'36" West, a distance of 141.61 feet;

South 49°48'36" West, a distance of 76.66 feet;

South 88°50'36" West, a distance of 182.51 feet;

South 50°18'36" West, a distance of 125.50 feet;

South 58°39'36" West, a distance of 101.20 feet;

South 77°06'36" West, a distance of 61.98 feet;

South 62°47'36" West, a distance of 121.24 feet;

North 76°47'24" West, a distance of 90.54 feet;

North 26°36'24" West, a distance of 129.17 feet;

And North 45°52'24" West, a distance of 161.30 feet;

THENCE North 69°10'24" West, continuing with said center of Little Elm Creek, a distance of 119.81 feet to a 1-inch iron pipe found for corner at a northeast corner of that certain tract of land described in deed to Shiny Hiney Partners I, recorded in Volume 3435, Page 478, RPRDCT;

THENCE North 89°29'24" West, with the north line of that certain called 273.782 acre tract of land described in deed to Kenneth B. Moore and Ruth Moore recorded in Volume 871, Page 856, RPRDCT, a distance of 254.18 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner;

THENCE South 89°55'50" West, continuing with said north line, a distance of 188.45 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner;

THENCE South 89°51'45" West, continuing with said north line, a distance of 2030.15 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner located on said east right-of-way line of Farm-to-Market Road No. 1385, and being the northwest corner of said Kenneth B. Moore and Ruth Moore tract;

THENCE North 02°10'09" East, with said east right-of-way line of Farm-to-Market Road No. 1385, said east right-of-way line according to deed to the State of Texas recorded in Volume 348, Page 364, RPRDCT, and said Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT, a distance of 740.83 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°49'09" East, continuing with said east right-of-way line of Farm-to-Market Road No. 1385, a distance of 2081.98 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 01°14'11" East, with said east right-of-way line of Farm to Market Road No. 1385, a distance of 540.34 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, and the beginning of a non-tangent curve to the right;

THENCE northeasterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°54'56", a radius of 2819.79 feet, a chord which bears North 03°10'41" East, a chord distance of 192.67 feet, and an arc distance of 192.71 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 05°08'09" East, continuing with said east right-of-way line of Farm to Market Road 1385, a distance of 34.70 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, and the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°46'00", a radius of 2909.79 feet, a chord which bears North 03°15'09" East, a chord distance of 191.26 feet, and an arc distance of 191.29 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°22'09" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 137.00 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 04°03'55", a radius of 2909.79 feet, a chord which bears North 00°39'11" West, a chord distance of 206.42 feet, and an arc distance of 206.46 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 02°33'48" West, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 84.83 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the right;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°33'52", a radius of 2819.79 feet, a chord which bears North 00°55'49" West, a chord distance of 175.39 feet, and an arc distance of 175.42 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 00°53'03" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 786.20 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, with said curve which has a central angle of 10°30'47", a radius of 617.96 feet, a chord which bears North 04°21'54" West, a chord distance of 113.23 feet, and an arc distance of 113.39 feet to the end of said curve and the POINT OF BEGINNING, containing an area of 521.519 acres of land, more or less.

SAVE & EXCEPT THE FIVE FOLLOWING TACTS OF LAND

SAVE & EXCEPT TRACT A 12.990 ACRES

BEING that certain tract of land situated in the J. H. Holcomb and E. E. Steen Survey, Abstract No. 1467, Denton County, Texas, and being part of a called 184.731 acre (Save and Except 9.498 acres) tract of land as described in deed to MM Moberly 236, LLC, as recorded in Instrument No. 2019-103282, of the Real Property Records of Denton County, Texas (RPRDCT), and part of a called 100.000 acre tract of land as described in deed to MM Moberly 236, LLC, as recorded in Instrument No. 2018-23944, RPRDCT, and being more particular described as follows:

COMMENCING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found in the east right-of-way line of Farm to Market Road No. 1385 (a variable width right-of-way), same being the southwest corner of that certain tract of land as described in deed to Cowboys Center, Ltd., as recorded in Instrument No. 2017-151470, RPRDCT, and the northwest corner of said 184.731 acre tract of land, also being the beginning of a non-tangent curve to the right; THENCE, with said east right-of-way line of Farm to Market Road No. 1385, and the West line of said 184.731 acre tract of land, the following courses and distances as follows:

Southeasterly, along said curve to the right having a central angle of 10 degrees 30 minutes 47 seconds, a radius of 617.96 feet, a chord which bears South 04 degrees 21 minutes 54 seconds East, a distance of 113.23 feet, and an arc length of 113.39 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner; South 00 degrees 53 minutes 03 seconds West, a distance of 760.52 feet to an 'ell' point for corner, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 00 degrees 53 minutes 03 seconds West, a distance of 25.68 feet;

THENCE, leaving said east right-of-way line of Farm to Market Road No. 1385, and the west line of said 184.731 acre tract of land, over and across said 184.731 acre tract of land, the following courses and distances to points for corner as follows:

South 89 degrees 06 minutes 57 seconds East, a distance of 766.26 feet to the POINT OF BEGINNING;
North 89 degrees 57 minutes 39 seconds East, a distance of 256.94 feet;
South 00 degrees 02 minutes 21 seconds East, a distance of 1218.92 feet;
North 82 degrees 54 minutes 51 seconds West, a distance of 95.91 feet;
South 89 degrees 57 minutes 39 seconds West, a distance of 381.77 feet;
North 00 degrees 02 minutes 21 seconds West, a distance of 987.02 feet, said point being the beginning of a tangent curve to the right;
Northeasterly, with said curve to the right with a central angle of 90 degrees 00 minutes 00 seconds, a radius of 220.00 feet, a chord which bears North 44 degrees 57 minutes 39 seconds East, a distance of 311.13 feet, and an arc length of 345.58 feet to the POINT OF BEGINNING, and containing an area of 12.990 acres of land.

SAVE & EXCEPT TRACT B
93.928 ACRES

BEING that certain tract of land situated in the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, and the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 1504, in Denton County, Texas, and being part of that certain called 100.000 acre tract of land described in deed to MM Moberly 236, LLC recorded in Instrument No. 2018-23944, of the Real Property Records of Denton County, Texas (RPRDCT), part of that certain called 184.731 acre tract of land (save and except a called 9.498 acre tract of land) described in deed to MM Moberly 236, LLC recorded in Instrument No. 2019-103282, RPRDCT, and being more particularly described as follows:

COMMENCING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said called 184.731 acre MM Moberly 236, LLC tract, and being located at the intersection of the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way described as Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT), and the approximate center of Moberly Road (an undedicated public right-of-way);

THENCE South 75°56'24" East, with the northerly line of said called 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, a distance of 1355.52 feet to the POINT OF BEGINNING of herein described tract, a 5/8 inch iron rod with cap stamped "BCG 10194538" set;

THENCE South 75°56'24" East, continuing with the northerly line of the 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, a distance of 210.54 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE, continuing with the northerly line of the 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, the following courses:

North 01°14'47" East, a distance of 20.60 feet to 1/2-inch iron rods found for corner;

And North 89°32'36" East, a distance of 1432.22 feet a 5/8 inch iron rod with cap stamped "BCG 10194538" set;

THENCE, departing the northerly line of the 184.731 acre MM Moberly 236, LLC tract, and said approximate center of Moberly Road, the following courses to a 5/8 inch iron rod with cap stamped "BCG 10194538" set for corners:

South 00°02'03" East, a distance of 108.31 feet to the beginning of a tangent curve to the right;

Southeasterly with said curve which has a central angle of 00°23'42", a radius of 1040.00 feet, a chord which bears South 00°14'21" East, a distance of 7.17 feet, and an arc length of 7.17 feet to the end of said curve;

South 00°02'21" East, a distance of 144.75 feet;

South 89°57'39" West, a distance of 100.00 feet;

South 00°02'21" East, a distance of 882.27 feet to the beginning of a tangent curve to the right;

Southwesterly with said curve which has a central angle of 67°51'03", a radius of 530.00 feet, a chord which bears South 33°53'11" West, a distance of 591.60 feet, and an arc length of 627.64 feet to the end of said curve;

South 67°48'42" West, a distance of 286.09 feet to the beginning of a tangent curve to the right;

Southwesterly with said curve which has a central angle of 22°08'57", a radius of 1030.00 feet, a chord which bears South 78°53'11" West, a distance of 395.70 feet, and an arc length of 398.17 feet to the end of said curve;

South 89°57'39" West, a distance of 539.13 feet;

South 00°02'21" East, a distance of 460.00 feet;

South 89°57'39" West, a distance of 167.62 feet;

South 00°02'21" East, a distance of 110.00 feet;

South 89°57'39" West, a distance of 1083.58 feet;

North 00°02'21" West, a distance of 30.00 feet;

South 89°57'39" West, a distance of 50.00 feet;

South 00°02'21" East, a distance of 60.00 feet;

And South 89°57'39" West, a distance of 164.22 feet, said iron rod being located on said east right-of-way line of Farm to Market Road No. 1385;

THENCE with said east right-of-way line of Farm to Market Road No. 1385, the following courses:

North 01°49'09" East, a distance of 307.31 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

And North 01°14'11" East, a distance of 370.96 feet to a 5/8 inch iron rod with cap stamped "BCG 10194538" set for corner;

THENCE departing said east right-of-way line of Farm to Market Road Number 1385, and over and across said called 100.000 acre MM Moberly 236, LLC tract recorded in Instrument Number 2018-23944, RPRDCT, and said called 184.731 acre MM Moberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, the following courses to 5/8 inch iron rods with cap stamped "BCG 10194538" set for corner:

South 88°46'17" East, a distance of 125.74 feet, said iron rod being located at the beginning of a tangent curve to the left;

Southeasterly with said curve which has a central angle of 01°16'04", a radius of 955.00 feet, a chord which bears South 89°24'19" East, a distance of 21.13 feet, and an arc length of 21.13 feet to the end of said curve;

North 89°57'39" East, a distance of 804.89 feet;

South 82°54'51" East, a distance of 95.91 feet;

North 00°02'21" West, a distance of 1278.92 feet;

North 89°57'39" East, a distance of 295.30 feet;

And North 00°02'21" West, a distance of 495.48 feet to the POINT OF BEGINNING and containing an area of 93.928 acres of land.

SAVE & EXCEPT TRACT C
39.285 ACRES

WHEREAS, MM Mobberly 236, LLC, Leigh Glendenning Roberts, and Billy John Carter are the owners of that certain tract of land situated in the Levi Robinson Survey, Abstract No. 1488, the James H. Melroy Survey, Abstract No. 895, and the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, in Denton County, Texas, and being part of that certain called 236.50 acre tract (Save and Except 10.003 acres) of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), part of that certain called 10.003 acre tract of land described in deeds to Billy John Carter (undivided 50% interest), recorded in Instrument No. 2014-23414, RPRDCT, and Leigh Glendenning Roberts (undivided 50% interest), recorded in Instrument No. 2014-23415, RPRDCT, part of that certain called 100.000 acre tract of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, and part of that certain called 0.732 acre tract of land described in Quit Claim Deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, subject tract being more particularly described as follows:

BEGINNING at a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner being in the westerly right-of-way line of Fenton Parkway as described in plat Mobberly Farms Phase 1, to be recorded in of Denton County, Texas, said point being a curve to the left;

THENCE in a northerly direction with said curve to the left, which has a central angle of 36°17'28", a radius of 469.99 feet, and a chord that bears North 18°06'23" East for 292.74, and for an arc distance of 297.69 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 00°02'21" West, passing at a distance of 465.00 feet a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for the northeast corner of lot 1X, Block L of said Mobberly Farms Phase 1, and continuing for a total distance of 925.00 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE over and across said MM Mobberly 236 tract, the following courses and distances, all points are a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner unless otherwise noted:

North 89°57'39" East, a distance of 539.13 feet to the being the beginning of a tangent curve to the left;

Easterly direction with said tangent curve to the left, which has a central angle of 13°34'21", a radius of 1030.00 feet, and a chord that bears North 83°10'28" East for 243.42, and for an arc distance of 243.99 feet to the beginning of a non-tangent curve to the left;

Southeasterly direction with said non-tangent curve to the left, which has a central angle of 26°30'03", a radius of 225.00 feet, and a chord that bears South 30°43'27" East for 103.14, and for an arc distance of 104.07 feet to a point;

South 43°58'28" East, a distance of 156.20 feet to a point;

North 46°01'32" East, a distance of 110.00 feet to a point;

South 43°58'28" East, a distance of 136.00 feet to a point;

South 43°33'24" East, a distance of 43.61 feet to a point;

South 39°12'21" East, a distance of 59.44 feet to a point;

South 33°25'53" East, a distance of 59.44 feet to a point;

South 27°39'25" East, a distance of 59.44 feet to a point;

South 21°52'57" East, a distance of 59.44 feet to a point;

South 16°06'29" East, a distance of 59.44 feet to a point;

South 10°20'01" East, a distance of 59.44 feet to a point;

South 04°33'33" East, a distance of 59.44 feet to a point;

South 00°17'55" East, a distance of 52.93 feet to a point;

South 00°02'20" East, a distance of 719.50 feet to a point;

South 89°57'39" West, a distance of 110.00 feet to a point;

South 00°02'21" East, a distance of 3.51 feet to a point;

South 89°57'39" West, a distance of 1233.74 feet to a point;

North 00°02'27" West, a distance of 112.14 feet to being the beginning of a non-tangent curve to the left;

Northeasterly direction with said non-tangent curve to the left, which has a central angle of 02°58'01", a radius of 547.24 feet, and a chord that bears North 37°27'19" East for 28.34, and for an arc distance of 28.34 feet to the beginning of a non-tangent curve to the right;

Northwesterly direction with said non-tangent curve to the right, which has a central angle of 03°10'33", a radius of 274.96 feet, and a chord that bears North 64°01'23" West for 15.24, and for an arc distance of 15.24 feet to a point;

North 53°44'54" West, a distance of 60.00 feet to the POINT OF BEGINNING and containing 39.285 acres of land.

SAVE & EXCEPT TRACT D
91.076 ACRES

BEING that certain tract of land situated in the Levi Robinson Survey, Abstract No. 1488, the James H. Melroy Survey, Abstract No. 895, and the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, in Denton County,

Texas, and being part of that certain tract of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), part of that certain tract of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, part of that certain tract of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, and part of that certain tract of land described in Quit Claim Deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, subject tract being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with plastic cap stamped "GEER" found, said iron rod being located on the east right-of-way line of Farm-to-Market Road No. 1385 (variable width R.O.W.), and being the northwest corner of that certain tract of land described in deed to Kenneth B. Moore and Ruth Moore recorded in Volume 871, Page 856, RPRDCT;

THENCE North 02°10'09" East, with said east right-of-way line of Farm-to-Market Road No. 1385, said east right-of-way line according to deeds to the State of Texas recorded in Volume 348, Page 364, RPRDCT, and Volume 348, Page 343 (Tract No. 1), RPRDCT, a distance of 740.83 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°49'09" East, continuing with said east right-of-way line of Farm-to-Market Road No. 1385, a distance of 1774.67 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, from which a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found on said east right-of-way line of Farm-to-Market Road No. 1385 bears North 01°49'09" East, a distance of 307.31 feet;

THENCE leaving said east right-of-way line of Farm-to-Market Road No. 1385, and over and across said MM Mobberly 236, LLC tract recorded in Instrument No. 2018-23944, RPRDCT, the following courses to 5/8-inch iron rods with plastic cap stamped "BCG 10194538" found for corner:

- North 89°57'39" East, a distance of 164.22 feet;
- North 00°02'21" West, a distance of 60.00 feet;
- North 89°57'39" East, a distance of 50.00 feet;
- South 00°02'21" East, a distance of 30.00 feet;
- North 89°57'39" East, a distance of 1083.58 feet;
- North 00°02'21" West, a distance of 110.00 feet;
- And North 89°57'39" East, a distance of 167.62 feet;

THENCE South 00°02'21" East, continuing over and across said MM Mobberly 236, LLC tract recorded in Instrument No. 2018-23944, RPRDCT, said MM Mobberly 236, LLC tract recorded in Instrument No. 2019-79714, RPRDCT, and said MM Mobberly 236, LLC tract recorded in Instrument No. 2018-20859, RPRDCT, a distance of 465.00 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, said iron rod being the beginning of a tangent curve to the right;

THENCE continuing over and across said MM Mobberly 236, LLC tract recorded in Instrument No. 2018-20859, RPRDCT, the following courses to 5/8-inch iron rods with plastic cap stamped "BCG 10194538" found for corner:

- Southwesterly with said curve which has a central angle of 36°17'27", a radius of 470.00 feet, a chord which bears South 18°06'22" West, a chord distance of 292.74 feet, for an arc distance of 297.70 feet to the end of said curve;
- South 53°44'54" East, a distance of 60.00 feet, said iron rod being the beginning of a non-tangent curve to the left;

Southeasterly with said curve which has a central angle of 03°10'30", a radius of 275.00 feet, a chord which bears South 64°01'23" East, a chord distance of 15.24 feet, for an arc distance of 15.24 feet to the end of said curve, and the beginning of a non-tangent curve to the right;

Southwesterly with said curve which has a central angle of 02°58'45", a radius of 545.00 feet, a chord which bears South 37°27'20" West, a chord distance of 28.33 feet, for an arc distance of 28.34 feet to the end of said curve;

South 00°02'21" East, a distance of 340.75 feet;

South 19°29'17" East, a distance of 220.25 feet;

South 51°50'25" West, a distance of 253.88 feet;

South 39°46'26" East, a distance of 408.90 feet;

South 36°53'05" East, a distance of 62.67 feet;

South 31°02'10" East, a distance of 62.84 feet;

South 25°10'46" East, a distance of 62.83 feet;

South 19°19'23" East, a distance of 62.84 feet;

South 13°27'59" East, a distance of 62.83 feet;

South 07°36'35" East, a distance of 62.84 feet;

And South 02°46'54" East, a distance of 60.44 feet;

THENCE South 02°15'42" East, continuing over and across said MM Moberly 236, LLC tract recorded in Instrument No. 2018-20859, RPRDCT, and said MM Moberly 236, LLC tract recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, a distance of 419.79 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, said iron rod being located on the north line of said Kenneth B. Moore and Ruth Moore tract, from which a 1/2-inch iron rod with plastic cap stamped "GEER" found bears North 89°51'45" East, a distance of 230.57 feet;

THENCE South 89°51'45" West, with said northerly line of the Kenneth B. Moore and Ruth Moore tract, a distance of 1799.58 feet to the POINT OF BEGINNING, containing 91.076 acres of land.

SAVE & EXCEPT TRACT E
34.489 ACRES

BEING that certain tract of land situated in the J.H. HOLCOMB AND E.E. STEEN SURVEY, ABSTRACT No. 1467, and the MEMPHIS, EL PASO, AND PACIFIC RAILROAD COMPANY SURVEY, ABSTRACT No. 1504, and being part of that certain called 184.731 acre tract of land described in deed to MM Moberly, LLC (Save and Except 9.498 acres) recorded in Instrument Number 2019-103282, of the Real Property Records of Denton County, Texas (RPRDCT), and that certain called 100.000 acre tract of land described in deed to MM Moberly 236, LLC, recorded in Instrument Number 2018-23944, RPRDCT, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said MM Moberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, and being located on the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way), described as Tract No. 1 in deed to the State of Texas recorded in Volume 348, Page 343, RPRDCT, said iron rod also being located in the approximate center of Moberly Road (undedicated public right-of-way);

THENCE South 75°56'24" East, with said approximate center of Moberly Road, and the northerly line of said MM Moberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, a distance of 1355.52 feet to 5/8-

inch iron rod with plastic cap stamped "BCG 10194538" set for corner, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 75°56'24" East, a distance of 210.54 feet;

THENCE, leaving said approximate center of Mobberly Road, and over and across said called 184.731 acre and 100.00 acre MM Mobberly 236, LLC tracts, the following courses to 5/8-inch iron rods with plastic cap stamped "BCG 10194538" set for corner:

South 00°02'21" East, a distance of 495.48 feet;

South 89°57'39" West, a distance of 552.24 feet, said iron rod being the beginning of a tangent curve to the left;

Southwesterly, with said curve to the left having a central angle of 90°00'00", a radius of 280.00 feet, a chord which bears South 44°57'39" West, a chord distance of 395.98 feet, and an arc distance of 439.82 feet to the end of said curve;

South 00°02'21" East, a distance of 987.02 feet;

South 89°57'39" West, a distance of 363.13 feet, said iron rod being the beginning of a tangent curve to the right;

Northwesterly, said curve to the right having a central angle of 01°16'04", a radius of 955.00 feet, a chord which bears North 89°24'19" West, a chord distance of 21.13 feet, and an arc distance of 21.13 feet to the end of said curve;

And North 88°46'17" West, a distance of 125.74 feet, said iron rod being located on said east right-of-way line of Farm to Market Road No. 1385, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 01°14'11" West, a distance of 370.96 feet;

THENCE North 01°14'11" East, with said east right-of-way line of Farm to Market Road No. 1385, a distance of 169.38 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, and the beginning of a non-tangent curve to the right;

THENCE northeasterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°54'56", a radius of 2819.79 feet, a chord which bears North 03°10'41" East, a chord distance of 192.67 feet, and an arc distance of 192.71 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner;

THENCE North 05°08'09" East, continuing with said east right-of-way line of Farm to Market Road 1385, a distance of 34.70 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, and the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°46'00", a radius of 2909.79 feet, a chord which bears North 03°15'09" East, a chord distance of 191.26 feet, and an arc distance of 191.29 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner;

THENCE North 01°22'09" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 137.00 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 04°03'55", a radius of 2909.79 feet, a chord which bears North 00°39'11"

West, a chord distance of 206.42 feet, and an arc distance of 206.46 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 02°33'48" West, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 84.83 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the right;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°33'52", a radius of 2819.79 feet, a chord which bears North 00°55'49" West, a chord distance of 175.39 feet, and an arc distance of 175.42 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 00°53'03" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 786.20 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, with said curve which has a central angle of 10°30'47", a radius of 617.96 feet, a chord which bears North 04°21'54" West, a chord distance of 113.23 feet, and an arc distance of 113.39 feet to the end of said curve and the POINT OF BEGINNING, containing an area of 34.489 acres of land.
Containing a net acreage of 249.751 acres, more or less.

NOTE:

THIS DOCUMENT WAS PREPARED UNDER 22 TAC §663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED.

EXHIBIT L-3 – IMPROVEMENT AREA #1 LEGAL DESCRIPTION

TRACT D
DESCRIPTION
91.076 ACRES

BEING that certain tract of land situated in the Levi Robinson Survey, Abstract No. 1488, the James H. Melroy Survey, Abstract No. 895, and the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, in Denton County, Texas, and being part of that certain tract of land described in deed to MM Mobblerly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), part of that certain tract of land described in deeds to MM Mobblerly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, part of that certain tract of land described in deed to MM Mobblerly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, and part of that certain tract of land described in Quit Claim Deed to MM Mobblerly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, subject tract being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with plastic cap stamped “GEER” found, said iron rod being located on the east right-of-way line of Farm-to-Market Road No. 1385 (variable width R.O.W.), and being the northwest corner of that certain tract of land described in deed to Kenneth B. Moore and Ruth Moore recorded in Volume 871, Page 856, RPRDCT;

THENCE North 02°10'09” East, with said east right-of-way line of Farm-to-Market Road No. 1385, said east right-of-way line according to deeds to the State of Texas recorded in Volume 348, Page 364, RPRDCT, and Volume 348, Page 343 (Tract No. 1), RPRDCT, a distance of 740.83 feet to a 5/8-inch iron rod with plastic cap stamped “BCG 10194538” found for corner;

THENCE North 01°49'09” East, continuing with said east right-of-way line of Farm-to-Market Road No. 1385, a distance of 1774.67 feet to a 5/8-inch iron rod with plastic cap stamped “BCG 10194538” found for corner, from which a 5/8-inch iron rod with plastic cap stamped “BCG 10194538” found on said east right-of-way line of Farm-to-Market Road No. 1385 bears North 01°49'09” East, a distance of 307.31 feet;

THENCE leaving said east right-of-way line of Farm-to-Market Road No. 1385, and over and across said MM Mobblerly 236, LLC tract recorded in Instrument No. 2018-23944, RPRDCT, the following courses to 5/8-inch iron rods with plastic cap stamped “BCG 10194538” found for corner:

- North 89°57'39” East, a distance of 164.22 feet;
- North 00°02'21” West, a distance of 60.00 feet;
- North 89°57'39” East, a distance of 50.00 feet;
- South 00°02'21” East, a distance of 30.00 feet;
- North 89°57'39” East, a distance of 1083.58 feet;
- North 00°02'21” West, a distance of 110.00 feet;
- And North 89°57'39” East, a distance of 167.62 feet;

THENCE South 00°02'21” East, continuing over and across said MM Mobblerly 236, LLC tract recorded in Instrument No. 2018-23944, RPRDCT, said MM Mobblerly 236, LLC tract recorded in Instrument No. 2019-79714, RPRDCT, and said MM Mobblerly 236, LLC tract recorded in Instrument No. 2018-20859, RPRDCT, a distance of 465.00 feet to a 5/8-inch iron rod with plastic cap stamped “BCG 10194538” found for corner, said iron rod being the beginning of a tangent curve to the right;

THENCE continuing over and across said MM Mobberly 236, LLC tract recorded in Instrument No. 2018-20859, RPRDCT, the following courses to 5/8-inch iron rods with plastic cap stamped "BCG 10194538" found for corner:

Southwesterly with said curve which has a central angle of $36^{\circ}17'27''$, a radius of 470.00 feet, a chord which bears South $18^{\circ}06'22''$ West, a chord distance of 292.74 feet, for an arc distance of 297.70 feet to the end of said curve;

South $53^{\circ}44'54''$ East, a distance of 60.00 feet, said iron rod being the beginning of a non-tangent curve to the left;

Southeasterly with said curve which has a central angle of $03^{\circ}10'30''$, a radius of 275.00 feet, a chord which bears South $64^{\circ}01'23''$ East, a chord distance of 15.24 feet, for an arc distance of 15.24 feet to the end of said curve, and the beginning of a non-tangent curve to the right;

Southwesterly with said curve which has a central angle of $02^{\circ}58'45''$, a radius of 545.00 feet, a chord which bears South $37^{\circ}27'20''$ West, a chord distance of 28.33 feet, for an arc distance of 28.34 feet to the end of said curve;

South $00^{\circ}02'21''$ East, a distance of 340.75 feet;

South $19^{\circ}29'17''$ East, a distance of 220.25 feet;

South $51^{\circ}50'25''$ West, a distance of 253.88 feet;

South $39^{\circ}46'26''$ East, a distance of 408.90 feet;

South $36^{\circ}53'05''$ East, a distance of 62.67 feet;

South $31^{\circ}02'10''$ East, a distance of 62.84 feet;

South $25^{\circ}10'46''$ East, a distance of 62.83 feet;

South $19^{\circ}19'23''$ East, a distance of 62.84 feet;

South $13^{\circ}27'59''$ East, a distance of 62.83 feet;

South $07^{\circ}36'35''$ East, a distance of 62.84 feet;

And South $02^{\circ}46'54''$ East, a distance of 60.44 feet;

THENCE South $02^{\circ}15'42''$ East, continuing over and across said MM Mobberly 236, LLC tract recorded in Instrument No. 2018-20859, RPRDCT, and said MM Mobberly 236, LLC tract recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, a distance of 419.79 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, said iron rod being located on the north line of said Kenneth B. Moore and Ruth Moore tract, from which a 1/2-inch iron rod with plastic cap stamped "GEER" found bears North $89^{\circ}51'45''$ East, a distance of 230.57 feet;

THENCE South $89^{\circ}51'45''$ West, with said northerly line of the Kenneth B. Moore and Ruth Moore tract, a distance of 1799.58 feet to the POINT OF BEGINNING, containing 91.076 acres of land.

EXHIBIT L-4 – IMPROVEMENT AREA #2 LEGAL DESCRIPTION

TRACT B
DESCRIPTION
93.928 ACRES

BEING that certain tract of land situated in the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, and the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 1504, in Denton County, Texas, and being part of that certain called 100.000 acre tract of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-23944, of the Real Property Records of Denton County, Texas (RPRDCT), part of that certain called 184.731 acre tract of land (save and except a called 9.498 acre tract of land) described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-103282, RPRDCT, and being more particularly described as follows:

COMMENCING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said called 184.731 acre MM Mobberly 236, LLC tract, and being located at the intersection of the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way described as Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT), and the approximate center of Mobberly Road (an undedicated public right-of-way);

THENCE South 75°56'24" East, with the northerly line of said called 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, a distance of 1355.52 feet to the POINT OF BEGINNING of herein described tract, a 5/8 inch iron rod with cap stamped "BCG 10194538" set;

THENCE South 75°56'24" East, continuing with the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, a distance of 210.54 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE, continuing with the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, the following courses:

North 01°14'47" East, a distance of 20.60 feet to 1/2-inch iron rods found for corner;

And North 89°32'36" East, a distance of 1432.22 feet a 5/8 inch iron rod with cap stamped "BCG 10194538" set;

THENCE, departing the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, the following courses to a 5/8 inch iron rod with cap stamped "BCG 10194538" set for corners:

South 00°02'03" East, a distance of 108.31 feet to the beginning of a tangent curve to the right;

Southeasterly with said curve which has a central angle of 00°23'42", a radius of 1040.00 feet, a chord which bears South 00°14'21" East, a distance of 7.17 feet, and an arc length of 7.17 feet to the end of said curve;

South 00°02'21" East, a distance of 144.75 feet;

South 89°57'39" West, a distance of 100.00 feet;

South 00°02'21" East, a distance of 882.27 feet to the beginning of a tangent curve to the right;

Southwesterly with said curve which has a central angle of 67°51'03", a radius of 530.00 feet, a chord which bears South 33°53'11" West, a distance of 591.60 feet, and an arc length of 627.64 feet to the end of said curve;

South 67°48'42" West, a distance of 286.09 feet to the beginning of a tangent curve to the right;

Southwesterly with said curve which has a central angle of 22°08'57", a radius of 1030.00 feet, a chord which bears South 78°53'11" West, a distance of 395.70 feet, and an arc length of 398.17 feet to the end of said curve;

South 89°57'39" West, a distance of 539.13 feet;

South 00°02'21" East, a distance of 460.00 feet;

South 89°57'39" West, a distance of 167.62 feet;

South 00°02'21" East, a distance of 110.00 feet;

South 89°57'39" West, a distance of 1083.58 feet;

North 00°02'21" West, a distance of 30.00 feet;

South 89°57'39" West, a distance of 50.00 feet;

South 00°02'21" East, a distance of 60.00 feet;

And South 89°57'39" West, a distance of 164.22 feet, said iron rod being located on said east right-of-way line of Farm to Market Road No. 1385;

THENCE with said east right-of-way line of Farm to Market Road No. 1385, the following courses:

North 01°49'09" East, a distance of 307.31 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

And North 01°14'11" East, a distance of 370.96 feet to a 5/8 inch iron rod with cap stamped "BCG 10194538" set for corner;

THENCE departing said east right-of-way line of Farm to Market Road Number 1385, and over and across said called 100.000 acre MM Moberly 236, LLC tract recorded in Instrument Number 2018-23944, RPRDCT, and said called 184.731 acre MM Moberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, the following courses to 5/8 inch iron rods with cap stamped "BCG 10194538" set for corner:

South 88°46'17" East, a distance of 125.74 feet, said iron rod being located at the beginning of a tangent curve to the left;

Southeasterly with said curve which has a central angle of 01°16'04", a radius of 955.00 feet, a chord which bears South 89°24'19" East, a distance of 21.13 feet, and an arc length of 21.13 feet to the end of said curve;

North 89°57'39" East, a distance of 804.89 feet;

South 82°54'51" East, a distance of 95.91 feet;

North 00°02'21" West, a distance of 1278.92 feet;

North 89°57'39" East, a distance of 295.30 feet;

And North 00°02'21" West, a distance of 495.48 feet to the POINT OF BEGINNING and containing an area of 93.928 acres of land.

TRACT C
DESCRIPTION
39.285 ACRES

WHEREAS, MM Moberly 236, LLC, Leigh Glendenning Roberts, and Billy John Carter are the owners of that certain tract of land situated in the Levi Robinson Survey, Abstract No. 1488, the James H. Melroy Survey, Abstract No. 895, and the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, in Denton County, Texas, and being part of that certain called 236.50 acre tract (Save and Except 10.003 acres) of land described in deed to MM Moberly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), part of that certain called 10.003 acre tract of land described in deeds to Billy John Carter (undivided 50% interest), recorded in Instrument No. 2014-23414, RPRDCT, and Leigh Glendenning Roberts (undivided 50% interest), recorded in Instrument No. 2014-23415, RPRDCT, part of that certain called 100.000 acre tract of land described in deed to MM Moberly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, and part of that certain called 0.732 acre tract of land described in Quit Claim Deed to MM Moberly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, subject tract being more particularly described as follows:

BEGINNING at a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner being in the westerly right-of way line of Fenton Parkway as described in plat Moberly Farms Phase 1, to be recorded in of Denton County, Texas, said point being a curve to the left;

THENCE in a northerly direction with said curve to the left, which has a central angle of 36°17'28", a radius of 469.99 feet, and a chord that bears North 18°06'23" East for 292.74, and for an arc distance of 297.69 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 00°02'21" West, passing at a distance of 465.00 feet a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for the northeast corner of lot 1X, Block L of said Moberly Farms Phase 1, and continuing for a total distance of 925.00 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE over and across said MM Moberly 236 tract, the following courses and distances, all points are a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner unless otherwise noted:

North 89°57'39" East, a distance of 539.13 feet to the being the beginning of a tangent curve to the left;

Easterly direction with said tangent curve to the left, which has a central angle of 13°34'21", a radius of 1030.00 feet, and a chord that bears North 83°10'28" East for 243.42, and for an arc distance of 243.99 feet to the beginning of a non-tangent curve to the left;

Southeasterly direction with said non-tangent curve to the left, which has a central angle of 26°30'03", a radius of 225.00 feet, and a chord that bears South 30°43'27" East for 103.14, and for an arc distance of 104.07 feet to a point;

South 43°58'28" East, a distance of 156.20 feet to a point;

North 46°01'32" East, a distance of 110.00 feet to a point;

South 43°58'28" East, a distance of 136.00 feet to a point;

South 43°33'24" East, a distance of 43.61 feet to a point;

South 39°12'21" East, a distance of 59.44 feet to a point;

South 33°25'53" East, a distance of 59.44 feet to a point;

South 27°39'25" East, a distance of 59.44 feet to a point;

South 21°52'57" East, a distance of 59.44 feet to a point;

South 16°06'29" East, a distance of 59.44 feet to a point;

South 10°20'01" East, a distance of 59.44 feet to a point;

South 04°33'33" East, a distance of 59.44 feet to a point;

South 00°17'55" East, a distance of 52.93 feet to a point;

South 00°02'20" East, a distance of 719.50 feet to a point;

South 89°57'39" West, a distance of 110.00 feet to a point;

South 00°02'21" East, a distance of 3.51 feet to a point;

South 89°57'39" West, a distance of 1233.74 feet to a point;

North 00°02'27" West, a distance of 112.14 feet to being the beginning of a non-tangent curve to the left;

Northeasterly direction with said non-tangent curve to the left, which has a central angle of 02°58'01", a radius of 547.24 feet, and a chord that bears North 37°27'19" East for 28.34, and for an arc distance of 28.34 feet to the beginning of a non-tangent curve to the right;

Northwesterly direction with said non-tangent curve to the right, which has a central angle of 03°10'33", a radius of 274.96 feet, and a chord that bears North 64°01'23" West for 15.24, and for an arc distance of 15.24 feet to a point;

North 53°44'54" West, a distance of 60.00 feet to the POINT OF BEGINNING and containing 39.285 acres of land.

APPENDIX A – ENGINEER’S REPORT

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APPENDIX B-1 – MAJOR IMPROVEMENT AREA INITIAL PARCEL BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

**MAJOR IMPROVEMENT AREA INITIAL PARCEL PRINCIPAL ASSESSMENT:
\$6,684,000**

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within ***Mobberly Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF DENTON

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - MAJOR IMPROVEMENT AREA INITIAL PARCEL

Annual Installment Due 1/31	Major Improvement Area Bonds				Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest		
2022	\$ -	\$ 166,136	\$ (166,136)	\$ -	\$ -	\$ -
2023	\$ -	\$ 434,460	\$ (434,460)	\$ 33,420	\$ 45,000	\$ 78,420
2024	\$ 83,000	\$ 434,460	\$ -	\$ 33,420	\$ 45,900	\$ 596,780
2025	\$ 89,000	\$ 429,065	\$ -	\$ 33,005	\$ 46,818	\$ 597,888
2026	\$ 95,000	\$ 423,280	\$ -	\$ 32,560	\$ 47,754	\$ 598,594
2027	\$ 101,000	\$ 417,105	\$ -	\$ 32,085	\$ 48,709	\$ 598,899
2028	\$ 107,000	\$ 410,540	\$ -	\$ 31,580	\$ 49,684	\$ 598,804
2029	\$ 114,000	\$ 403,585	\$ -	\$ 31,045	\$ 50,677	\$ 599,307
2030	\$ 122,000	\$ 396,175	\$ -	\$ 30,475	\$ 51,691	\$ 600,341
2031	\$ 130,000	\$ 388,245	\$ -	\$ 29,865	\$ 52,725	\$ 600,835
2032	\$ 138,000	\$ 379,795	\$ -	\$ 29,215	\$ 53,779	\$ 600,789
2033	\$ 147,000	\$ 370,825	\$ -	\$ 28,525	\$ 54,855	\$ 601,205
2034	\$ 156,000	\$ 361,270	\$ -	\$ 27,790	\$ 55,952	\$ 601,012
2035	\$ 167,000	\$ 351,130	\$ -	\$ 27,010	\$ 57,071	\$ 602,211
2036	\$ 178,000	\$ 340,275	\$ -	\$ 26,175	\$ 58,212	\$ 602,662
2037	\$ 189,000	\$ 328,705	\$ -	\$ 25,285	\$ 59,377	\$ 602,367
2038	\$ 201,000	\$ 316,420	\$ -	\$ 24,340	\$ 60,564	\$ 602,324
2039	\$ 214,000	\$ 303,355	\$ -	\$ 23,335	\$ 61,775	\$ 602,465
2040	\$ 228,000	\$ 289,445	\$ -	\$ 22,265	\$ 63,011	\$ 602,721
2041	\$ 243,000	\$ 274,625	\$ -	\$ 21,125	\$ 64,271	\$ 603,021
2042	\$ 259,000	\$ 258,830	\$ -	\$ 19,910	\$ 65,557	\$ 603,297
2043	\$ 276,000	\$ 241,995	\$ -	\$ 18,615	\$ 66,868	\$ 603,478
2044	\$ 294,000	\$ 224,055	\$ -	\$ 17,235	\$ 68,205	\$ 603,495
2045	\$ 313,000	\$ 204,945	\$ -	\$ 15,765	\$ 69,569	\$ 603,279
2046	\$ 333,000	\$ 184,600	\$ -	\$ 14,200	\$ 70,960	\$ 602,760
2047	\$ 355,000	\$ 162,955	\$ -	\$ 12,535	\$ 72,380	\$ 602,870
2048	\$ 378,000	\$ 139,880	\$ -	\$ 10,760	\$ 73,827	\$ 602,467
2049	\$ 402,000	\$ 115,310	\$ -	\$ 8,870	\$ 75,304	\$ 601,484
2050	\$ 429,000	\$ 89,180	\$ -	\$ 6,860	\$ 76,810	\$ 601,850
2051	\$ 457,000	\$ 61,295	\$ -	\$ 4,715	\$ 78,346	\$ 601,356
2052	\$ 486,000	\$ 31,590	\$ -	\$ 2,430	\$ 79,913	\$ 599,933
Total	\$ 6,684,000	\$ 8,933,531	\$ (600,596)	\$ 674,415	\$ 1,825,564	\$ 17,516,914

Notes:

¹ Interest rate calculated at a 6.500% 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.

APPENDIX B-2 – IMPROVEMENT AREA #1 INITIAL PARCEL BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

IMPROVEMENT AREA #1 INITIAL PARCEL PRINCIPAL ASSESSMENT: \$17,610,287

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within *Mobberly Public Improvement District* (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF DENTON

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - IMPROVEMENT AREA #1 INITIAL PARCEL

Annual Installment Due 1/31	Improvement Area #1 Initial Bonds				Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²		
2022	\$ -	\$ 318,690	\$ (318,690)	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 267,000	\$ 805,750	\$ -	\$ 73,250	\$ 53,857	\$ 162,816	\$ 45,000	\$ 1,407,673
2024	\$ 281,000	\$ 791,065	\$ -	\$ 71,915	\$ 56,819	\$ 159,854	\$ 45,900	\$ 1,406,553
2025	\$ 297,000	\$ 775,610	\$ -	\$ 70,510	\$ 59,944	\$ 156,729	\$ 46,818	\$ 1,406,611
2026	\$ 313,000	\$ 759,275	\$ -	\$ 69,025	\$ 63,241	\$ 153,432	\$ 47,754	\$ 1,405,727
2027	\$ 330,000	\$ 742,060	\$ -	\$ 67,460	\$ 66,719	\$ 149,953	\$ 48,709	\$ 1,404,902
2028	\$ 348,000	\$ 723,910	\$ -	\$ 65,810	\$ 70,388	\$ 146,284	\$ 49,684	\$ 1,404,076
2029	\$ 367,000	\$ 704,770	\$ -	\$ 64,070	\$ 74,260	\$ 142,413	\$ 50,677	\$ 1,403,190
2030	\$ 388,000	\$ 684,585	\$ -	\$ 62,235	\$ 78,344	\$ 138,328	\$ 51,691	\$ 1,403,183
2031	\$ 409,000	\$ 663,245	\$ -	\$ 60,295	\$ 82,653	\$ 134,019	\$ 52,725	\$ 1,401,937
2032	\$ 432,000	\$ 640,750	\$ -	\$ 58,250	\$ 87,199	\$ 129,473	\$ 53,779	\$ 1,401,452
2033	\$ 455,000	\$ 616,990	\$ -	\$ 56,090	\$ 91,995	\$ 124,677	\$ 54,855	\$ 1,399,607
2034	\$ 480,000	\$ 591,965	\$ -	\$ 53,815	\$ 97,055	\$ 119,618	\$ 55,952	\$ 1,398,405
2035	\$ 507,000	\$ 565,565	\$ -	\$ 51,415	\$ 102,393	\$ 114,280	\$ 57,071	\$ 1,397,724
2036	\$ 535,000	\$ 537,680	\$ -	\$ 48,880	\$ 108,024	\$ 108,648	\$ 58,212	\$ 1,396,444
2037	\$ 564,000	\$ 508,255	\$ -	\$ 46,205	\$ 113,966	\$ 102,707	\$ 59,377	\$ 1,394,509
2038	\$ 595,000	\$ 477,235	\$ -	\$ 43,385	\$ 120,234	\$ 96,439	\$ 60,564	\$ 1,392,857
2039	\$ 628,000	\$ 444,510	\$ -	\$ 40,410	\$ 126,847	\$ 89,826	\$ 61,775	\$ 1,391,368
2040	\$ 662,000	\$ 409,970	\$ -	\$ 37,270	\$ 133,823	\$ 82,849	\$ 63,011	\$ 1,388,923
2041	\$ 699,000	\$ 373,560	\$ -	\$ 33,960	\$ 141,183	\$ 75,489	\$ 64,271	\$ 1,387,463
2042	\$ 737,000	\$ 335,115	\$ -	\$ 30,465	\$ 148,949	\$ 67,724	\$ 65,557	\$ 1,384,809
2043	\$ 778,000	\$ 294,580	\$ -	\$ 26,780	\$ 157,141	\$ 59,532	\$ 66,868	\$ 1,382,900
2044	\$ 820,000	\$ 251,790	\$ -	\$ 22,890	\$ 165,783	\$ 50,889	\$ 68,205	\$ 1,379,557
2045	\$ 866,000	\$ 206,690	\$ -	\$ 18,790	\$ 174,902	\$ 41,771	\$ 69,569	\$ 1,377,722
2046	\$ 913,000	\$ 159,060	\$ -	\$ 14,460	\$ 184,521	\$ 32,151	\$ 70,960	\$ 1,374,153
2047	\$ 963,000	\$ 108,845	\$ -	\$ 9,895	\$ 194,670	\$ 22,003	\$ 72,380	\$ 1,370,792
2048	\$ 1,016,000	\$ 55,880	\$ -	\$ 5,080	\$ 205,377	\$ 11,296	\$ 73,827	\$ 1,367,460
Total	\$ 14,650,000	\$ 13,547,400	\$ (318,690)	\$ 1,202,610	\$ 2,960,287	\$ 2,673,198	\$ 1,515,191	\$ 36,229,996

Notes:

¹ Interest rate on Improvement Area #1 Initial Bonds calculated at a 5.500% rate.

² Interest rate on Improvement Area #1 Reimbursement Obligation calculated at 5.500% 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.

APPENDIX B-3 – IMPROVEMENT AREA #2 INITIAL PARCEL BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

IMPROVEMENT AREA #2 INITIAL PARCEL PRINCIPAL ASSESSMENT: \$28,357,858

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within *Mobberly Public Improvement District* (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF DENTON

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - IMPROVEMENT AREA #2 INITIAL PARCEL

Annual Installment Due 1/31	Improvement Area #2 Initial Bonds				Improvement Area #2 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²		
2022	\$ -	\$ 440,213	\$ (440,213)	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ -	\$ 1,296,625	\$ (1,296,625)	\$ 112,750	\$ -	\$ -	\$ 45,000	\$ 157,750
2024	\$ 319,000	\$ 1,296,625	\$ -	\$ 112,750	\$ 82,259	\$ 333,952	\$ 45,900	\$ 2,190,486
2025	\$ 338,000	\$ 1,278,283	\$ -	\$ 111,155	\$ 86,989	\$ 329,222	\$ 46,818	\$ 2,190,466
2026	\$ 357,000	\$ 1,258,848	\$ -	\$ 109,465	\$ 91,990	\$ 324,220	\$ 47,754	\$ 2,189,277
2027	\$ 378,000	\$ 1,238,320	\$ -	\$ 107,680	\$ 97,280	\$ 318,931	\$ 48,709	\$ 2,188,920
2028	\$ 399,000	\$ 1,216,585	\$ -	\$ 105,790	\$ 102,873	\$ 313,337	\$ 49,684	\$ 2,187,269
2029	\$ 422,000	\$ 1,193,643	\$ -	\$ 103,795	\$ 108,789	\$ 307,422	\$ 50,677	\$ 2,186,326
2030	\$ 447,000	\$ 1,169,378	\$ -	\$ 101,685	\$ 115,044	\$ 301,166	\$ 51,691	\$ 2,185,964
2031	\$ 472,000	\$ 1,143,675	\$ -	\$ 99,450	\$ 121,659	\$ 294,551	\$ 52,725	\$ 2,184,060
2032	\$ 499,000	\$ 1,116,535	\$ -	\$ 97,090	\$ 128,655	\$ 287,556	\$ 53,779	\$ 2,182,615
2033	\$ 528,000	\$ 1,087,843	\$ -	\$ 94,595	\$ 136,052	\$ 280,158	\$ 54,855	\$ 2,181,503
2034	\$ 559,000	\$ 1,057,483	\$ -	\$ 91,955	\$ 143,875	\$ 272,335	\$ 55,952	\$ 2,180,600
2035	\$ 591,000	\$ 1,025,340	\$ -	\$ 89,160	\$ 152,148	\$ 264,063	\$ 57,071	\$ 2,178,781
2036	\$ 625,000	\$ 991,358	\$ -	\$ 86,205	\$ 160,896	\$ 255,314	\$ 58,212	\$ 2,176,985
2037	\$ 661,000	\$ 955,420	\$ -	\$ 83,080	\$ 170,148	\$ 246,063	\$ 59,377	\$ 2,175,087
2038	\$ 699,000	\$ 917,413	\$ -	\$ 79,775	\$ 179,932	\$ 236,279	\$ 60,564	\$ 2,172,963
2039	\$ 739,000	\$ 877,220	\$ -	\$ 76,280	\$ 190,278	\$ 225,933	\$ 61,775	\$ 2,170,486
2040	\$ 781,000	\$ 834,728	\$ -	\$ 72,585	\$ 201,219	\$ 214,992	\$ 63,011	\$ 2,167,534
2041	\$ 826,000	\$ 789,820	\$ -	\$ 68,680	\$ 212,789	\$ 203,422	\$ 64,271	\$ 2,164,982
2042	\$ 874,000	\$ 742,325	\$ -	\$ 64,550	\$ 225,024	\$ 191,187	\$ 65,557	\$ 2,162,642
2043	\$ 924,000	\$ 692,070	\$ -	\$ 60,180	\$ 237,963	\$ 178,248	\$ 66,868	\$ 2,159,328
2044	\$ 977,000	\$ 638,940	\$ -	\$ 55,560	\$ 251,646	\$ 164,565	\$ 68,205	\$ 2,155,916
2045	\$ 1,033,000	\$ 582,763	\$ -	\$ 50,675	\$ 266,115	\$ 150,095	\$ 69,569	\$ 2,152,217
2046	\$ 1,093,000	\$ 523,365	\$ -	\$ 45,510	\$ 281,417	\$ 134,794	\$ 70,960	\$ 2,149,046
2047	\$ 1,155,000	\$ 460,518	\$ -	\$ 40,045	\$ 297,599	\$ 118,612	\$ 72,380	\$ 2,144,153
2048	\$ 1,222,000	\$ 394,105	\$ -	\$ 34,270	\$ 314,711	\$ 101,500	\$ 73,827	\$ 2,140,413
2049	\$ 1,292,000	\$ 323,840	\$ -	\$ 28,160	\$ 332,806	\$ 83,404	\$ 75,304	\$ 2,135,514
2050	\$ 1,367,000	\$ 249,550	\$ -	\$ 21,700	\$ 351,943	\$ 64,268	\$ 76,810	\$ 2,131,271
2051	\$ 1,445,000	\$ 170,948	\$ -	\$ 14,865	\$ 372,179	\$ 44,031	\$ 78,346	\$ 2,125,369
2052	\$ 1,528,000	\$ 87,860	\$ -	\$ 7,640	\$ 393,580	\$ 22,631	\$ 79,913	\$ 2,119,624
Total	\$ 22,550,000	\$ 26,051,633	\$ (1,736,838)	\$ 2,227,080	\$ 5,807,858	\$ 6,262,250	\$ 1,825,564	\$ 62,987,547

Notes:

¹ Interest rate on Improvement Area #2 Initial Bonds calculated at a 5.750% rate.

² Interest rate on Improvement Area #2 Reimbursement Obligation calculated at a 5.750% 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.

APPENDIX B-4 – IMPROVEMENT AREA #1 LOT TYPE 1 BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

IMPROVEMENT AREA #1 LOT TYPE 1 PRINCIPAL ASSESSMENT: \$34,512.02

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within *Mobberly Public Improvement District* (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF DENTON

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - IMPROVEMENT AREA #1 LOT TYPE 1

Annual Installment Due 1/31	Improvement Area #1 Initial Bonds				Improvement Area #1 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²		
2022	\$ -	\$ 624.56	\$ (624.56)	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 523.26	\$ 1,579.08	\$ -	\$ 143.55	\$ 105.55	\$ 319.08	\$ 88.19	\$ 2,758.71
2024	\$ 550.69	\$ 1,550.30	\$ -	\$ 140.94	\$ 111.35	\$ 313.28	\$ 89.95	\$ 2,756.51
2025	\$ 582.05	\$ 1,520.01	\$ -	\$ 138.18	\$ 117.48	\$ 307.15	\$ 91.75	\$ 2,756.63
2026	\$ 613.41	\$ 1,488.00	\$ -	\$ 135.27	\$ 123.94	\$ 300.69	\$ 93.59	\$ 2,754.89
2027	\$ 646.72	\$ 1,454.26	\$ -	\$ 132.21	\$ 130.75	\$ 293.87	\$ 95.46	\$ 2,753.28
2028	\$ 682.00	\$ 1,418.69	\$ -	\$ 128.97	\$ 137.94	\$ 286.68	\$ 97.37	\$ 2,751.66
2029	\$ 719.23	\$ 1,381.18	\$ -	\$ 125.56	\$ 145.53	\$ 279.10	\$ 99.32	\$ 2,749.92
2030	\$ 760.39	\$ 1,341.63	\$ -	\$ 121.97	\$ 153.54	\$ 271.09	\$ 101.30	\$ 2,749.91
2031	\$ 801.54	\$ 1,299.80	\$ -	\$ 118.16	\$ 161.98	\$ 262.65	\$ 103.33	\$ 2,747.47
2032	\$ 846.62	\$ 1,255.72	\$ -	\$ 114.16	\$ 170.89	\$ 253.74	\$ 105.39	\$ 2,746.52
2033	\$ 891.69	\$ 1,209.16	\$ -	\$ 109.92	\$ 180.29	\$ 244.34	\$ 107.50	\$ 2,742.90
2034	\$ 940.69	\$ 1,160.11	\$ -	\$ 105.46	\$ 190.20	\$ 234.42	\$ 109.65	\$ 2,740.54
2035	\$ 993.60	\$ 1,108.37	\$ -	\$ 100.76	\$ 200.67	\$ 223.96	\$ 111.85	\$ 2,739.21
2036	\$ 1,048.47	\$ 1,053.73	\$ -	\$ 95.79	\$ 211.70	\$ 212.92	\$ 114.08	\$ 2,736.70
2037	\$ 1,105.31	\$ 996.06	\$ -	\$ 90.55	\$ 223.35	\$ 201.28	\$ 116.36	\$ 2,732.91
2038	\$ 1,166.06	\$ 935.27	\$ -	\$ 85.02	\$ 235.63	\$ 189.00	\$ 118.69	\$ 2,729.67
2039	\$ 1,230.73	\$ 871.14	\$ -	\$ 79.19	\$ 248.59	\$ 176.04	\$ 121.07	\$ 2,726.75
2040	\$ 1,297.36	\$ 803.44	\$ -	\$ 73.04	\$ 262.26	\$ 162.36	\$ 123.49	\$ 2,721.96
2041	\$ 1,369.88	\$ 732.09	\$ -	\$ 66.55	\$ 276.69	\$ 147.94	\$ 125.96	\$ 2,719.10
2042	\$ 1,444.35	\$ 656.75	\$ -	\$ 59.70	\$ 291.91	\$ 132.72	\$ 128.48	\$ 2,713.90
2043	\$ 1,524.70	\$ 577.31	\$ -	\$ 52.48	\$ 307.96	\$ 116.67	\$ 131.04	\$ 2,710.16
2044	\$ 1,607.01	\$ 493.45	\$ -	\$ 44.86	\$ 324.90	\$ 99.73	\$ 133.67	\$ 2,703.61
2045	\$ 1,697.16	\$ 405.06	\$ -	\$ 36.82	\$ 342.77	\$ 81.86	\$ 136.34	\$ 2,700.01
2046	\$ 1,789.27	\$ 311.72	\$ -	\$ 28.34	\$ 361.62	\$ 63.01	\$ 139.07	\$ 2,693.02
2047	\$ 1,887.25	\$ 213.31	\$ -	\$ 19.39	\$ 381.51	\$ 43.12	\$ 141.85	\$ 2,686.43
2048	\$ 1,991.12	\$ 109.51	\$ -	\$ 9.96	\$ 402.49	\$ 22.14	\$ 144.68	\$ 2,679.90
Total	\$ 28,710.55	\$ 26,549.72	\$ (624.56)	\$ 2,356.83	\$ 5,801.47	\$ 5,238.84	\$ 2,969.42	\$ 71,002.27

Notes:

¹ Interest rate for Improvement Area #1 Initial Bonds calculated at a 5.500% rate.

² Interest rate on Improvement Area #1 Reimbursement Obligation calculated at 5.500% 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.

APPENDIX B-5 – IMPROVEMENT AREA #1 LOT TYPE 2 BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

IMPROVEMENT AREA #1 LOT TYPE 2 PRINCIPAL ASSESSMENT: \$39,324.92

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within *Mobberly Public Improvement District* (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF DENTON

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - IMPROVEMENT AREA #1 LOT TYPE 2

Annual Installment Due 1/31	Improvement Area #1 Initial Bonds				Improvement Area #1 Reimbursement Obligation			Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²			
2022	\$ -	\$ 711.66	\$ (711.66)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 596.23	\$ 1,799.29	\$ -	\$ 163.57	\$ 120.27	\$ 363.58	\$ 100.49	\$ 3,143.43	
2024	\$ 627.49	\$ 1,766.50	\$ -	\$ 160.59	\$ 126.88	\$ 356.96	\$ 102.50	\$ 3,140.92	
2025	\$ 663.22	\$ 1,731.99	\$ -	\$ 157.45	\$ 133.86	\$ 349.99	\$ 104.55	\$ 3,141.05	
2026	\$ 698.95	\$ 1,695.51	\$ -	\$ 154.14	\$ 141.22	\$ 342.62	\$ 106.64	\$ 3,139.08	
2027	\$ 736.91	\$ 1,657.07	\$ -	\$ 150.64	\$ 148.99	\$ 334.86	\$ 108.77	\$ 3,137.24	
2028	\$ 777.11	\$ 1,616.54	\$ -	\$ 146.96	\$ 157.18	\$ 326.66	\$ 110.95	\$ 3,135.39	
2029	\$ 819.53	\$ 1,573.80	\$ -	\$ 143.07	\$ 165.83	\$ 318.02	\$ 113.17	\$ 3,133.41	
2030	\$ 866.43	\$ 1,528.72	\$ -	\$ 138.97	\$ 174.95	\$ 308.90	\$ 115.43	\$ 3,133.40	
2031	\$ 913.32	\$ 1,481.07	\$ -	\$ 134.64	\$ 184.57	\$ 299.27	\$ 117.74	\$ 3,130.62	
2032	\$ 964.68	\$ 1,430.84	\$ -	\$ 130.08	\$ 194.72	\$ 289.12	\$ 120.09	\$ 3,129.53	
2033	\$ 1,016.04	\$ 1,377.78	\$ -	\$ 125.25	\$ 205.43	\$ 278.41	\$ 122.49	\$ 3,125.41	
2034	\$ 1,071.87	\$ 1,321.90	\$ -	\$ 120.17	\$ 216.73	\$ 267.11	\$ 124.94	\$ 3,122.73	
2035	\$ 1,132.16	\$ 1,262.94	\$ -	\$ 114.81	\$ 228.65	\$ 255.19	\$ 127.44	\$ 3,121.21	
2036	\$ 1,194.69	\$ 1,200.67	\$ -	\$ 109.15	\$ 241.22	\$ 242.62	\$ 129.99	\$ 3,118.35	
2037	\$ 1,259.45	\$ 1,134.97	\$ -	\$ 103.18	\$ 254.49	\$ 229.35	\$ 132.59	\$ 3,114.03	
2038	\$ 1,328.67	\$ 1,065.70	\$ -	\$ 96.88	\$ 268.49	\$ 215.35	\$ 135.24	\$ 3,110.34	
2039	\$ 1,402.37	\$ 992.62	\$ -	\$ 90.24	\$ 283.26	\$ 200.59	\$ 137.95	\$ 3,107.02	
2040	\$ 1,478.29	\$ 915.49	\$ -	\$ 83.23	\$ 298.84	\$ 185.01	\$ 140.71	\$ 3,101.56	
2041	\$ 1,560.91	\$ 834.18	\$ -	\$ 75.83	\$ 315.27	\$ 168.57	\$ 143.52	\$ 3,098.30	
2042	\$ 1,645.77	\$ 748.33	\$ -	\$ 68.03	\$ 332.61	\$ 151.23	\$ 146.39	\$ 3,092.37	
2043	\$ 1,737.32	\$ 657.82	\$ -	\$ 59.80	\$ 350.91	\$ 132.94	\$ 149.32	\$ 3,088.11	
2044	\$ 1,831.11	\$ 562.26	\$ -	\$ 51.11	\$ 370.20	\$ 113.64	\$ 152.31	\$ 3,080.64	
2045	\$ 1,933.83	\$ 461.55	\$ -	\$ 41.96	\$ 390.57	\$ 93.28	\$ 155.35	\$ 3,076.54	
2046	\$ 2,038.79	\$ 355.19	\$ -	\$ 32.29	\$ 412.05	\$ 71.80	\$ 158.46	\$ 3,068.57	
2047	\$ 2,150.44	\$ 243.06	\$ -	\$ 22.10	\$ 434.71	\$ 49.13	\$ 161.63	\$ 3,061.07	
2048	\$ 2,268.79	\$ 124.78	\$ -	\$ 11.34	\$ 458.62	\$ 25.22	\$ 164.86	\$ 3,053.63	
Total	\$ 32,714.41	\$ 30,252.23	\$ (711.66)	\$ 2,685.51	\$ 6,610.51	\$ 5,969.43	\$ 3,383.52	\$ 80,903.95	

Notes:

¹ Interest rate on Improvement Area #1 Initial Bonds calculated at a 5.500% rate.

² Interest rate on Improvement Area #1 Reimbursement Obligation calculated at 5.500% 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.

APPENDIX B-6 – IMPROVEMENT AREA #2 LOT TYPE 3 BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer: under a court order or foreclosure sale;

- 1) by a trustee in bankruptcy;
- 2) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 3) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 4) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 5) from one co-owner to another co-owner of an undivided interest in the real property;
- 6) to a spouse or a person in the lineal line of consanguinity of the seller;
- 7) to or from a governmental entity; or
- 8) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

IMPROVEMENT AREA #2 LOT TYPE 3 PRINCIPAL ASSESSMENT: \$38,026.39

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within *Mobberly Public Improvement District* (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF _____

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - IMPROVEMENT AREA #2 LOT TYPE 3

Annual Installment Due 1/31	Improvement Area #2 Initial Bonds				Improvement Area #2 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²		
2022	\$ -	\$ 590.30	\$ (590.30)	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ -	\$ 1,738.71	\$ (1,738.71)	\$ 151.19	\$ -	\$ -	\$ 60.34	\$ 211.53
2024	\$ 427.76	\$ 1,738.71	\$ -	\$ 151.19	\$ 110.30	\$ 447.81	\$ 61.55	\$ 2,937.33
2025	\$ 453.24	\$ 1,714.11	\$ -	\$ 149.05	\$ 116.65	\$ 441.47	\$ 62.78	\$ 2,937.30
2026	\$ 478.72	\$ 1,688.05	\$ -	\$ 146.79	\$ 123.35	\$ 434.76	\$ 64.04	\$ 2,935.70
2027	\$ 506.88	\$ 1,660.52	\$ -	\$ 144.39	\$ 130.45	\$ 427.67	\$ 65.32	\$ 2,935.23
2028	\$ 535.04	\$ 1,631.38	\$ -	\$ 141.86	\$ 137.95	\$ 420.17	\$ 66.62	\$ 2,933.01
2029	\$ 565.88	\$ 1,600.61	\$ -	\$ 139.18	\$ 145.88	\$ 412.24	\$ 67.96	\$ 2,931.75
2030	\$ 599.40	\$ 1,568.07	\$ -	\$ 136.35	\$ 154.27	\$ 403.85	\$ 69.31	\$ 2,931.26
2031	\$ 632.93	\$ 1,533.61	\$ -	\$ 133.36	\$ 163.14	\$ 394.98	\$ 70.70	\$ 2,928.71
2032	\$ 669.13	\$ 1,497.21	\$ -	\$ 130.19	\$ 172.52	\$ 385.60	\$ 72.12	\$ 2,926.77
2033	\$ 708.02	\$ 1,458.74	\$ -	\$ 126.85	\$ 182.44	\$ 375.68	\$ 73.56	\$ 2,925.28
2034	\$ 749.59	\$ 1,418.03	\$ -	\$ 123.31	\$ 192.93	\$ 365.19	\$ 75.03	\$ 2,924.07
2035	\$ 792.50	\$ 1,374.93	\$ -	\$ 119.56	\$ 204.02	\$ 354.09	\$ 76.53	\$ 2,921.63
2036	\$ 838.09	\$ 1,329.36	\$ -	\$ 115.60	\$ 215.75	\$ 342.36	\$ 78.06	\$ 2,919.22
2037	\$ 886.37	\$ 1,281.17	\$ -	\$ 111.41	\$ 228.16	\$ 329.96	\$ 79.62	\$ 2,916.68
2038	\$ 937.32	\$ 1,230.20	\$ -	\$ 106.97	\$ 241.28	\$ 316.84	\$ 81.21	\$ 2,913.83
2039	\$ 990.96	\$ 1,176.31	\$ -	\$ 102.29	\$ 255.15	\$ 302.96	\$ 82.84	\$ 2,910.51
2040	\$ 1,047.28	\$ 1,119.33	\$ -	\$ 97.33	\$ 269.82	\$ 288.29	\$ 84.49	\$ 2,906.55
2041	\$ 1,107.62	\$ 1,059.11	\$ -	\$ 92.10	\$ 285.34	\$ 272.78	\$ 86.18	\$ 2,903.13
2042	\$ 1,171.99	\$ 995.42	\$ -	\$ 86.56	\$ 301.75	\$ 256.37	\$ 87.91	\$ 2,899.99
2043	\$ 1,239.04	\$ 928.03	\$ -	\$ 80.70	\$ 319.10	\$ 239.02	\$ 89.67	\$ 2,895.55
2044	\$ 1,310.11	\$ 856.78	\$ -	\$ 74.50	\$ 337.44	\$ 220.67	\$ 91.46	\$ 2,890.97
2045	\$ 1,385.20	\$ 781.45	\$ -	\$ 67.95	\$ 356.85	\$ 201.27	\$ 93.29	\$ 2,886.01
2046	\$ 1,465.66	\$ 701.80	\$ -	\$ 61.03	\$ 377.37	\$ 180.75	\$ 95.15	\$ 2,881.76
2047	\$ 1,548.79	\$ 617.53	\$ -	\$ 53.70	\$ 399.06	\$ 159.05	\$ 97.06	\$ 2,875.20
2048	\$ 1,638.64	\$ 528.47	\$ -	\$ 45.95	\$ 422.01	\$ 136.11	\$ 99.00	\$ 2,870.18
2049	\$ 1,732.50	\$ 434.25	\$ -	\$ 37.76	\$ 446.28	\$ 111.84	\$ 100.98	\$ 2,863.61
2050	\$ 1,833.07	\$ 334.63	\$ -	\$ 29.10	\$ 471.94	\$ 86.18	\$ 103.00	\$ 2,857.92
2051	\$ 1,937.67	\$ 229.23	\$ -	\$ 19.93	\$ 499.07	\$ 59.04	\$ 105.06	\$ 2,850.01
2052	\$ 2,048.97	\$ 117.82	\$ -	\$ 10.24	\$ 527.77	\$ 30.35	\$ 107.16	\$ 2,842.30
Total	\$ 30,238.36	\$ 34,933.87	\$ (2,329.01)	\$ 2,986.40	\$ 7,788.03	\$ 8,397.35	\$ 2,447.98	\$ 84,462.98

Notes:

¹ Interest rate on Improvement Area #2 Initial Bonds calculated at a 5.750% rate

² Interest rate on Improvement Area #2 Reimbursement Obligation calculated at a 5.750% 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.

APPENDIX B-7 – IMPROVEMENT AREA #2 LOT TYPE 4 BUYER DISCLOSURE

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer: under a court order or foreclosure sale;

- 1) by a trustee in bankruptcy;
- 2) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 3) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 4) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 5) from one co-owner to another co-owner of an undivided interest in the real property;
- 6) to a spouse or a person in the lineal line of consanguinity of the seller;
- 7) to or from a governmental entity; or
- 8) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF PILOT POINT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

IMPROVEMENT AREA #2 LOT TYPE 4 PRINCIPAL ASSESSMENT: \$43,329.39

As the purchaser of the real property described above, you are obligated to pay assessments to City of Pilot Point, Texas, for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within *Mobberly Public Improvement District* (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Pilot Point. The exact amount of each annual installment will be approved each year by the Pilot Point City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Pilot Point.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

COUNTY OF _____

§

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

ANNUAL INSTALLMENTS - IMPROVEMENT AREA #2 LOT TYPE 4

Annual Installment Due 1/31	Improvement Area #2 Initial Bonds				Improvement Area #2 Reimbursement Obligation		Annual Collection Costs	Total Annual Installment
	Principal	Interest ¹	Capitalized Interest	Additional Interest	Principal	Interest ²		
2022	\$ -	\$ 672.62	\$ (672.62)	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ -	\$ 1,981.18	\$ (1,981.18)	\$ 172.28	\$ -	\$ -	\$ 68.76	\$ 241.03
2024	\$ 487.42	\$ 1,981.18	\$ -	\$ 172.28	\$ 125.69	\$ 510.26	\$ 70.13	\$ 3,346.95
2025	\$ 516.45	\$ 1,953.15	\$ -	\$ 169.84	\$ 132.91	\$ 503.03	\$ 71.54	\$ 3,346.92
2026	\$ 545.48	\$ 1,923.46	\$ -	\$ 167.26	\$ 140.56	\$ 495.39	\$ 72.97	\$ 3,345.11
2027	\$ 577.57	\$ 1,892.09	\$ -	\$ 164.53	\$ 148.64	\$ 487.31	\$ 74.43	\$ 3,344.56
2028	\$ 609.65	\$ 1,858.88	\$ -	\$ 161.64	\$ 157.18	\$ 478.76	\$ 75.91	\$ 3,342.04
2029	\$ 644.79	\$ 1,823.83	\$ -	\$ 158.59	\$ 166.22	\$ 469.73	\$ 77.43	\$ 3,340.60
2030	\$ 682.99	\$ 1,786.75	\$ -	\$ 155.37	\$ 175.78	\$ 460.17	\$ 78.98	\$ 3,340.04
2031	\$ 721.19	\$ 1,747.48	\$ -	\$ 151.95	\$ 185.89	\$ 450.06	\$ 80.56	\$ 3,337.13
2032	\$ 762.45	\$ 1,706.01	\$ -	\$ 148.35	\$ 196.58	\$ 439.37	\$ 82.17	\$ 3,334.93
2033	\$ 806.76	\$ 1,662.17	\$ -	\$ 144.54	\$ 207.88	\$ 428.07	\$ 83.82	\$ 3,333.23
2034	\$ 854.12	\$ 1,615.78	\$ -	\$ 140.50	\$ 219.83	\$ 416.11	\$ 85.49	\$ 3,331.85
2035	\$ 903.02	\$ 1,566.67	\$ -	\$ 136.23	\$ 232.47	\$ 403.47	\$ 87.20	\$ 3,329.07
2036	\$ 954.97	\$ 1,514.74	\$ -	\$ 131.72	\$ 245.84	\$ 390.11	\$ 88.95	\$ 3,326.32
2037	\$ 1,009.98	\$ 1,459.83	\$ -	\$ 126.94	\$ 259.98	\$ 375.97	\$ 90.72	\$ 3,323.42
2038	\$ 1,068.04	\$ 1,401.76	\$ -	\$ 121.89	\$ 274.93	\$ 361.02	\$ 92.54	\$ 3,320.18
2039	\$ 1,129.16	\$ 1,340.35	\$ -	\$ 116.55	\$ 290.74	\$ 345.21	\$ 94.39	\$ 3,316.39
2040	\$ 1,193.33	\$ 1,275.42	\$ -	\$ 110.91	\$ 307.45	\$ 328.50	\$ 96.28	\$ 3,311.88
2041	\$ 1,262.09	\$ 1,206.81	\$ -	\$ 104.94	\$ 325.13	\$ 310.82	\$ 98.20	\$ 3,307.98
2042	\$ 1,335.43	\$ 1,134.24	\$ -	\$ 98.63	\$ 343.83	\$ 292.12	\$ 100.17	\$ 3,304.41
2043	\$ 1,411.83	\$ 1,057.45	\$ -	\$ 91.95	\$ 363.60	\$ 272.35	\$ 102.17	\$ 3,299.35
2044	\$ 1,492.81	\$ 976.27	\$ -	\$ 84.89	\$ 384.50	\$ 251.45	\$ 104.21	\$ 3,294.13
2045	\$ 1,578.37	\$ 890.43	\$ -	\$ 77.43	\$ 406.61	\$ 229.34	\$ 106.30	\$ 3,288.48
2046	\$ 1,670.05	\$ 799.68	\$ -	\$ 69.54	\$ 429.99	\$ 205.96	\$ 108.42	\$ 3,283.63
2047	\$ 1,764.78	\$ 703.65	\$ -	\$ 61.19	\$ 454.72	\$ 181.23	\$ 110.59	\$ 3,276.16
2048	\$ 1,867.16	\$ 602.17	\$ -	\$ 52.36	\$ 480.86	\$ 155.09	\$ 112.80	\$ 3,270.44
2049	\$ 1,974.11	\$ 494.81	\$ -	\$ 43.03	\$ 508.51	\$ 127.44	\$ 115.06	\$ 3,262.96
2050	\$ 2,088.71	\$ 381.30	\$ -	\$ 33.16	\$ 537.75	\$ 98.20	\$ 117.36	\$ 3,256.48
2051	\$ 2,207.89	\$ 261.20	\$ -	\$ 22.71	\$ 568.67	\$ 67.28	\$ 119.71	\$ 3,247.46
2052	\$ 2,334.71	\$ 134.25	\$ -	\$ 11.67	\$ 601.37	\$ 34.58	\$ 122.10	\$ 3,238.68
Total	\$ 34,455.27	\$ 39,805.59	\$ (2,653.80)	\$ 3,402.87	\$ 8,874.12	\$ 9,568.41	\$ 2,789.37	\$ 96,241.83

Notes:

¹ Interest rate on Improvement Area #2 Initial Bonds calculated at a 5.750% rate.

² Interest rate on Improvement Area #2 Reimbursement Obligation calculated at a 5.750% 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.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[CLOSING DATE]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
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IN REGARD to the authorization and issuance of the “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project)” (the “Bonds”), dated June 1, 2022, in the principal amount of \$ _____ we have examined the legality and validity of the issuance thereof by the City of Pilot Point, Texas (the “City”) solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, or the history or prospects of the collection of the Pledged Revenues, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds, and have not assumed any responsibility with respect thereto. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Indenture.

THE BONDS are issued in fully registered form only and mature, unless redeemed prior to maturity in accordance with the terms stated on the Bonds, on September 15 in the years specified in an Indenture of Trust (the “Indenture”), dated as of June 1, 2022, with Wilmington Trust, National Association, as trustee (the “Trustee”), approved by the City Council of the City pursuant to an ordinance (the “Ordinance”) adopted by the City Council of the City authorizing the issuance of the Bonds. The Bonds accrue interest from the date, at the rate, and in the manner and interest is payable on the dates, all as provided in the Indenture.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings had in connection with the issuance of the Bonds, including the Indenture, the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been authorized, issued and delivered in accordance with law; that the Bonds are valid, legally binding and enforceable limited obligations of the City in accordance with their terms payable solely from the Trust Estate, except to the extent the

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Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright North Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

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Re: "City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project)"

enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally.

2. Assuming continuing compliance after the date hereof by the City with the provisions of the Indenture and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (i) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to Section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof.

We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D-1

FORM OF CITY DISCLOSURE AGREEMENT

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

CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER

This Continuing Disclosure Agreement of the Issuer dated as of June 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and between the City of Pilot Point, Texas (the “Issuer”), P3Works, LLC, (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (in such capacity, the “Dissemination Agent”) with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project)” (the “Bonds”). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator, and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of June 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, as amended or supplemented, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Additional Bonds” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean an employee of the Issuer or third-party designee of the Issuer who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The initial Administrator is P3Works, LLC.

“Affiliate” shall have the meaning assigned to such term in Section 22 of this Disclosure Agreement.

“Annual Collection Costs” shall have the meaning assigned to such term in the Service and Assessment Plan.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Service Plan Update” shall have the meaning assigned to such term in the Indenture.

“Assessment” shall have the meaning assigned to the term “Assessments” in the Indenture.

“Audited Financial Statements” shall mean the audited financial statements of the Issuer that have been prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer and that have been audited by an independent certified public accountant.

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

“Developer” shall mean MM Mobberly 236, LLC, a Texas limited liability company, and its designated successors and assigns.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of Developer relating to the Bonds dated as of June 1, 2022 executed and delivered by the Developer, the Administrator and the Dissemination Agent.

“Disclosure Representative” shall mean the Finance Manager of the Issuer or his or her designee, or such other officer or employee as the Issuer, may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Mobberly Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the Issuer’s fiscal year, currently the calendar year from October 1 through September 30.

“Foreclosure Proceeds” shall have the meaning assigned to such term in the Indenture.

“Improvement Area #1” shall have the meaning assigned to such term in the Indenture.

“Improvement Area #1 Projects” shall have the meaning assigned to such term in the Indenture.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reporting pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

“Participating Underwriter” shall mean FMSbonds, Inc. and its successors and assigns.

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

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have meaning assigned to such term in the Indenture.

“Trustee” shall mean Wilmington Trust, National Association, and its successors, and any other corporation or association that may at any time be substituted in its place.

SECTION 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) Commencing with the Fiscal Year ending September 30, 2022, the Issuer shall provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB (i) not later than six (6) months after the end of the Issuer’s Fiscal Year, its Annual Financial Information and (ii) not later than twelve (12) months after the end of the Issuer’s Fiscal Year, its Audited Financial Statements. In each case, the Annual Financial Information and the Audited Financial Statements, as applicable, may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer’s Fiscal Year changes, it shall file notice of

such change (including the date of the new Fiscal Year) with the MSRB prior to the next date by which the Issuer otherwise would be required to provide the Annual Financial Information or Audited Financial Statements, as applicable, pursuant to Section 4 of this Disclosure Agreement. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(b) Upon delivery by the Issuer of the Annual Financial Information or the Audited Financial Statements, as applicable, to the Dissemination Agent together, with written instructions to file such information or financial statements, as applicable, with the MSRB, the Dissemination Agent shall:

- (i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Financial Information or the Audited Financial Statements, as applicable, on the respective dates required in subsection (a); and
- (ii) file the Annual Financial Information or the Audited Financial Statements, as applicable, on the respective dates required, containing or incorporating by reference the information set forth in Section 4 hereof;

(c) If the Issuer has provided the Dissemination Agent with the completed Annual Financial Information or the Audited Financial Statements, as applicable, together with written instructions to file such financial information or financial statements with the MSRB and the Dissemination Agent has filed such financial information or financial statements with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Financial Information or the Audited Financial Statements, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB, which such financial information or financial statements shall include a filing receipt from the MSRB.

SECTION 4. Content and Timing of Annual Financial Information and Audited Financial Statements. The Annual Financial Information and the Audited Financial Statements shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent, the following:

(a) *Annual Financial Information.* Within six (6) months after the end of each Fiscal Year, the Annual Financial Information of the Issuer (any or all of which may be unaudited) being:

- (i) Tables setting forth the following information, as of the end of such Fiscal Year:
 - (A) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding;
 - (B) The amounts in the funds and accounts under the Indenture securing the Bonds and a description of the related investments; and
 - (C) The assets and liabilities of the Trust Estate.

(ii) Financial information and operating data with respect to the Issuer of the general type, in substantially similar form to that shown in the tables provided under Sections 4(a)(ii)(A) and 4(a)(ii)(B) of Exhibit B attached hereto. Such information shall be provided: (a) as of the end of the Fiscal Year (for tables in Section 4(a)(ii)(A) of Exhibit B), and (b) both as of the end of the Fiscal Year and through March 1 of the calendar year immediately succeeding such Fiscal Year (for tables in Section 4(a)(ii)(B) of Exhibit B).

(iii) Updates to the information in the Service and Assessment Plan or the Annual Service Plan Update as most recently amended or supplemented, including any changes to the methodology for levying the Assessments in Improvement Area #1.

(iv) Until building permits have been issued for parcels or lots representing, in the aggregate, ninety-five percent (95%) of the total the Assessments levied within Improvement Area #1, the Annual Financial Information (in the Annual Service Plan Update or otherwise) shall include the number of certificates of occupancy (“COs”) issued for new homes completed in Improvement Area #1 during such Fiscal Year and the aggregate number of COs issued for new homes completed within Improvement Area #1 since filing the initial Annual Financial Information for Fiscal Year ending September 30, 2022.

(v) If the total amount of delinquencies greater than 150 days equals or exceeds ten percent (10%) of the amount of Assessments due in any fiscal year, a list of delinquent property owners.

(vi) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer’s audited financial statements during such Fiscal Year.

(b) *Audited Financial Statements.* Within twelve (12) months after the end of each Fiscal Year, the Audited Financial Statements of the Issuer, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If such audited financial statements are not complete within twelve (12) months after the end of each Fiscal Year, then the Issuer shall provide unaudited financial statements within such period and shall provide audited financial statements for the applicable Fiscal Year when and if the audit report on such statements becomes available.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated P3Works, LLC, as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer’s staff, shall prepare the Annual Financial Information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of the Annual Financial Information and Audited Financial Statements under this Section 4.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final

offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of Owners, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds,
if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

Any sale by the Developer of real property within Improvement Area #1 in the ordinary course of the Developer's business will not constitute a Listed Event for the purposes of paragraph (10) above.

For these purposes, any event described in paragraph (12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer intends the words used in paragraphs (15) and (16) above and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. For the avoidance of doubt, the incurrence of Additional Bonds will constitute the incurrence of a material Financial Obligation for which a notice of a Listed Event in accordance with Section must be filed with the MSRB.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent, in writing, to immediately file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Additionally, the Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide Audited Financial Statements (or unaudited financial statements, if Audited Financial Statements are not available) or Annual Financial Information, as applicable, as required under this Disclosure Agreement. See Exhibit A hereto for a form for submitting "Notice to MSRB of Failure to File."

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made pursuant to Sections 4 and 5 of this Disclosure Agreement. In addition, the Issuer shall have the sole responsibility to ensure that

any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, promptly, and not more than three (3) Business Days after obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative in writing of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than the Business Day immediately following the day on which it receives written instructions from the Issuer. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Participating Underwriter, the Trustee, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8 (as to Bond calls only), 10, 13, 14, or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after occurrence of the event, notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (b).

SECTION 6. Termination of Reporting Obligations. The obligations of the Issuer, the Administrator, and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to the Bonds under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its

obligations under this Disclosure Agreement, and may discharge such Dissemination Agent. If the Issuer discharges the Dissemination Agent, the Issuer shall use best efforts to appoint a successor Dissemination Agent within 30 days of such discharge. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be HTS Continuing Disclosure Services, a division of Hilltop Securities Inc.

In addition, pursuant to the Disclosure Agreement of Developer, the Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist the Developer, Subsequent Third Party Owners, if any, and the Administrator in carrying out their respective obligations under the Disclosure Agreement of Developer, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. In the event the Issuer appoints a new Dissemination Agent under the Disclosure Agreement of Developer, the Issuer shall give written notice of such change to the Developer, Subsequent Third Party Owners, if any, and the Administrator at least fifteen (15) days prior to the next Quarterly Filing Date. With the exception of the term “Disclosure Agreement of Developer”, capitalized terms used in this paragraph shall have the meanings given to such terms in the Disclosure Agreement of Developer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Financial Information or Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the

Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Audited Financial Statements for the fiscal year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Financial Information, Audited Financial Statements or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information, Audited Financial Statements or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of Developer by the Developer, and a default under the Disclosure Agreement of Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Financial Information and the Audited Financial Statements) prepared by the Issuer pursuant to this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Annual Collection Costs collected from the property owners in Improvement Area #1, against any loss, expense and liabilities which it may incur arising out

of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Dissemination Agent for losses, expenses or liabilities arising from information provided to the Dissemination Agent by the Developer or the failure of the Developer to provide information to the Dissemination Agent as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent shall not be responsible for the Issuer's failure to submit a complete Annual Financial Information or Audited Financial Statements to the MSRB. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Annual Collection Costs collected from the property owners in Improvement Area #1, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties, or the failure of any third party to provide information to the Administrator as and when required under this Disclosure Agreement, or the failure of the Developer to provide information to the Administrator as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon

advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(c) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE ADMINISTRATOR, OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT OR THE ADMINISTRATOR IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

SECTION 12. Assessments Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments. Failure to adhere to such expected timeline shall not constitute a default by the Issuer under this Disclosure Agreement, the Indenture, the Bonds or any other document related to the Bonds.

SECTION 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator, or Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, the Administrator, or Dissemination Agent in other than that person's official capacity.

SECTION 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation,

agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 15. Sovereign Immunity. The Dissemination Agent and the Administrator agree that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their respective services rendered in accordance with this Disclosure Agreement constitute Annual Collection Costs and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent and the Administrator, but only with funds to be provided from the Annual Collection Costs component of the Annual Installments collected from the property owners in Improvement Area #1, for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 18. Anti-Boycott Verification. To the extent this Disclosure Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Dissemination Agent and the Administrator, each respectively, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Disclosure Agreement. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

SECTION 19. Iran, Sudan and Foreign Terrorist Organizations. The Dissemination Agent and the Administrator, each respectively, represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to enable the Issuer to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Dissemination Agent and the Administrator, each respectively, and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

SECTION 20. No Discrimination Against Fossil-Fuel Companies. To the extent this Disclosure Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Dissemination Agent and the Administrator, each respectively, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Disclosure Agreement. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, “boycott energy companies” shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable Federal or Texas law; or (B) does business with a company described by (A) above.

SECTION 21. No Discrimination Against Firearm Entities and Firearm Trade Associations. To the extent this Disclosure Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Dissemination Agent and the Administrator, each respectively, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Disclosure Agreement. The foregoing verification is made solely to enable the Issuer to comply with such Section and to the extent such Section does not contravene applicable Federal or Texas law. As used in the foregoing verification, (a) ‘discriminate against a firearm entity or firearm trade association’ (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal,

state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association. As used in the foregoing verification, (b) 'firearm entity' means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (i.e., weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (i.e., devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (i.e., a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (as defined by Section 250.001, Texas Local Government Code), and (c) 'firearm trade association' means a person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

SECTION 22. Affiliate. As used in Sections 18 through 21, the Dissemination Agent and Administrator, each respectively, understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17.C.F.R. § 230.405, and exists to make a profit.

SECTION 23. Disclosure of Interested Parties. Pursuant to Section 2252.908(c)(4), Texas Government Code, as amended, the Dissemination Agent hereby certifies it is a publicly traded business entity and is not required to file a Certificate of Interested Parties Form 1295 related to this Disclosure Agreement.

SECTION 24. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 25. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The Issuer, the Administrator and the Dissemination Agent agree that electronic signatures to this Disclosure Agreement may be regarded as original signatures.

[Signature pages follow.]

CITY OF PILOT POINT, TEXAS
(as Issuer)

By: _____
City Manager

HTS CONTINUING DISCLOSURE SERVICES,
a division of Hilltop Securities Inc.
(as Dissemination Agent)

By: _____
Authorized Officer

P3WORKS, LLC,
(as Administrator)

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MSRB OF FAILURE TO FILE
[ANNUAL FINANCIAL INFORMATION][AUDITED FINANCIAL STATEMENTS]**

Name of Issuer: City of Pilot Point, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022 (Mobberly
Public Improvement District Improvement Area #1 Project)
Date of Delivery: _____, 20__
CUSIP Numbers: [Insert CUSIP Numbers]

NOTICE IS HEREBY GIVEN that the City of Pilot Point, Texas, has not provided [an Annual Financial Information] [Audited Financial Statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement of Issuer dated as of June 1, 2022, between the Issuer, P3Works, LLC, as Administrator and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as Dissemination Agent. The Issuer anticipates that [the Annual Financial] [Audited Financial Statements] will be filed by _____.

Dated: _____

HTS Continuing Disclosure Services, a division of
Hilltop Securities Inc.,
on behalf of the City of Pilot Point, Texas
(solely in its capacity as Dissemination Agent)

By: _____

Title: _____

cc: City of Pilot Point, Texas

EXHIBIT B

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

ANNUAL FINANCIAL INFORMATION*

Delivery Date: _____, 20__

CUSIP Nos: [Insert CUSIP Nos]

DISSEMINATION AGENT

Name: _____
Address: _____
City: _____
Telephone: _____
Contact Person: _____

Section 4(a)(i)(A)

BONDS OUTSTANDING

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount

Section 4(a)(i)(B)

INVESTMENTS

Fund/Account Name	Investment Description	Par Value	Book Value	Market Value

* Excluding Audited Financial Statements of the Issuer

Section 4(a)(i)(A)

ASSETS AND LIABILITIES OF PLEDGED TRUST ESTATE

ASSETS

Bonds (Principal Balance) _____
 Funds and Accounts [list] _____
 TOTAL ASSETS _____

LIABILITIES

Outstanding Bond Principal _____
 Outstanding Program Expenses (if any) _____
 TOTAL LIABILITIES _____

EQUITY

Assets Less Liabilities _____
 Parity Ratio _____

Form of Accounting Cash Accrual Modified Accrual

Section 4(a)(ii)(A)

FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AS OF THE END OF THE FISCAL YEAR

Debt Service Requirements on the Bonds

<u>Year Ending</u> (September 30)	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
--------------------------------------	------------------	-----------------	--------------

Top Improvement Area #1 Assessment Payers⁽¹⁾

<u>Property Owner</u>	<u>No. of</u> <u>Parcels/Lots</u>	<u>Percentage of</u> <u>Parcels/Lots</u>	<u>Outstanding</u> <u>Assessments</u>	<u>Percentage of</u> <u>Total</u> <u>Assessments</u>
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⁽¹⁾ Does not include those owing less than one percent (1%) of total Assessments.

Assessed Value of the Improvement Area #1 of the District

The [YEAR] certified total assessed value for the land in the Improvement Area #1 of the District is approximately \$[AMOUNT] according to the Denton Central Appraisal District.

Section 4(a)(ii)(B)

FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AS OF THE END OF THE FISCAL YEAR AND AS OF FEBRUARY 1 OF THE NEXT SUCCEEDING YEAR

Foreclosure History Related to the Assessments

<u>Time Period</u>	<u>Parcels in Foreclosure Proceedings</u>	<u>Delinquent Improvement Area #1 Assessment Amount in Foreclosure Proceedings</u>	<u>Foreclosure Sales</u>	<u>Foreclosure Proceeds Received</u>
[FISCAL YEAR END]		\$		\$
[MARCH 1 OF CURRENT YEAR] ⁽¹⁾		\$		\$

⁽¹⁾ As of March 1, 20__.

Collection and Delinquency History of Assessments

<u>Time Period</u>	<u>Total Improvement Area #1 Assessment Levied</u>	<u>Parcels Levied⁽¹⁾</u>	<u>Delinquent Amount as of 3/1</u>	<u>Delinquent % as of 3/1</u>	<u>Delinquent Amount as of 9/1</u>	<u>Delinquent % as of 9/1</u>	<u>Total Assessments Collected⁽²⁾</u>
[FISCAL YEAR END]	\$		\$	%	\$	%	\$
[MARCH 1 OF CURRENT YEAR] ⁽³⁾	\$		\$	%	N/A	N/A	\$

⁽¹⁾ Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

⁽²⁾ [Does/does not] include interest and penalties.

⁽³⁾ Collected as of March 1, 20__.

History of Prepayment of Assessments

<u>Time Period</u>	<u>Number of Prepayments</u>	<u>Amount of Prepayments</u>	<u>Bond Call Date</u>	<u>Amount of Bonds Redeemed</u>
[FISCAL YEAR END]		\$		\$
[MARCH 1 OF CURRENT YEAR] ⁽¹⁾		\$		\$

⁽¹⁾ As of March 1, 20__.

ITEMS REQUIRED BY SECTION 4(a)(iii) - (vi)

[Insert a line item for each applicable listing]

EXHIBIT C

BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES¹

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Annual Installments of Assessments are due.
February 1	1	Annual Installments of Assessments Delinquent if not received.
February 15	15	<p>Issuer forwards payment to Trustee for all collections received as of February 15, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.</p> <p>Issuer and/or Administrator should be aware of actual and specific delinquencies.</p> <p>Issuer and/or Administrator should be aware if Reserve Fund needs to be utilized for debt service payments on March 1. If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified.</p> <p>Issuer and/or Administrator should also be aware if, based on collections, there will be a shortfall for September payment.</p> <p>Issuer and/or Administrator should determine if previously collected surplus funds, if any, plus actual collections will be fully adequate for debt service in March and September.</p> <p>At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Annual Installments of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency. For properties delinquent by</p>

¹ Illustrates anticipated dates and procedures for pursuing the collection of delinquent Assessments, which dates and procedures shall be in accordance with Chapters 31, 32, 33 and 34, Texas Tax Code, as amended (the "Code"), and the County Tax/Assessor Collector's procedures, and are subject to adjustment by the Issuer. If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of foreclosure.

If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.

March 15

43/44

Trustee pays bond interest payments to Owners.

Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

Issuer, or the Trustee, on behalf of the Issuer, to notify Dissemination Agent of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw on the Fund for debt service.

Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.

Issuer determines whether or not any Annual Installments of Assessments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments of Assessments.

March 20

47/48

Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies.

If any property owner with ownership of property responsible for more than \$10,000 of the Annual Installments of Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the March or September bond payments, the Disclosure Representative shall work with City Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Annual Installments of Assessments.

April 15	74/75	Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent of the commencement of preliminary foreclosure activity. If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.
May 1	89/90	If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the Owners under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
May 15	103/104	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those Owners who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than June 1 (day 120/121).
June 1	120/121	Foreclosure action to be filed with the court.
June 15	134/135	Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status. Dissemination Agent notifies Owners.
July 1	150/151	If Owners and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

A committee of not less than 25% of the Owners may request a meeting with the City Manager, Finance Manager or other official of the Issuer to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day 30 if it is apparent that a Reserve Fund draw is required. Further, if delinquencies exceed 5%, Owners may also request a meeting with the Issuer at any time to discuss the Issuer's plan and progress on collection and foreclosure activity. If the Issuer is not diligently proceeding with the foreclosure process, the Owners may seek an action for mandamus or specific performance to direct the Issuer to pursue the collections of delinquent Annual Installments of Assessments.

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APPENDIX D-2

FORM OF DEVELOPER DISCLOSURE AGREEMENT

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

CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer dated as of June 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and among MM Mobberly 236, LLC (the “Developer”), P3Works, LLC (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. as dissemination agent (the “Dissemination Agent”) with respect to the “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project)” (the “Bonds”). The Developer, the Administrator and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of June 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrator” shall mean the Issuer or the person or independent firm designated by the Issuer who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The Issuer has selected P3 Works, LLC as the initial Administrator.

“Affiliate” shall mean an entity that owns property within Improvement Area #1 and is controlled by, controls, or is under common control of the Developer.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Business Day” means any day other than a Saturday, Sunday, legal holiday, or day on which banking institutions in the City where the Designated Payment/Transfer Office of the Paying Agent/Registrar (as each term is defined in the Indenture) is located are required or authorized by law or executive order to close.

“Certification Letter” shall mean a certification letter provided by the Developer or any Significant Homebuilder, pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean MM Mobberly 236, LLC, a Texas limited liability company, and each other Person, through assignment, who assumes the obligations, requirements or covenants to construct one or more of the Improvement Area #1 Projects and their designated successors and assigns.

“Developer Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of Issuer dated as of June 1, 2022 executed and delivered by and among the Issuer, the Administrator and the Dissemination Agent.

“Dissemination Agent” shall mean HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Mobberly Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Homebuilder(s)” shall mean any merchant homebuilder who enters into a Lot Sale Agreement with the Developer, and the successors and assigns of such homebuilder under such Lot Sale Agreement.

“Improvement Area #1” shall have the meaning assigned to such term in the Service and Assessment Plan.

“Improvement Area #1 Projects” shall have the meaning assigned to such term in the Service and Assessment Plan.

“Issuer” shall mean the City of Pilot Point, Texas.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum for the Bonds dated May 12, 2022.

“Listed Events” shall mean, collectively, Developer Listed Events and Significant Homebuilder Listed Events.

“Lot Sale Agreement” shall mean, with respect to lots or land within Improvement Area #1 of the District, any Lot Sale Agreement between a Homebuilder and the Developer to purchase lots or to purchase land.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

“Participating Underwriter” shall mean FMSbonds, Inc. and its successors and assigns.

“Person” shall mean any legal person, including any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

“Private Improvements” shall have the meaning assigned to such term in the Limited Offering Memorandum.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning September 30, 2022.

“Quarterly Filing Date” shall mean for each Quarterly Ending Date, the fifteenth calendar day of the second month following such Quarterly Ending Date being May 15, August 15, November 15, and February 15.

“Quarterly Information” shall have the meaning assigned to such term in Section 3 of this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report described in Section 3 of this Disclosure Agreement and substantially similar to that attached as Exhibit A hereto.

“Reporting Party” shall mean the Developer and/or Significant Homebuilder, as applicable.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Significant Homebuilder” shall mean a Homebuilder that then owns five percent (5%)¹ or more of the single-family residential lots within Improvement Area #1.

“Significant Homebuilder Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Trustee” shall mean Wilmington Trust, National Association, a national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as trustee, or any successor trustee pursuant to the Indenture.

¹ At closing of the Bonds, based on the Service and Assessment Plan, five percent (5%) of the total single family residential lots within Improvement Area #1 is currently equal to approximately 24 lots.

Section 3. Quarterly Reports.

(a) The Developer and any Significant Homebuilder, with respect to its acquired real property, shall, at its cost and expense, provide, or cause to be provided, to the Administrator, not more than ten (10) days after each Quarterly Ending Date, beginning with September 30, 2022, the information required for the preparation of the Quarterly Report (with respect to each party, the “Quarterly Information”). The Reporting Party shall provide, or cause to be provided to the Administrator, such Quarterly Information until such party’s obligations terminate pursuant to Section 7 of this Disclosure Agreement. For the avoidance of doubt, if the Developer elects, the Developer may, but shall not be obligated to provide any Quarterly Information on behalf of any Significant Homebuilder. The Developer shall remain obligated with respect to any real property acquired by a Significant Homebuilder until an acknowledgment of assignment with respect to such real property is delivered in accordance with Section 6 of this Disclosure Agreement, at which time Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property so transferred.

(b) The Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by each Reporting Party pursuant to subsection (a) above and (ii) provide to the Reporting Party, each Quarterly Report for review no later than twenty (20) days after each Quarterly Ending Date. Each Reporting Party shall review the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide to the Administrator the Certification Letter and authorize the Administrator to provide such Quarterly Report and Certification Letter to the Issuer and Dissemination Agent pursuant to subsection (c) below. In all cases, each Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all of the Quarterly Information provided by such party contained in the Quarterly Report.

(c) The Administrator shall provide to the Dissemination Agent, no later than thirty-five (35) days after each Quarterly Ending Date, the Quarterly Report containing the information described in this Section 3 and the Certification Letter(s) provided by each Reporting Party. The Dissemination Agent shall file the Quarterly Report and the Certification Letter(s) with the MSRB and provide a copy of such report to the Issuer and the Participating Underwriter within ten (10) days of the Dissemination Agent’s receipt thereof pursuant to this subsection 3(c); provided, however, that the Quarterly Report and the Certification Letter(s) must be submitted to the MSRB not later than each Quarterly Filing Date. In the event that any Reporting Party or the Administrator does not provide the information required by subsection (a) or (b) of this Section, as applicable, in a timely manner and, as a result, either an incomplete Quarterly Report is filed with the MSRB, or a Quarterly Report is not filed with the MSRB by each Quarterly Filing Date, the Dissemination Agent shall, and is hereby directed to, file a notice of failure to provide Quarterly Information or failure to file a Quarterly Report with the MSRB in substantially the form attached as Exhibit B, as soon as practicable. If incomplete Quarterly Information is provided by any Reporting Party to the Administrator, the Dissemination Agent shall not be responsible for any failure to submit a complete Quarterly Report to the MSRB in connection with such failure. If each Reporting Party timely provides the required Quarterly Information to the Administrator as described in this Section 3, the failure of the Administrator to provide the information to the Dissemination Agent, or the failure of the Dissemination Agent to provide such information to the parties required under this Section 3(c) in a timely manner, shall not be deemed a default by the Reporting Party under this Disclosure Agreement.

(d) The Quarterly Report shall include the Quarterly Report. Such Quarterly Report shall be in a form similar to that as attached in Exhibit A hereof and shall include:

(i) In a form similar to Table 3(d)(i) in Exhibit A attached hereto, the composition of the property within Improvement Area #1 subject to the Assessments, as of the Quarterly Ending Date, including:

- A. The number of single-family residential parcels;
- B. The number of acres of single-family residential parcels;
- C. The number of platted single-family residential lots;
- D. The number of single-family residential lots identified in the original Service and Assessment Plan; and
- E. An explanation as to any change to the number of lots/parcels within Improvement Area #1 from the original Service and Assessment Plan;

(ii) In a form similar to Table 3(d)(ii) in Exhibit A attached hereto, the landowner composition of Improvement Area #1, including:

- A. The number of lots owned by each type of landowner (i.e., Developer, Homebuilders, end-user); and
- B. The percentage of single-family residential lots relative to the total single-family residential lots for the Developer, each Homebuilder, and end-users (end-users reported collectively), as of the Quarterly Ending Date;

(iii) In a form similar to Table 3(d)(iii) in Exhibit A attached hereto, for each parcel designated as single-family residential, lot absorption statistics by lot type, on a quarter over quarter basis for Improvement Area #1, including:

- A. The number of single-family lots platted in Improvement Area #1;
- B. The number of single-family lots in Improvement Area #1 closed with a Homebuilder;
- C. The number of single-family lots in Improvement Area #1 owned by the Developer and under contract (but not closed) with a Homebuilder; and
- D. The number of single-family lots in Improvement Area #1 owned by the Developer and not closed or under contract with a Homebuilder;

(iv) In a form similar to Table 3(d)(iv) in Exhibit A attached hereto, for each parcel designated as single-family residential, for each Homebuilder, broken down by lot type and phase, on a quarter over quarter basis:

- A. The number of homes under construction in Improvement Area #1;

B. The number of completed homes not under contract with end-users in Improvement Area #1;

C. The number of homes under contract with end-users in Improvement Area #1;

D. The number of homes closed with end-users in Improvement Area #1; and

E. The average sales price of homes closed with end-users.

(v) In a form similar to Table 3(d)(v) in Exhibit A attached hereto, materially adverse changes or determinations to permits/approvals for the development of Improvement Area #1 that necessitate changes to the land use plans of the Developer;

(vi) In a form similar to Table 3(d)(vi) in Exhibit A attached hereto, the occurrence of any new or modified mortgage debt on the land owned by the Developer, including the amount, interest rate and terms of repayment; and

(e) Each such Quarterly Report shall include, in a form similar to Table 3(e)(i) in Exhibit A attached hereto, with respect to any amenities or Private Improvements, the Developer shall provide or cause to be provided the following information to the Administrator for inclusion in each Quarterly Report:

(i) Total expected construction budget;

(ii) Total costs spent to date;

(iii) Status of construction; and

(iv) Expected or actual completion date.

Section 4. Event Reporting Obligations.

(a) Pursuant to the provisions of this Section 4, each of the following is a Developer Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within Improvement Area #1, on a parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within Improvement Area #1 to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Developer Listed Event under this Section 4(a) nor a breach or default of this Disclosure Agreement; provided that the Developer has complied with all legal requirements relating to the protest of such value, including the posting of a bond, if required;

(ii) Material damage to or destruction of any development or improvements within Improvement Area #1, including the Improvement Area #1 Projects;

(iii) Material default by the Developer or any of the Developer's Affiliates on any loan with respect to the acquisition, development or permanent financing of Improvement Area #1 undertaken by the Developer or any of the Developer's Affiliates;

(iv) Material default by the Developer or any of Developer's Affiliates on any loan secured by property within Improvement Area #1 owned by the Developer or any of the Developer's Affiliates;

(v) The commencement of any bankruptcy, insolvency or similar filing of the Developer or any of the Developer's Affiliates or any determination that the Developer or any of the Developer's Affiliates is unable to pay its debts as they become due;

(vi) The consummation of a merger, consolidation, or acquisition of the Developer, or the sale of all or substantially all of the assets of the Developer or any of the Developer's Affiliates, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(vii) The filing of any lawsuit with a claim for damages, in excess of \$1,000,000 against the Developer or any of the Developer's Affiliates that may adversely affect the completion of development of Improvement Area #1 or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's Affiliates;

(viii) Any change in the legal structure, chief executive officer or controlling ownership of the Developer; and

(ix) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Sections 5 or 6 herein.

(b) Pursuant to the provisions of this Section 4, each of the following occurrences related to any Significant Homebuilder is a Significant Homebuilder Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within Improvement Area #1 on a lot or parcel owned by such Significant Homebuilder; provided, however, that the exercise of any right of such Significant Homebuilder as a landowner within Improvement Area #1 to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Significant Homebuilder Listed Event under this Section 4(b) nor a breach or default of this Disclosure Agreement;

(ii) The commencement of any bankruptcy, insolvency or similar filing of such Significant Homebuilder or any determination that such Significant Homebuilder is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Homebuilder or the sale of all or substantially all of the assets of the Significant Homebuilder, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iv) Any change in the type of legal entity, chief executive officer or controlling ownership of such Significant Homebuilder;

(v) Early termination of or material default by such Significant Homebuilder under a Lot Sale Agreement; and

(vi) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 6 herein.

(c) Whenever the Developer obtains knowledge of the occurrence of a Developer Listed Event, the Developer shall promptly notify the Issuer, the Administrator and the Dissemination Agent in writing and the Developer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Developer becomes aware of the occurrence of such Developer Listed Event. If the Developer timely notifies the Dissemination Agent of the occurrence of a Developer Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Participating Underwriter in a timely manner shall not be deemed a default by the Developer under this Disclosure Agreement.

Whenever a Significant Homebuilder obtains knowledge of the occurrence of a Significant Homebuilder Listed Event, the applicable Significant Homebuilder shall promptly notify the Issuer, the Administrator and the Dissemination Agent in writing and such Significant Homebuilder shall direct the Dissemination Agent in writing to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer, the Developer and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Significant Homebuilder becomes aware of the occurrence of such Significant Homebuilder Listed Event. If the Significant Homebuilder timely notifies the Dissemination Agent of the occurrence of a Significant Homebuilder Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Participating Underwriter in a timely manner shall not be deemed a default by the Significant Homebuilder under this Disclosure Agreement.

Any notice under the two (2) preceding paragraphs shall be accompanied with the text of the disclosure that the Developer or Significant Homebuilder, as applicable, desires to make, the written authorization of the Developer or the Significant Homebuilder, as applicable, for the Dissemination Agent to disseminate such information as provided herein, and the date the Developer or Significant Homebuilder, as applicable, desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the Developer or Significant Homebuilder, as applicable, becomes aware of the occurrence of the Developer Listed Event or Significant Homebuilder Listed Event, as applicable).

The Developer and each Significant Homebuilder, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to such Reporting Party and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Reporting Party, regardless if such Person is providing Quarterly Information on behalf of any other Reporting Party. In all cases, the Developer or the Significant Homebuilder, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the

Developer or the Significant Homebuilder, as applicable, shall have the sole responsibility to ensure that any notice required to be filed with the MSRB under this Section 4 is actually filed within ten (10) Business Days after the Developer or Significant Homebuilder, as applicable, becomes aware of the occurrence of the applicable Listed Event.

(d) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer, the Developer and the Significant Homebuilder, if applicable, of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Developer or Significant Homebuilder, as applicable, to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer or Significant Homebuilder, as applicable, and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer and Significant Homebuilder, as applicable, as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Issuer, the Developer, Significant Homebuilder, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(e) If the Dissemination Agent has been notified in writing by the Developer or Significant Homebuilder to report the occurrence of a Listed Event in accordance with subsections (c) or (d) of this Section 4, the Dissemination Agent shall file a notice of such occurrence with the MSRB within one (1) Business Day after its receipt of such written instructions from the Developer or Significant Homebuilder, as applicable; provided that all such notices must be filed no later than the date specified in subsection (c) of this Section 4 for such Listed Event. The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer and the Developer of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Developer to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Issuer, the Developer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

Section 5. Assumption of Reporting Obligations by Developers.

The Developer shall cause each Person, who, through assignment, assumes the obligations, requirements or covenants to construct one or more of the Improvement Area #1 Projects to assume and comply with the disclosure obligations of the Developer under this Disclosure Agreement. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written

acknowledgement and assumption from each Person who assumes the obligations, requirements or covenants to construct one or more of the Improvement Area #1 Projects, in substantially the form attached as Exhibit E (the “Developer Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Section 4(a)(ix) above, the Developer shall direct the Dissemination Agent to file a copy of each Developer Acknowledgment with the MSRB, in accordance with Sections 4(c) and 4(e) above. Upon any such transfer to a Person, and such Person’s delivery of written acknowledgement of assumption of Developer’s obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Person arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall require that any Person comply with obligations of this Section 5 with respect to any subsequent transfers by such Person to any individual or entity meeting the definition of a “Developer” in the future.

Section 6. Assumption of Reporting Obligations by Significant Homebuilders.

If a Homebuilder acquires ownership of real property in Improvement Area #1 resulting in such Homebuilder becoming a Significant Homebuilder, the Developer shall cause such Significant Homebuilder to comply with the Developer’s disclosure obligations under Sections 3(d)(iv) and 4(b) hereof, with respect to such acquired real property until such party’s disclosure obligations terminate pursuant to Section 7 of this Disclosure Agreement; provided, however, a Significant Homebuilder who is also a Developer shall be required to provide the disclosure information required by Sections 3 and 4(a), as applicable, pursuant to Section 5 above. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement from each Significant Homebuilder, in substantially the form attached as Exhibit F (the “Significant Homebuilder Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Sections 4(a)(ix) and 4(b)(vi) above, the Developer or Significant Homebuilder, as applicable, shall direct the Dissemination Agent to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with Sections 4(c) and 4(e) above. Upon any such transfer to a Significant Homebuilder, and such Significant Homebuilder’s delivery of written acknowledgement of assumption of Developer’s obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Significant Homebuilder arising from or in connection with such disclosure obligations under this Disclosure Agreement.

Section 7. Termination of Reporting Obligations.

(a) The reporting obligations of the Developer under this Disclosure Agreement shall terminate upon the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) the date when (A) all of the Improvement Area #1 Projects are complete and (B) the Developer no longer owns at least

five percent (5%)² of the single family residential lots (proposed or actual) within Improvement Area #1, as of the applicable Quarterly Ending Date.

(b) The reporting obligations of a Significant Homebuilder, if any, under this Disclosure Agreement shall terminate upon the earlier of when (i) none of the Bonds remain Outstanding, or (ii) the Significant Homebuilder no longer owns at least five percent (5%)² of the single family residential lots within Improvement Area #1, as of the applicable Quarterly Ending Date.

(c) Upon receipt of written notice from a Reporting Party or the Dissemination Agent that the reporting obligations of a Reporting Party have terminated in accordance with subsection (a) or (b) of this Section 7, the Administrator shall provide written notice to the applicable Reporting Party, the Participating Underwriter, the Issuer, and the Dissemination Agent in substantially the form attached as Exhibit C, thereby, terminating such Reporting Party's reporting obligations under this Disclosure Agreement (the "Termination Notice"). If such Termination Notice with respect to a Reporting Party occurs while any of the Bonds remain Outstanding, the Administrator shall immediately provide, or cause to be provided, the Termination Notice to the Dissemination Agent, and the Dissemination Agent shall provide such Termination Notice to the MSRB, the Issuer, the Trustee, the applicable Reporting Party and the Participating Underwriter on or before the next succeeding Quarterly Filing Date.

(d) The obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, or (ii) termination of all Reporting Parties' reporting obligations in accordance with subsection (a) or (b) of this Section 7 and any Termination Notice required by subsection (c) of this Section 7 has been provided to the MSRB, the Issuer, the Trustee, the Dissemination Agent, the Reporting Parties, and the Participating Underwriter, as applicable.

Section 8. Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. The Issuer may, from time to time, appoint or engage a successor Dissemination Agent to assist the Developer, any Person that has executed a Developer Acknowledgement pursuant to Section 5 hereof or any Significant Homebuilder that has executed a Significant Homebuilder Acknowledgment pursuant to Section 6 hereof in carrying out their obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time with sixty (60) days' notice to the Issuer, the Developer and the Administrator; provided, however, that if the Dissemination Agent is serving in the same capacity under the Disclosure Agreement of Issuer, the Dissemination Agent shall resign under the Disclosure Agreement of Issuer simultaneously with its resignation hereunder; provided, further, that if the Issuer is the Dissemination Agent, the Issuer may not resign without first appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. Pursuant to the Disclosure Agreement of Issuer, the Issuer has agreed to provide written notice to each of the Developer, any Person that has executed a Developer Acknowledgement

² At closing of the Bonds, based on the Service and Assessment Plan, five percent (5%) of the total single family residential lots (proposed or actual) within Improvement Area #1 is currently equal to approximately 24 lots.

pursuant to Section 5 hereof or any Significant Homebuilder that has executed a Significant Homebuilder Acknowledgment pursuant to Section 6 hereof of any change in the identity of the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may jointly amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Developer or Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer or any Significant Homebuilder, or the type of business conducted; and

(b) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent or the Issuer may be made without the respective party's prior written consent (which consent will not be unreasonably withheld or delayed).

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administrator shall describe such amendment in the next related Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Developer. The Developer shall provide, or cause to be provided, at its cost and expense, an executed copy of any amendment or waiver entered into under this Section 9 to the Issuer, the Administrator, the Dissemination Agent, and the Participating Underwriter.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer or any Significant Homebuilder from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in addition to that which is required by this Disclosure Agreement. If the Developer or Significant Homebuilder chooses to include any information in any Quarterly Report or notice of occurrence of a Developer Listed Event or Significant Homebuilder Listed Event, as applicable, in addition to that which is specifically required by this Disclosure Agreement, the Developer or the Significant Homebuilder, as applicable, shall have no obligation under this Disclosure Agreement to update such information or include it in any future Quarterly Report or notice of occurrence of a Developer Listed Event or Significant Homebuilder Listed Event.

Section 11. Content of Disclosures. In all cases, the Developer or Significant Homebuilder, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures, whether provided under Section 3, 4 or 10 of this Disclosure Agreement.

Section 12. Default. In the event of a failure of the Developer, any Significant Homebuilder or the Administrator to comply with any provision of this Disclosure Agreement, the

Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Developer, Significant Homebuilder and/or the Administrator to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer, Significant Homebuilder or the Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by the Developer, or any Significant Homebuilder, as applicable, shall not be deemed a default under the Disclosure Agreement of Issuer by the Issuer, and a default under the Disclosure Agreement of Issuer by the Issuer shall not be deemed a default under this Disclosure Agreement by the Developer, any Significant Homebuilder or the Administrator. Additionally, a default by the Developer of its obligations under this Disclosure Agreement shall not be deemed a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement; and, likewise, a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement shall not be deemed a default of the Developer of the Developer's obligations under this Disclosure Agreement.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Quarterly Report) prepared by the Developer, Significant Homebuilder and/or the Administrator pursuant to this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Developer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Dissemination Agent shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to hold harmless the Administrator, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs

and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE DEVELOPER, OR ANY SIGNIFICANT HOMEBUILDER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY ANY OTHER PARTY TO THIS DISCLOSURE AGREEMENT OR A SIGNIFICANT HOMEBUILDER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 14. No Personal Liability. No covenant, stipulation, obligation or agreement of the Developer, any Significant Homebuilder, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Developer, any Significant Homebuilder, the Administrator or Dissemination Agent in other than that person's official capacity.

Section 15. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision,

covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Administrator, the Dissemination Agent, the Issuer, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 17. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Annual Collection Costs and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from the Annual Collection Costs component of the Annual Installments collected from the property owners in Improvement Area #1, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

Section 18. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Annual Collection Costs and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of Improvement Area #1, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

Section 20. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 21. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages follow.]

HTS CONTINUING DISCLOSURE SERVICES,
a division of Hilltop Securities Inc.
(solely in its capacity as Dissemination Agent)

By: _____
Authorized Officer

MM MOBBERLY 236, LLC,
a Texas limited liability company
(as Developer)

By: MMM Ventures, LLC
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC
a Delaware limited liability company
Its Manager

By: _____
Name: Mehrdad Moayedi
Its: Manager

P3WORKS, LLC
(as Administrator)

By: _____
Name: _____
Title: _____

EXHIBIT A

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

DEVELOPER QUARTERLY REPORT
[INSERT QUARTERLY ENDING DATE]

Delivery Date: _____, 20__

CUSIP Numbers: [Insert CUSIP Numbers]

DISSEMINATION AGENT

Name: HTS Continuing Disclosure Services, a division of Hilltop Securities Inc.

Address:

City:

Telephone: () - _____

Contact Person: Attn: _____

[Remainder of page intentionally left blank]

QUARTERLY INFORMATION

TABLE 3(d)(i)

IMPROVEMENT AREA #1 OVERVIEW (as of [<i>Insert Quarterly Ending Date</i>])					
NUMBER OF SINGLE-FAMILY PARCELS, ACREAGE OF SUCH PARCELS AND NUMBER OF PLATTED SINGLE-FAMILY LOTS IN IMPROVEMENT AREA #1 SUBJECT TO ASSESSMENTS:					
	Improvement Area #1 ⁽¹⁾		Original Service and Assessment Plan ⁽²⁾		Explanation as to any change in Lots/Parcels from Original Service and Assessment Plan
Single-Family					
Total SF Parcels/Acres					
Lot Type	-		-		
40' Lot					
50' Lot					
[Future SF]					
<i>Total SF Lots:</i>					

⁽¹⁾ Single-family lots represent the number of platted single-family lots in Improvement Area #1, as of [*Insert Quarterly Ending Date*].

⁽²⁾ Single-family lots represent the number of planned single-family lots included in the original Service and Assessment Plan.

[Remainder of page intentionally left blank]

TABLE 3(d)(ii)

LANDOWNER COMPOSITION (as of <i>[Insert Quarterly Ending Date]</i>) OF IMPROVEMENT AREA #1		
Landowner Composition	Number of Actual Single-Family Residential Lots Owned	Percentage of Total Actual Single-Family Residential Lots
Developer Owned		
40' Lot		
50' Lot		
[Future SF]		
<i>Total Developer Owned SF Lots:</i>		
[Homebuilder] Owned⁽¹⁾		
40' Lot		
50' Lot		
[Future SF]		
<i>Total Homebuilder Owned SF Lots:</i>		
End-User Owned		
40' Lot		
50' Lot		
[Future SF]		
<i>Total End-User Owned SF Lots:</i>		
<i>Total Development:</i>		

⁽¹⁾ Add additional rows for each Homebuilder.

[Remainder of page intentionally left blank]

FOR EACH PARCEL DESIGNATED AS SINGLE-FAMILY RESIDENTIAL:
TABLE 3(d)(iii)

DEVELOPER ABSORPTION STATISTICS FOR SINGLE-FAMILY RESIDENTIAL IN IMPROVEMENT AREA #1												
		Q__	Q__	Q__	Q__	Q__	Q__	Q__	Q__	Q__	Q__	
		20__	20__	20__	20__	20__	20__	20__	20__	20__	20__	
# of platted S.F. lots:	40'											
	50'											
	TOTAL											
# of S.F. lots closed with Homebuilders:	Homebuilder 1	40'										
		50'										
		<i>Subtotal</i>										
	Homebuilder 2	40'										
		50'										
		<i>Subtotal</i>										
	Homebuilder 3	40'										
		50'										
		<i>Subtotal</i>										
	TOTAL											
	# of S.F. lots under contract with Homebuilders:	Homebuilder 1	40'									
			50'									
<i>Subtotal</i>												
Homebuilder 2		40'										
		50'										
		<i>Subtotal</i>										
Homebuilder 3		40'										
		50'										
		<i>Subtotal</i>										
TOTAL												
# of S.F. lots not under contract with Homebuilders:		40'										
		50'										
	TOTAL											

TABLE 3(d)(iv)

[Homebuilder] ABSORPTION STATISTICS FOR SINGLE-FAMILY RESIDENTIAL LOTS IN IMPROVEMENT AREA #1⁽¹⁾									
		<u>Q</u> 20	<u>Q</u> 20	<u>Q</u> 20	<u>Q</u> 20	<u>Q</u> 20	<u>Q</u> 20	<u>Q</u> 20	<u>Q</u> 20
# of S.F. homes under construction:	40'								
	50'								
	TOTAL								
# of completed S.F. homes NOT under contract with end-user:	40'								
	50'								
	TOTAL								
# of S.F. homes under contract with end-user:	40'								
	50'								
	TOTAL								
# of S.F. homes delivered to end-users:	40'								
	50'								
	TOTAL								
Average home prices of homes delivered to end-users:	40'								
	50'								
	AVERAGE								

⁽¹⁾ Additional tables to be added for each Homebuilder

STATUS OF DEVELOPMENT IN IMPROVEMENT AREA #1:

TABLE 3(d)(v)

PERMITS/APPROVALS	
Change or Determination to Permit/Approval	Description of the Change to the Land Use Plan

TABLE 3(d)(vi)

OCCURRENCE OF ANY NEW OR MODIFIED MORTGAGE DEBT				
Borrower	Lender	Amount	Interest Rate	Terms of Repayment

STATUS OF PRIVATE IMPROVEMENTS:

TABLE 3(e)

PRIVATE IMPROVEMENTS BUDGET AND TIMELINE OVERVIEW				
Private Improvements	Total Expected Construction Budget	Total Costs spent as of [Insert Quarterly Ending Date]	Status of Construction	Expected or Actual Completion Date
<i>List each private improvement by category:</i>				
	\$ _____	\$ _____	\$ _____	_____
	\$ _____	\$ _____	\$ _____	_____
	\$ _____	\$ _____	\$ _____	_____
	\$ _____	\$ _____	\$ _____	_____
	\$ _____	\$ _____	\$ _____	_____

EXHIBIT B

**NOTICE TO MSRB OF FAILURE TO
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of Pilot Point, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
(Mobberly Public Improvement District Improvement Area #1
Project)” (the “Bonds”)
CUSIP Numbers: [insert CUSIP Numbers]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that _____, a
_____ (the [“Developer”][“Significant Homebuilder”]) has not provided the
[Quarterly Information][Quarterly Report] for the period ending on [*Insert Quarterly Ending Date*]
with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer dated
as of June 1, 2022, by and among MM Mobberly 236, LLC, a Texas limited liability company (the
“Developer”), P3Works, LLC, as the “Administrator” and HTS Continuing Disclosure Services, a
division of Hilltop Securities Inc., as the “Dissemination Agent.” The [Developer] [“Significant
Homebuilder”] anticipates that the [Quarterly Information][Quarterly Report] will be
[provided][filed] by _____.

Dated: _____

HTS Continuing Disclosure Services, a division of
Hilltop Securities Inc.
on behalf of the Developer
(acting solely in its capacity as
Dissemination Agent)

By: _____

Title: _____

cc: City of Pilot Point, Texas

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT C

TERMINATION NOTICE

[DATE]

Name of Issuer: City of Pilot Point, Texas
 Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
 (Mobberly Public Improvement District Improvement Area #1
 Project)” (the “Bonds”)
 CUSIP Numbers. [insert CUSIP Numbers]
 Date of Delivery: _____, 20__

FMSbonds, Inc.
 5 Cowboys Way, Suite 300-25
 Frisco, Texas 75034

HTS Continuing Disclosure Services, a division of
 Hilltop Securities Inc.

City of Pilot Point, Texas
 102 E. Main Street
 Pilot Point, Texas 76258

MM Mobberly 236, LLC
 1800 Valley View Lane, Suite 300
 Farmers Branch, Texas 75234

NOTICE IS HEREBY GIVEN that that _____, a
 _____ (the [“Developer¹”][“Significant Homebuilder”]) is no longer
 responsible for providing [any Quarterly Information][the Quarterly Report] with respect to the
 Bonds, thereby, terminating such party’s reporting obligations under the Continuing Disclosure
 Agreement of Developer dated as of June 1, 2022, by and among MM Mobberly 236, LLC, a
 Texas limited liability company (the “Developer”), P3Works, LLC, as the “Administrator” and
 HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as the “Dissemination
 Agent.”

Dated: _____

P3Works, LLC
 on behalf of the Developer
 (solely in its capacity as Administrator)

By: _____

Title: _____

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT D

CERTIFICATION LETTER

[DATE]

Name of Issuer: City of Pilot Point, Texas
 Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
 (Mobberly Public Improvement District Improvement Area #1
 Project)” (the “Bonds”)
 CUSIP Numbers. [insert CUSIP Numbers]
 Date of Delivery: _____, 20__

Re: Quarterly Report for Mobberly Public Improvement District – Improvement Area #1

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer dated as of June 1, 2022 by and among MM Mobberly 236, LLC¹ (the “Developer”), P3Works, LLC, as the “Administrator”, and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as the “Dissemination Agent,” this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer][_____, as a “Significant Homebuilder”], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer][Significant Homebuilder], constitutes the [portion of the] Quarterly Report required to be furnished by the [Developer][Significant Homebuilder]. Any and all Quarterly Information, provided by the [Developer][Significant Homebuilder], contained in this Quarterly Report for the three month period ending on [Insert Quarterly Ending Date], to the best of my knowledge, is true and correct, as of [insert date].

Please do not hesitate to contact our office if you have any questions or comments.

MM MOBBERLY 236, LLC,
 a Texas limited liability company
 (as Developer)

By: _____
 Name: _____
 Title: _____

OR

[SIGNIFICANT HOMEBUILDER]

(as Significant Homebuilder)

By: _____
 Title: _____

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT E

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT
OF DEVELOPER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

**Re: Mobberly Public Improvement District Improvement Area #1 – Continuing Disclosure
Obligation**

Dear _____,

Per [*Insert name of applicable agreement*], as of _____, 20__ , you have been assigned and have assumed the obligations, requirements or covenants to construct one or more of the Improvement Area #1 Projects (as defined in the Disclosure Agreement of Developer) within Improvement Area #1 of the Mobberly Public Improvement District (the “District”).

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer dated as of December June 1, 2022 (the “Disclosure Agreement of Developer”) by and among MM Mobberly 236, LLC (the “Initial Developer”), P3Works, LLC (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (the “Dissemination Agent”) with respect to the “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project),” any person that, through assignment, assumes the obligations, requirements or covenants to construct one or more of the Improvement Area #1 Projects within Improvement Area #1 of the District is defined as a Developer.

As a Developer, pursuant to Section 6 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

MM MOBBERLY 236, LLC,
a Texas limited liability company (as Developer)

By: _____

Name: _____

Title: _____

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: _____

Title: _____

EXHIBIT F

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT
OF SIGNIFICANT HOMEBUILDER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

**Re: Mobberly Public Improvement District Improvement Area #1 – Continuing Disclosure
Obligation**

Dear _____,

As of _____, 20__, you own ____ lots within Improvement Area #1 of the Mobberly Public Improvement District (the “District”), which is equal to approximately ___% of the single-family residential lots within Improvement Area #1.

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer dated as of June 1, 2022 (the “Disclosure Agreement of Developer”) by and among MM Mobberly 236, LLC (the “Initial Developer”), P3Works, LLC (the “Administrator”), and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (the “Dissemination Agent”) with respect to the “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project),” any person or entity that owns twenty four (24) or more of the single-family residential lots within Improvement Area #1 of the District is defined as a Significant Homebuilder.

As a Significant Homebuilder, pursuant to Section 6 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations under Sections 3(d)(iv) and 4(b) of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

[SIGNIFICANT HOMEBUILDER]

(as Significant Homebuilder)

By: _____

Title: _____

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: _____

Title: _____

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APPENDIX E

APPRAISAL OF PROPERTY IN THE DISTRICT

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Appraisal Report

PROJECT # A22-0125-01



**MOBERLY FARMS PUBLIC IMPROVEMENT DISTRICT
A MASTER-PLANNED RESIDENTIAL COMMUNITY
PILOT POINT, TX 76258**

FOR:

**City of Pilot Point
102 E. Main St.
Pilot Point, Texas 76258**

**FMSbonds, Inc.
5 Cowboys Way, Ste. 300-25
Frisco, Texas 75034**

**EFFECTIVE DATES OF APPRAISAL:
APRIL 1, 2022 (IMPROVED LOTS IN PHASE 1)
OCTOBER 1, 2023 (IMPROVED LOTS IN PHASES 1G & 2)
OCTOBER 1, 2023 (PAPER LOTS IN PHASES 2G & 3G)**

**JAMES L. MAIBACH, CPM, STATE CERTIFIED GENERAL REAL ESTATE APPRAISER
SHERIDAN ENGEL, APPRAISER TRAINEE**

**PEYCO SOUTHWEST REALTY, INC.
1703 NORTH PEYCO DRIVE
ARLINGTON, TEXAS 76001**

Mobberly Farms Public Improvement District

March 20, 2022

Mr. Britt Lusk
City Manager
City of Pilot Point
102 E. Main St.
Pilot Point, Texas 76258
blusk@cityofpilotpoint.org

Mr. R.R “Tripp” Davenport, III
Director
FMSbonds, Inc
5 Cowboys Way, Ste. 300-25
Frisco, TX 75034
tdavenport@fmsbonds.com

SUBJECT: Market Value “Upon Completion” Appraisal
Mobberly Farms Public Improvement District (PID)
East of FM 1385, South of Mobberly Road
Pilot Point, Denton County, Texas 76258

Mr. Lusk and Mr. Davenport,

At your request, we have inspected and appraised the above-referenced property. The purpose of the appraisal is to develop an opinion of market value of the fee simple interests for the following:

- Prospective Market Value “Upon Completion” of **Improvement Area #1 (Phase 1) consisting of 486 improved lots** as of **April 1, 2022**, on approximately 91 acres
- Prospective Market Value “Upon Completion” of **Improvement Area #2 (Phases 1G & 2) consisting of 700 improved lots** as of **October 1, 2023**, on approximately 133 acres
- Prospective Market Value “Upon Completion” of **Major Improvement Area (Phase 2G & 3G) consisting of 803 paper lots** as of **October 1, 2023**, on approximately 250 acres

The clients for the assignment are the City of Pilot Point and FMSbonds, Inc. The intended use is underwriting of a proposed public improvement district (PID) bond transaction. This appraisal is not for purposes of determining the amount of any assessments to be levied by the City or County, nor it is the basis upon which a determination of the benefit any constructed or installed public improvements will have on properties within the PID.

At completion, the subject property is expected to consist of the infrastructure necessary to provide streets, drainage, and utilities to the individual improved residential lots within Improvement Area (IA#1) and Improvement Area #2 (IA#2) which are expected to have substantial construction completed by April 1, 2022, and October 1, 2023, respectively. According to the Service and Assessment Plan (SAP) published by P3 Works, the improved residential lots will be developed into the four following lot types as of the effective dates:

- Lot Type 1 – 40’ Lot within IA#1 (312 Total)
- Lot Type 2 – 50’ Lot within IA#1 (174 Total)
- Lot Type 3 – 40’ Lot within IA#2 (372 Total)
- Lot Type 4 – 50’ Lot within IA#2 (328 Total)

In addition, the Major Improvement Area (MIA), Phases 2G & 3G, will contain 803 residential paper lots to be fully improved at a later date.

Mobberly Farms Public Improvement District

The subject represents a total of approximately 474 acres located within Improvement Area #1 (IA#1), Improvement Area #2 (IA#2), and the Major Improvement Area (MIA) of Mobberly Farms PID in Denton County, Texas. The land is allocated to the following phases with a concept plan provided below:

Mobberly Farms PID, Pilot Point, TX 75009					
Improvement Area	Phase	Acreage (Approx.)	Total Lots	Lot Types	Completion Date
1	1	91-AC	486	40' & 50'	4/1/2022
2	1G	39-AC	238	40' & 50'	10/1/2023
2	2	94-AC	462	40' & 50'	10/1/2023
Major	2G	90-AC	519	Paper 40' x 50'	10/1/2023
Major	3G	158-AC	284	Paper 40' x 50'	10/1/2023

CONCEPT PLAN – BARRAZA CONSULTING GROUP



Mobberly Farms Public Improvement District

All lots within Mobberly Farms are designed to be front-access and are located within the Pilot Point Independent School District and are within the Pilot Point ETJ with annexation by the City of Pilot Point expected in 2022.

This appraisal report is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations. We have invoked the following extraordinary assumptions and hypothetical opinions:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions. Extraordinary assumptions are used as the residential lots are to be delivered as improved residential lots by the dates utilized in this report.

- Our opinions of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans, specifications, and cost projections provided by Barraza Consulting Group as of April 1, 2022, for the 486 improved residential lots in Phase 1 and as of October 1, 2023, for the 700 improved residential lots in Phases 1G and 2, as well as the 803 paper lots which comprise Phase 2G and 3G.
- All information relative to the property located within the Mobberly Farms Public Improvement District including land areas, lot totals, lot sizes, and other pertinent data that was provided by FMSbonds, MM Mobberly 236 LLC (owner), Centurion American (developer), Barraza Consulting Group (professional engineers), the City of Pilot Point, and the Denton Central Appraisal District is assumed to be correct.
- The subject is proposed residential lot construction with an expected completion date of IA#1 of April 1, 2022, IA#2 of Oct. 1, 2023, and Major Improvement Area of Oct. 1, 2023; therefore, this report contains prospective opinions of value. Considering this, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation dates. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to the prospective effective dates.

The use of these extraordinary assumptions has affected assignment results.

The value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- No Hypothetical Conditions are used in this report.

Mobberly Farms Public Improvement District

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. Based upon the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

FINAL VALUE CONCLUSIONS	
<i>Fee Simple Interest, Complete April 1, 2022</i>	
Mobberly Farms IA#1	
486 Improved Residential Lots	\$29,300,000 (\$60,288/Lot)
<i>Fee Simple Interest, Complete October 1, 2023</i>	
Mobberly Farms IA#2	
700 Improved Residential Lots	\$45,100,000 (\$64,429/Lot)
Mobberly Farms Major Improvement Area	
803 Residential Paper Lots	\$22,100,000 (\$27,522/Lot)

Based on our investigation of the available market data, including sales of similar properties and conversations with brokers and individuals active in the local area, the time that would be required to effectively expose each lot to the market is estimated to be 3-12 months from the completed construction date listed in this appraisal. As Developed, it is expected the residential lots will take approximately 3 years to effectively be marketed and absorbed.

Attached is our Appraisal Report which summarizes the investigation and analyses undertaken in arriving at our value conclusions. Should you have any questions, please contact our office.

Respectfully submitted,

Peyco Southwest Realty



James L. Maibach, *C.P.M.*
TX-1323658
State Certified General Real Estate Appraiser



Sheridan Engel
TX- 1342474
Appraiser Trainee

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EXECUTIVE SUMMARY

Subject Property	
Property Name	Mobberly Farms Public Improvement District
Property Type	Master-Planned Community
Location	East of FM 1385, South of Mobberly Road
City, County, State, Zip	City of Pilot Point, Denton County, TX 76258
Legal Descriptions	21 Tracts in Total – Table on Page 15
Owner of Record	MM Mobberly 236 LLC
Developer	Centurion American
Census Tract	0201.04
Tax IDs – Denton Central Appraisal District	21 Tracts in Total – Table on Page 15
Land Area	PID is approximately 474.04 AC IA#1 – 91.076 AC IA#2 – 133.213 AC MIA – 249.751 AC
Total Lots	1,989 Lots – 1186 Improved Lots, 803 Paper Lots <ul style="list-style-type: none">• 1,011 – 40’ Lots• 978 – 50’ Lots
Topography	Gently Sloping Throughout Development <ul style="list-style-type: none">• Phase 1 is cleared with earthwork complete• Phases 1G, 2, 2G, & 3G are uncleared except for areas in floodplain with limited earthwork completed
FEMA Flood Zones FEMA Panel	100% Zone X in Developed Lot Areas 659*0260G & 48121C0270G (Effective 04/18/2011)
Utilities Water Sewer Electric Natural Gas	Mustang Special Utility District Mustang Special Utility District Oncor Atmos
Zoning (City of Pilot Point)	None – Developed Agreement with Pilot Point for SF-3
Future Land Use	Single-Family Residential Subdivision
Highest & Best Use	Single-Family Residential Subdivision
Date of Inspection	February 19, 2022
Date of Valuation	April 1, 2022 (IA#1) and October 1, 2023 (IA#2; MIA)
Report Date	March 20, 2022
Absorption Period	10-26 months after completion (IA#1) 19-31 months after completion (IA#2)

CERTIFICATION

We certify that, to the best of our knowledge and belief...

- (1) The statements of fact contained in this report are true and correct.
- (2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- (3) We have no present or prospective interest in the property that is the subject of this analysis, and we have no personal interest with respect to the parties involved.
- (4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- (5) Our compensation for completing this assignment is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this report, or upon developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Our engagement in this assignment is not contingent upon developing or reporting predetermined results.
- (6) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of FIRREA guidelines and the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- (7) James L. Maibach, C.P.M. and Sheridan Engel have inspected the subject property. The values herein were developed and reported by James L. Maibach, C.P.M. and Sheridan Engel. Significant assistance has been provided by Brian Cotter, CLA, who is a certified land architect and has consulted on and assisted in developing numerous residential subdivisions in the Dallas-Fort Worth area over the past 30 years.
- (8) This assignment was not based on a requested minimum value, a specific valuation, or the approval of a loan.
- (9) None of the signatories have previously performed services as an appraiser or in any other capacity, other than that specifically stated, regarding the property that is the subject of this report within the three-year period immediately preceding the acceptance of this assignment.



James L. Maibach, C.P.M.
TX-1323658
State Certified General Real Estate Appraiser



Sheridan Engel
TX-1342474
Appraiser Trainee

SCOPE OF WORK

Scope of Work is defined by the Uniform Standards of Professional Appraisal Practice as “the type and extent of research and analyses in an assignment.” Under the Scope of Work Rule, the appraiser must:

- Identify the problem to be solved;
- Determine and perform the scope of work necessary to develop credible assignment results; and
- Disclose the scope of work in the report.

The problems to be solved are:

The definition of market value¹ utilized herein is as follows:

Market Value is defined as the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite for a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of FIRREA guidelines and the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice, in a manner necessary to produce a credible result.

This Appraisal Report has been prepared under Standards Rule 2-2(a) of an appraisal performed under Standards Rule 1 of USPAP. The value set forth herein was determined after consideration and appropriate application and analysis by three approaches to value i.e., the Cost Approach, the Income Approach, and the Sales Comparison Approach.

This Appraisal Report summarizes all pertinent data, descriptions, and discussions germane to the appraisal of the subject of this report. This appraisal included an inspection of the subject of this report and comparable sales and an analysis of the surrounding neighborhood with recognition of existing and future trends. Empirical information relative to the market was gathered from reliable sources, including, but not limited to governmental agencies, home builders, developers, the North Texas Real Estate Information System (NTREIS), CoStar, the

¹ The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice, Washington, D.C.: Appraisal Standards Board (2020-2021), DEFINITIONS

Mobberly Farms Public Improvement District

Texas A&M Real Estate Research Center, and Zonda (formerly Metrostudy). The appraisers also reviewed information pertaining to the development, such as:

- The subject property address and salient facts
- Overall concept plan for Mobberly Farms
- Engineer’s report (Barraza Consulting Group) with PID exhibits and costs summary
- Service & Assessment Plan (P3 Works)
- Flood Zone Maps (FEMA)
- Review of Denton County deed records
- City of Pilot Point zoning maps and Planned Development Ordinances

VALUATION METHODOLOGY

Three approaches to value are typically considered when developing a market value opinion for real property. These are the Cost Approach, the Sales Comparison approach, and the Income (Capitalization) approach. Use of the approaches in this assignment is summarized as follows:

<i>Approach</i>	<i>Applicability to Subject</i>	<i>Use in Assignment</i>
Income (Subdivision) Approach	<i>Appropriate For Determining Improved Lot Values Residential Lots in IA#1 and IA#2</i>	<i>Utilized</i>
Sales Comparison Approach	<i>Partially Used in Retail Lot Valuation for Improved Lots in Income (Subdivision) Approach and Land Valuation of Paper Lots for Use in Cost Approach</i>	<i>Partially Utilized</i>
Cost Approach	<i>Appropriate For Determining Paper Lot Value For 803 Paper Lots in MIA</i>	<i>Utilized</i>

The subject property is separated into three distinct types of property: 486 improved residential lots in Improvement Area #1, 700 improved residential lots in Improvement Area #2, and 803 entitled paper lots in the Major Improvement Area.

The improved residential subdivision is further demised into 3 sections – Phase 1 (IA#1), Phase 1G (IA#2), and Phase 2 (IA#2) that are presold to 3 builders – Lennar Homes, M/I Homes, and Pulte Homes. The improved lots and paper lots required different approaches to valuation which are summarized below:

Mobberly Farms Public Improvement District

Improved Lots in IA#1 & IA#2 (1,186 Improved Lots)

Cost Approach

The Cost Approach involves research, verification, and comparison of sales of vacant land suitable for residential subdivision development like the subject. The sales are then adjusted for value-related differences. Cost figures are obtained from the engineer and compared to cost figures on competing developments. Developer's profit is based on profit expectations reported by developers as well as actual profit on similar developments.

The Cost Approach allows the appraiser to address the feasibility and highest and best use issues inherent in new construction. This approach is most beneficial when appraising a proposed or recently built project and is typically used when units, or residential improved lots in this case, make up a substantial portion of the entire project. Since the subject property will be constructed in phases over several years and we are only appraising a portion of the development, the Cost Approach is not appropriate and thus was not utilized.

Income Approach

In the Income Capitalization Approach, the retail value of the lots is estimated using aspects of the Sales Comparison Approach. The individual lot values are based on lot sales in competing developments. The absorption rates, expenses, and discount rates are based on competing developments as well as developer surveys. Since sales of individual lots to an end-user homeowner is exceedingly rare in tract home subdivisions in this market, the value of an individual retail lot is effectively the same value of a portion of lots to a homebuilder because homebuilders tend to be the exclusive buyers of vacant developed lots from land developers. In addition, discussions with developers and homebuilders as well as review of contracts indicate that lots are typically received by the builders on a takedown schedule with annual price escalations of approximately 6% so the lots are not released in bulk to the home builders. The indicated value by the Income (Subdivision) Approach is based on the sellout of the lots with deductions for holding costs and discounted to a net present value.

The Income Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases a group of lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices. Since two of the problems to be solved in this assignment are to determine the bulk sale value of 486 improved lots in IA#1 and 700 improved lots in IA#2, the Income (Subdivision Development) Approach is appropriate and was developed.

Sales Comparison Approach

The Sales Comparison Approach involves comparing recent sales of lots, units, or entire subdivisions that involved a single purchaser. The sales are then adjusted for value-related differences. The foundation is a comparison of a group of lots, units, or an entire subdivision to similar recent market sales. Determining market values is the objective of the analysis, and that determination requires recent and relevant bulk sales for the comparison. Finding highly similar and recent bulk sales of improved groups of lots to a single buyer in most markets can be difficult, perhaps impossible. Comparison requires comparable sales with about the same or similar remaining absorption period, a similar mix of lots or unit types, location, home price points, and other qualities. As Texas is a non-disclosure state, sales data is limited to sales confirmed by associated parties. Since data on highly similar bulk-sales to a single purchaser is difficult find and verify, the Sales Comparison Approach was not fully developed. The Sales Comparison Approach was partially used to develop the retail lot values which are used in the Income Approach.

Mobberly Farms Public Improvement District

Paper Lots in Major Improvement Area (803 Paper Lots)

**NOTE: A paper lot consists of a portion of land with the necessary legal and engineering entitlements in place but lacking the necessary direct improvements (such as earthwork, erosion control, drainage, retaining walls, and landscaping in addition to lacking direct access from a paved street and utilities) to develop a lot with a residence. The paper lots have access to utilities stubbed nearby and have a status between raw ground and a fully developed lot upon which home construction can begin.*

Income Approach

Since paper lots are not yet developed for sale to builders or end users, the Income Approach is not applicable and was not developed.

Sales Comparison Approach

Sales of paper lots are relatively infrequent in the market. Our due diligence could not uncover sufficient reliable sales to develop the Sales Comparison Approach for the paper lots, so we did not develop this approach for the paper lots in the Major Improvement Area.

Cost Approach

The Cost Approach is the most appropriate method of valuing paper residential lots. We concluded the paper lot value by conducting the following steps:

- Estimate the value of the underlying land
- Gather hard and soft costs associated to develop the raw ground to paper lot status which includes engineering, zoning costs, etc.
- Apply appropriate entrepreneurial incentive that a developer would expect to undertake the project
- Subtract depreciation from the project
- Add in the value of the underlying land

For determining the value of the underlying land, we used aspects of the Sales Comparison Approach. We found recently similar sales for vacant land that would be suitable as a residential subdivision and adjusted them to the subject property's residential land. The comparable sales search parameters for the vacant land included sales of properties similar to the subject property with parameters as follows: Vacant land greater than 50 acres and suitable for subdivision development within a 20-mile radius of the subject property. Comparable sales were chosen that occurred within the last three years. We were able to narrow down the possible comparable sales from a field of approximately 50 property sales to a final selection field by narrowing the search parameters to increase the similarity of comparable characteristics to those of the subject (e.g., location, property size, utilities, topography/floodplain, and zoning). We selected the 5 most comparable sales for analysis of the subject's Major Improvement Area.

Mobberly Farms Public Improvement District

COMPETENCY OF THE APPRAISER

James L. Maibach, C.P.M. is a Certified General Real Estate Appraiser according to the Texas Appraiser Licensing and Certification Board and has appraised numerous properties similar to the subject since 1993. The appraiser also manages, through his commercial real estate management company, approximately 2.0 million SF of which 70% is industrial warehouse, 20% is Class B and C office and 10% in retail product in Tarrant, Dallas, and Johnson counties. Mr. Maibach has been personally involved in over 50 residential development projects as a broker, developer, bank director, and zoning consultant in the past 20 years. Sheridan Engel is an Appraiser Trainee and has assisted in the analysis and appraisal of numerous properties similar to the subject. Attention is invited to the qualifications of each individual, which are presented in the Addenda of this report.

Peyco Southwest Realty is a full-service professional real estate appraisal and consulting firm, providing service to a variety of corporate, institutional, governmental, and private clientele. In the past 12 months, our firm has completed numerous valuation assignments involving similar properties. The subject is located in the City of Pilot Point's Extraterritorial Jurisdiction (ETJ), Denton County, Texas. The appraiser currently owns, represents, and manages multiple properties throughout the DFW Metroplex, mostly in Tarrant, Johnson, and Dallas Counties.

INTENDED USE AND USERS

The intended use of the appraisal is to estimate the underwriting of a proposed Public Improvement District bond transaction. The client and intended users are the City of Pilot Point and FMSbonds, Inc. The appraisal is not intended for any other use or user. No party or parties other than City of Pilot Point and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in this report. The Client may, without Appraiser's prior authorization or notice to Appraiser, provide the Appraisal to other parties for their use in analysis-related activities, however, it does not make the recipient an intended user of this engagement.

DATE OF THE APPRAISAL REPORT

The preparation of this Appraisal Report was completed on **March 20, 2022**.

EFFECTIVE DATES OF THE APPRAISAL

The descriptions, analyses, and conclusions of this report for the designated Market Values of the subject property are applicable as of the following dates: **April 1, 2022, and October 1, 2023**, which are the expected dates of construction completion for IA#1 and IA#2, respectively. James L. Maibach, C.P.M. and Sheridan Engel inspected the subject property on multiple dates, most recently on February 19, 2022.

ASSIGNMENT CONDITIONS

Assignment conditions include assumptions that affect the scope of work, other than those previously discussed in the "Assumptions and Limiting Conditions". There are no other material and specific hypothetical conditions or extraordinary assumptions other than those referenced earlier in this report.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this assignment are the Fee Simple Estate in the subject property. A commitment for Title Insurance was not submitted to the appraisers and reservations, if any, are unknown. If property rights differ from the above definitions, the value may be affected.

Mobberly Farms Public Improvement District

ASSETS APPRAISED

The assets appraised in this appraisal assignment include land, any primary and ancillary site improvements. No furniture, fixtures, equipment (FF&E), personal property, mineral rights or business value was included in the valuation process.

ENVIRONMENTAL CONDITIONS

No environmental report was available to us, and no recent environmental tests were performed. Because we have no evidence to the contrary, we have assumed that the property is free of any material defects, other than those noted, which would adversely affect the value, including, but not limited to, asbestos and toxic waste. Our value conclusions are subject to revision should these assumptions prove incorrect. We caution and advise the user of this report to obtain environmental studies which may be required to ascertain status of the property regarding asbestos and other hazardous materials.

HISTORY OF SUBJECT PROPERTY

The subject property consists of twenty-one tracts owned by MM Mobberly 236 LLC that total approximately 481 acres, according to Denton County deed records. The land was acquired over four separate transactions that occurred from 2018-2020. The owner declined to provide information on the considerations for the property. Per Denton Central Appraisal District, the following transactions show MM Mobberly 236, LLC as the grantee:

- BVJV Watauga LP (Grantor) via Special Warranty Deed with Vendor's Lien (Deed Number 2018-20859) on 2/22/2018
- Mobberly Road & 285 Partners LP (Grantor) via Special Warranty Deed (Deed Number 2018-23944) on 2/28/2018
- Mobberly Road & 285 Partners LP (Grantor) via Special Warranty Deed (Deed Number 2019-103282) on 8/21/2019
- Carter, Bill John & Glendenning Roberts, Leigh (Grantor) via Special Warranty Deed (Deed Number 2020-112426) on 7/30/2020

Mobberly Farms Public Improvement District

LEGAL DESCRIPTION

Per Denton Central Appraisal District, the subject property includes 21 separate tracts shown below which are owned by MM Mobberly 236 LLC:

Tract	Legal Description
1	A1467A E. Steen, TR 3(PT), 20.113 Acres, Old DCAD TR 1
2	A1467A E. Steen, TR 3A(PT), 31.838 Acres
3	A1488A L. Robinson, TR 2, 75.2 Acres
4	A1488A L. Robinson, TR 2A, 2.68 Acres
5	A0895A J. Melroy, TR A(1), 2.5 Acres
6	A0895A J. Melroy, TR A, 125.925 Acres
7	A1488A L. Robinson, TR 1, 23.0 Acres
8	A0895A J. Melroy, TR 3A, 10.85 Acres
9	A1467A E. Steen, TR 2A, 26.17 Acres
10	A1467A E. Steen, TR 2, 49.23 Acres
11	A1504A MEP & PRR, TR 9, 13.79 Acres, Old DCAD TR 6,6A
12	A1504A MEP & PRR, TR 8, .53 Acres, Old DCAD TR 11
13	A1467A E. Steen, TR 1, 1.6 Acres
14	A0926A MEP & PRR, TR 3A, 39.007 Acres
15	A0895A J. Melroy, TR 2A, 11.151 Acres
16	A0895A J. Melroy, TR 2A(1), 27. Acres
17	A0926A MEP & PRR, TR 3A(1), 10.003 Acres
18	A0895A J. Melroy, TR 4, 2.372 Acres
19	A0895A J. Melroy, TR 4B, 4.823 Acres
20	A0895A J. Melroy, TR 3, 3.25 Acres
21	A0926A MEP & PRR, TR 3A(2), 0.37 Acres

Total acreage is 481.4-AC. A detailed legal description of the property is provided in the Addenda.

Mobberly Farms Public Improvement District

PENDING TRANSACTIONS TO BUILDERS

The 486 lots in Phase 1 at Mobberly Farms are under contract to 3 builders: Pulte Homes, MI Homes, and Lennar Homes. The lots are categorized by their foot frontages (FF) which dictates the building pad that can be constructed on the site and is the most common unit of measurement utilized for transactions between developers and home builders. Each of the lots have been presold to the builders for a base price of \$44,000 for the 40' lots (\$1,100/FF) and \$49,000 for the 50' lots (\$980/FF).

NOTE: These base prices do not include a Public Safety Fee (to the City of Pilot Point) of \$500/Lot, Marketing fees of \$500/Lot, and Amenity Center fees of \$1,500/Lot. In addition, water and sewer connection fees add another \$10,500/lot. The Public Safety, Marketing, and Amenity Center fees are typical for a master-planned community; however, the sewer and water are often included in the price for the lot. These connection fees are payable to Mustang Special Utility District (SUD) and consist of the following:

- \$6,500 Sewer Connection Fee
- \$4,000 Water Connection Fee

In our opinion, the base prices (\$1,100/FF for 40' Lots and \$980/FF for 50' Lots) contracted for the subject property is below market, likely because the contracts were negotiated in late 2019 and early 2020 before the market increased significantly. When considering the Mustang SUD connection fees of \$10,500, the fees are more consistent with recent sales but still on the low end of the current market in 2022. When considering Mustang SUD fees, the adjusted base price is \$1,362.50/FF for 40' Lots and \$1,190.00/FF for 50' Lots. We are not considering other fees which are typical in a master-planned community.

A table of the types of improved lots the 3 builders will receive in IA#1 and IA#2 is shown below:

Builder	Type 1 40' IA#1	Type 2 50' IA#1	Type 3 40' IA#2	Type 4 50' IA#2
Pulte Homes	100	60	88	80
MI Homes	99	56	60	60
Lennar Homes	113	58	224	188
	312	174	372	328
	Total - 1,186 Lots			

Mobberly Farms Public Improvement District

Real Estate Taxes

Denton Central Appraisal District

Real estate tax assessments are administered by the Denton Central Appraisal District and are estimated by jurisdiction on a county basis for the subject. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by \$100, then multiplying the estimate by the composite rate. Real estate taxes for the most recent tax year (2021) on the tracts at the subject property are shown in the following table.

Tract	Property ID	Legal Description	Size (AC)	Market Value	Assessed Value
1	43259	A1467A E. Steen, TR 3(PT), 20.113 Acres, Old DCAD TR 1	20.113	\$ 1,021,676	\$ 2,503
2	729885	A1467A E. Steen, TR 3A(PT), 31.838 Acres	31.838	\$ 770,356	\$ 1,820
3	43108	A1488A L. Robinson, TR 2, 75.2 Acres	75.200	\$ 1,541,803	\$ 51,819
4	636408	A1488A L. Robinson, TR 2A, 2.68 Acres	2.680	\$ 50,651	\$ 50,651
5	636406	A0895A J. Melroy, TR A(1), 2.5 Acres	2.500	\$ 47,249	\$ 47,249
6	207134	A0895A J. Melroy, TR A, 125.925 Acres	125.925	\$ 2,581,463	\$ 6,548
7	43114	A1488A L. Robinson, TR 1, 23.0 Acres	23.000	\$ 471,500	\$ 3,037
8	729889	A0895A J. Melroy, TR 3A, 10.85 Acres	10.850	\$ 238,810	\$ 564
9	729887	A1467A E. Steen, TR 2A, 26.17 Acres	26.170	\$ 576,006	\$ 1,361
10	43264	A1467A E. Steen, TR 2, 49.23 Acres	49.230	\$ 1,044,809	\$ 2,560
11	43393	A1504A MEP & PRR, TR 9, 13.79 Acres, Old DCAD TR 6,6A	13.790	\$ 292,665	\$ 717
12	98917	A1504A MEP & PRR, TR 8, .53 Acres, Old DCAD TR 11	0.530	\$ 11,249	\$ 28
13	43268	A1467A E. Steen, TR 1, 1.6 Acres	1.600	\$ 32,259	\$ 83
14	294251	A0926A MEP & PRR, TR 3A, 39.007 Acres	39.007	\$ 827,846	\$ 2,028
15	294254	A0895A J. Melroy, TR 2A, 11.151 Acres	11.151	\$ 236,658	\$ 580
16	729891	A0895A J. Melroy, TR 2A(1), 27. Acres	27.000	\$ 594,275	\$ 1,404
17	636405	A0926A MEP & PRR, TR 3A(1), 10.003 Acres	10.003	\$ 270,075	\$ 710
18	43143	A0895A J. Melroy, TR 4, 2.372 Acres	2.372	\$ 48,626	\$ 123
19	636407	A0895A J. Melroy, TR 4B, 4.823 Acres	4.823	\$ 91,153	\$ 91,153
20	43132	A0895A J. Melroy, TR 3, 3.25 Acres	3.250	\$ 68,975	\$ 169
21	729892	A0926A MEP & PRR, TR 3A(2), 0.37 Acres	0.370	\$ 8,144	\$ 19
TOTALS			481.402	\$ 10,826,248	\$ 265,126

The tax burden for the previous years is irrelevant to our analysis as there is a proposed change in use and the property was being warehoused for future development while receiving also receiving an agricultural exemption. Once the property is developed and residential construction begins, rollback taxes will be due. We have not considered the effect of rollback taxes in our analysis as that is beyond the scope of work for this assignment.

Mobberly Farms Public Improvement District

A breakdown of the tax rates for the subject property is shown below. Note: PID assessments are not included in the table below.

Entity	Tax Rate
Pilot Point ISD	1.1603
City of Pilot Point	0.63626
Denton County	0.233086
Total	2.029646

Since the PID is not yet in place and lots have yet to be fully improved, there is no tax rate equivalent (TRE) assessment. Based on the Service and Assessment Plan (SAP) published by P3 Works, the development will have IA#1 assessments levied at 0.8639%, IA#2 assessments levied at 0.8785%, and MIA assessments levied at 0.2099%. *Note: we will need to consider the PID TRE assessments when building out our Discount Cash Flow analyses for improved residential lots later in this report. We will use the average of the IA#1 and IA#2 PID TRE assessments: 0.8712%.*

A table of the taxes due when considering the PID levies is shown below:

Entity	Tax Rate
Pilot Point ISD	1.1603
City of Pilot Point	0.63626
Denton County	0.233086
Mobberly Farms PID	0.8712
Total	2.900846

When construction is complete on the subdivision the appraised value is expected to increase significantly; however, based on our company's experience as tax consultants working with tax districts and homebuilders, we believe the improved lots will be assessed by tax districts at below retail lot value. Improved lots are often assessed by tax districts at approximately 70% the retail value because the tax district does not have reliable information on updated costs and because developers are eligible for an inventory reduction on their lots.

Note: the Denton Central Appraisal District utilize an ad-valorem "mass appraisal" technique for tax assessment valuation. Mass appraisal is defined as the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.³ This method of analysis is based on, but not necessarily equivalent to, its market value. Tax assessment is utilized for the equitable distribution of the tax burden throughout the district, and it is not for developing individual opinions of value for specific properties for use outside of ad valorem taxation.

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

MARKET OVERVIEW

ECONOMIC INDICATORS: BEIGE BOOK FEDERAL RESERVE BANK (MARCH 2, 2022)

Due to the subject's location in North Texas, coupled with integrated business economies, it is relevant to consider the national and regional economic indicators presented by the Federal Reserve Bank of Dallas in the Beige Book. Excerpts from the most recent Beige Book prior to the report date, published March 2, 2022, are presented below:

National Summary

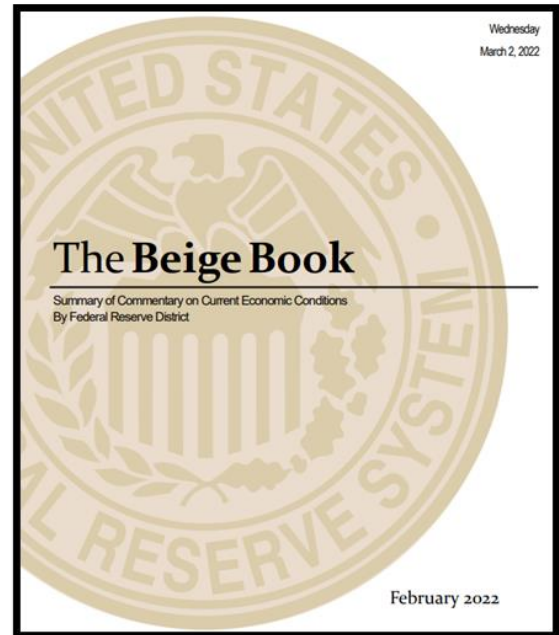
Economic activity has expanded at a modest to moderate pace since mid-January. Many Districts reported that the surge in COVID-19 cases temporarily disrupted business activity as firms faced heightened absenteeism. Some Districts attributed a temporary weakening in demand in the hospitality sector to the rise in cases. Severe winter weather was also cited as disrupting activity. As a result, consumer spending was generally weaker than in the prior report. Reports on auto sales were mixed. Manufacturing activity continued to grow at a modest pace. All Districts noted that supply chain issues and low inventories continued to restrain growth, particularly in the construction sector. Reports from banking contacts indicated some weakening of financial conditions, although loan demand was generally unchanged. Demand for residential real estate was generally strong, although many Districts reported no change in home sales due to seasonal trends and low inventories. Agriculture reports were somewhat mixed, as some Districts experienced difficult growing conditions while others benefited from higher crop prices. Reports on the energy sector indicated modest growth. Among reporting Districts, the overall economic outlook over the next six months remained stable and generally optimistic, although reports highlighted an elevated degree of uncertainty.

Labor Markets

Employment increased at a modest to moderate pace. Widespread strong demand for workers remained hampered by equally widespread reports of worker scarcity, though some Districts reported scattered signs of improving labor supply. Many firms had difficulty maintaining their staffing levels due to high turnover; this challenge was exacerbated by COVID-19 disruptions in January, though workers and firms recovered more quickly than during previous waves. Firms continued to increase compensation and introduce workplace flexibility to attract workers—especially in historically low-wage positions—with mixed success. Contacts reported they expect the tight labor market and consequent strong wage growth to continue, though a few Districts reported signs of wage growth moderating.

Prices

Prices charged to customers increased at a robust pace across the nation. A few Districts reported an acceleration in prices. Rising input costs were cited as a primary contributing factor across a broad swath of industries, with elevated transport costs particularly significant. Labor cost increases and ongoing materials shortages also contributed to higher input prices. Firms reported an increased ability to pass on prices to consumers; in most cases, demand has remained strong despite price increases. Firms reported they expect additional price increases over the next several months as they continue to pass on input cost increases.



Mobberly Farms Public Improvement District

ELEVENTH DISTRICT FEDERAL RESERVE BANK OF DALLAS – MARCH 2, 2022

Summary

Expansion in the Eleventh District economy moderated, with the COVID-19 surge exacerbating labor and supply-chain shortages and disrupting demand in certain sectors. Growth in manufacturing and nonfinancial services continued but at a slower pace, and retail sales declined slightly. Loan demand growth decreased a bit amid rising interest rates. Home sales remained elevated. The energy sector saw further expansion, while worsened drought hampered agricultural conditions. Employment rose fairly robustly, and wage growth pushed to new highs due to widespread labor shortages. Supply-chain issues continued to drive up costs, and prices rose at a rapid clip. Outlooks remained positive, though uncertainty surged and businesses expressed concern that labor market tightness and supply-chain disruptions will not soon be resolved.

Labor Markets

Employment growth remained robust. Job gains were widespread across sectors and strongest in manufacturing, banking, real estate, and health care. Acute worker shortages persisted, however, and many contacts said the recent COVID-19 surge brought on new or worsened hiring difficulty. Contacts cited a lack of applicants as the primary hiring impediment, with significantly more saying the availability of applicants worsened than improved in January. Increased absenteeism was also a major problem over the reporting period, as workers called out sick due in large part to the Omicron surge. These absences resulted in significant widespread disruption to business operations.

Wage growth pushed to new highs over the reporting period, driven largely by labor shortages. Manufacturers noted persistent difficulties in retaining employees, saying they were having to increase wages significantly to try to convince workers to stay. This sentiment was echoed in the service sector as well, with some firms being forced to give out significant pay increases or lose key employees. A bank raised their minimum wage to \$18 per hour, slightly mitigating retention issues.

Prices

Input and selling price increases remained at or near historical highs. Contacts continued to cite supply-chain issues as the primary driver of rising costs. Construction contacts reported sizable increases in the price of concrete, steel, PVC, drywall, and lumber. A machinery manufacturer reported raw material increases of 10 to 20 percent each month. Transportation costs continued to surge, driven by a combination of supply-side constraints and higher fuel prices. A few contacts said broad-based price increases have led to a pullback in consumer demand and business capital spending.

Nonfinancial Services

Growth in Texas service-sector activity slowed sharply in January but rebounded in February. Seventy percent of firms noted a negative impact from the COVID-19 surge, and the biggest drag on January growth came from the leisure and hospitality sector, where revenues declined notably. Hotels reported cancellations and decreased business travel due to the Omicron variant, and restaurants experienced less business and severe worker shortages with employees out sick. Transportation services firms saw flat activity overall. An airport said passenger travel declined over the past six weeks due to the effect of Omicron, with many passengers cancelling or rescheduling trips for later in the year, though bookings have recently begun returning. A major Texas seaport posted record-high tonnage numbers in 2021, and developments in early 2022—including new routes and equipment—are expected to spur continued growth. A bright spot in the service sector was staffing services, which

Mobberly Farms Public Improvement District

saw a pickup in revenues and broad-based, robust demand. Overall, pandemic-related weakness in the nonfinancial services sector was largely transitory, as revenue growth increased markedly in February.

Outlooks held steady in January and improved in February. Headwinds include uncertainty surrounding the path of the pandemic, supply-chain stresses, and inflation.

Construction and Real Estate

Home sales continued to be solid, and contacts said that rising mortgage rates have not yet impacted demand. Builders reported capping sales and/or holding off putting homes on the market until they had more clarity regarding their costs. Prices continued to trend upward, in part due to climbing material costs, particularly lumber. Operational challenges were ongoing, preventing builders from being able to finish as many units as planned. Outlooks were cautiously optimistic, with very low supply relative to demand.

Apartment leasing moderated slightly. On the commercial side, office leasing was picking up, the retail market was on a stable footing, and industrial construction and demand remained elevated.

Financial Services

Loan demand increased over the past six weeks, as did loan volumes, though both rose at a slightly slower pace than in the prior period. Loan volume increases spanned lending types, led by commercial real estate. Nonperforming loans continued to decrease, and credit standards and terms tightened slightly. Loan pricing increased for the first time since mid-2019. Contacts expressed concerns about the effects of interest rate increases, inflation and staffing shortages. However, general business activity continued to improve, and outlooks for loan demand and general business activity six months from now remain optimistic.

TEXAS HOUSING INSIGHT (EXCERPTS)
Texas A&M University – Texas Real Estate Research Center
Luis B. Torres, Wesley Miller, and Weiling Yan (Feb 22, 2022)



SUMMARY

Texas' housing market continued to rise in November, trending upward despite ongoing supply constraints. Months of inventory slid to 1.5 months, and single-family permits weakened. Housing starts, however, expanded despite lumber and other input price increases. The lack of inventory for homes priced under \$300,000 remains the greatest challenge to Texas' housing market. Demand remained steady despite being stagnated by lack of inventory. Still, the state's diverse and expanding economy, favorable business policies, and steady population growth support a favorable outlook.

SUPPLY

The Texas Residential Construction Cycle (Coincident) Index, which measures current construction activity, decreased nationally and within Texas due to falling employment outweighing heightened construction gains. The Texas Residential Construction Leading Index (RCLI) possibly reached a trough and could increase in the coming months, signaling an increase in future activity. The leading index's downward trend was reverted by an increase in weighted building permits and residential construction value starts along with the ten-year real Treasury bill's continued decline. The leading indexes in the major metros continued to decline, indicating slower activity in the coming months. Current inflationary conditions due to supply chain issues are putting downward pressure on construction activity and may impede construction activity in the coming months.

Single-family construction permits fell 2.2 percent month over month (MOM), and the permit issuance had dropped since December 2020. Despite the overall decrease, Houston and DFW remained the top metros nationally, outnumbering Phoenix by 1,000 permits. Houston ranked first for the eighth consecutive month with 3,887 nonseasonally adjusted permits, followed by DFW with 3,523 permits. Texas' multifamily permits plummeted 12.2 percent on a monthly basis; however, the metric was up 12.3 percent year to date (YTD).

After three months of continuous decline, robust economic conditions and copious demand pushed total Texas housing starts up 6.5 percent as lumber prices increased 12.4 percent. Single-family private construction values also increased in real terms.

Texas' months of inventory (MOI) hovered at 1.5 months as active listings and sales activity stabilized. A six-month MOI is typically considered a balanced housing market. Supply was limited across all price categories. Most notably, the inventory for luxury homes (those priced more than \$500,000) dropped to 2.3 months, a record low. Total housing inventory in the major metros dropped slightly, with the MOI remaining most constrained in Austin at 0.8 months. The metric in North Texas fell to one and 1.1 months in Dallas and Fort Worth, respectively.

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Dwindling inventory persisted as a major headwind to the health of Texas' housing market.

DEMAND

Despite the deflated inventory, demand increased across all price cohorts. Total housing sales rose 2.6 percent MOM. Transactions at the lower end of the price spectrum decreased significantly compared with year-ago levels, while the opposite occurred at the higher end. Housing sales for homes priced under \$299,000 cut back 23.1 percent YTD, while housing sales for homes priced at more than \$300,000 rose 37.8 percent YTD.

Housing sales increased across the price spectrum at the metropolitan level, except in San Antonio where total sales contracted 3.3 percent (...) while North Texas activity increased 0.5 and 8.1 percent in Dallas and Fort Worth, respectively.

Texas' average days on market (DOM) fell marginally to 31 days amid robust demand and limited inventory. Austin remained the most popular housing market with its DOM slipping another day, averaging 20 days. The metrics in North Texas averaged 25 days.

Market expectations are for the Federal Reserve to accelerate the tapering of asset purchases and increasing the Federal Funds rate two to four times in 2022. The ten-year U.S. Treasury bond yield returned to pre-pandemic levels of 1.6 percent, while the Federal Home Loan Mortgage Corporation's 30-year fixed-rate hovered around 3.1 percent for the second consecutive month. The median mortgage rate for the typical Texas homebuyer climbed to 3.2 percent for GSE loans in October and fell ten basis points to 2.9 percent for non-GSE loans. Among the mixed mortgage interest rate changes, home-purchase applications strengthened for November but overall fell 4 percent YTD. Meanwhile, refinance applications have declined on a monthly basis and were down 29.9 percent since December 2020. Year-over-year (YOY) purchase and refinance applications diminished 3.5 and 31.7 percent, respectively, largely due to baseline effects after a surge of remodeling and refinancing in 2020.

In October, the median loan-to-value ratio (LTV) constituting the "typical" Texas conventional-loan mortgage dropped from 87.4 the previous year to 84.2. The debt-to-income ratio (DTI) declined from 36.4 to 35.5, while the median credit score increased six points to 751 over the same period. The LTV for GSE borrowers increased slightly from 85.2 in October to 85.7; meanwhile, their DTI grew from 35.5 to 36.7.

PRICES

The ongoing shift in the composition of sales toward higher-priced homes due to constrained inventories at the lower end of the market boosted the average and median home price. The Texas median home price rose for the 11th consecutive month, appreciating 1.7 percent on a monthly basis and 17.2 percent YOY to a record-breaking \$319,112. The five major metros all hit historically high median prices. The Dallas metric (\$386,500) increased 18.1 percent, while annual price growth in Fort Worth (\$331,800) shot up to 20.6 percent.

The Texas Repeat Sales Home Price Index accounts for compositional price effects and provides a better measure of changes in single-family home values. Compared with November 2020's 7.8 percent YOY increase, Texas' index corroborated significant home-price appreciation, accelerating 18.6 percent YOY in 2021. The growth rate surpassed the surge in the median home price. Annual price growth reached recent peaks in Dallas. The metric dipped to 35.1 percent in Austin after a year of explosive growth, while North Texas prices increased 24.1 and 22 percent in Dallas and Fort Worth, respectively. Increasing home prices pressured housing affordability, decreasing Texas' affordability advantage over other states like California.

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SINGLE-FAMILY FORECAST

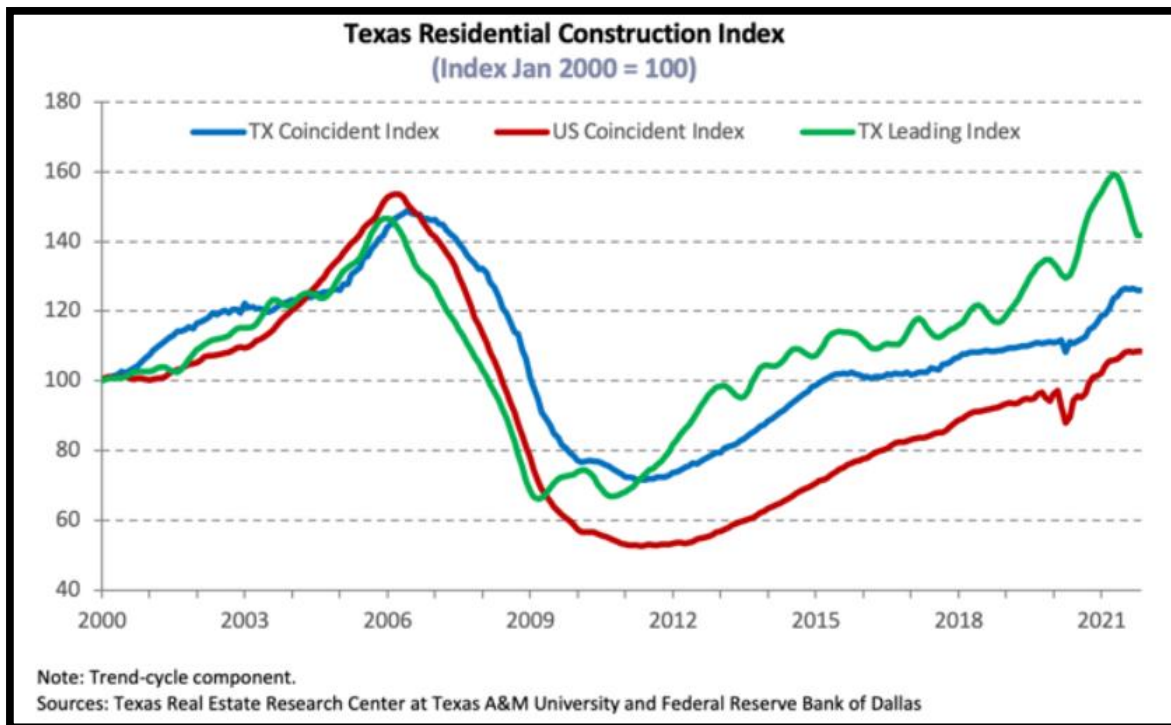
The Texas Real Estate Research Center projected single-family housing sales using monthly pending listings from the preceding period (Table 1). Texas sales are expected to fall 3.8 percent in December after increasing during the past month. The metric is estimated to slow to 1.9 percent in Austin, with additional losses of 6.5 percent and 5.8 percent in DFW and Houston, respectively. Transactions in San Antonio, however, are forecasted to rebound 0.4 percent. Sales through December 2021 should accelerate relative to the same period in 2020. On the supply side, listings seemed to have reached a trough in May and are rising, easing some of the price pressures amid a rise in new and pending listings.

Table 1. Single-Family Housing Sales Projections

	Percentage Change from Nov. to Dec. 2021	Percentage Change from Jan. - Dec. 2020 to Jan. - Dec. 2021
Texas	-3.8	4.6
Austin-Round Rock	-1.9	0.1
Dallas-Fort Worth	-6.5	-2.3
Houston-The Woodlands-Sugar Land	-5.8	10.0
San Antonio-New Braunfels	0.4	3.9

Note: Seasonally adjusted data used for the monthly percentage change. Nonseasonally adjusted data used in the year-to-date year-over-year estimation. Based on monthly single-family housing sales through the Multiple Listing Service.

Source: Texas Real Estate Research Center at Texas A&M University

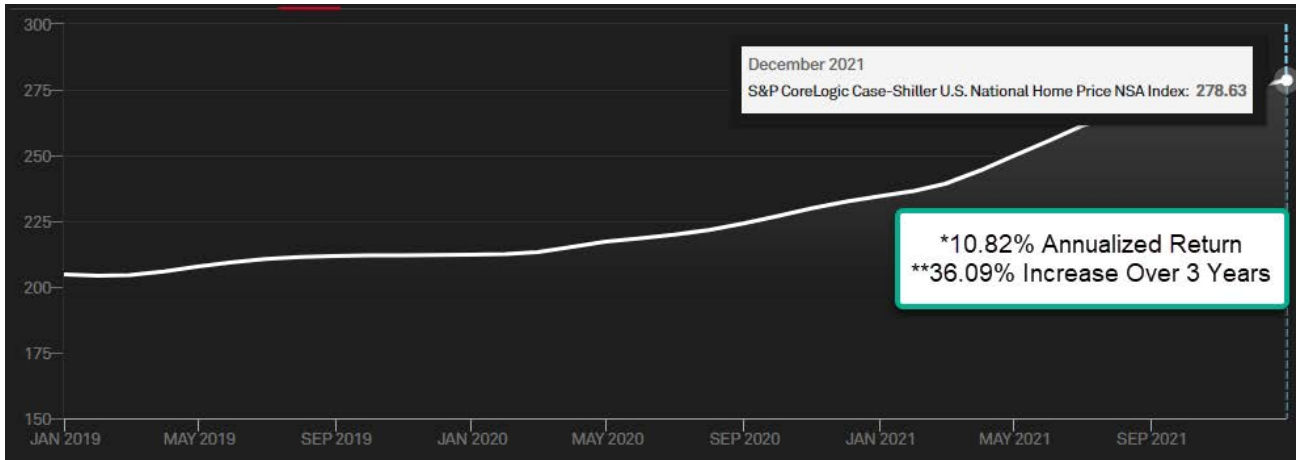
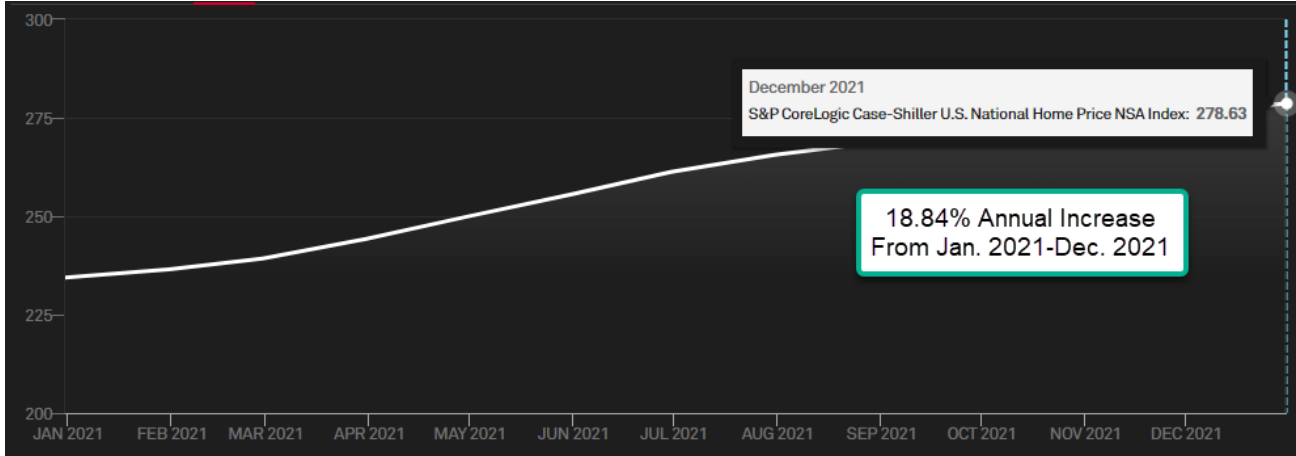


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S&P CORELOGIC CASE-SHILLER INDEX

March 11, 2022

Data reported for the Standard & Poor Dow Jones Indices (1-year and 3-year graphs shown below) from late February 2022 showed that home prices nationally were up 18.84% YOY for in 2021 while the Dallas Metropolitan Area is up 26.0% YOY. The price increases are now decelerating but still rising higher. Prices were strongest in the South and Southeast but every region in the country reported double-digit YOY gains.



Metropolitan Area	December 2021 Level	December/November Change (%)	November/October Change (%)	1-Year Change (%)
Dallas	263.43	1.7%	1.2%	26.0%

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NATIONAL ASSOCIATION OF REALTORS (NAR)

The most recent NAR local market report for DFW is shown below which reports local trends in the subject property’s market.



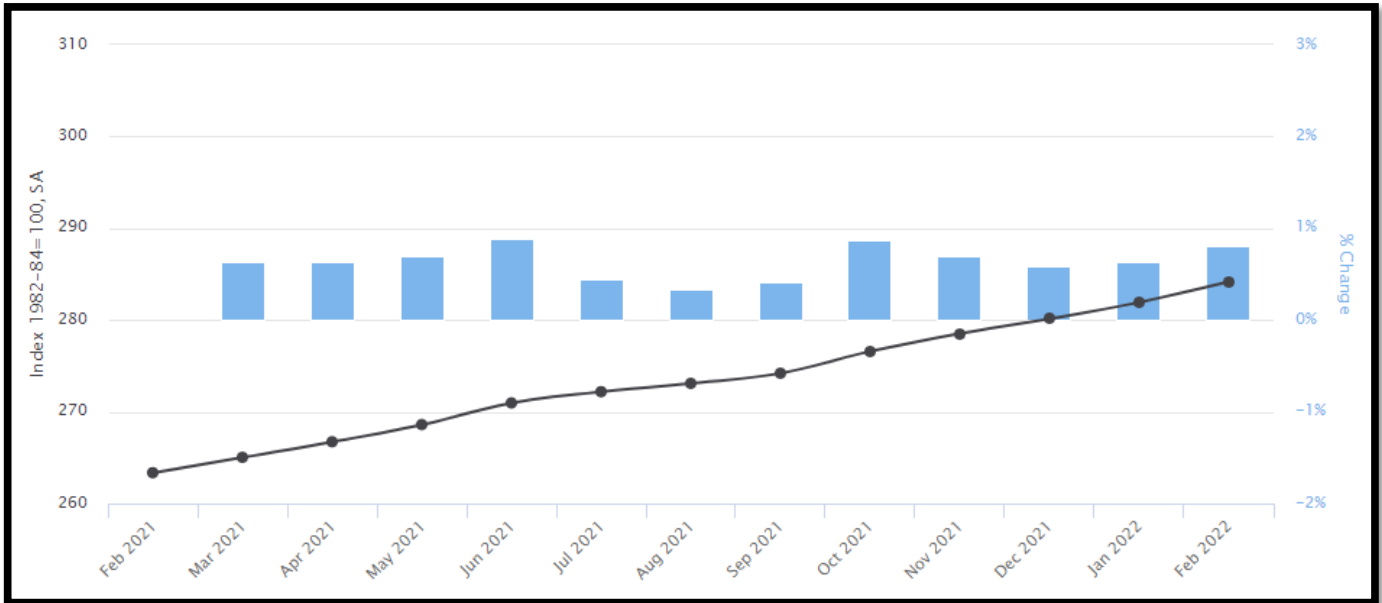
Local Price Trends			
Price Activity	Dallas	U.S.	Local Trend
Current Median Home Price (2021 Q3)	\$345,200	\$356,133	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2021 Q3)	17.3%	15.2%	
3-year (12-quarter) Appreciation (2021 Q3)	31.7%	34.9%	Gains in the last 3 years have extended the trend of positive price growth after the recession
3-year (12-quarter) Housing Equity Gain*	\$83,100	\$92,200	
7-year (28 quarters) Housing Equity Gain*	\$151,700	\$139,767	
9-year (36 quarters) Housing Equity Gain*	\$180,000	\$172,500	

*Note: Equity gain reflects price appreciation only

The National Association of Realtors reports that as of 2021Q3 the current median home price in DFW is **\$345,200**. This reflects a 1-year price appreciation of 17.3% and a 3-year price appreciation of 31.7%.

CONSUMER PRICE INDEX (CPI)

MOODY'S ANALYTICS CONSUMER PRICE INDEX (CPI) CHART



The US Bureau of Labor Statistics (BLS) tracks the Consumer Price Index (CPI) and a chart prepared by Moody's Analytics is shown above. The CPI measures the change in prices paid by consumers for goods and services which is an indicator of how costs for goods and services are trending throughout the country. The CPI is based on prices of food, clothing, shelter, fuels, transportation, healthcare services, drugs, and other goods and services that people buy for day-to-day living.

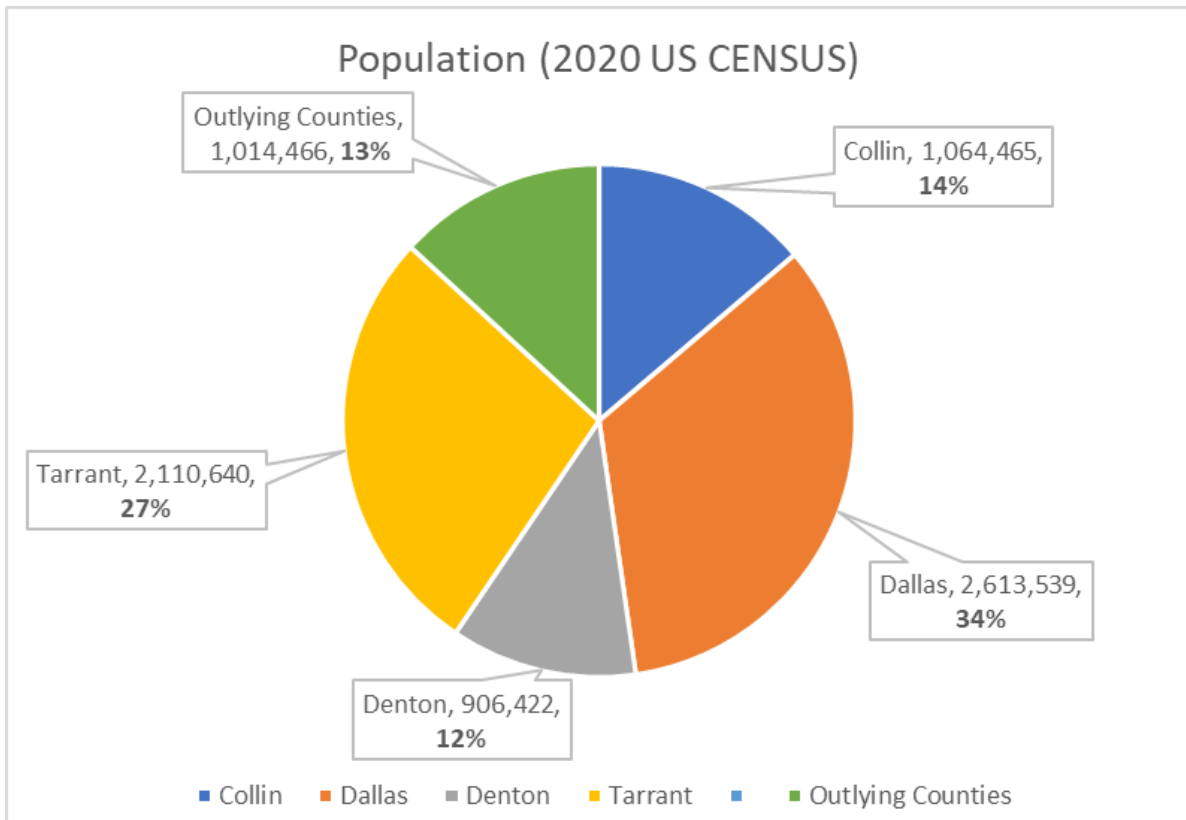
The BLS has generally reported increases in the CPI over the past year and the chart above shows that inflation on day-to-day goods is accelerating. Recently, increases for energy, shelter, food, healthcare, household furnishings, and transportation have been noted. Based on these trends, one can conclude that a period of moderate inflation is occurring. Whether this trend will last past the following few months and for several years is debatable; however, many indications point to higher periods of inflation even as supply chain issues caused by the COVID-19 Pandemic are expected to ease in 2022.

REGIONAL ANALYSIS

The subject is located in Denton County within the Dallas-Fort Worth-Arlington Consolidated Metropolitan Statistical Area (CMSA), more commonly referred to as the Metroplex, which encompasses parts of 13 counties and contains 23 cities with populations over 50,000 in North Central Texas. As reported by the North Central Texas Council of Governments (NCTCOG), the estimated population as of Jan. 1, 2020, was 7,709,532 which makes it the most populous region in Texas and the fourth largest in the United States. In the most recent count (2019), the population of the Metroplex grew by 159,480 led by Fort Worth which added more than 24,000 people. Since 2010, the region has added almost 1.2 million new residents - an almost 19% increase.

A chart of the four counties in the Metroplex with the highest populations, with Denton County as the fourth populous, is shown in the chart below. Dallas County is the most populated county in the region with 2,613,539 residents, followed closely by Tarrant County with 2,110,640, Collin County with 1,064,465, and Denton County with 906,422. The subject property is within Denton County and just north of the 380 Corridor which has had numerous residential developments in the past decade. US 380 is the major thoroughfare between the cities of Denton and McKinney. The subject property's location just north of US 380 is consistent with where developers must find vacant land to build their master-planned communities.

PIE CHART OF POPULATION PERCENTAGES IN DFW METROPLEX



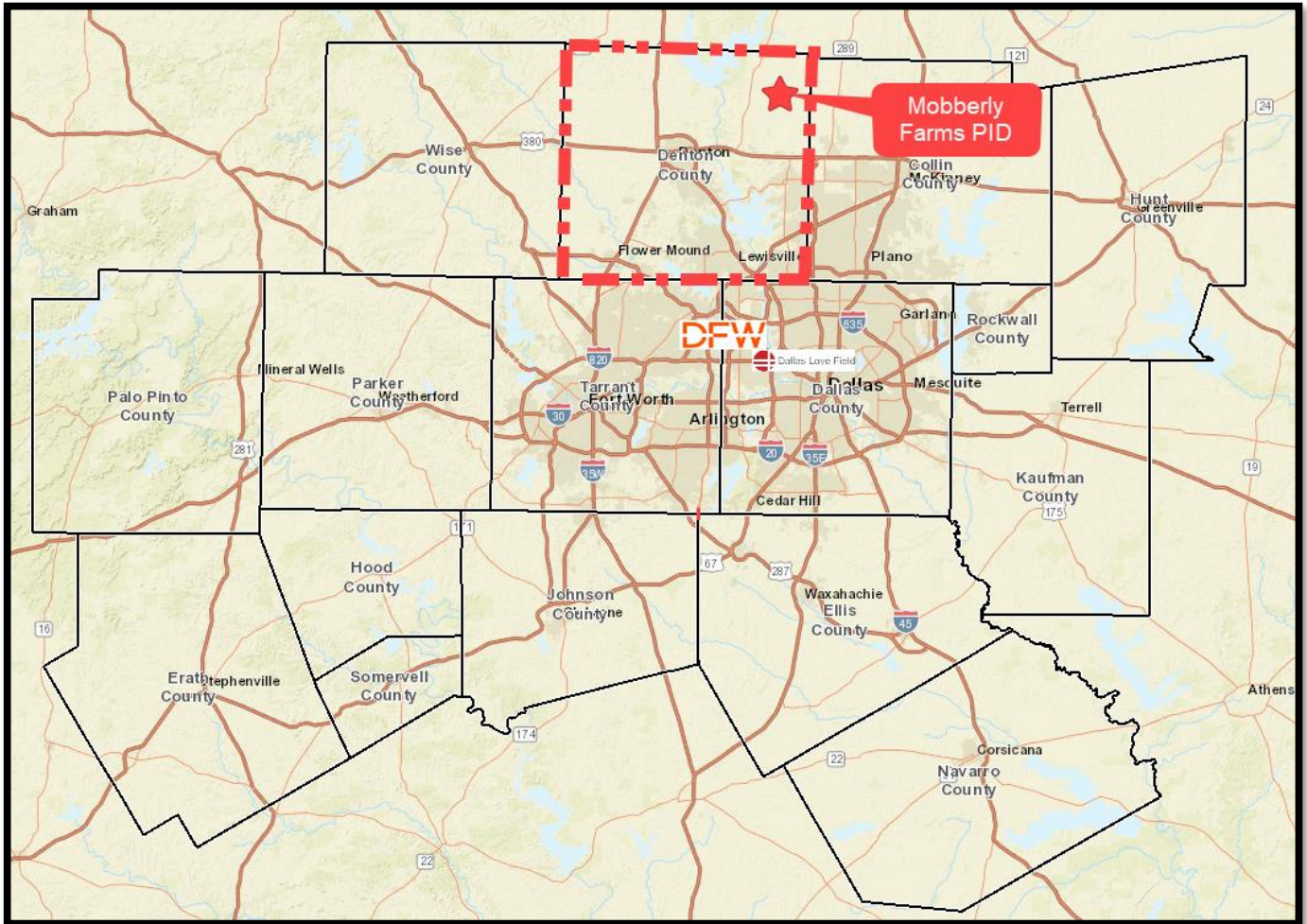
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The region is serviced by two major passenger airports: Dallas-Fort Worth International Airport (DFW), which is the third busiest airport in the world in terms of aircraft movements and the largest hub for American Airlines and Dallas Love Field Airport (DAL), which is a city owned airport and the largest hub for Southwest Airlines – the largest carrier in the world in terms of passengers carried.

MAP OF DALLAS-FORT WORTH METROPLEX

Red Lines Showing Denton County Boundary

Note: Map includes Erath and Navarro Counties which are sometimes included as part of DFW



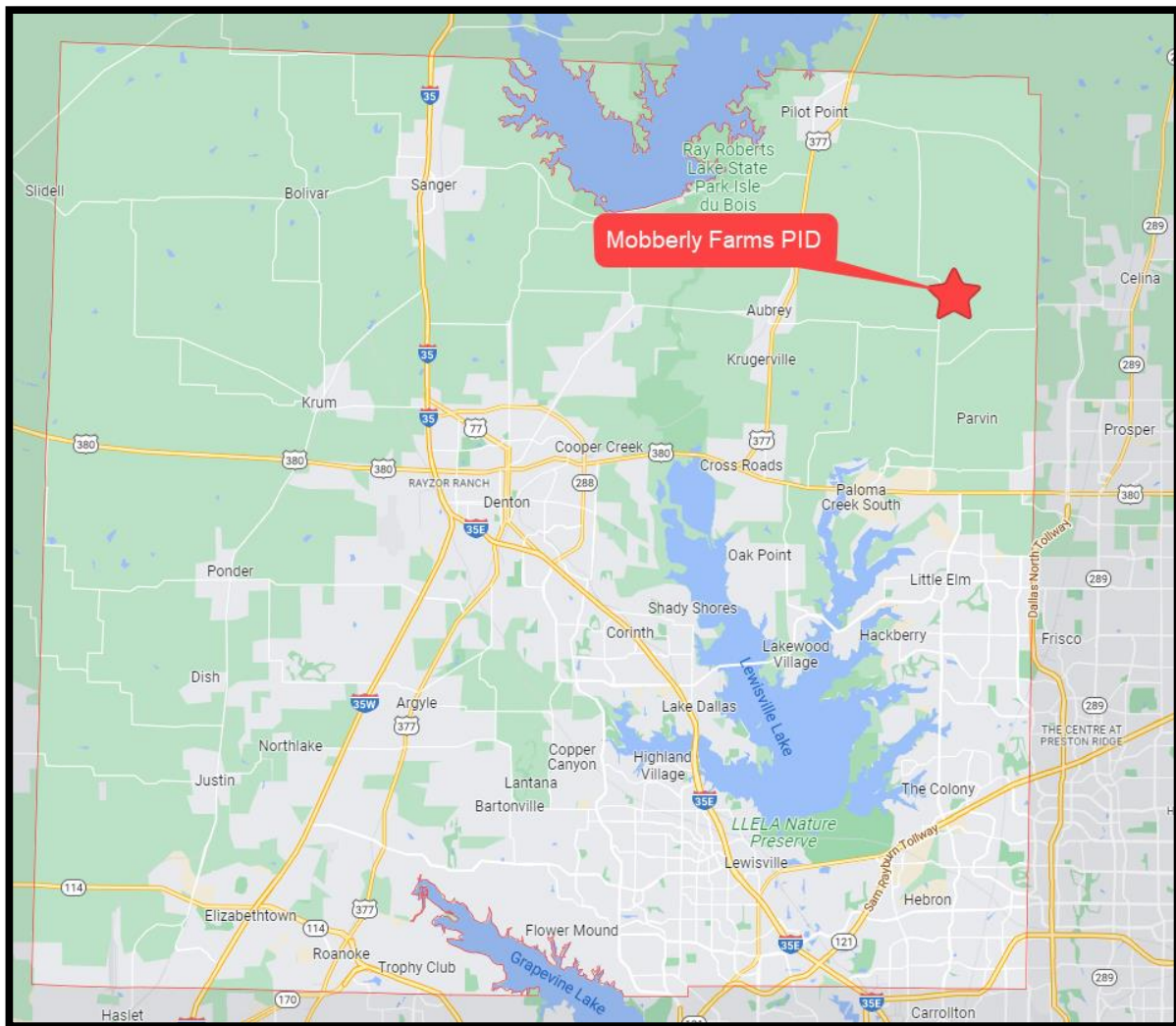
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DENTON COUNTY OVERVIEW

The subject site is located in northwest Denton County which is a rapidly growing county in the north-central portion of the Dallas-Fort Worth Metroplex. The county seat is Denton which is centrally located in the county and is home to the University of North Texas which is a public university boasting over 40,000 students. The county also contains three large lakes that provide recreation, water source, and flood control for the community: Ray Roberts Lake, Lewisville Lake, and Grapevine Lake. The county also includes parts of AllianceTexas which is a global logistics hub and home to over 500 companies and over 50 million square feet of industrial, commercial, retail, and residential space.

Initially serving as bedroom communities for Dallas and Fort Worth, as of 2020 Denton County had a population of 906,422 with population growth consistent for decades. Census data indicate Denton County population growth from 1970-1980 was 89.2%, 1980-1990 was 91.1%, 1990-2000 was 58.3%, 2000-2010 was 53.0%, and 2010-2020 was 36.8%.

MAP OF DENTON COUNTY
Subject Located in Northeast Denton County

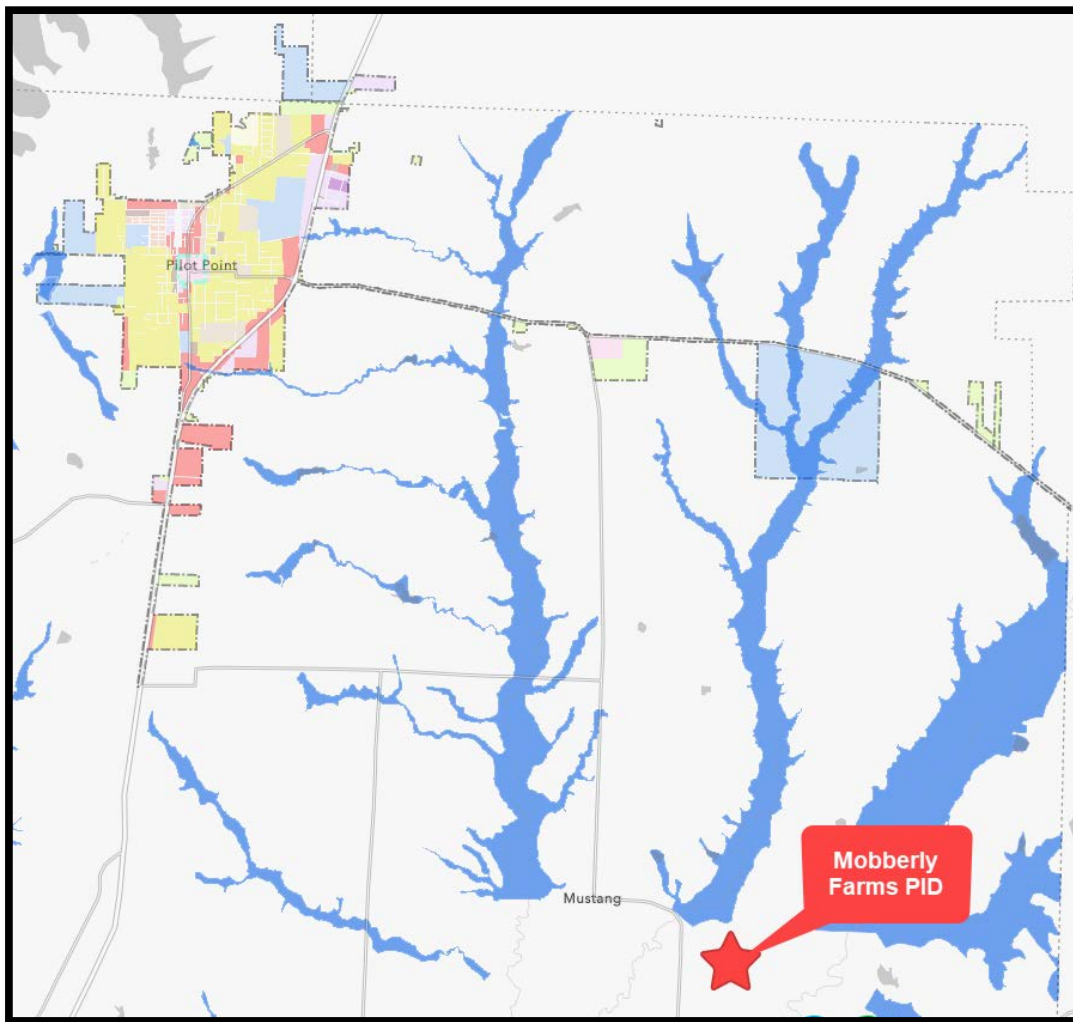


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CITY OF PILOT POINT OVERVIEW

The City of Pilot Point is a small city of 4,381 residents (US 2020 Census) in north Denton County. The city is located on US Route 377 which runs south through Denton and Fort Worth and extends from Oklahoma to the Mexico border. Once a primarily an agribusiness community, the city's location is at the far north end of the high-growth district of the (US Route) 380 Corridor that is expected to bring numerous master-planned residential communities in the coming decade as the DFW Metroplex expands and traffic carriers such as the Dallas North Tollway are completed to the Grayson County line. The growth on the 380 Corridor has seen the cities of Aubrey, Prosper, and Celina exponentially increase in population over the past decade. The City is located on the eastern shore of Lake Ray Roberts created by the impounding of the Elm Fork of the Trinity River. The location draws tourists looking for water recreation and hiking in the nearby Lake Ray Roberts State Park.

MAP OF CITY OF PILOT POINT
Subject Currently Located in Pilot Point ETJ



Note: Per discussion with John Taylor, Director of Development Services with Pilot Point, the City has not annexed the PID but the Development Agreement with the City is executed which allows for SF-3 zoning and annexation is imminent.

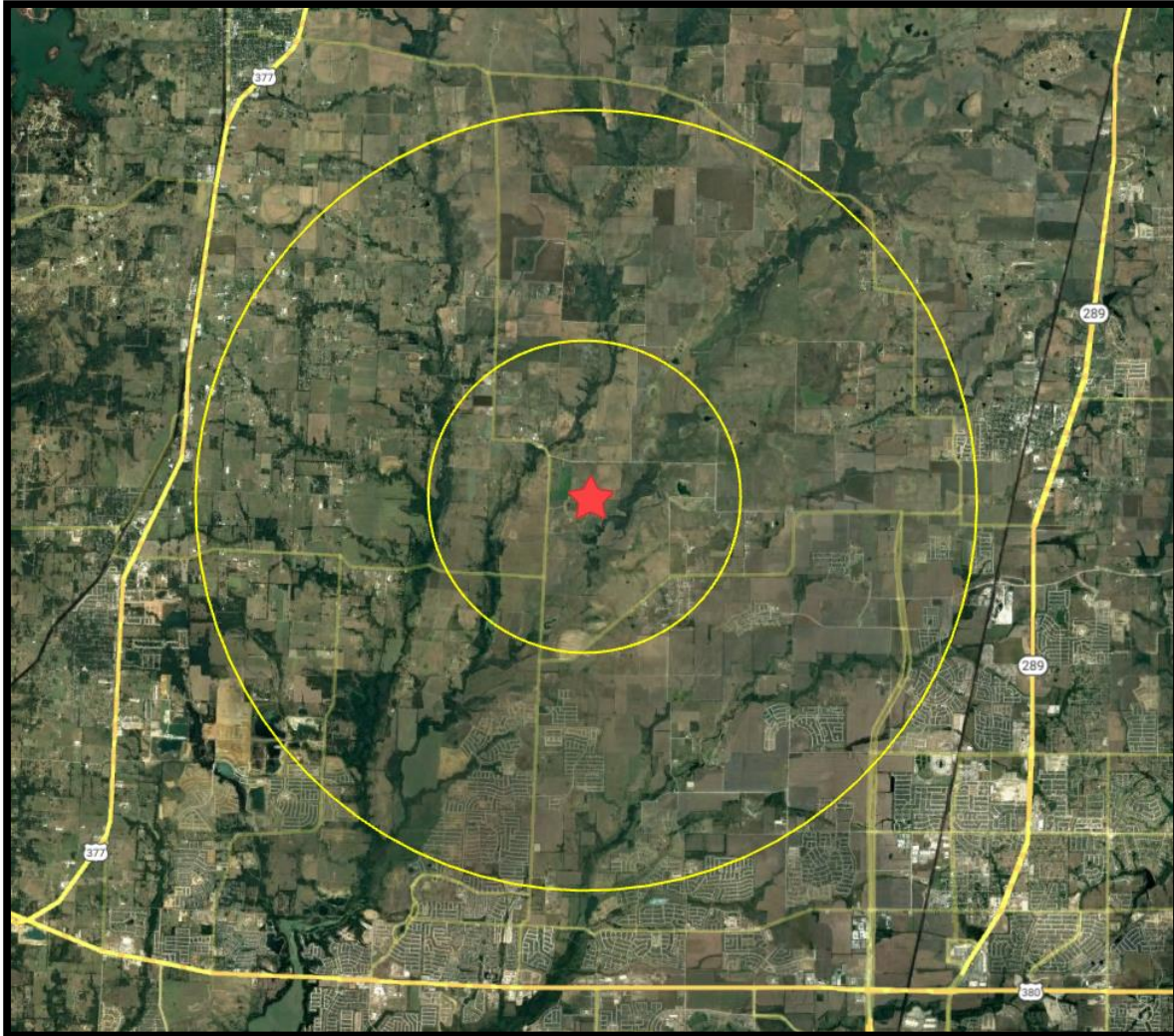
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NEIGHBORHOOD ANALYSIS

A neighborhood may be defined as a section of a community or an entire community. It refers to relatively unified area with definite boundaries which exhibit a fairly high degree of homogeneous uses – basically group of complimentary land uses that exhibit a greater degree of commonality than the larger area. The boundaries of a neighborhood define the geographical area which exerts influence on the value of the subject property. The Mobberly Farms Public Improvement District is located within the City of Pilot Point, Denton County, Texas and is within the Pilot Point Independent School District.

NEIGHBORHOOD MAP

Geographic radii of 2 and 5 miles indicating the approximate neighborhood boundaries around the Subject



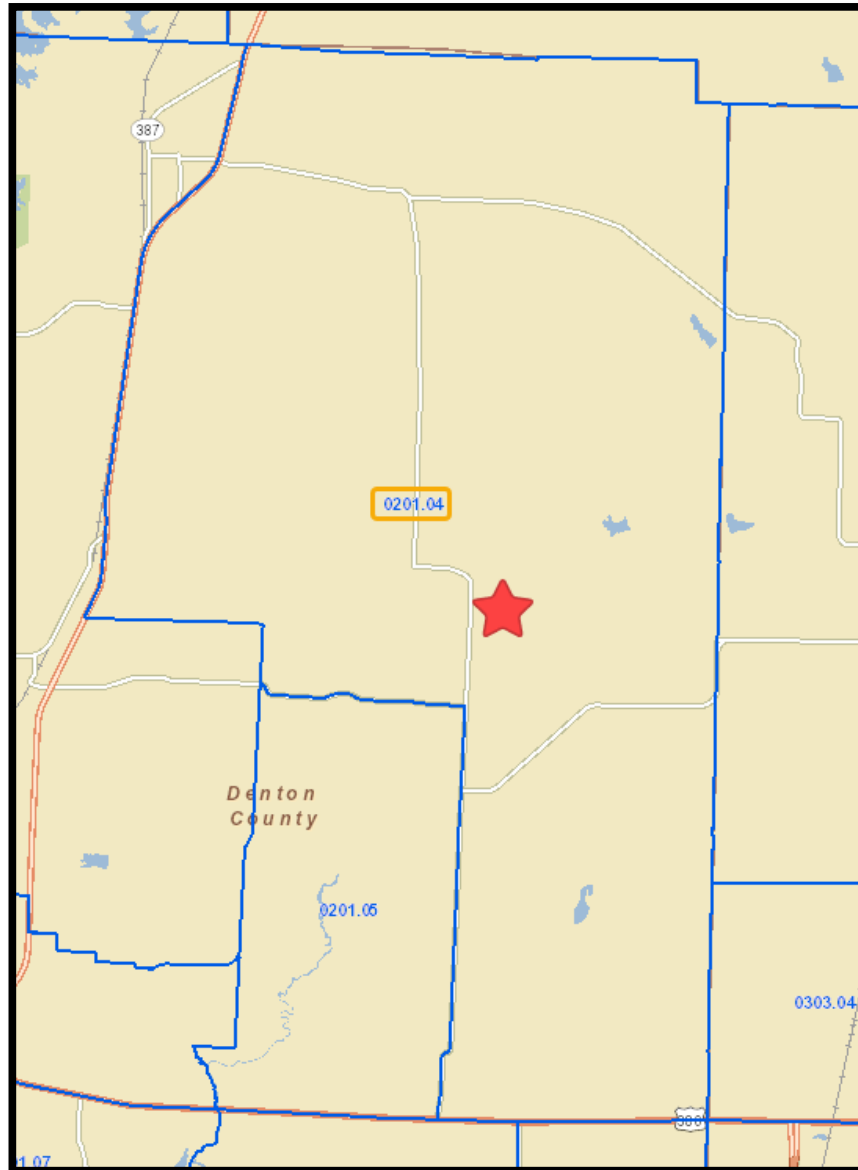
	2 Miles	5 Miles
North	Bryson Ranch	FM 455
East	FM 428	City of Celina
South	Edgewood Creek	ArrowBrookeUnion Park/Windsong Ranch
West	Coffey Rd.	City of Aubrey

Mobberly Farms Public Improvement District


NEIGHBORHOOD DEMOGRAPHICS

The subject is located in census tract 0201.04 with the census report shown on the following page. The census tract report for 0201.04 indicates 3,679 people reside in the tract and income levels are in the upper tier with estimated median family incomes of \$120,123 compared to a Dallas-Plano-Irving MSA estimated median family income of \$89,000. Within census tract 0201.04, approximately 79% of housing units are owner-occupied with 3% being renter-occupied and 18% being vacant. These housing and demographic statistics indicate upper income residents who tend to live in exurban communities.

Census Tract 0201.04 Map



Tract 0201.04 Census Report

	
2021 FFIEC Geocode Census Report	
Address: Selected Tract	
MSA: 19124 - DALLAS-PLANO-IRVING, TX	
State: 48 -	
County: 121 - DENTON COUNTY	
Tract Code: 0201.04	
Summary Census Demographic Information	
Tract Income Level	Upper
Underserved or Distressed Tract	No
2021 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$89,000
2021 Estimated Tract Median Family Income	\$120,123
2010 Tract Median Family Income	\$96,033
Tract Median Family Income %	134.97
Tract Population	3679
Tract Minority %	23.54
Tract Minority Population	866
Owner-Occupied Units	1167
1- to 4- Family Units	1487
Census Income Information	
Tract Income Level	Upper
2010 MSA/MD/statewide non-MSA/MD Median Family Income	\$71,149
2021 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$89,000
% below Poverty Line	1.28
Tract Median Family Income %	134.97
2010 Tract Median Family Income	\$96,033
2021 Estimated Tract Median Family Income	\$120,123
2010 Tract Median Household Income	\$89,500
Census Population Information	
Tract Population	3679
Tract Minority %	23.54
Number of Families	1011
Number of Households	1214
Non-Hispanic White Population	2813
Tract Minority Population	866
American Indian Population	0
Asian/Hawaiian/Pacific Islander Population	0
Black Population	221
Hispanic Population	645
Other/Two or More Races Population	0
Census Housing Information	
Total Housing Units	1487
1- to 4- Family Units	1487
Median House Age (Years)	16
Owner-Occupied Units	1167
Renter Occupied Units	47
Owner Occupied 1- to 4- Family Units	1167
Inside Principal City?	NO
Vacant Units	273

Mobberly Farms Public Improvement District

DEMOGRAPHIC SUMMARY

Analytics from CoStar of the area is provided below. Within a 10-mile radius of the subject’s proposed development there are almost 200,000 people which represents an 85.3% (5.77% annual) increase in population since 2010 and highlights the growth that has occurred in this portion of the DFW Metroplex. The population growth is expected to accelerate in coming years and grow another 2.94% annually in the next five years. The median age of the same area is 34.8, compared to the median age nationally of 38.2 which indicates a relatively young labor supply pool. Median household incomes in the 10-mile radius are over \$120,000.

Population			
	2 mile	5 mile	10 mile
2010 Population	205	5,058	104,448
2021 Population	257	14,081	193,581
2026 Population Projection	288	16,615	223,763
Annual Growth 2010-2021	2.3%	16.2%	7.8%
Annual Growth 2021-2026	2.4%	3.6%	3.1%
Median Age	35.6	36	34.8
Bachelor's Degree or Higher	18%	43%	48%
U.S. Armed Forces	0	12	130

Income			
	2 mile	5 mile	10 mile
Avg Household Income	\$99,681	\$138,102	\$144,644
Median Household Income	\$112,500	\$120,602	\$121,538
< \$25,000	2	202	2,341
\$25,000 - 50,000	22	550	5,619
\$50,000 - 75,000	10	604	7,762
\$75,000 - 100,000	3	473	8,123
\$100,000 - 125,000	9	688	9,238
\$125,000 - 150,000	32	713	7,505
\$150,000 - 200,000	3	751	10,765
\$200,000+	2	811	12,255

Mobberly Farms Public Improvement District

EMPLOYMENT DATA

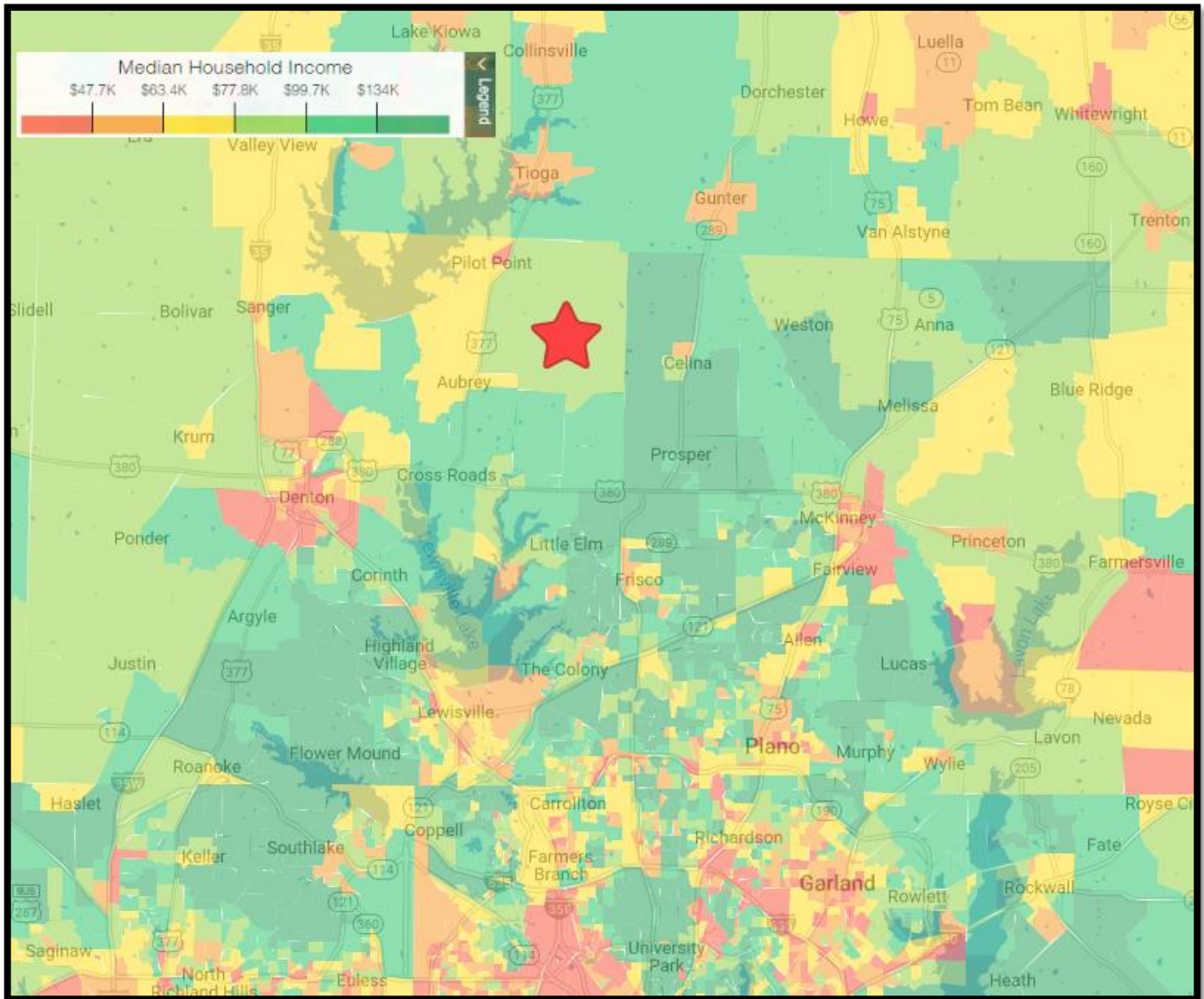
A table of the 5- and 10-mile radius employment figures are shown below. The numbers highlight the area's diverse economy with thousands of employees working in each of the represented employment sectors.

Daytime Employment			
Radius	5 mile		
	Employees	Businesses	Employees Per Business
Service-Producing Industries	752	130	6
Trade Transportation & Utilit...	123	28	4
Information	0	0	-
Financial Activities	32	12	3
Professional & Business Se...	135	32	4
Education & Health Services	276	18	15
Leisure & Hospitality	100	12	8
Other Services	80	27	3
Public Administration	6	1	6
Goods-Producing Industries	200	61	3
Natural Resources & Mining	18	7	3
Construction	142	46	3
Manufacturing	40	8	5
Total	952	191	5

Daytime Employment			
Radius	10 mile		
	Employees	Businesses	Employees Per Business
Service-Producing Industries	27,417	3,786	7
Trade Transportation & Utilit...	5,652	688	8
Information	549	73	8
Financial Activities	2,342	508	5
Professional & Business Se...	2,683	600	4
Education & Health Services	8,080	912	9
Leisure & Hospitality	5,204	427	12
Other Services	2,279	538	4
Public Administration	628	40	16
Goods-Producing Industries	3,874	644	6
Natural Resources & Mining	179	53	3
Construction	2,674	478	6
Manufacturing	1,021	113	9
Total	31,291	4,430	7

Mobberly Farms Public Improvement District

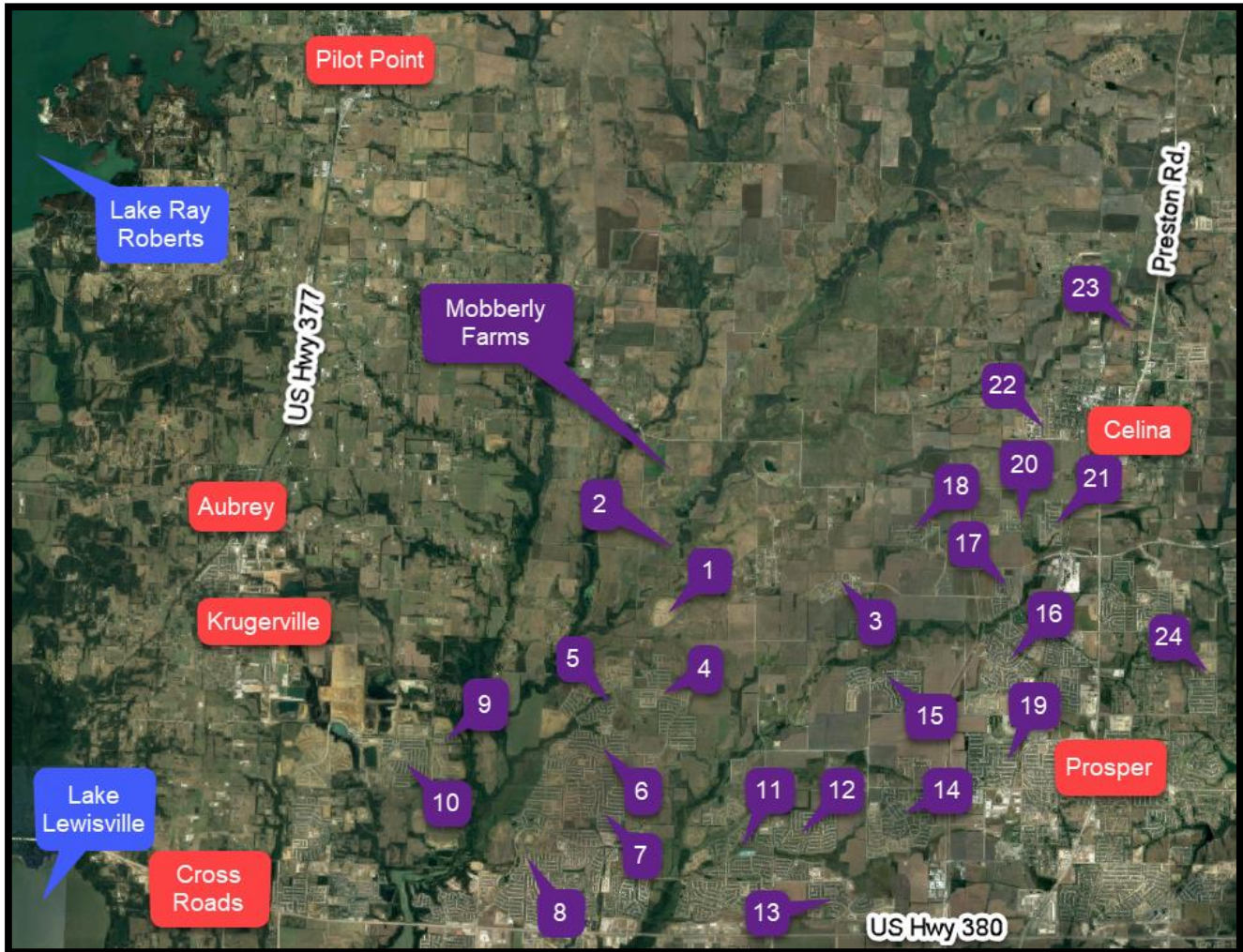
CoStar Analytics – Map of Median Household Income



Mobberly Farms Public Improvement District

Map of Notable Nearby Developing Residential Subdivisions

The area surrounding the subject property has been developed in the past decade predominantly with single-family residential subdivisions and community commercial uses. As will be shown when analyzing data from Zonda, the pace of development has accelerated in this area over the past five years as vacant land close to the largest cities in the Metroplex becomes more scarce. The following map shows residential subdivisions that have been developed or are in the process of development.

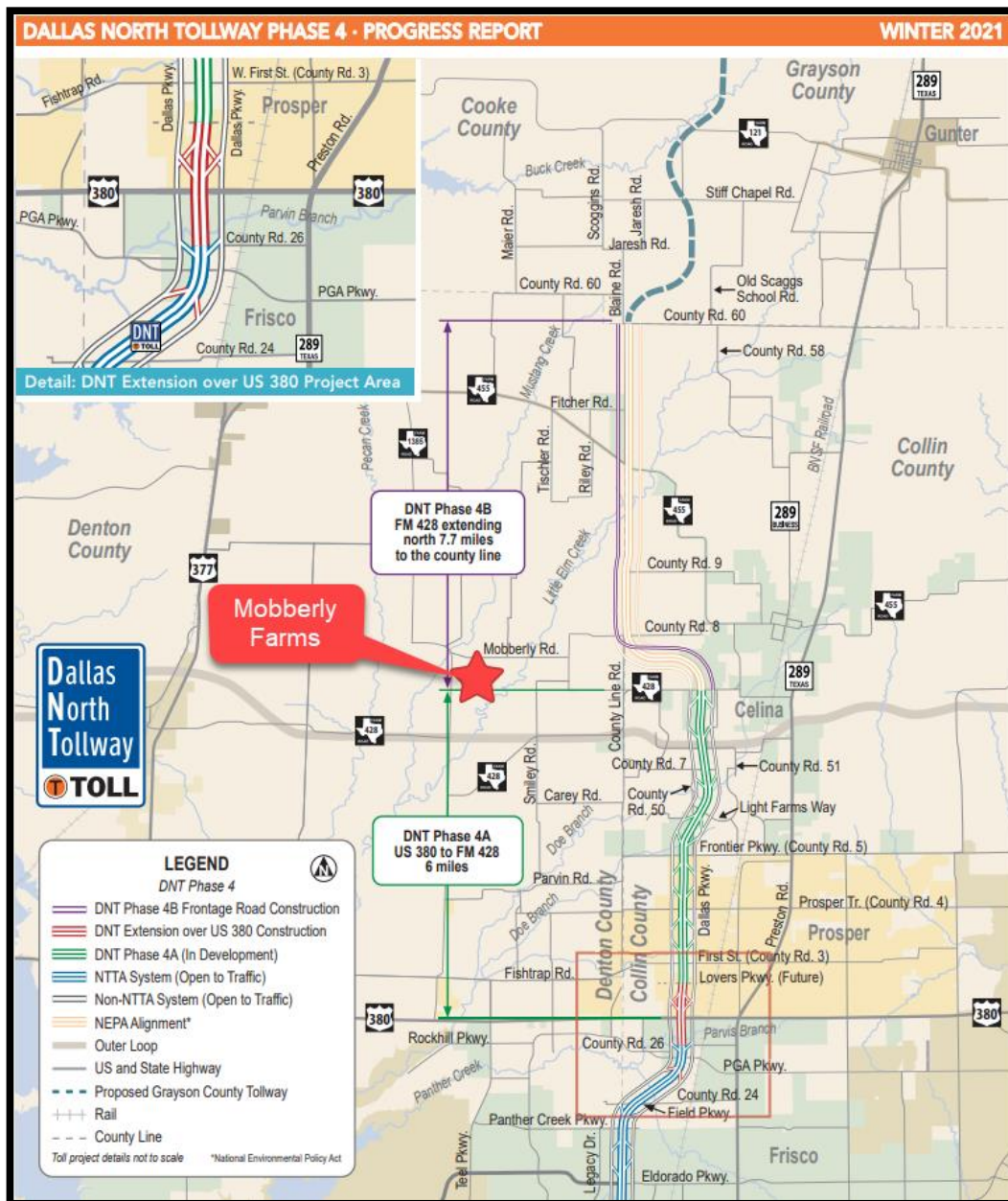


MAP KEY					
1	Edgewood Creek	9	Aspen Meadows	17	The Columns
2	Creekview Meadows	10	Silverado	18	Cambridge Crossing
3	Green Meadows	11	Windsong Ranch	19	Lakes of Prosper
4	Sutton Field	12	Artesia	20	Greenway
5	Sandbrock Ranch	13	Lakes at Legacy	21	Glen Crossing
6	Winn Ridge	14	Star Trail	22	Parkside
7	Arrowbrooke	15	Creeks of Legacy	23	La Terra
8	Union Park	16	Light Farms	24	Lilyana

Mobberly Farms Public Improvement District

DALLAS NORTH TOLLWAY (DNT) EXTENSION – PHASE 4

The DNT Phase 4 project will extend the tollway 13.7 miles north of US 380. When this extension is complete, there will be a direct link between Downtown Dallas and the growing communities in Collin, Denton, and Grayson Counties. The extension will be a limited access toll road with 6 main lanes and 4 frontage road lanes. Deck pours are complete for the main lane bridges for the extension over US 380 and retaining walls for the new northbound ramps are under construction. In December 2021, the NTTA approved design engineering services for the DNT Phase 4A main lane extension from US 380 to FM 428. A map of the current progress from Winter 2021 is shown below:

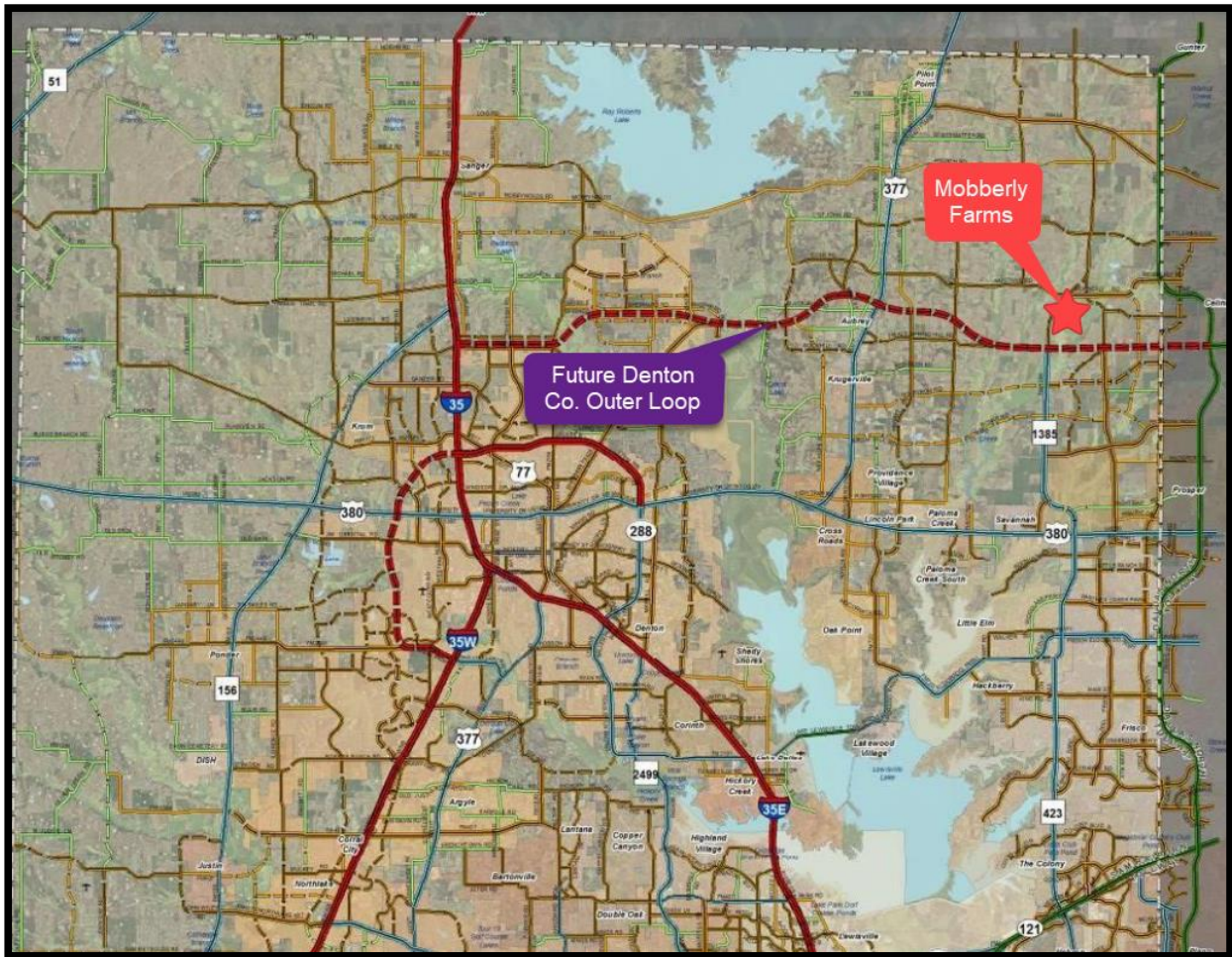


Mobberly Farms Public Improvement District

DENTON COUNTY OUTER LOOP

The Denton County Outer Loop is in the development stages and was considered in the Denton County Thoroughfare Plan (DCTP) developed by Freese Nichols in 2017. The DCTP was developed to serve as a guide for the identification and implementation of long-range transportation investments in Denton County. The Thoroughfare Plan utilized data analytics to forecast the population growth for the county through 2035 and establish recommendations for how those areas should lay out transportation networks.

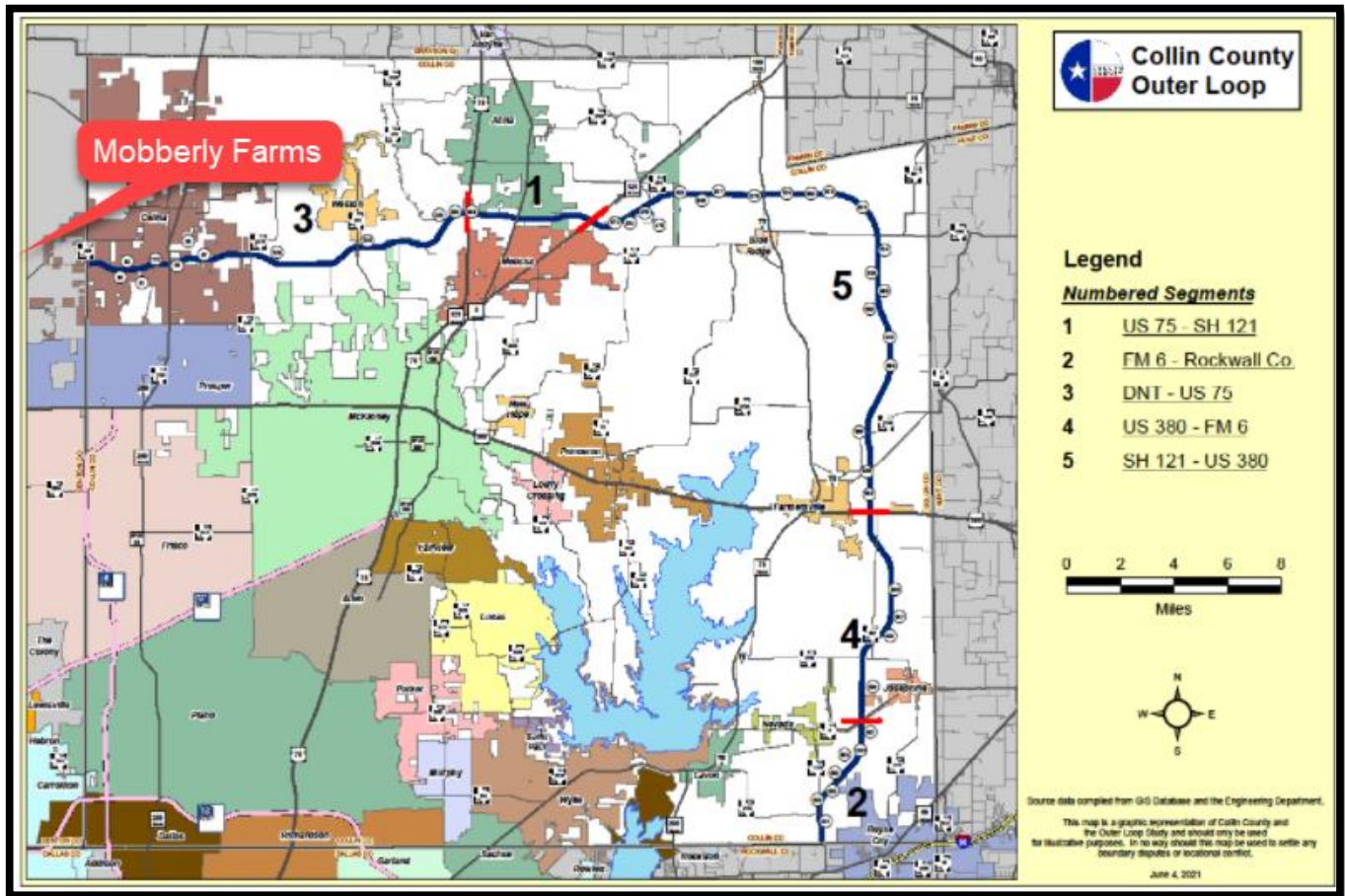
The DCTP identified that east-west mobility in Denton County is significantly interrupted by Lake Lewisville, Lake Ray Roberts, and Lake Grapevine. The mobility constraint imposed by the three significant lakes constrain east-west connectivity between major north-south highways leading to few route alternatives and notable overloading of those major highways, particularly US 380. To that end, the concept for an outer loop north of US 380 has been considered regionally for many years. Collin County, to the east, has a Thoroughfare Plan that includes as Outer Loop (shown on the following page), as does Rockwall County which is further east. The DCTP has strongly recommended developing the Outer Loop as a 6-lane highway, similar to the Collin County plan, with interchanges at I-35, FM 2164, FM 428, US 377, FM 2951, FM 1385, and Teel Pkwy. While development of the Outer Loop is still many years away, the subject property stands to be ideally located to be served by the Outer Loop. This would place Mobberly Farms just north of the Outer Loop and with excellent accessibility to the DNT, Preston Road, US 377, and I-35. A map of the future Denton Co. Outer Loop is shown below that was taken from the Denton County Thoroughfare Plan:



Mobberly Farms Public Improvement District

COLLIN COUNTY OUTER LOOP

Although the subject property is within Denton County, the location is approximately 3 miles west of the Collin County boundary and also 3 miles from the terminus of the planned Collin County Outer Loop. The Collin County Outer Loop is a 55-mile planned multi-modal transportation thoroughfare that will ultimately go from the Denton/Collin County line and loop to the Rockwall/Collin County line. The project will run through cities including Celina, Weston, Anna, Melissa, Farmersville, Josephine and Royse City. The project will include a freeway with a wide area in the center reserved as a future rail corridor.



The planning evident in the construction of the Collin County Outer Loop reveals that this area is in the growth stage of development and is primed for booming expansion in coming decades. While the subject property is not along the Collin County Outer Loop route, the subject property will no doubt benefit from the proximity to this major project in coming decades as it links areas of North DFW.

ABSORPTION ANALYSIS

RESIDENTIAL ANALYSIS

The subject property's proposed improved lots are in IA#1 and IA#2 of a master-planned community that has detached, single-family residences. The subject property is currently in the ETJ of Pilot Point and is expected to be annexed in the next year. There is a Development Agreement in place between the City of Pilot Point and the owner, MM Mobberly 236 LLC and MM Mobberly 13, LLC which are controlled by the developer, Centurion American.

When analyzing the financially feasible and maximally productive use of the site, uses that are both physically possible and legally permissible must be considered. An important factor affecting development of the subject is the surrounding land usage. For the subject property, the primary potential use is considered to be single-family residential development as that conforms to recent land development in the competing area. The neighborhood is predominantly vacant land to the north with newer residential subdivisions in the process of planning and buildout stages to the south which is closer to the population centers of DFW.

Since the global recession in 2008, the residential real estate market in this area of North Texas has continuously improved. Uncertainty and business interruption caused by the COVID-19 Pandemic in 2020 and 2021 has led to supply constraints in the single-family residential market which has been upward pressure on residential building costs. Low interest rates have persisted nationally and with large numbers of in-migration and an abundance of steady jobs, prices for real estate – especially residential – have increased significantly. The pool of homebuyers has increased due to in migration from other states, a growing and resilient regional economy, and movement from urban areas to suburban areas as a result of the COVID-19 Pandemic.

Demand from builders for vacant developed lots (VDLs) for is high due to the aforementioned demand, a constrained supply of homes, and relatively low interest rates. Material and labor shortages have been well-publicized since 2021 and are expected to continue with some easing in 2022 but labor and material costs are expected to remain higher than typical and interest rates as forecast to rise in 2022 as the Fed attempts to mitigate inflation. Still, in DFW builders cannot turn lots into rooftops quickly enough to satisfy demand, so home prices have continued to rise. Additionally, with the decline in the availability of vacant developable land, population growth has quickly expanded into the outlying suburban and rural areas of the DFW Metroplex such as the 380 Corridor. Developable residential land in DFW with good access to the Metroplex is in high demand with developments moving ever further away from the Dallas and Fort Worth CBDs.

Based on the preceding, the proposed absorption of single-family home lots in the subject's neighborhood will be analyzed using historical absorption data provided by Zonda (Metrostudy) as well as information obtained from area market participants and developers. It is important to note that our absorption data is based on historical trends and current available data. Since the first residential lots in IA#1 are not scheduled to be complete until April 2022 with IA#2 following in July 2023, we will analyze the historical trends and attempt to forecast the absorption rates based off data, analytics, and our conversations with developers in the market.

We determined a 5-mile radius around the subject property was suitable for our absorption analysis as the competitive supply of homes and lots would be within this area. This area includes communities in Aubrey, Celina, and Prosper as well as communities in unincorporated Denton County. A map of our selected market area with competing subdivisions is shown on the following page:

Mobberly Farms Public Improvement District

5-Mile Radius – Zonda (Metrostudy)
Subdivisions with Current and Future Lot Activity



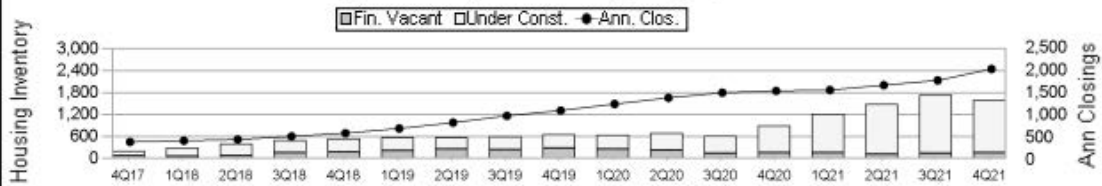
MAP KEY			
1) Keeneland	8) Sutton Fields	14) Green Meadows	20) Cambridge Crossing
2) Belmont Aspen	9) Edgewood Creek Green Meadows	15) Mosaic	21) La Terra
3) Meadows	10) Townhomes West Celina 86	16) Mosaic Townhome Creeks of Legacy	22) The Columns
4) Saratoga Sandbrook	11) Townhomes	17) West Legacy Creek	23) Light Farms
5) Ranch	12) West Celina 86	18) Estates	24) Greenway
6) Winn Ridge	13) Meadow Vista	19) Creeks of Legacy	25) Parkside
7) ArrowBrooke			

5-Mile Radius – Zonda (Metrostudy)

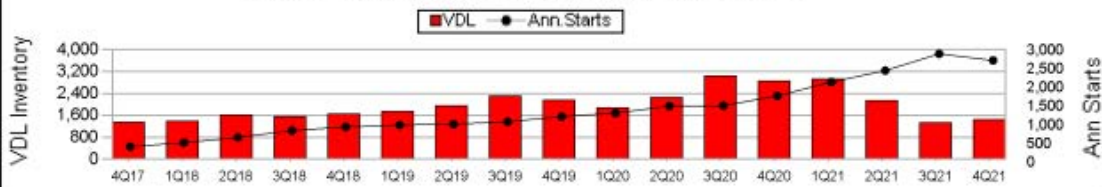
Historical Housing Activity Summary
Mobberly Farms

Qtr	Qtr Clos	Ann Clos	Model	FinVac	UC	Total Inv	Total Supply	Qtr Starts	Ann Starts	VDL	VDL Supply	Fut Lots	Ann Lot Deliv
4Q17	111	400	13	74	135	222	6.7	129	423	1,364	38.7	11,596	1,149
1Q18	93	427	18	61	225	304	8.5	175	528	1,402	31.9	11,396	1,361
2Q18	136	454	19	74	329	422	11.2	254	671	1,622	29.0	10,798	1,564
3Q18	185	525	33	160	341	534	12.2	297	855	1,569	22.0	13,443	1,465
4Q18	181	595	37	177	363	577	11.6	224	950	1,666	21.0	13,569	1,252
1Q19	198	700	39	223	343	605	10.4	226	1,001	1,759	21.1	13,217	1,358
2Q19	266	830	45	255	320	620	9.0	281	1,028	1,964	22.9	12,844	1,370
3Q19	337	982	47	240	355	642	7.8	359	1,090	2,322	25.6	12,036	1,843
4Q19	300	1,101	49	282	374	705	7.7	363	1,229	2,163	21.1	12,292	1,726
1Q20	343	1,246	47	254	379	680	6.5	318	1,321	1,879	17.1	12,138	1,441
2Q20	404	1,384	48	224	473	745	6.5	469	1,509	2,267	18.0	11,095	1,812
3Q20	451	1,498	51	149	465	665	5.3	371	1,521	3,046	24.0	10,809	2,245
4Q20	340	1,538	55	162	735	952	7.4	627	1,785	2,866	19.3	10,309	2,488
1Q21	362	1,557	54	164	1,056	1,274	9.8	684	2,151	2,940	16.4	12,204	3,212
2Q21	514	1,667	56	118	1,365	1,539	11.1	779	2,461	2,150	10.5	12,715	2,344
3Q21	557	1,773	57	148	1,595	1,800	12.2	818	2,908	1,332	5.5	14,852	1,194
4Q21	595	2,028	58	163	1,435	1,656	9.8	451	2,732	1,458	6.4	14,384	1,324

Housing Inventory and Closings By Quarter



Vacant Developed Lots and Starts By Quarter



Future Lots and Deliveries By Quarter



Dallas/Ft. Worth Residential Survey (4Q21)
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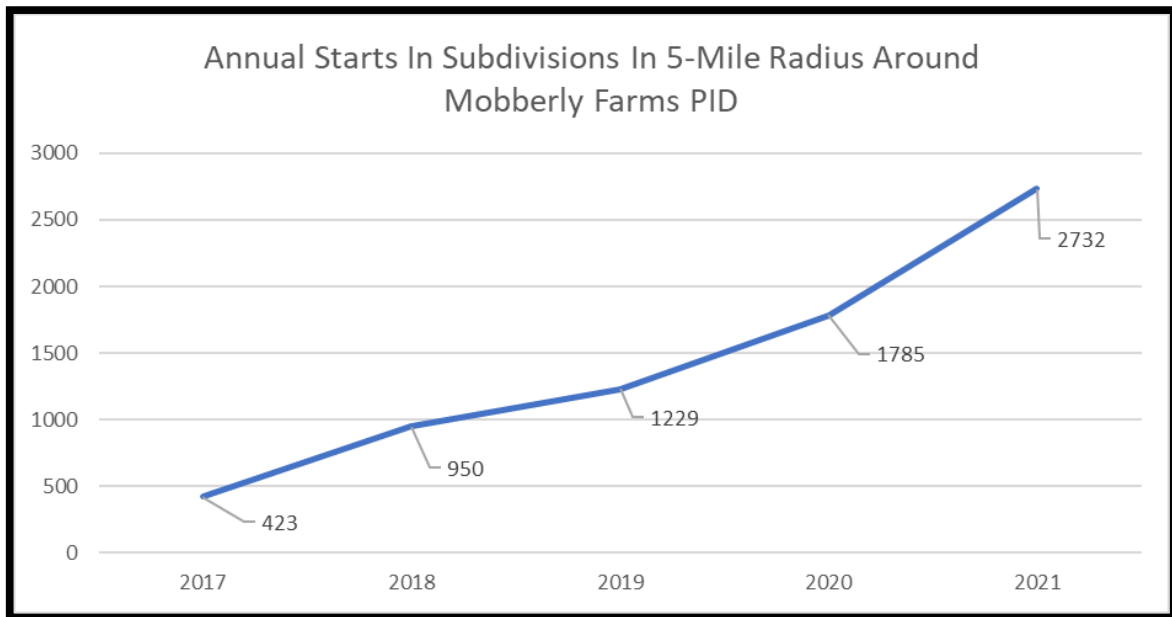
The following chart provided by Metrostudy summarizes historical lot absorption from the past several years for the defined market area around the subject property between Pilot Point, Aubrey, Celina, and Prosper.

DEFINED SUBMARKET AREA

As shown in the previous chart, the absorption of lots (determined from home construction starts) within the selected area has been significantly increasing from 2017 to 2021 as residential subdivisions expand onto vacant land in North Denton and Collin Counties. According to Zonda (Metrostudy), the selected area absorbed the following total homes/lots year-over-year from 2017 to 2021:

- 4Q2017 – 423 lots absorbed
- 4Q2018 – 950 lots absorbed
- 4Q2019 – 1,229 lots absorbed
- 4Q2020 – 1,785 lots absorbed
- 4Q2021 – 2,732 lots absorbed

From 2017-2021, the *annual average* of lots absorbed was 1,424 lots **with a trend that is accelerating**. Utilizing the more recent 24-month absorption of lots (4Q2020 to 4Q2021), the annual average of lots absorbed almost increases to 2,259 lots absorbed in the area. We have compiled a graph of the lots absorbed over the past 5 years below:



COMPETITIVE SUPPLY (VACANT DEVELOPED LOT INVENTORY)

According to Zonda (Metrostudy), the existing supply of available housing is presently below ideal levels in the submarket as the number of VDLs in the area has trended lower since 1Q2020 from a high of 5,076 to a present supply of 3,702 in 4Q2021.

Based upon the Metrostudy absorption figures of the past 5 years, there is currently only an approximate 12 month (1,458 lots / 1,424 annual starts = ~1-year) total supply of existing lots available in the submarket. This total supply is considered to be well below the ideal lot supply levels of 2.0 to 2.5 years, per Metrostudy. Furthermore, when utilizing the more current 12-month absorption average of 2,732 annual starts, the total supply

Mobberly Farms Public Improvement District

of existing lots available in the subject’s defined area decreases further to only 6 months (1,458 lots / 2,732 annual starts = ~0.5-years), which is well below optimum lot supply levels in the submarket.

Thus, the total lot supply within the subject’s submarket is estimated to be between ~0.5- to ~1.0-year. Currently, this total lot supply is considered to be considerably **below** the ideal supply levels for a significantly developing market. Also, taking into consideration that new developments require a typical 9-to-12-month construction period, *with increasing demand and declining lot supply, it appears that additional lot product in the submarket is feasible and needed at the current time.*

Note: A threat to the pace of lot developed may be forecasted interest rate increases and concerns about the global economy which may price new buyers out of the single-family residential market. In addition, supply chain issues may limit starts on the VDLs; however, we believe the relative stability of the North Texas real estate market will serve to smooth out more global economic trends.

Having considered the supply of lots in the market, it is now prudent to examine the absorption history of specific competing subdivisions in the subject’s market area with similar lot features and amenities relative to the subject to determine the projected absorption and feasibility of the subject’s proposed lots as follows.

ABSORPTION ANALYSIS – 40’ AND 50’ LOTS IN IA#1

The similarities considered to be most important are lot size, home price range, and amenity features. The tables that follow detail the active subdivisions, including the subject’s subdivision, that are considered to compete with the subject’s lots. All data is per Zonda (Metrostudy) as of 4Q2021.

Lot Type 1 - 40’ Lots in Improvement Area #1

We included data for lots between 40’ and 45’ within our 5-mile radius. 40’ lots are relatively small and less common compared to other lots in the vicinity which are most often 50’ lots (over 50% of annual starts and VDLs are 50’, according to Zonda. Only approximately 10% of annual starts and approximately 5% of VDLs are 40’ or 45’ lots, according to Zonda.

We determined the best four comparable absorption schedules at nearby communities indicated the average Starts/Month is between 2.6 to 12.0 with an average of 6.5 starts/month as shown in the table below. There are relatively few 40’s on the market with less than a month’s supply. Due to the lack of inventory in the market and strong demand, we believe there will be ample demand for 40’ lots from end-users and have concluded the absorption for 40’ lots will be on the high-end of our analysis; thus, we have considered **the subject property’s 40’ lots in IA#1 would likely absorb on 12 lots/month, or approximately 36 lots per quarter.**

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Starts /Month	Available Supply (Months)
Greenway	40	7	34	6	5.7	1.2
Light Farms/Sweetwater	45	2	31	12	2.6	0.8
The Columns	40	5	144	12	12.0	0.4
Sandbrock Ranch	45	0	68	12	5.7	0.0
AVERAGE		3.5	69.3	10.5	6.5	0.6

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Lot Type 2 - 50' Lots in Improvement Area #1

We included data for only 50' lots within our 5-mile radius. As these lots are the most common developed lots in the vicinity, there is ample data for concluding the absorption of 50' lots which are shown in the table below:

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Starts /Month	Available Supply (Months)
Sutton Fields	50	237	186	12	15.5	15.3
Green Meadows	50	86	61	3	20.3	4.2
ArrowBrooke	50	143	232	12	19.3	7.4
Winn Ridge	50	42	349	12	29.1	1.4
Cambridge Crossing	50	58	85	12	7.1	8.2
Aspen Meadows	50	131	124	18	6.9	19.0
AVERAGE		116.2	172.8	11.5	16.4	9.3

We determined the best six comparable absorption schedules at nearby communities indicated the average Starts/Month is between 6.9 and 29.1 with an average of 16.4 starts/month and a median of 17.4 l starts/month. Due to the lack of inventory in the market and strong demand which has been increasing in recent years, we believe there will be ample demand for 50' lots from end-users and have concluded the absorption for 50' lots slightly higher than the average and median and considered **the subject property's 50' lots in IA#1 would likely absorb 18 lots/month, or approximately 54 lots per quarter.**

Absorption Summary Projection: IA#1 (Phase 1, 40's & 50's)

Based on the preceding, we estimate that lots in Phase 1 will sell at approximately 36 lots/quarter for 40' lots and 54 lots/quarter for 50' lots **with absorption beginning April 2022**. An Absorption Summary Projection for both lots is shown in the table below for the 486 lots in Phase 1:

Projected Quarterly Absorption Summary - IA#1 (Phase 1 - 486 Lots)						
Lot Type	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23
40' Lots	36	36	36	36	36	36
50' Lots	54	54	54	12	-	-
Total	90	90	90	48	36	36

	Oct-23	Jan-24	Apr-24	TOTAL
▶▶	36	36	24	312
	-	-	-	174
	36	36	24	486

The total absorption period for 40' lots is expected to be 26 months (312 lots ÷ 36 lots/quarter), and lots are expected to sell out in May 2024. The total absorption period for 50' lots is expected to be just over 10 months (174 lots ÷ 54 lots/quarter), and lots are expected to be absorbed in January 2023.

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ABSORPTION ANALYSIS –40’ AND 50’ LOTS IN IA#2

Lots in IA#2 are expected to attain substantial completion and be ready for absorption in 4Q2023. While we expect approximately 100 - 40’ lots in IA#1 to be still be vacant by the time these lots are ready for absorption, we do not believe the absorption rate will slow because of the accelerating rate of development in the vicinity. Thus, we believe the rates we determined in our previous analysis for IA#1 will convey to IA#2 and **40’ lots in IA#2 will absorb at a rate of 36/quarter and 50’ lots in IA#2 will absorb at a rate of 54/quarter.**

Absorption Summary Projection: IA#2 (Phase 1G and 2, 40’ and 50’ Lots)

Based on the preceding, we estimate that 40’ lots in Phases 1G & 2 (IA#2) will sell at approximately 36 lots/quarter for 40’ lots and 54 lots/quarter for 50’ lots with absorption beginning at the estimated construction completion date of October 2023. An Absorption Summary Projection for both lots is shown in the table below for the 700 lots in Phases 3 & 5:

Projected Quarterly Absorption Summary - IA#2 (Phase 1 - 700 Lots)						
<i>Lot Type</i>	<i>Oct-23</i>	<i>Jan-24</i>	<i>Apr-24</i>	<i>Jul-24</i>	<i>Oct-24</i>	<i>Jan-25</i>
40' Lots	36	36	36	36	36	36
50' Lots	54	54	54	54	54	54
Total	90	90	90	90	90	90

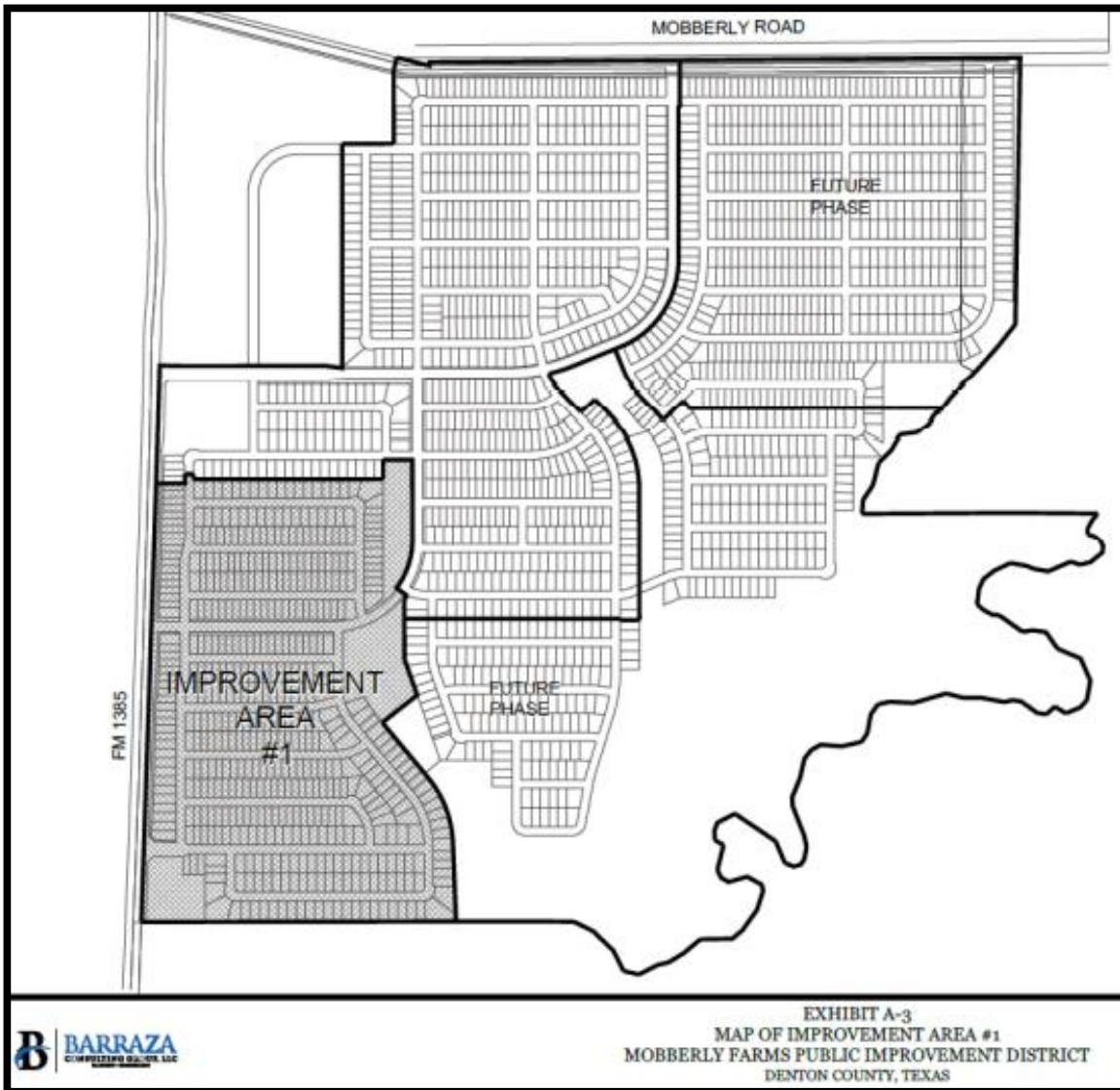
	<i>Apr-25</i>	<i>Jul-25</i>	<i>Oct-25</i>	<i>Jan-26</i>	<i>Apr-26</i>	TOTAL
▶▶▶	36	36	36	36	12	372
	4	-	-	-		328
	40	36	36	36	12	700

The total absorption period for 40’ lots is expected to be 31 months (372 lots ÷ 36 lots/quarter), and lots are expected to sell out in April 2026. The total absorption period for 50’ lots is expected to be just over 19 months (328 lots ÷ 54 lots/quarter), and lots are expected to be absorbed in April 2025.

SUBJECT PROPERTY ANALYSIS

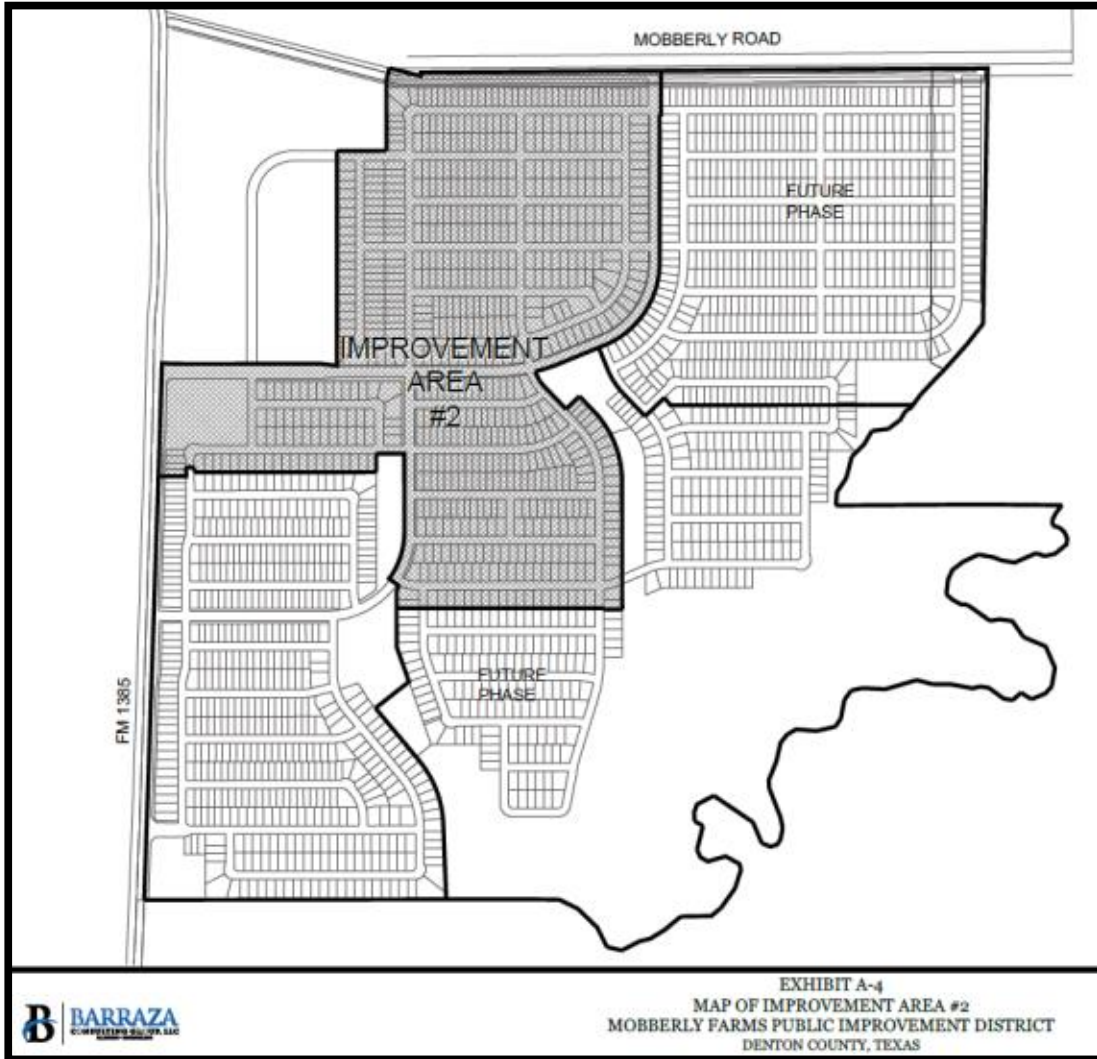
The following general descriptions of the subject’s characteristics are based on review of available maps and data sources, as well as our physical on-site observations. Please refer to copies of the maps, photographs, and renderings for a visual perspective of the subject’s physical characteristics.

Improvement Area #1 (IA#1) represents a total of approximately 91 acres in Phase 1 located within the PID at the southwest corner of the community. IA#1 includes 486 lots in total with 312 – 40’ lots and 174 – 50’ lots. These lots have significant master and direct improvement in place and will have construction complete by April 1, 2022. This portion of the development borders FM1385 but does not border Mobberly Road as shown below:



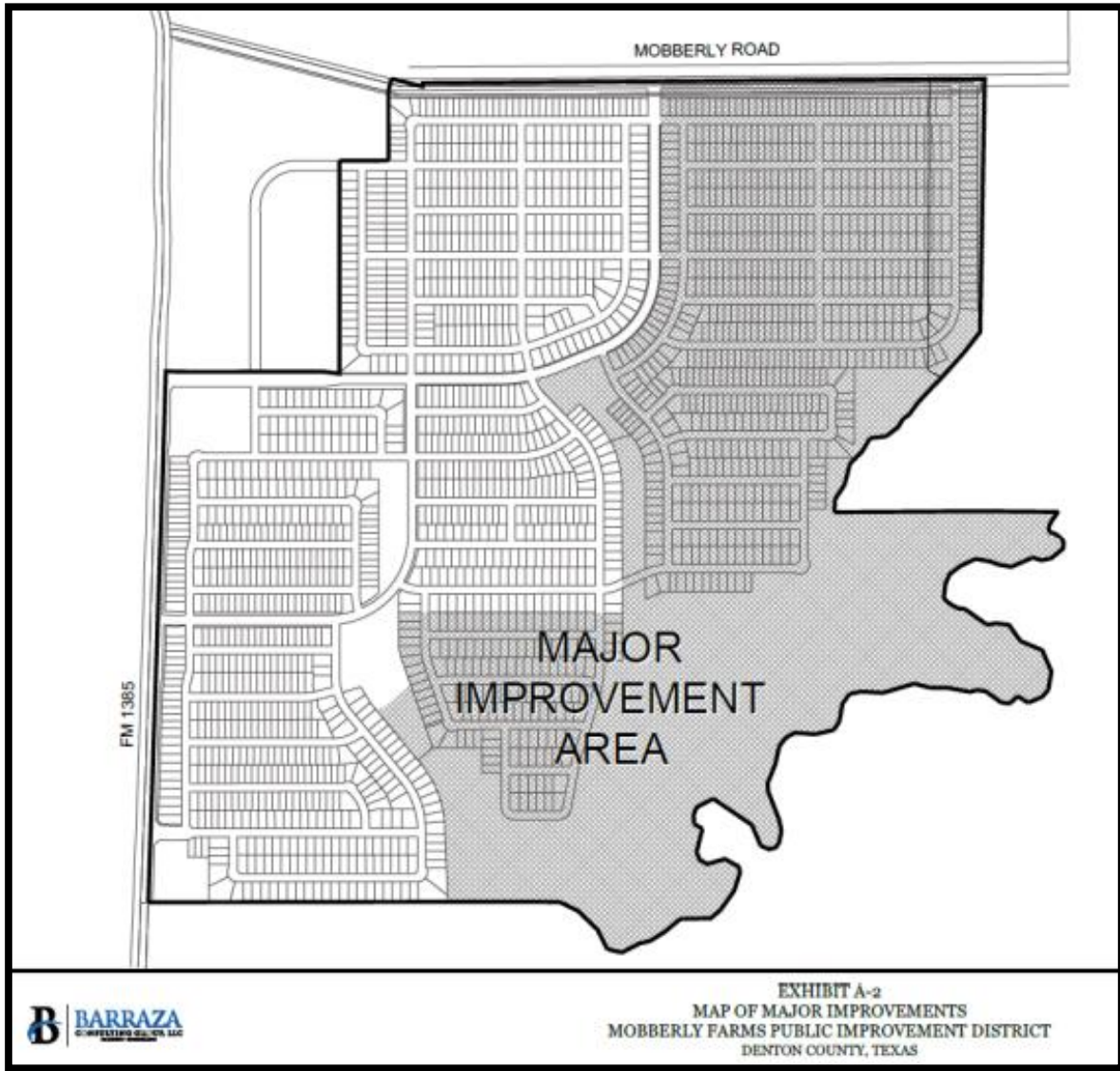
Mobberly Farms Public Improvement District

Improvement Area #2 (IA#2) represents a total of approximately 133 acres combining Phases 1G and 2 within the PID. Phase 1G is located east of Phase 1 and is generally located in the center of the development. Phase 2 is located toward the north of the community along Mobberly Road which will be widened and paved. An exhibit showing the two phases in IA#2 is shown below:



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The Major Improvement area represents a total of approximately 250 acres which encompass area of Phase 2G, 3G, and parts of the property that is with the floodplain of Little Elm Creek that are in floodplain (Flood Zone A) and the Floodway as designated by FEMA. The areas within Phase 2G and 3G will be developed with lots at a later date but will achieve “Paper Lot” status as a result of the major improvements and entitlements that will be in place as of the effective date of value. An exhibit of the Major Improvement Area is shown below with Little Elm Creek running along the southeast boundary.



Mobberly Farms Public Improvement District

Improvement Plan

Based on information provided by the owner/developer (Centurion American) and their engineer (Barraza Consulting Group) which was reviewed by the City of Pilot Point staff and third-party consultants, the City of Pilot Point has determined that the authorized improvements confer a special benefit on the subject 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. The budget for the project costs is as initially reported in the Service and Assessment Plan from P3 Works are shown in the Addenda under *Project Costs*.

The actual costs for the subject property are to be funded from the proceeds of Mobberly Farms PID bonds and from funds contributed by the Developer as described in the Service and Assessment Plan. A description of the improvements to the Major Improvements, IA#1, and IA#2 are as follows:

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 revegetation 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 necessary to provide storm drainage for all Lots within Improvement Area #1.

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, PID formation costs, legal fees, and consultant fees.

Mobberly Farms Public Improvement District

IMPROVEMENT AREA #2 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 revegetation of all disturbed areas within the right-of-way are included. The street improvements will provide benefit to each Lot within Improvement Area #2.

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 #2.

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 #2.

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 necessary to provide storm drainage for all Lots within Improvement Area #2.

Soft Costs

Costs related to designing, constructing, and installing the Improvement Area #2 Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, PID formation costs, legal fees, and consultant fees.

Mobberly Farms Public Improvement District

MAJOR 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 PID.

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 PID.

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 PID.

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 necessary to provide storm drainage for all Lots within the PID.

Soft Costs

Costs related to designing, constructing, and installing the Major Improvements including land planning and design, City fees, engineering, soil testing, survey, construction management, contingency, PID formation costs, legal fees, and consultant fees.

Mobberly Farms Public Improvement District

UTILITIES

Electricity to the property is provided by Oncor energy. Natural gas will be provided by Atmos Energy and is in place for IA#1 as of the report date. Water and sanitary sewer services will be provided by Mustang Special Utility District (SUD) which provides water and sewer to other residential communities along FM 1385 such as Arrowbrook, Sutton Fields, Sandbrock Ranch, and Winn Ridge.

We spoke with Colton Smith with Development Services at Mustang SUD and he confirmed there is a Municipal Service Agreement in place with the Mobberly Farms PID. He also confirmed that the fees to set up service were \$11,100 for each lot. These fees are paid by the Mobberly Farms builders which is not factored into the base price for the lot, thus skewing the base price per front foot lower than typical for the area.

Engineering plans provided by Kimley-Horn Engineering for the sanitary sewer, water, storms sewers/drainage and paving were provided to the appraisers and are excerpts are shown on Pages 50-55.

Telephone, fiber-optic, and internet is available through a variety of providers such as AT&T, Spectrum, SuddenLink, EarthLink, and Frontier.

ZONING

The subject property has been recently included in the City of Pilot Point ETJ which plans to annex the property in the near future. The developers of Mobberly Farms have a Development Agreement with the City of Pilot Point which states that the development will become part of a Planned Development (PD) with base zoning of SF-3 (Single-Family Residential District). The Development Agreement sets restrictions for items such as minimum floor areas, minimum lot sizes and depths, setbacks landscaping elements, exterior features, fences and walls, roofs, garages, appurtenances, and subdivision regulations.

EASEMENTS/ENCROACHMENTS

Preliminary plat surveys for the property were provided and are shown on the following pages. Based on the plats, our physical site visit, and review of available maps of surrounding area it is reasonable to suspect that there are typical setbacks and easements that exist on the property.

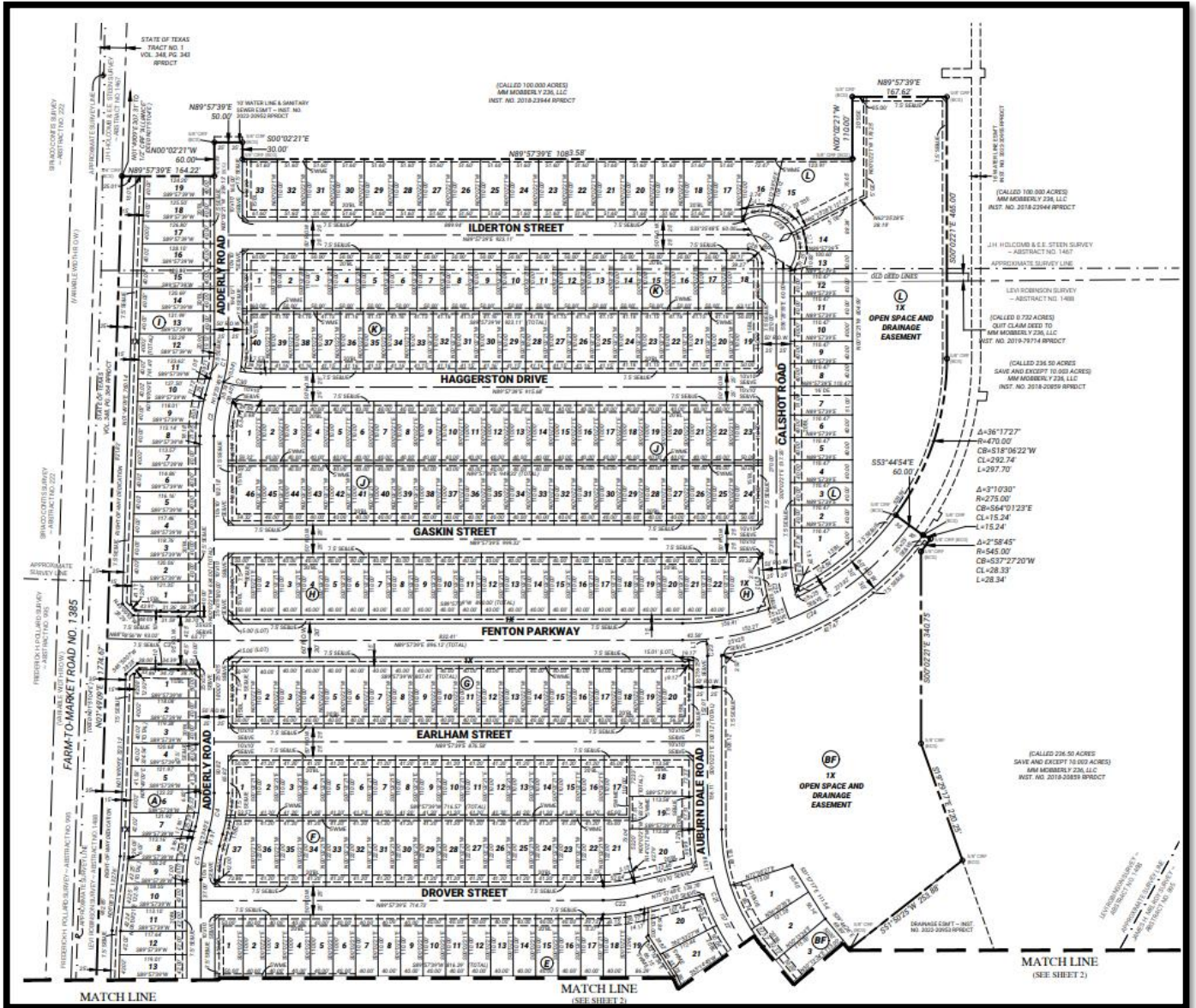
The appraisers assume the property is free from any detrimental easements or encroachments and specifically reserves the right to alter the conclusion of this analysis should a survey be provided that indicates detrimental easements or encroachments.

SOIL AND SUB-SOIL CONDITIONS

No soil engineer's report was available to the appraisers and no recent soil tests are known to have been performed. We have assumed a stable soil condition that would ensure the structural integrity of any improvement which is nor or may be constructed. As of the report date the developer has excavation and earthwork underway. Our value conclusions are subject to revision should assumptions that land is stable prove incorrect. We caution and advise the user of this report to obtain engineering studies which may be required to ascertain any structural integrity.

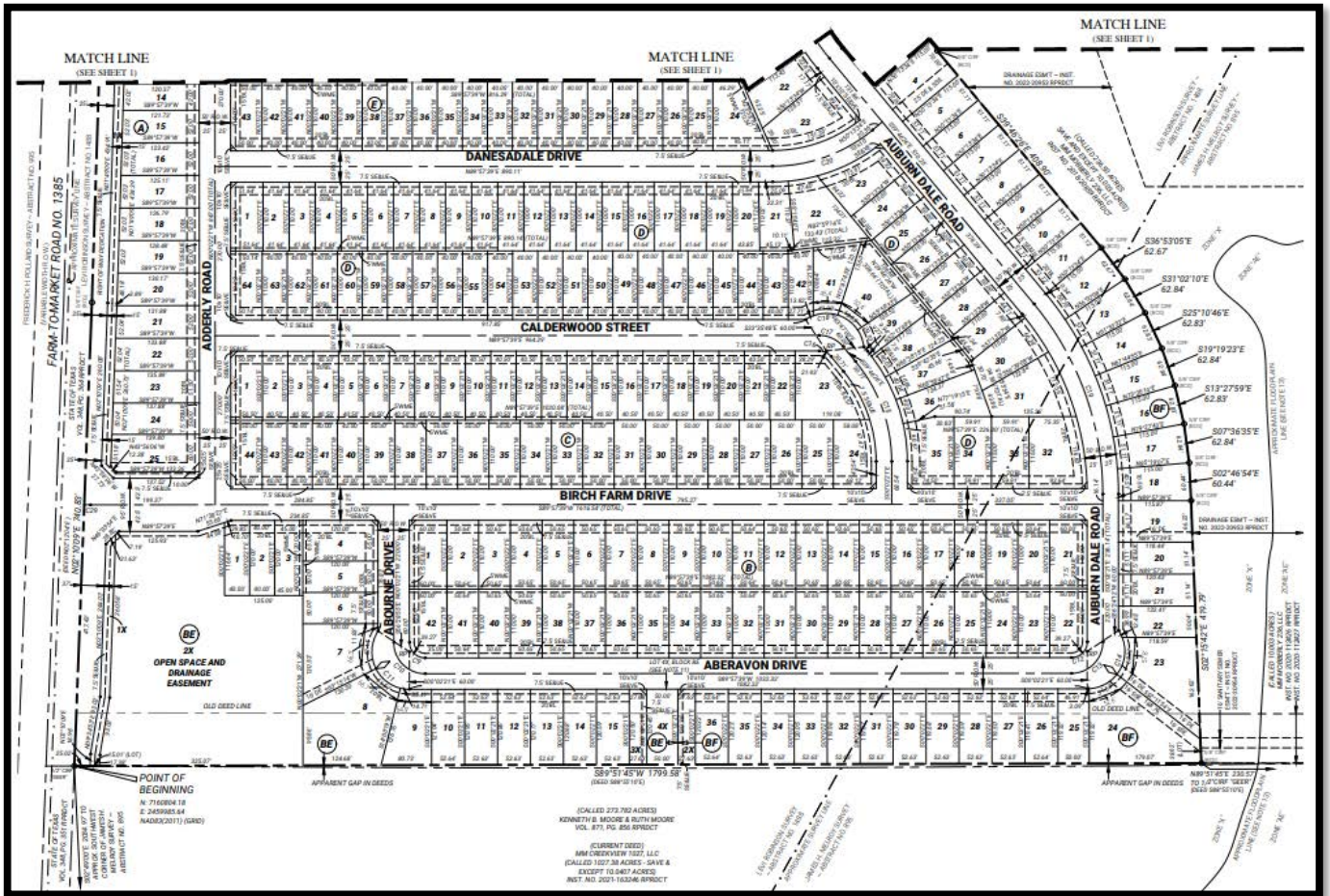
Mobberly Farms Public Improvement District

**Preliminary Plat (Barraza Consulting Group) – Phase 1
Sheet 1**

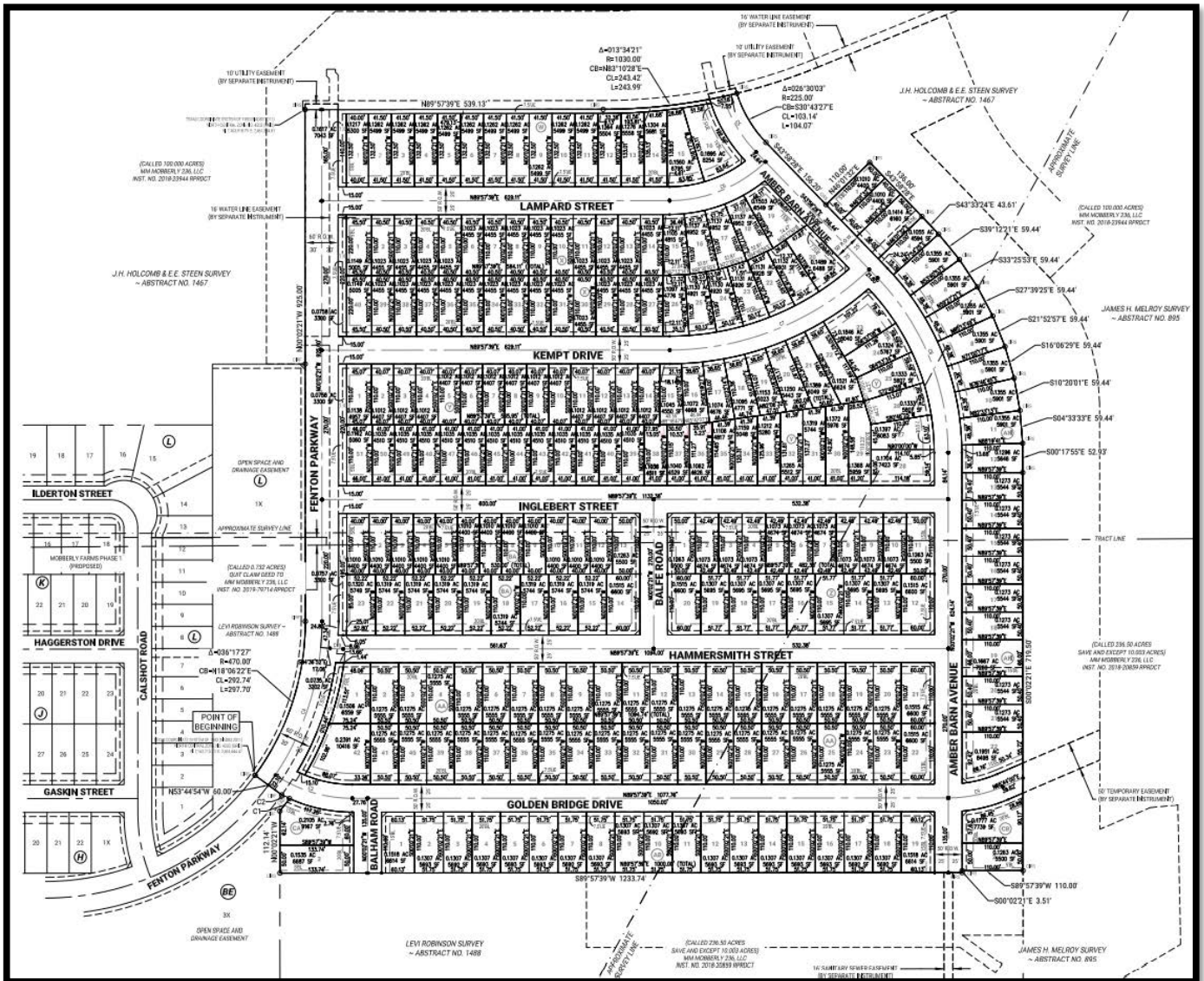


Mobberly Farms Public Improvement District

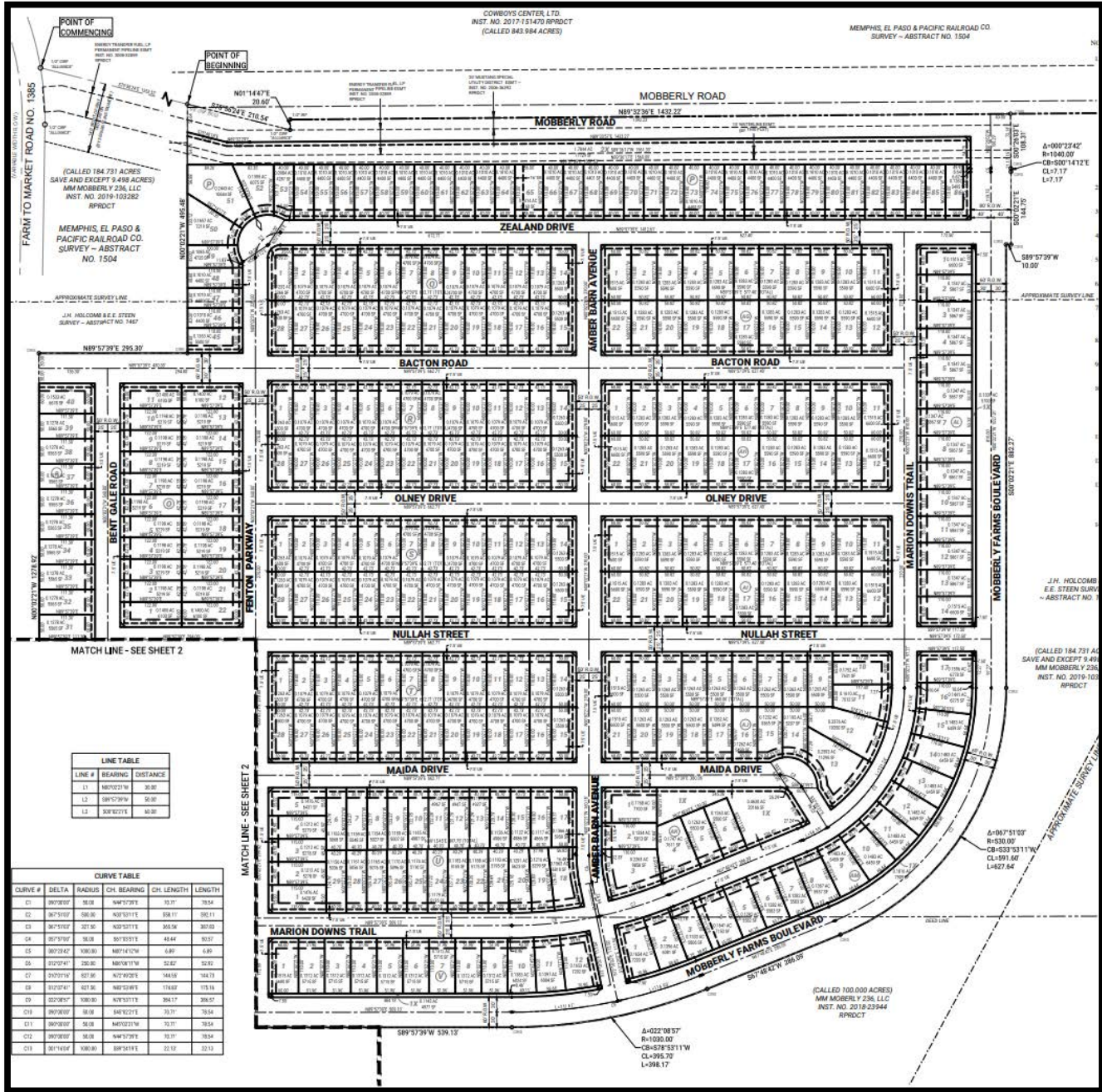
Preliminary Plat (Barraza Consulting Group) – Phase 1
Sheet 2



Preliminary Plat (Barraza Consulting Group) – Phase 1G

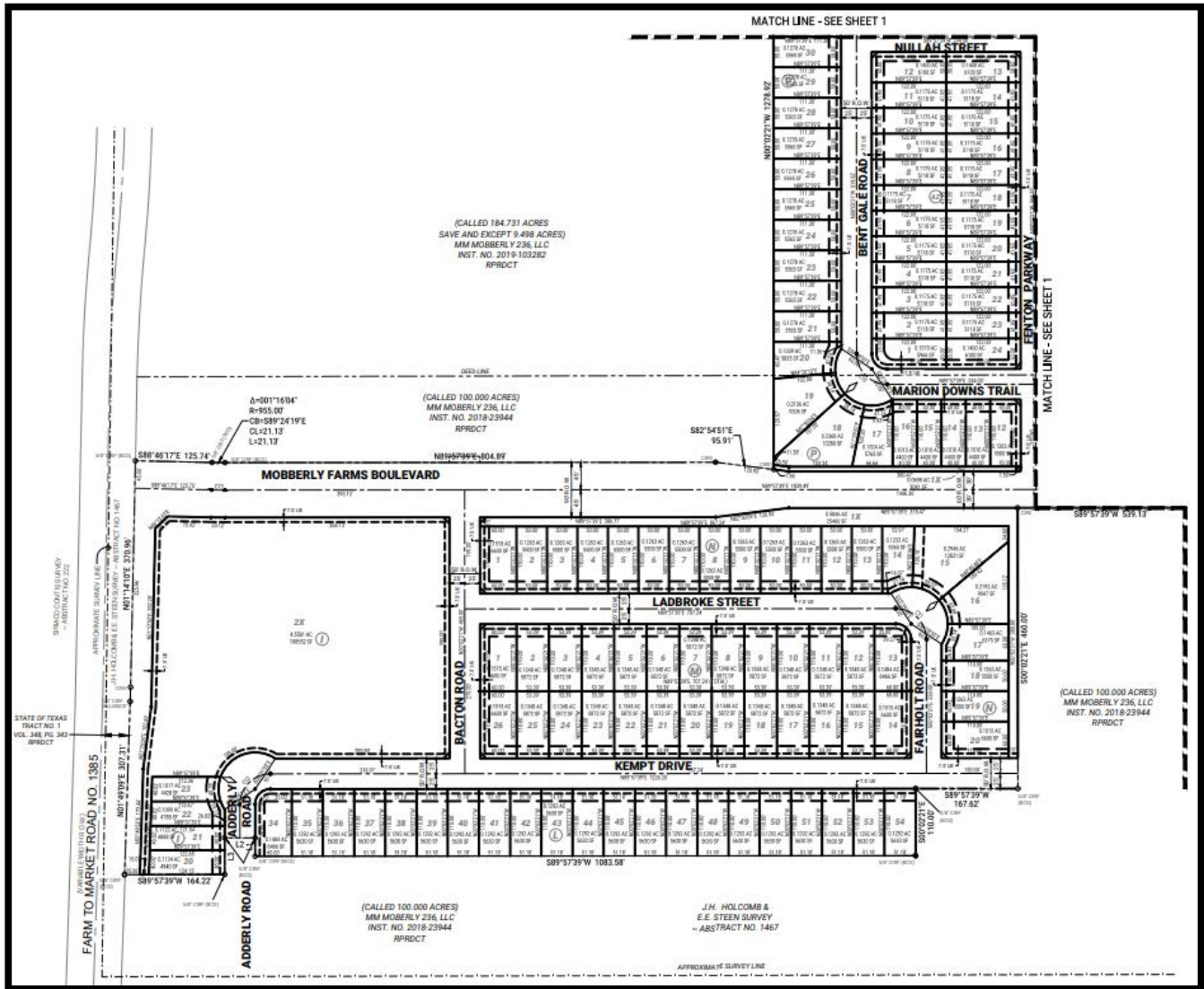


**Preliminary Plat (Barraza Consulting Group) – Phase 2
Sheet 1**

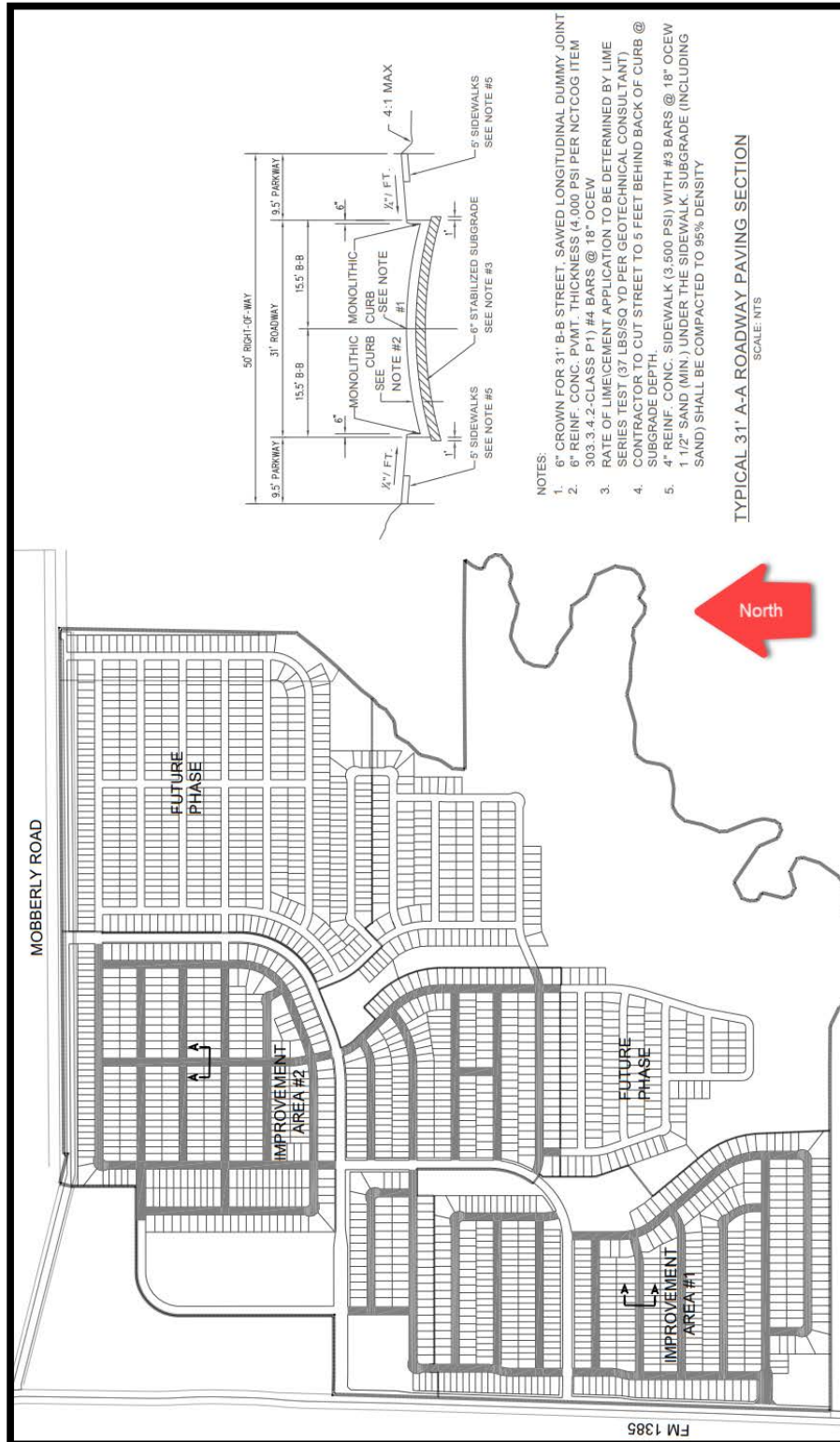


Mobberly Farms Public Improvement District

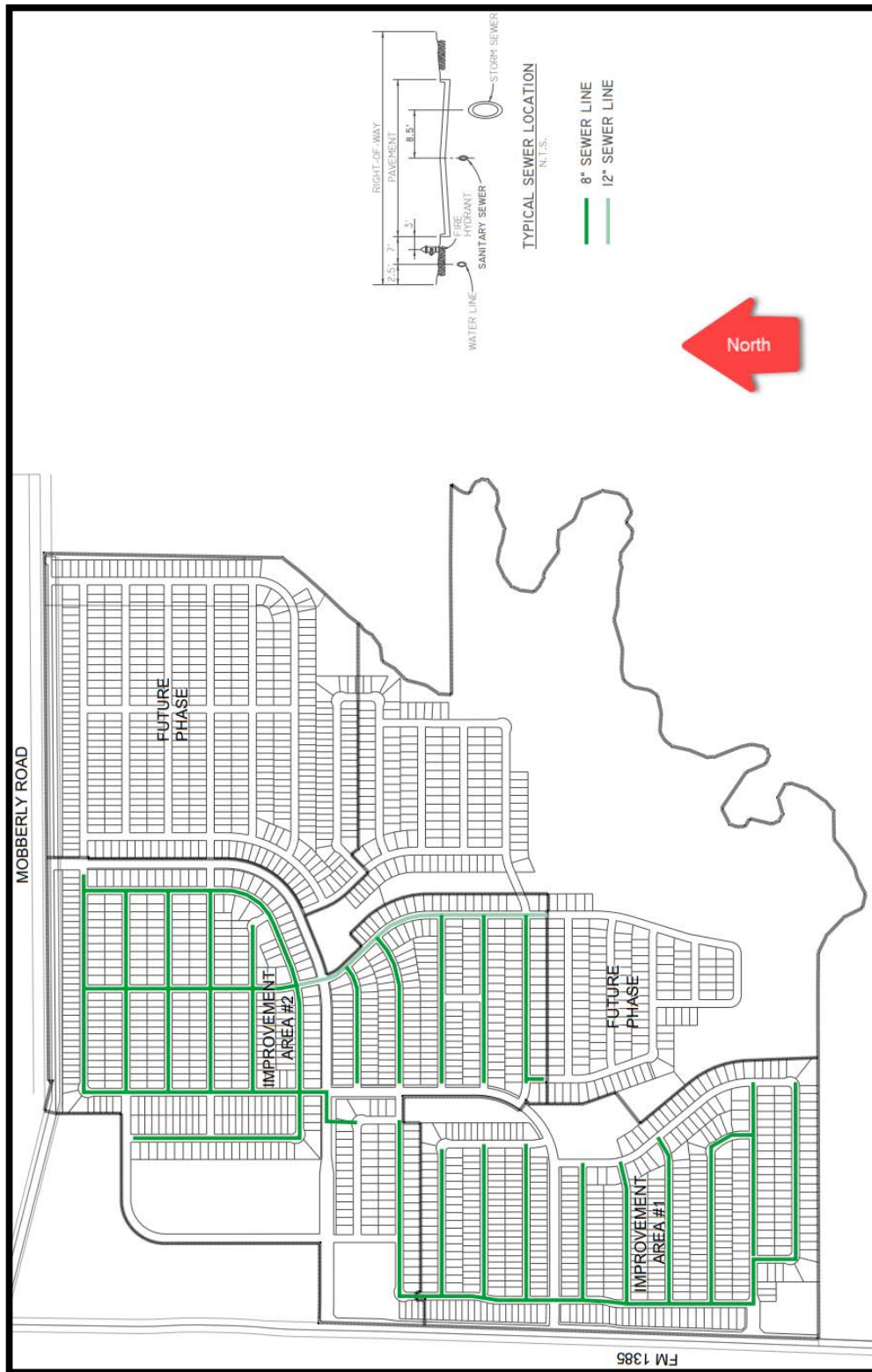
Preliminary Plat (Barraza Consulting Group) – Phase 2
Sheet 2



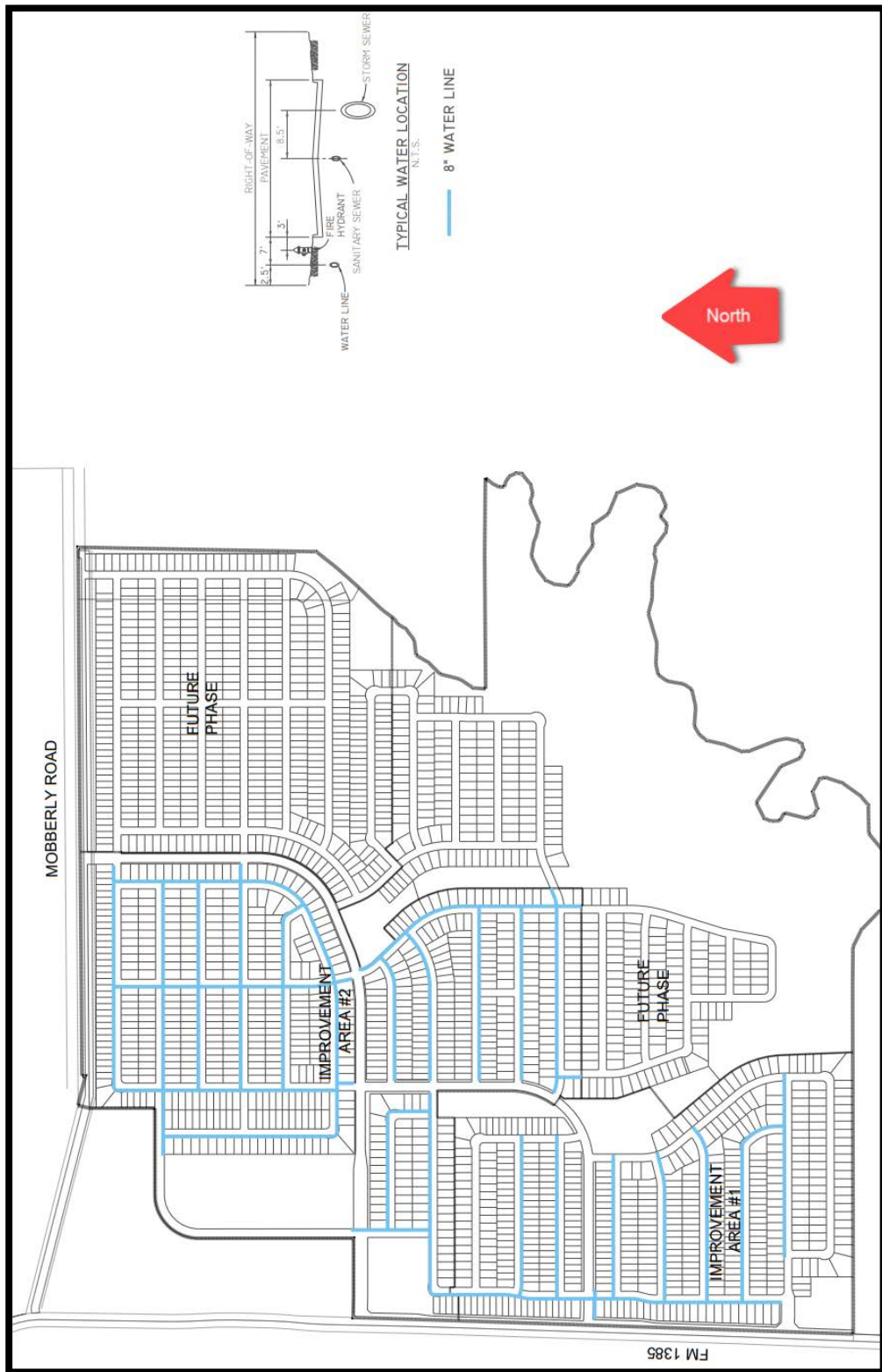
DIRECT PHASE ROAD IMPROVEMENTS (Barraza Consulting Group)



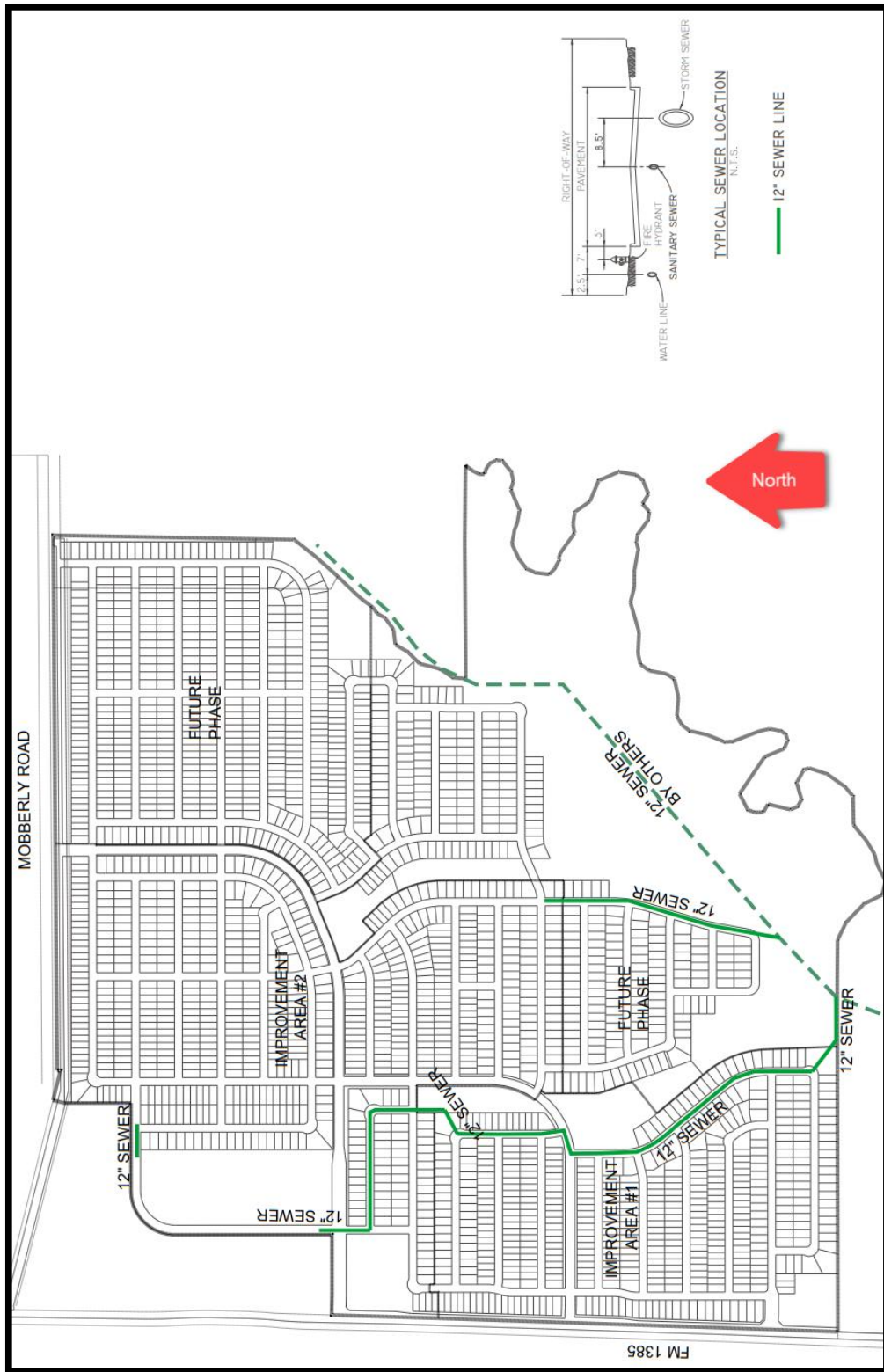
DIRECT PHASE SEWER IMPROVEMENTS (Barraza Consulting Group)



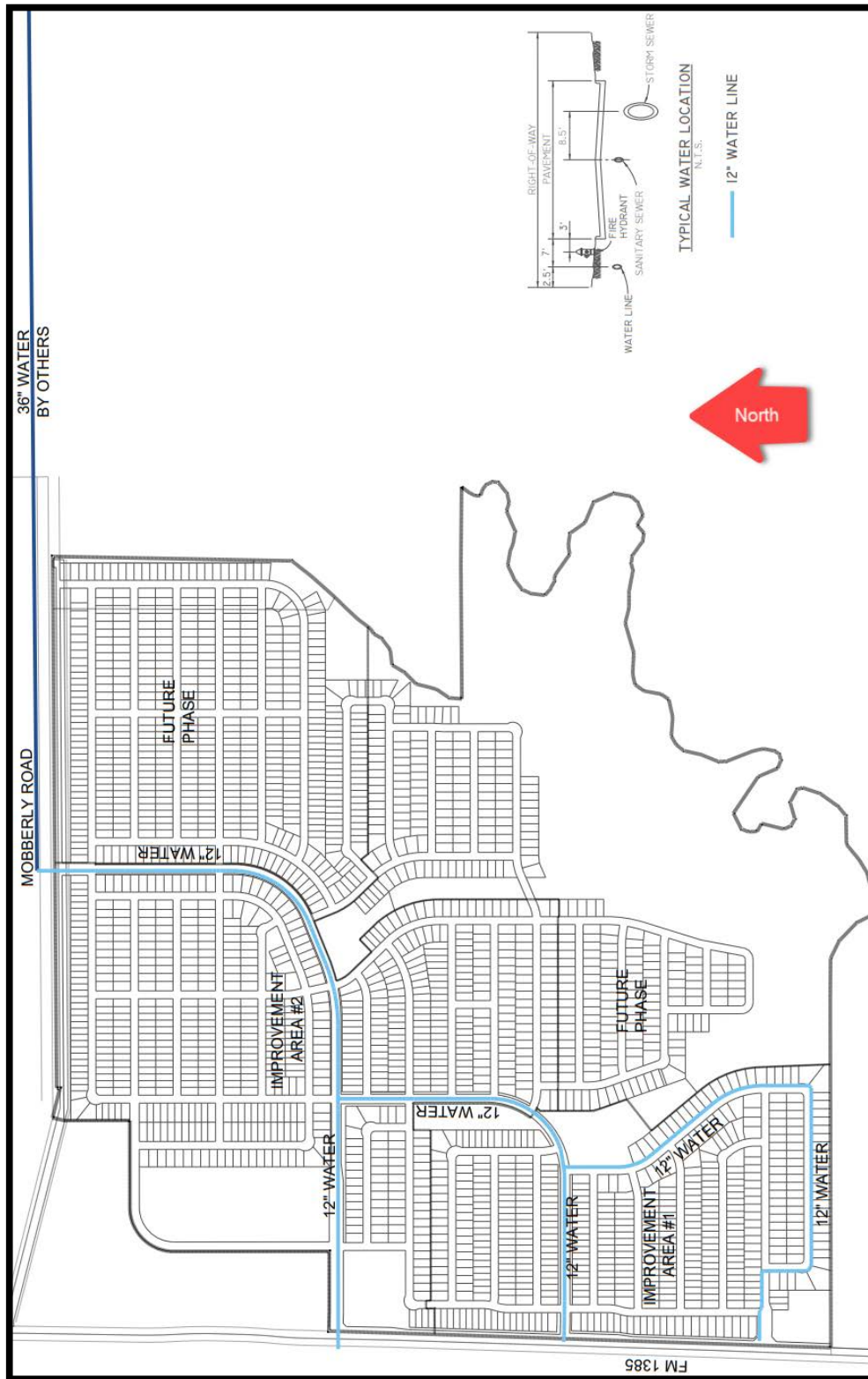
DIRECT PHASE WATER IMPROVEMENTS (Barraza Consulting Group)



MAJOR SANITARY SEWER IMPROVEMENTS (Barraza Consulting Group)



MAJOR WATER IMPROVEMENTS (Barraza Consulting Group)



Mobberly Farms Public Improvement District

Area Concept Plan



Subject: Mobberly Farms Public Improvement District (PID)

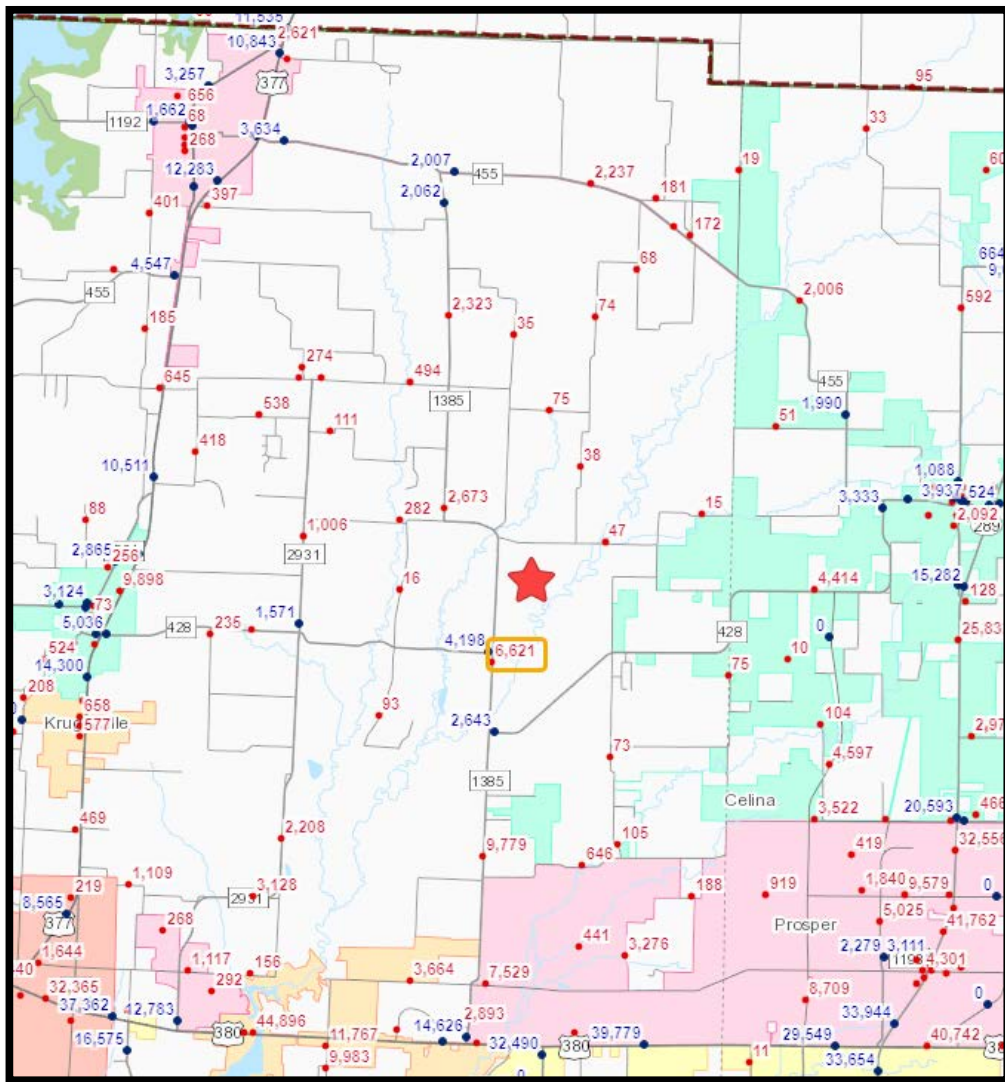
Mobberly Farms Public Improvement District

ACCESSIBILITY, FRONTAGE, AND STREETS

The subject property is primarily accessed by FM 1385 which runs north from US 380 to FM 488. At the subject property, FM 1385 is a two-lane asphalt-paved minor arterial road with a dedicated left-turn lane from the north. FM 1385 has drainage ditches on each side with culverts under the drives that access the roadway. The development is located east of FM 1385 and residents will access the development from FM 1385 until Mobberly Road is improved and allows a second access point for IA #2. Mobberly Road on the north side of the project is currently a gravel road that runs east/west from FM 1385 until a junction with CR 8 to the east of the subject. The developer plans to paved and widen Mobberly Road during the construction of IA#2 with over \$2.6 million of improvements.

A map from TXDOT showing current average annual traffic counts in the vicinity is show below. There are over 6,000 average vehicles per day along FM 1385 near the subject site while US 380 indicates almost 40,000 average vehicles per day.

TXDOT Traffic Web Viewer



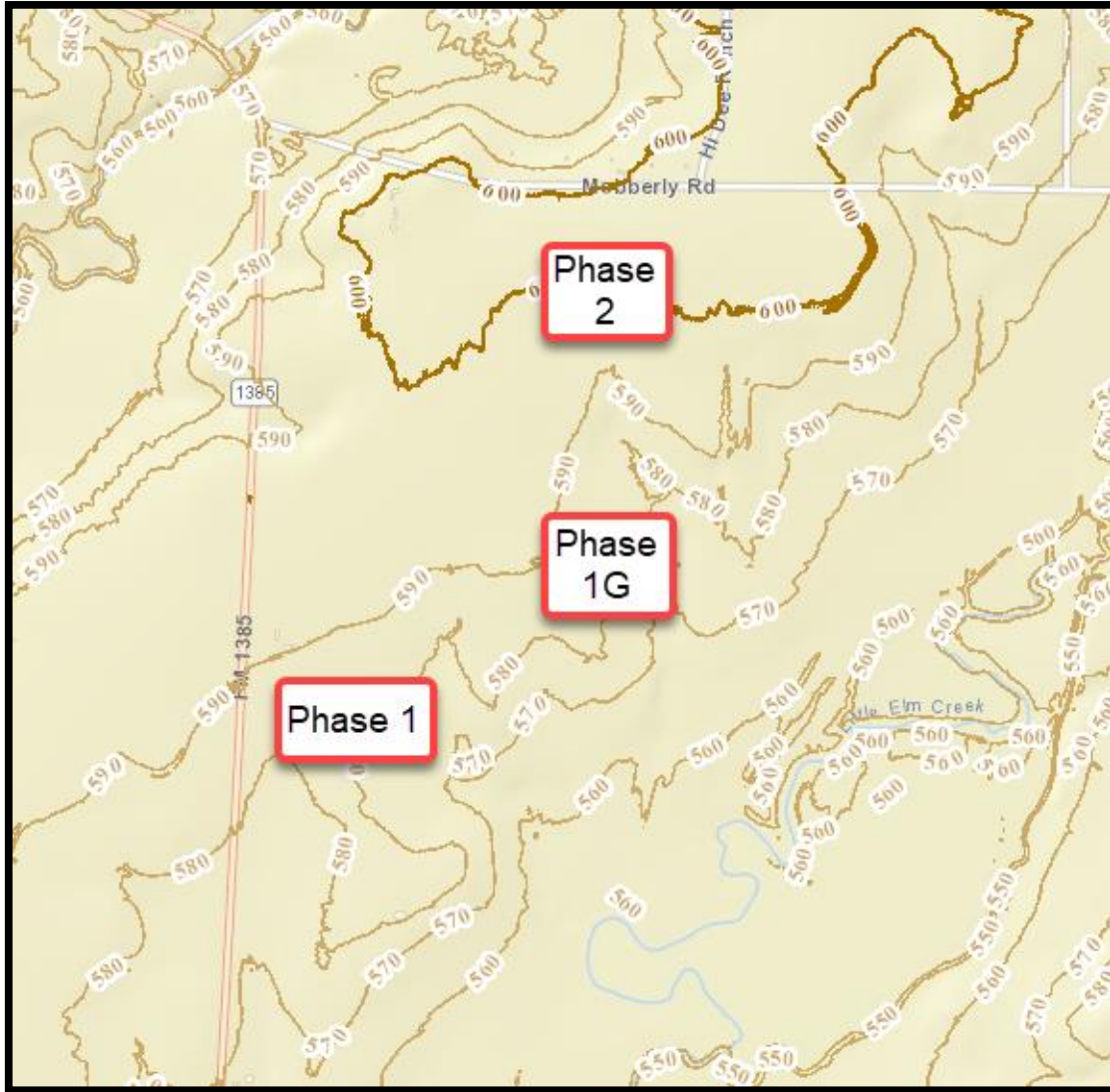
Mobberly Farms Public Improvement District

TOPOGRAPHY

The topography of the subject property is described as rolling and is cleared as of the report date. Topographic information is provided by the DFWMaps.com and the Texas A&M Forestry Service GIS system. The map indicates 10' contour lines marked at 10' increments, showing that the site elevation is rolling through the 560' - 600' sea level elevation. The site generally slopes to the south and east toward Little Elm Creek on the southeast boundary.

TOPOGRAPHIC MAP

Contours At 10'

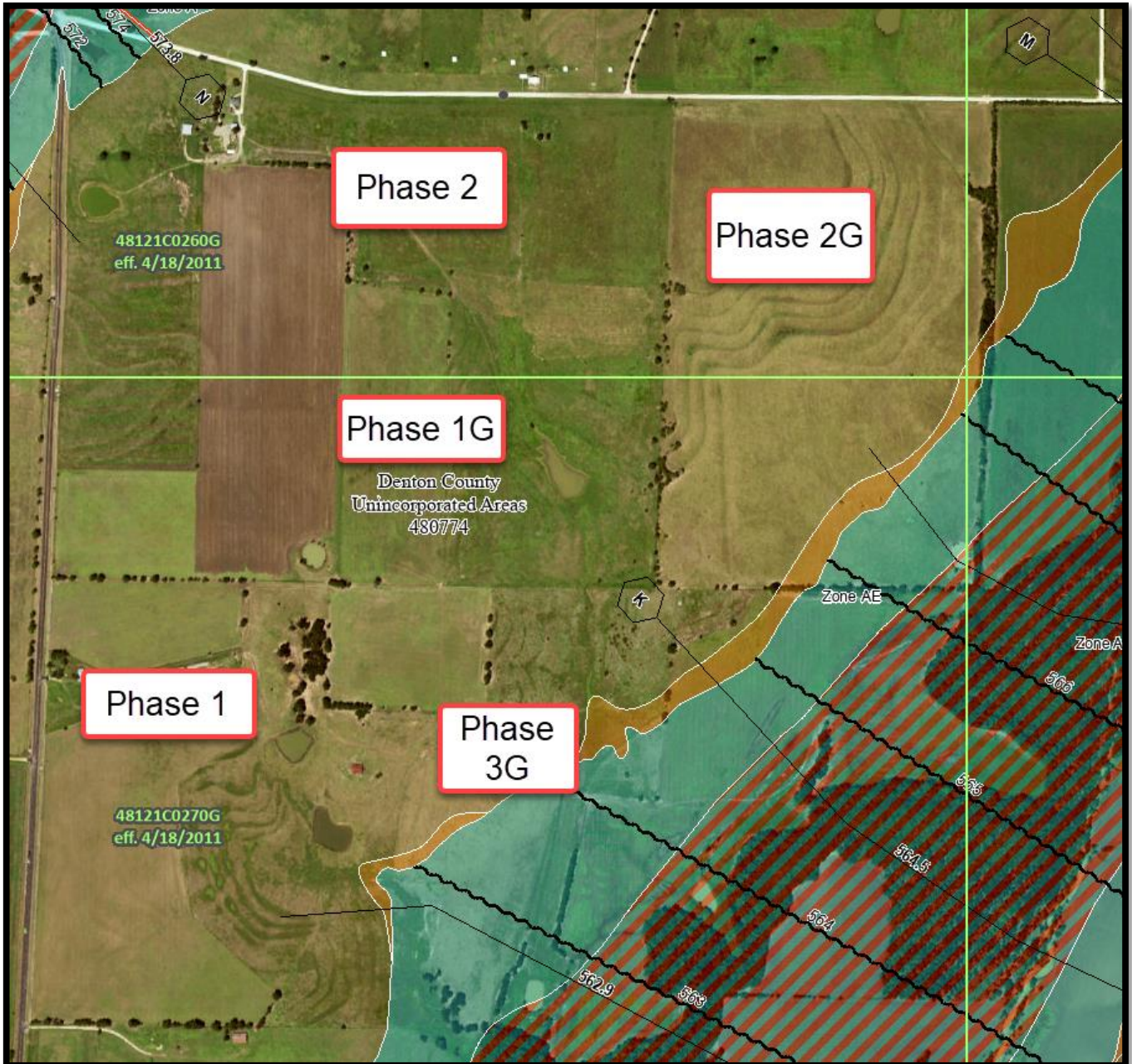


Mobberly Farms Public Improvement District

FEMA Flood Zone (Map 48121C0270G & 48121C0260G, Effective 4/18/2011)

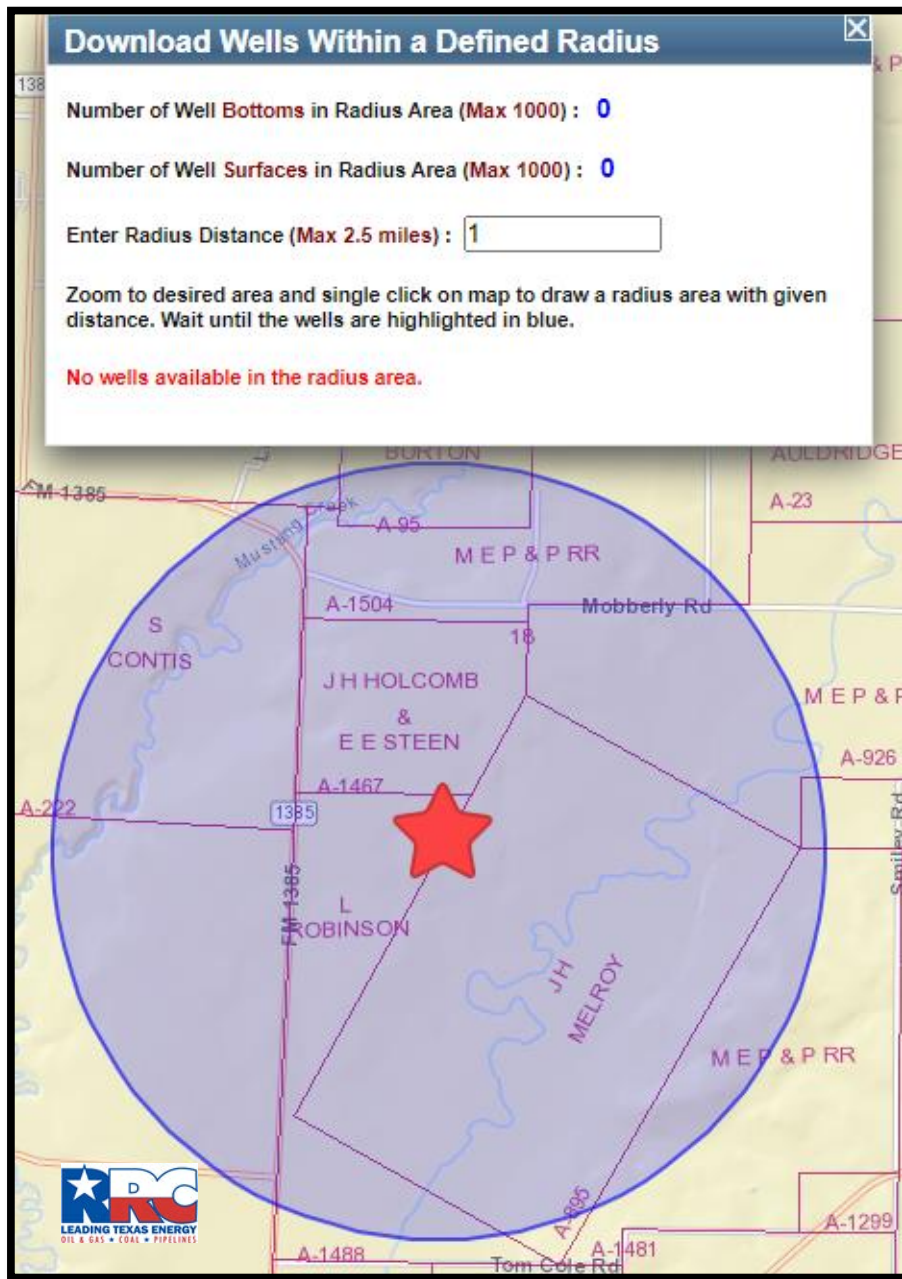
The subdivision development is primarily in FEMA Flood Zone X (minimal chance flood hazard). The neighboring phases will have slight intrusion into Flood Zone A; however, the improved Phases in IA#1 and IA#2 are fully in Zone X. Per discussions with John Taylor, Director of Development Services with Pilot Point, the developed lots in Phases 2G and Phases must have finished elevations 2' above the base flood elevation outlined in Zone AE to be approved by the City of Pilot Point. In addition, development must comply with Army Corps of Engineers restrictions on developing within and bringing land out of the floodplain.

Floodplain Map



Mobberly Farms Public Improvement District

TEXAS RAILROAD COMMISSION
Oil and Gas Wells



There are no well surface sites or well bottom sites within 1 mile from the subject. The subject site does not appear to be encumbered by any detrimental restrictions due to the proximity to surface or subsurface well locations because this area of DFW is not active in mineral extraction.

PROPERTY PHOTOGRAPHS



View North Along FM 1385; Mobberly Farms To Right



View South Along FM 1385; Mobberly Farms To Left



Phase 1 Set To Be Complete In March 2022



Main Entrance Off FM 1385 At Phase 1



View North At Main Entrance Looking Across Phase 1



Natural Gas Pipeline Near Main Entrance Off FM 1305

Mobberly Farms Public Improvement District



Paved Concrete Roads In Phase 1



Retaining Walls Installed, Utilities Almost Complete In Phase 1



Stone Retaining Walls Are On Multiple Streets In Phase 1



Storm Sewer



Utility Trenching In Phase 1



Utility Installation Nearing Completion

Mobberly Farms Public Improvement District



View Looking South



Land Fully Cleared In Phase 1



View Looking Southeast



View Looking Southwest Toward Creekview Meadows

Mobberly Farms Public Improvement District



Street Lights Installed In Phase 1



Roads Are Concrete Paved With Concrete Curbs And Storm Sewer



Graded Lots In Phase 1



Water, Sanitary Sewer, Electric, Natural Gas, Telecom And Storm Sewer Appear To Be Complete

Mobberly Farms Public Improvement District



Fire Hydrants Installed



Individual Lot In Phase 1



View Looking West Toward FM 1305



View Across Phase 1



Northeast Corner Of Development Near Phase 2G - Held For Future Development



View South Of Phase 2 From Mobberly Rd.

Mobberly Farms Public Improvement District



Phase 2 Showing Natural Gas Pipeline



View South From Mobberly Rd. Near Northeast Corner Of Phase 2

HIGHEST AND BEST USE

The highest and best use may be defined as the most profitable or likely profitable legal use for which a property may be utilized. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. Also, that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, is found to be:

- a. Physically Possible
- b. Legally Permissible
- c. Financially Feasible
- d. Maximally Productive

The definition, immediately above, applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

There are two distinct types of highest and best use, that being the highest and best use as if the site were vacant, and the highest and best use as improved. Both use determinations require consideration of the physical, legal, financial feasibility and maximal productivity for the site and improvements.

Highest and Best Use Analysis

Highest and Best Use “As-Vacant”

Physically Possible

Considering the subject’s physical characteristics including jurisdiction, location, size, shape, and availability of utilities, the site is capable of numerous uses which are physically possible without being constrained by the property itself.

Legally Permissible

The site is not zoned and will be governed by a Development Agreement with the City of Pilot Point which allows for development according to SF-3 zoning standards which allow for detached, single-family residential uses in addition to houses of worship, public school, and municipal uses designed to serve the community.

No private deed restrictions were uncovered during a normal investigation, which would further limit the potential uses of the subject site. No other legal restrictions or covenants were found to be imposed on the subject property at the time of the appraisal which would further restrict development.

Given surrounding land use patterns in the area, only detached single-family residential use is given further consideration in determining the highest and best use of the site as vacant.

Financially Feasible

In order to be economically feasible, the improvements should conform to the surrounding land uses. To meet the test of being financially feasible, the project must provide a net return over a reasonable period of time. The area surrounding the subject property is suburban-to-rural but development has been moving closer this area over the past decade as large acreage tracts become more scarce in DFW. Developers and home builders have moved further away from the center of the Metroplex and the areas surrounding the subject property are being developed

Mobberly Farms Public Improvement District

with middle-to-upper class housing stock. Zonda reports the average base price for a home surrounding the subject property has increased in the past year from \$408,665 to \$482,765, a 18.1% increase while the price per square foot of a home increased from \$160.91 to \$190.86, or 18.6%, in the past year. This was driven by strong demand due to low interest rates and relatively low supplies of housing stock.

Based on our analysis of the market, there is currently ample demand for single-family residential use in the subject's area. It appears that a newly developed single-family residential use on the site would have a value commensurate with its cost. Therefore, single-family residential use is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the subject property that would generate a high residual land value than single-family residential use. Accordingly, it is our opinion that single-family residential use, developed to the normal market density allowed by the planned development is the maximally productive use of the property

The resilient business climate in North Texas and the continual development and surrounding neighborhoods has created increased demand for higher end homes and respective developments. Coupled with low interest rates lowering the barriers to entry, is our opinion that the highest and best use of the property "as vacant" would be for the development of single-family residential community. Thus, the highest and best use of the property "as-vacant" is for development of detached, single-family residential uses.

Highest and Best Use "As-Improved"

Development of the subject property, as proposed utilizing our extraordinary assumptions, is the only use that meets the four tests of highest and best use. Therefore, we conclude that the highest and best use of the property "as-improved" is similar to our conclusion "as-vacant" which is for detached, single-family residences.

We believe that the **most probable buyer** would be a developer of large single-family communities who is active in the DFW market.

VALUATION

INCOME (SUBDIVISION) APPROACH



Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. The income methodology applied in subdivision analysis has been adapted to simulate what occurs in a bulk sale where one buyer purchases a group of lots at a discount. It provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices.

In order to complete the analysis, the appraisers:

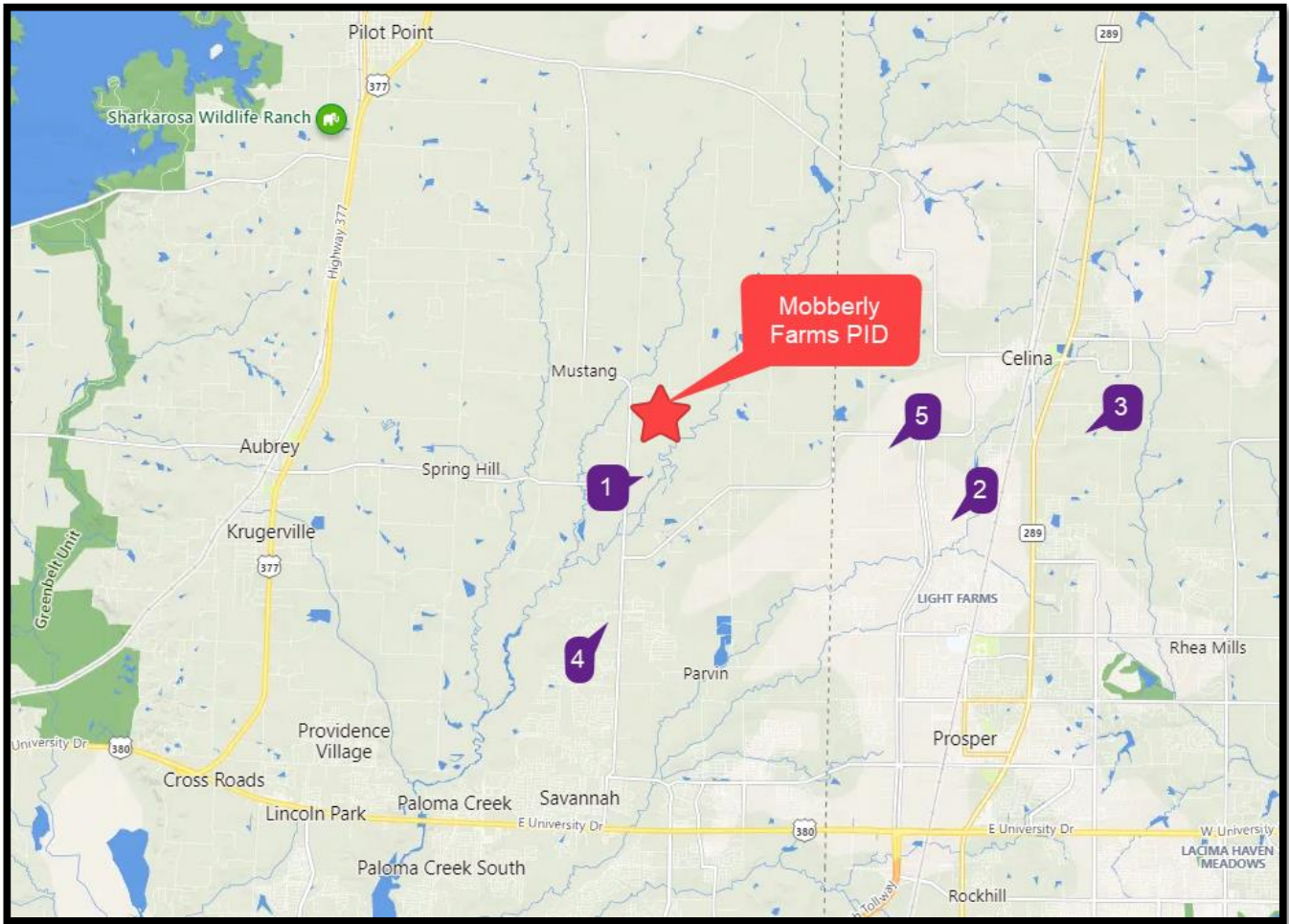
- Determined the value of the lots through the Sales Comparison Approach based on the concept plan provided by the developers
- Calculated the absorption period (earlier in the report) for the improved lots after construction is complete
- Analyzed the effect of appreciation, taxes, and sales costs over the absorption period
- Estimated the appropriate discount rate necessary to undertake the risks associate with the project
- Utilized discount cash flow (DCF) analysis to determine the present value of future cash flows realized by selling the lots at market prices

We utilized the following unit of comparison which is the measure most commonly found in the market:

Sales Price Per Front Foot - This number is obtained by dividing sale price by the front feet of the lot

Mobberly Farms Public Improvement District

Map of Comparable Lot Sales – 40’ Lot



Subject: Mobberly Farms 40’s, Pilot Point, TX 76258

SUMMARY OF LOT SALES - 40' LOTS						
Sale	Subdivision	City	Contract Date	Lot Price	Front Feet (FF)	\$/FF
1	Creekview Meadows	Pilot Point	Dec. 2021	\$56,000	40	\$ 1,400
2	Homeplace at the Columns	Celina	Jan. 2021	\$60,900	40	\$ 1,523
3	Hillside Village	Celina	Dec. 2021	\$71,000	40	\$ 1,775
4	Sandbrock Ranch	Aubrey	Apr. 2021	\$58,363	45	\$ 1,297
5	Cambridge Crossing	Celina	Mar. 2022	\$56,000	40	\$ 1,400
Subject	Mobberly Farms	Pilot Point	-	-	40	-

Mobberly Farms Public Improvement District

SALE COMPARABLE 1 – 40’ LOT

Property Sale Write-Up for Creekview Meadows 40's



Creekview Meadows 40'

Property Information

Property Name	Creekview Meadows 40's
Property Class	Land
Address	Creekview Meadows 40's, Pilot Point, TX 76258
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	4,000
Land Acres	0.09
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer

Transaction Information

Sale Status	In-Contract
Sale Date	12/01/2021
Sale Price	\$56,000
Analysis Sale Price	\$56,000

Mobberly Farms Public Improvement District

SALE COMPARABLE 2 – 40’ LOT

Property Sale Write-Up for Homeplace at the Columns 40's



Homeplace at the Columns 40's

Property Information

Property Name	Homeplace at the Columns 40's
Property Class	Housing
Address	Homeplace at the Columns, Celina, TX 75009
County	Collin
Property Type & Sub-Type	Multiple Units / ---

Site Information - Land

Land SF	4,000
Land Acres	0.09
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer

Transaction Information

Sale Status	Closed
Sale Date	01/01/2021
Sale Price	\$60,900
Analysis Sale Price	\$60,900

Mobberly Farms Public Improvement District

SALE COMPARABLE 3 – 40' LOT

Property Sale Write-Up for Hillside Village 40's



Hillside Village 40's

Property Information

Property Name	Hillside Village 40's
Property Class	Land
Address	Hillside Village PID, Celina, TX 75009
County	Collin
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land


Land SF	4,000
Land Acres	0.09
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer

Transaction Information

Sale Status	Closed
Sale Date	12/01/2021
Sale Price	\$71,000
Analysis Sale Price	\$71,000

SALE COMPARABLE 4 – 40' LOT

Property Sale Write-Up for Sandbrock Ranch Aubrey




Sandbrock Ranch 45's

Property Information	
Property Name	Sandbrock Ranch Aubrey
Property Class	Housing
Address	Sandbrock Ranch, Celina, TX 76227
County	Denton
Property Type & Sub-Type	Multiple Units / ---
Site Information - Land	
Land SF	5,400
Land Acres	0.12
Zoning Code	None
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	Closed
Sale Date	04/01/2021
Sale Price	\$58,363
Analysis Sale Price	\$58,363

Mobberly Farms Public Improvement District

SALE COMPARABLE 5 – 40' LOT

Property Sale Write-Up for Cambridge Crossing 40's Celina



Cambridge Crossing 40's

Property Information	
Property Name	Cambridge Crossing 40's Celina
Property Class	Land
Address	Cambridge Crossing, Celina, TX 75009
County	Collin
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	4,600
Land Acres	0.11
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	Closed
Sale Date	03/01/2022
Sale Price	\$56,000
Analysis Sale Price	\$56,000

Mobberly Farms Public Improvement District

40' Lot Sales – Comparison Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
	<u>Mobberly Farms</u>	Creekview Meadows	Homeplace at the Columns	Hillside Village	Sandbrock Ranch	Cambridge Crossing
	<u>Pilot Point</u>	Pilot Point	Celina	Celina	Aubrey	Celina
<i>Financial Adjustments</i>						
Sales Price/FF		\$1,400	\$1,523	\$1,775	\$1,297	\$1,400
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$1,400	\$1,523	\$1,775	\$1,297	\$1,400
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$1,400	\$1,523	\$1,775	\$1,297	\$1,400
Conditions of Sale		0%	0%	0%	0%	0%
Sales Price/FF		\$1,400	\$1,523	\$1,775	\$1,297	\$1,400
Expenditures After Purchase/ Connection Fees		18.8%	9.9%	8.5%	18.0%	18.8%
Sales Price/FF		\$1,663	\$1,673	\$1,925	\$1,530	\$1,663
Market Conditions		3.0%	16.0%	3.0%	14.0%	0.0%
ADJUSTED Price/FF:		\$1,713	\$1,941	\$1,983	\$1,744	\$1,663
<i>Physical Adjustments</i>						
Location		0%	-8%	-10%	-8%	-8%
Access		0%	-3%	-3%	-3%	-3%
Amenities		0%	0%	2%	-5%	-5%
Size		0%	0%	0%	3%	0%
Topography/Shape		0%	0%	0%	0%	0%
Zoning		0%	0%	0%	0%	0%
<i>Total Net Physical Adjustment</i>		0%	-11%	-11%	-13%	-16%
ADJUSTED Price/FF:		\$1,713	\$1,727	\$1,765	\$1,517	\$1,397
SUMMARY OF COMPARABLE VALUES						
Value Range/FF:		\$1,397 to \$1,765				
Weighted Allocation						
Weighted Allocation		20.0%	20.0%	20.0%	20.0%	20.0%
Contribution to Value		\$ 342.58	\$ 345.44	\$ 352.93	\$ 303.49	\$ 279.38
Subject Value/FF	\$1,624					
Retail Value Indication	\$64,953					
Rounded	\$65,000					

Mobberly Farms Public Improvement District

Analysis of Adjustments – 40' Lot Sales

Our research of sales comparables leads us to the determination that there are ample comparable sales within the last few years involving similar properties within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for 40' lots had unadjusted sales prices ranging from \$1,297 to \$1,775 base price per front foot, and lot foot frontages sizes range from 40' to 45'.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Financial Adjustments

Property Rights, Financing Terms, and Conditions of Sales

Each of the comparable sales were sold as fee simple interests, sales were transferred in cash equivalency, and under typical sale conditions; thus, required no additional expenditures after purchase.

Expenditures After Purchase

We are valuing the retail lot value of the 40' lots which will include sewer and water connection fees to Mustang SUD for \$10,500 in total. Sales 1, 4, and 5 are also in Mustang SUD and were sold with connection fees paid by the builder; thus, an additional \$10,500 is added to the sale price. That requires positive adjustments of \$263/FF for Sale 1 and Sale 5 (40' lots) and a positive adjustment of \$233/FF for Sale 4 (45' lots). Sales 2 and 3 are in the City of Celina and have connection fees of \$6,000 in total. Thus, Sales 2 and 3 are adjusted positively \$150/FF (40' lots) for these expenditures.

Time/Market Conditions

Considering the residential market data and price increases for recent lot sales throughout the Metroplex and specifically along the 380 Corridor, we believe a market conditions adjustment of 6% YOY for 2020 and 15% YOY increase for 2021 is warranted and supported. Based on the preceding, each of the comparable lot sales have been adjusted positively between 0 and 16% for market conditions depending on the agreement date.

Physical Adjustments

Location

The subject property is in a quickly developing area of North Texas known as the 380 Corridor. While the subject property is currently located in the Pilot Point ETJ and is expected to be annexed in the near future, the location of the development is almost directly in-between the cities of Pilot Point, Celina, Aubrey and the Town of Prosper. The following adjustments are made to the comparable lot sales for Location:

- Sale 1: Similar; adjoining development which will have similar price points; No adjustment
- Sale 2: Superior; in Celina which is superior and closer to retail uses that are more appealing for residents; Adjusted negatively 8%
- Sale 3: Superior; in Southeast Celina which is superior and closer to retail uses on Preston Rd. and Celina Town Square; Adjusted negatively 10%
- Sale 4: Superior; Sandbrock Ranch is a community with higher price points that is more appealing to residents; Adjusted negatively 8%

Mobberly Farms Public Improvement District

- Sale 5: Superior; in Celina which is superior and closer to retail uses that are more appealing for residents; Adjusted negatively 8%

Access

The subject property is located on FM 1385 which a north/south road that junctions with US 380 approximately 6 miles south. The Dallas North Tollway (DNT) extension to Grayson County will run approximately 3 miles of the subject site and is expected to be complete by early 2023 with a major overpass over US 380 due for completion in 2025. While FM 1385 has seen significant development in recent years, the subject property is somewhat removed from US 380 and is a few miles west of the future extension of the Dallas North Tollway. Residents will still have to travel several miles to access major highways. The following adjustments are made to the comparable lot sales for Access:

- Sale 1: Similar; the adjoining development to the south of the subject; No adjustment
- Sale 2: Superior; in West Celina which is has more traffic carriers and is close to the future DNT extension and the future Collin Co. Outer Loop; Adjusted negatively 3%
- Sale 3: Superior; in Southeast Celina which is closer to Preston Rd.; Adjusted negatively 3%
- Sale 4: Superior; along FM 1385 but closer to US 380; Adjusted negatively 3%
- Sale 5: Superior; in West Celina which is closer to the DNT extension and the future Collin Co. outer loop; Adjusted negatively 3%

Amenities

The concept plan for Mobberly Farms lists a 4-acre amenity center and contracts with builders indicates this will contain a community pool. In addition, there are plans for a future trail and greenway within the floodplain along the southeast boundary of the development as well as a school site toward the northwest of the development. Further requests for specific amenities from the developer were not provided. We have adjusted Sale 3 positively 3% as the amenity center and pool areas are smaller than the subject and there are no trails in the community. Sale 4 is adjusted negatively 5% as there are trails, a resort-style community pool, playgrounds, a dog park, fishing ponds, and a 3-story treehouse. Sale 5 is adjusted negatively 5% as Cambridge Crossing has plans to build a resort-style pool with a larger amenity center, numerous lakes, a playground, pickleball and basketball courts, and trails that are superior to the subject development.

Size

Smaller lot sizes allow a developer to have higher density which improves the appeal as more return on investment can be realized. Each of the sales were 40' lots with the exception of Sale 4 which are 45' lots. Larger lots sell for a lower price per front foot, so Sale 4 is adjusted positively 3%.

Topography/Shape

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so not adjustment is needed for topography/shape.

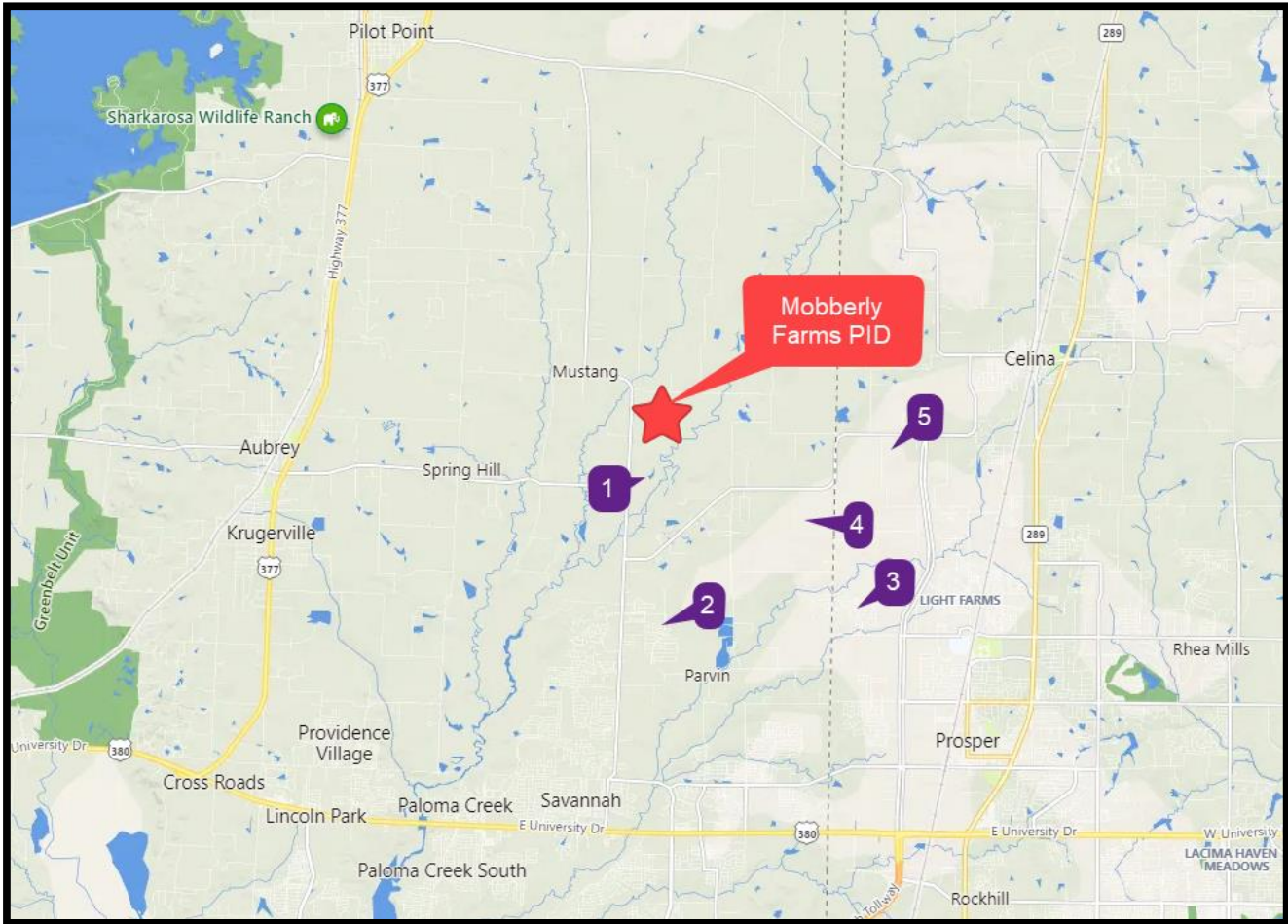
Zoning

Each of the comparable sales are either in cities or have development agreements with a city, similar to Mobberly Farms, that allow for single-family uses which is the highest and best use; thus, no adjustment is made for zoning.

Conclusion - The 40' Lot Sales have an adjusted range of **\$1,397- to \$1,765/FF** with an average of \$1,624/FF and a median of \$1,713/FF. We have weighed each comparable equally which indicates a price per front foot of **\$1,625, or \$65,000 (rounded) for 40' Lots in Mobberly Farms.**

Mobberly Farms Public Improvement District

Map of Comparable Lot Sales – 50’ Lot



Subject: Mobberly Farms 50’ Lot, Pilot Point, TX 76258

SUMMARY OF LOT SALES - 50' LOTS						
Sale	Subdivision	City	Contract Date	Lot Price	Front Feet (FF)	\$/FF
1	Creekview Meadows	Pilot Point	Dec. 2021	\$65,000	50	\$ 1,300
2	Sutton Fields	Celina	Oct. 2021	\$60,000	50	\$ 1,200
3	Creeks of Legacy West	Celina	Aug. 2020	\$70,000	50	\$ 1,400
4	Green Meadows	Celina	Jan. 2022	\$90,000	50	\$ 1,800
5	Cambridge Crossing	Celina	Mar. 2022	\$70,000	50	\$ 1,400
Subject	Mobberly Farms 50's	Pilot Point	-	-	50	-

Mobberly Farms Public Improvement District

SALE COMPARABLE 1 – 50' LOT

Property Sale Write-Up for Creekview Meadows 50's



Creekview Meadows 50'

Property Information

Property Name	Creekview Meadows 50's
Property Class	Land
Address	Creekview Meadows 50's, Pilot Point, TX 76258
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	6,000
Land Acres	0.14
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer

Transaction Information

Sale Status	In-Contract
Sale Date	12/01/2021
Sale Price	\$65,000
Analysis Sale Price	\$65,000

Mobberly Farms Public Improvement District

SALE COMPARABLE 2 – 50’ LOT

Property Sale Write-Up for Sutton Fields 50's


Sutton Fields 50's Phase 8

Property Information	
Property Name	Sutton Fields 50's
Property Class	Land
Address	Sutton Fields, Celina, TX 75009
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	6,000
Land Acres	0.14
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Date	10/01/2021
Sale Price	\$60,000
Analysis Sale Price	\$60,000

Mobberly Farms Public Improvement District

SALE COMPARABLE 3 – 50' LOT

Property Sale Write-Up for Creeks of Legacy West 50's



Creeks of Legacy Concept Plan

Property Information	
Property Name	Creeks of Legacy West 50's
Property Class	Land
Address	Creeks of Legacy, Celina, TX 75078
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	6,000
Land Acres	0.14
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	Closed
Sale Date	08/01/2020
Sale Price	\$70,000
Analysis Sale Price	\$70,000

SALE COMPARABLE 4 – 50' LOT

Property Sale Write-Up for Green Meadows 50's



Green Meadows 50's

Property Information

Property Name	Green Meadows 50's
Property Class	Land
Address	Green Meadows, Celina, TX 75009
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	6,000
Land Acres	0.14
Zoning Code	None
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer


Transaction Information

Sale Status	In-Contract
Sale Date	01/01/2022
Sale Price	\$90,000
Analysis Sale Price	\$90,000

Mobberly Farms Public Improvement District

SALE COMPARABLE 5 – 50' LOT

Property Sale Write-Up for Cambridge Crossing 50's Celina



Cambridge Crossing 50's

Property Information	
Property Name	Cambridge Crossing 50's Celina
Property Class	Land
Address	Cambridge Crossing, Celina, TX 75009
County	Collin
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	6,000
Land Acres	0.14
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	Closed
Sale Date	03/01/2022
Sale Price	\$70,000
Analysis Sale Price	\$70,000

Mobberly Farms Public Improvement District

50' Lot Sales – Comparison Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
	<u>Mobberly Farms</u> <u>50's</u>	Creekview Meadows	Sutton Fields	Creeks of Legacy West	Green Meadows	Cambridge Crossing
	<u>Pilot Point</u>	Pilot Point	Celina	Celina	Celina	Celina
<i>Financial Adjustments</i>						
Sales Price/FF		\$1,300	\$1,200	\$1,400	\$1,800	\$1,400
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$1,300	\$1,200	\$1,400	\$1,800	\$1,400
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$1,300	\$1,200	\$1,400	\$1,800	\$1,400
Conditions of Sale		0%	0%	0%	0%	0%
Sales Price/FF		\$1,300	\$1,200	\$1,400	\$1,800	\$1,400
Expenditures After Purchase/ Connection Fees		16.2%	17.5%	8.6%	0.0%	15.0%
Sales Price/FF		\$1,510	\$1,410	\$1,520	\$1,800	\$1,610
Market Conditions		3.0%	6.0%	20.0%	2.0%	0.0%
ADJUSTED Price/FF:		\$1,555	\$1,495	\$1,824	\$1,836	\$1,610
<i>Physical Adjustments</i>						
Location		0%	0%	-10%	-8%	-10%
Access		0%	-3%	-3%	-3%	-3%
Amenities		0%	0%	0%	0%	-5%
Size		0%	0%	0%	0%	0%
Topography/Shape		0%	0%	0%	0%	0%
Zoning		0%	0%	0%	0%	0%
Total Net Physical Adjustment		0%	-3%	-13%	-11%	-18%
ADJUSTED Price/FF:		\$1,555	\$1,450	\$1,587	\$1,634	\$1,320
SUMMARY OF COMPARABLE VALUES						
Value Range/FF:		\$1,320	to	\$1,634		
Weighted Allocation						
Weighted Allocation		20.0%	20.0%	20.0%	20.0%	20.0%
Contribution to Value		\$ 311.06	\$ 289.95	\$ 317.38	\$ 326.81	\$ 264.04
Subject Value/FF	\$1,509					
Retail Value Indication	\$75,462					
Rounded	\$75,500					

Mobberly Farms Public Improvement District

Analysis of Adjustments – 50’ Lot Sales

Our research of sales comparables leads us to the determination that there are ample comparable sales within the last few years involving similar properties within the subject’s general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for 50’ lots had unadjusted sales prices ranging from \$1,200 to \$ 1,800 base price per front foot, and lot foot frontages are each 50’.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Financial Adjustments

Property Rights, Financing Terms, and Conditions of Sales

Each of the comparable sales were sold as fee simple interests, sales were transferred in cash equivalency, and under typical sale conditions; thus, required no additional expenditures after purchase.

Expenditures After Purchase

We are valuing the retail lot value of the 50’ lots which will include sewer and water connection fees to Mustang SUD for \$10,500 in total. Sales 1, 2, and 5 are also in Mustang SUD and were sold with connection fees paid by the builder; thus, an additional \$10,500 is added to the sale price. That requires positive adjustments of \$210/FF for Sales 1, Sale 2, and Sale 5 (50’ lots). Sale 3 is in the City of Celina which have connection fees of \$6,000 in total; thus, Sale 3 is adjusted positively \$120/FF (50’ lots). Sale 4 is contracted by the builder with connection fees included so there is no adjustment for expenditures after purchase

Time/Market Conditions

Considering the residential market data and price increases for recent lot sales throughout the Metroplex and specifically along the 380 Corridor, we believe a market conditions adjustment of 6% YOY for 2020 and 15% YOY increase for 2021 is warranted and supported. Based on the preceding, each of the comparable lot sales have been adjusted positively between 0 and 20% for market conditions depending on the agreement date.

Physical Adjustments

Location

The subject property is in a quickly developing area of North Texas known as the 380 Corridor. While the subject property is currently located in the Pilot Point ETJ and is expected to be annexed in the near future, the location of the development is almost directly in-between the cities of Pilot Point, Celina, Aubrey and the Town of Prosper. The following adjustments are made to the comparable lot sales for Location:

- Sale 1: Similar; adjoining development which will have similar price points; No adjustment
- Sale 2: Similar; development approximately two miles south of the subject which has similar price points for its 50’ lots; No adjustment
- Sale 3: Superior; in Southwest Celina which is superior and closer to retail uses on US 380; Adjusted negatively 10%
- Sale 4: Superior; In West Celina and closer to the growing areas of Celina; Adjusted negatively 8%
- Sale 5: Superior; In West Celina and closer to the growing areas of Celina; Adjusted negatively 10%

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Access

The subject property is located on FM 1385 which is a north/south road that junctions with US 380 approximately 6 miles south. The Dallas North Tollway (DNT) extension to Grayson County will run approximately 3 miles of the subject site and is expected to be complete by early 2023 with a major overpass over US 380 due for completion in 2025. While FM 1385 has seen significant development in recent years, the subject property is somewhat removed from US 380 and is a few miles west of the future extension of the Dallas North Tollway. Residents will still have to travel several miles to access major highways. The following adjustments are made to the comparable lot sales for Access:

- Sale 1: Similar; the adjoining development to the south of the subject; No adjustment
- Sale 2: Superior; along FM 1385 but closer to US 380; Adjusted negatively 3%
- Sale 3: Superior; in Southwest Celina which is closer the future DNT extension; Adjusted negatively 3%
- Sale 4: Superior; in West Celina which is closer the future DNT extension and the future Collin Co. Outer Loop; Adjusted negatively 3%
- Sale 5: Superior; in West Celina which is closer to the DNT extension and the future Collin Co. Outer Loop; Adjusted negatively 3%

Amenities

The concept plan for Mobberly Farms lists a 4-acre amenity center and contracts with builders indicates this will contain a community pool. In addition, there are plans for a future trail and greenway within the floodplain along the southeast boundary of the development as well as a school site toward the northwest of the development. Further requests for specific amenities from the developer were not provided. We have adjusted Sale 5 negatively 5% as Cambridge Crossing has plans to build a resort-style pool with a larger amenity center, numerous lakes, a playground, pickleball and basketball courts, and trails that are superior to the subject development.

Size

Each of the comparable sales are also 50' lots that can accommodate the same building pad so no adjustment is made for size.

Topography/Shape

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for topography/shape.

Zoning

Each of the comparable sales are either in cities or have development agreements with a city, similar to Mobberly Farms, that allow for single-family uses which is the highest and best use; thus, no adjustment is made for zoning.

Conclusion - The 50' Lot Sales have an adjusted range of **\$1,320- to \$1,634/FF** with an average of \$1,509/FF and a median of \$1,555/FF. We have weighed each comparable equally which indicates a price per front foot of **\$1,510, or \$75,500 (rounded) for 50' Lots in Mobberly Farms.**

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We believe a current lot market value of \$1,625/FF for 40' Lots and \$1,510/FF for 50' Lots is accurate and well-supported. Not only do our compiled recent comparable lot sales indicate that price but numerous conversations with market participants – land developers and homebuilders – regarding current prices of lots in Pilot Point/Celina/Aubrey, indicate \$1,500-1,650/FF current retail prices for lots similar to the subject property. Market participants noted that prices for lots have risen significantly in the past 18 months which have followed a hot residential housing market in DFW.

As of our final date of inspection, the residential lot prices for the subject property are shown below:

Lot Type	Concluded Retail Value 3/14/2022	Retail Value Per Front Foot
40' Lot	\$65,000	\$1,625/FF
50' Lot	\$75,500	\$1,510/FF

DISCOUNT CASH FLOW ANALYSIS

Having completed the retail lot conclusions using aspects of the Sales Comparison Approach, we will develop an opinion of the market value of the property to a single purchaser, as of the construction completion date. This value will include a provision for compensating the developer, i.e., profit for risk and expenditure of time. This value contemplates that the developer of the subject property would sell the subject to another developer who would in turn sell the developed lots on a retail basis. This value represents the concept of market value to a single purchaser as of the completed construction date, wherein a portion of the overall real property rights or physical asset would typically be sold to its ultimate users over some future period. Valuations involving such properties must fully reflect all appropriate deductions and discounts as well as the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are those which reflect all expenses associated with the disposition of the property as well as the cost of capital and entrepreneurial profit. **This latter item of entrepreneurial profit is accounted for herein as part of the discount rate.**

The various assumptions necessary to complete our Discounted Cash Flow (DCF) analysis for the developed subject subdivision are discussed in detail in the following paragraphs.

Absorption IA#1

As discussed in detail in the "Absorption Analysis" section of the report, our quarterly absorption projections for IA#1 are summarized as follows for the subject:

Projected Quarterly Absorption Summary - IA#1 (Phase 1 - 486 Lots)						
<i>Lot Type</i>	<i>Apr-22</i>	<i>Jul-22</i>	<i>Oct-22</i>	<i>Jan-23</i>	<i>Apr-23</i>	<i>Jul-23</i>
40' Lots	36	36	36	36	36	36
50' Lots	54	54	54	12	-	-
Total	90	90	90	48	36	36

	<i>Oct-23</i>	<i>Jan-24</i>	<i>Apr-24</i>	TOTAL
	36	36	24	312
	-	-	-	174
	36	36	24	486

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Absorption IA#2

As discussed in detail in the "Absorption Analysis" section of the report, our quarterly absorption projections for IA#1 are summarized as follows for the subject:

Projected Quarterly Absorption Summary - IA#2 (Phase 1 - 700 Lots)						
<i>Lot Type</i>	<i>Oct-23</i>	<i>Jan-24</i>	<i>Apr-24</i>	<i>Jul-24</i>	<i>Oct-24</i>	<i>Jan-25</i>
40' Lots	36	36	36	36	36	36
50' Lots	54	54	54	54	54	54
Total	90	90	90	90	90	90

	<i>Apr-25</i>	<i>Jul-25</i>	<i>Oct-25</i>	<i>Jan-26</i>	<i>Apr-26</i>	TOTAL
	36	36	36	36	12	372
	4	-	-	-		328
	40	36	36	36	12	700

Historically, in the sales contracts of the volume lot sales in the marketplace, the lot prices are typically adjusted upward at rates ranging from the prime rate (3.25%) to the prime rate, plus one percent (annually) up to 8.0%. The contracts with the developer have a 5% annual escalation for M/I Homes and a 6% annual escalation for Lennar Homes and Pulte Homes. For valuation purposes moving forward, we have estimated an annual appreciation on the sale of the subject units at 6% per year for the subject lots which is in line with residential real estate appreciation over the past decade. This is also considered reasonable given the lack of available lot and housing supply in the area and the historical realization of interest carry/appreciation by developers within DFW and surrounding market areas.

Expenses

Taxes and PID Assessments are paid by the developer annually. The estimation of taxes paid per period is based upon the principle that taxes are prorated at closing and are paid in arrears. Therefore, we have deducted taxes based upon the estimated retail market value of the unsold lots. The taxes are prorated in each calendar year based upon the projected sales in each period. **The current tax rate for the property is approximately 2.03% and the average tax rate equivalent (TRE) of the PID will be approximately 0.87%.** Thus, we will use a **taxable rate of 2.90% in our analysis.**

Based upon our experience as property tax consultants and information gathered from builders/ developers, we do not believe the vacant lots will be assessed for their full market value after the expected construction completion dates. **We believe the builders will have their lots assessed at approximately 70% of the market value,** i.e., if a lot has a retail value of \$100,000 then the assessed value will be for \$70,000. We believe this 30% discount is justified as taxing districts do not typically have access to cost data and assessments typically lag the market. In addition, many taxing districts allow for a 20% builder’s inventory reduction.

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Cost of Sales has been estimated at 3% of gross sales proceeds for various closing costs, surveys, commissions, and title policies.

Marketing expense is not included as there is a shortage of vacant developed lots on the market and we would expect these lots to be absorbed by volume builders. This is confirmed by the contracts the developer has where the lots are presold to homebuilders.

Discount Rate

The discount rate utilized herein is essentially an anticipated Internal Rate of Return (IRR) for the subject property, as estimated from investment performance realized by market participants. Although the investment vehicle being analyzed herein is real property, competition for investment dollars in other investment media is strong, and a shrewd investment manager must carefully consider all options. Because of the element of risk involved in real estate investment versus alternative investment vehicles, the shrewd investment manager must compare rates of return. The performance of real estate is dependent upon and could fluctuate with the degree of quality of management, unexpected competition, disasters, or economic cycles, particularly in the subject's market area. Therefore, it entails a greater degree of risk than instruments such as government-backed bonds or fixed-rate mortgages.

The discount rate used for the subject should be less than the typical land development project because the value to be determined is that for a fully entitled project in a city-approved Planned Development which will have less risk exposure than that of a raw land development. Therefore, it is appropriate to utilize a discount rate adjusted for this risk. The appraisers have included a recent discount rate survey published by Realty Rates that considers the market conditions, risk, entrepreneurial profit, and liquidity inherent in a project such as the subject that developers of similar properties would consider. The most recent table from Realty Rates is included on the following page:

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RealtyRates.com DEVELOPER SURVEY - 1st Quarter 2022 ^a						
Texas - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	13.59%	31.34%	20.83%	13.05%	30.09%	19.99%
-100 Units	13.59%	27.02%	19.90%	13.05%	25.94%	19.10%
100-500 Units	13.93%	29.72%	20.95%	13.38%	28.53%	20.12%
500+ Units	14.27%	31.07%	21.31%	13.70%	29.83%	20.46%
Mixed Use	14.61%	31.34%	21.14%	14.03%	30.09%	20.29%
Manufactured Housing	13.61%	33.91%	22.01%	13.06%	32.55%	21.13%
-100 Units	13.61%	29.48%	21.12%	13.06%	28.30%	20.27%
100-500 Units	13.95%	32.43%	22.26%	13.39%	31.14%	21.37%
500+ Units	14.29%	33.91%	22.65%	13.72%	32.55%	21.75%
Business Parks	13.77%	31.43%	20.97%	13.22%	30.17%	20.13%
-100 Acres	13.77%	27.33%	20.14%	13.22%	26.24%	19.33%
100-500 Acres	14.11%	30.06%	21.20%	13.55%	28.86%	20.36%
500+ Acres	14.46%	31.43%	21.57%	13.88%	30.17%	20.70%
Industrial Parks	13.86%	26.98%	19.00%	13.30%	25.90%	18.24%
-100 Acres	13.86%	23.46%	18.29%	13.30%	22.52%	17.55%
100-500 Acres	14.20%	25.81%	19.21%	13.63%	24.78%	18.44%
500+ Acres	14.55%	26.98%	19.52%	13.97%	25.90%	18.74%

^a4th Quarter 2021 Data Copyright 2022 RealtyRates.com™

As shown above, the minimum actual rates in Texas range from 13.59% for less than 100 units; 13.93% for 100 to 500+ units; and 14.27% for 500+ units with minimum pro-forma rates ranging from 13.05% to 14.03%.

The Sixth Edition of the Dictionary of Real Estate Appraisal defines this term as “a discount rate that is adjusted to offset one or more risk factors, i.e., when a future downswing in the business cycle is likely, the risk associated with a project may increase near the end of its term, necessitating a special adjustment to the discount rate. Such discount rates include all of the elements of risk associated with an income stream for a specified period adjusted to offset additional term risk”. Thus, it is our opinion that a potential purchaser would expect to receive a much lower return on his investment for a completed project similar to the subject, which has numerous purchasers of the end product relative to that of a vacant tract of land awaiting eventual development (higher risk of escalating costs to site development and of the eventual timing of completion).

Based upon the preceding, an IRR that is similar to the minimum rates provided by the RealtyRates “Developer Survey” for Texas of 14.27% for 500+ units; and 13.70% for likewise minimum pro-forma rates ranging is considered reasonable for the subject. Hence, taking into consideration the supply and demand levels within the subject’s submarket area, we have selected a discount rate of **14%** for the subject which takes into consideration the degree of risk, developer profit, and the liquidity inherent in a project such as the subject, as well as the current market conditions. To be consistent with the timing of the cash flows, the annual income stream is discounted quarterly with an annual DCF also included. With each of the required elements now identified, we will now analyze the subject in DCF analyses as shown on the following pages.

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IA#1 – DISCOUNT CASH FLOW (DCF) ANALYSIS

The following assumptions are made in our analysis which are supported by other research and analysis found earlier in this report:

- Construction Complete 4/1/2022
- 6% Appreciation/Year (1.5%/Quarter)
- 40' Lots sell at 36/Quarter and 50' Lots sell at 54/Quarter
- Discount Rate 14% (3.5%/Quarter)
- Tax/PID Expenses on Inventory is 2.90%/Year (0.725%/Quarter) but is discounted 30% from retail value
- Sales Expense (3% of Revenue)

As substantial construction on the lots is expected to be complete within the next month, we do not expect a significant increase in the price of the lots prior to absorption. Thus, **the retail lot value for 40' lots is \$65,000 and 50' lots are \$75,500**, as shown below:

Lot Type	Concluded Retail Value 3/14/2022	Concluded Retail Value 4/1/2022
40' Lot	\$65,000	\$65,000
50' Lot	\$75,500	\$75,500

The total cumulative value as of the expected construction completion date is **\$33,417,000**.

Lot Type	Concluded Retail Value 4/1/2022	Number of Lots	Total Value on 4/1/2022
40' Lot	\$65,000	312	\$20,280,000
500' Lot	\$75,500	174	\$13,137,000
Total		486	\$33,417,000

Discount cash flow analysis was completed on a quarterly and annual basis as a check for reasonableness. The annual DCF is a more rudimentary calculation, and we consider the quarterly analysis to be more accurate. When applying the DCF on a quarterly basis, the discount rate is divided by 4 and a discount rate of 3.5% is applied to each period.

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DISCOUNT CASH FLOW DATA – IA#1 RESIDENTIAL LOTS (QUARTERLY)

Lot Type	Apr-22			Jul-22		
	Units Available	Lot Price	Sales Apr-22	Units Available	Lot Price	Sales Jul-22
40' Lot	312	\$ 65,000	36	276	\$ 65,975	36
50' Lot	174	\$ 75,500	54	120	\$ 76,633	54
Revenue		\$6,417,000			\$6,513,255	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 169,638			\$ 139,119	
<i>Sales Expense (3% of Revenue)</i>		\$ 192,510			\$ 195,398	
Net Income		\$6,054,852			\$6,178,739	
Income Net Present Value (NPV)		\$5,859,726			\$5,786,919	



Lot Type	Oct-22			Jan-23		
	Units Available	Lot Price	Sales Oct-22	Units Available	Lot Price	Sales Jan-23
40' Lot	240	\$ 66,965	36	204	\$ 67,969	36
50' Lot	66	\$ 77,782	54	12	\$ 78,949	12
Revenue		\$6,610,954			\$3,394,272	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 107,646			\$ 75,197	
<i>Sales Expense (3% of Revenue)</i>		\$ 198,329			\$ 101,828	
Net Income		\$6,304,980			\$3,217,247	
Income Net Present Value (NPV)		\$5,714,853			\$2,822,146	



Lot Type	Apr-23			Jul-23		
	Units Available	Lot Price	Sales Apr-23	Units Available	Lot Price	Sales Jul-23
40' Lot	168	\$ 68,989	36	132	\$ 70,023	36
50' Lot	0	-	0	0	-	0
Revenue		\$2,483,591			\$2,520,845	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 58,836			\$ 46,922	
<i>Sales Expense (3% of Revenue)</i>		\$ 74,508			\$ 75,625	
Net Income		\$2,350,247			\$2,398,298	
Income Net Present Value (NPV)		\$1,995,182			\$1,970,361	



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Lot Type	Oct-23			Jan-24		
	Units Available	Lot Price	Sales Oct-23	Units Available	Lot Price	Sales Jan-24
40' Lot	96	\$ 71,074	36	60	\$ 72,140	36
50' Lot	0	-	0	0	-	0
Revenue		\$2,558,657			\$2,597,037	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 34,637			\$ 21,973	
<i>Sales Expense (3% of Revenue)</i>		\$ 76,760			\$ 77,911	
Net Income		\$2,447,261			\$2,497,153	
Income Net Present Value (NPV)		\$1,945,794			\$1,921,478	



Lot Type	Apr-24		
	Units Available	Lot Price	Sales Apr-24
40' Lot	24	\$ 73,222	24
50' Lot	0	-	0
Revenue		\$1,757,328	
<u>Expenses</u>			
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 8,921	
<i>Sales Expense (3% of Revenue)</i>		\$ 52,720	
Net Income		\$1,695,688	
Income Net Present Value (NPV)		\$1,262,728	



<i>Total Net Revenue Over 9 Quarters</i>	\$ 33,144,463
Net Present Value (at completion) at 14% Discount Rate	\$ 29,279,187
<u>Rounded</u>	\$ 29,300,000

Mobberly Farms Public Improvement District

DISCOUNT CASH FLOW DATA – IA#1 RESIDENTIAL LOTS (ANNUAL)

Lot Type	2022			2023			2024		
	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40' Lot	312	\$ 65,975	108	204	\$ 69,934	144	60	\$ 72,032	60
50' Lot	174	\$ 81,163	162	12	\$ 86,032	12	-	-	-
Revenue		\$ 20,273,625			\$ 11,102,811			\$ 4,321,890	
Expenses									
<i>Tax Expense</i>		\$ 704,747			\$ 310,657			\$ 87,760	
<i>Sales Expense</i>		\$ 608,209			\$ 333,084			\$ 129,657	
Net Income		\$ 18,960,669			\$ 10,459,070			\$ 4,104,474	
Income Net Present Value (NPV)		\$ 17,758,294			\$ 8,592,822			\$ 2,957,981	



<i>Total Net Income Over 3 Years</i>	\$ 33,524,213
Net Present Value (at completion) at 14% Discount Rate	\$ 29,309,096
Rounded	\$ 29,300,000

Note: Lot price increases were averaged in 2022 and 2024 based on the timing within the year the sales were estimated.

INCOME APPROACH CONCLUSIONS

Using the Income Approach with discount cash flow analysis calculating both quarterly and annual lot starts, the appraisers arrived at similar values of \$29,300,000. Both annual and quarterly analyses have relevance and are a check of reasonableness on the overall analysis. Since both DCF analyses are in agreement, we have that **the improved lots in IA#1 have a net present value (at completion) of \$29,300,000 (\$60,288/Lot).**

Mobberly Farms Public Improvement District

IA#2 – DISCOUNT CASH FLOW (DCF) ANALYSIS

The following assumptions are made in our analysis which are supported by other research and analysis found earlier in this report:

- Construction Complete 4/1/2022
- 6% Appreciation/Year (1.5%/Quarter)
- 40' Lots sell at 36/Quarter and 50' Lots sell at 54/Quarter
- Discount Rate 14% (3.5%/Quarter)
- Tax/PID Expenses on Inventory is 2.90%/Year (0.7252%/Quarter) but is discounted 30% from retail value
- Sales Expense (3% of Revenue)

As substantial construction on the lots is expected to be complete in approximately 18 months, we expect the lots to appreciate by 9% by the time substantial construction is complete. Thus, **the retail lot value as October 2023 for 40' lots is \$70,850 and 50' lots is \$82,295**, as shown below:

Lot Type	Concluded Retail Value 3/14/2022	Concluded Retail Value 10/1/2023
40' Lot	\$65,000	\$70,850
50' Lot	\$75,500	\$82,295

The total cumulative value as of the expected substantial construction completion date is **\$53,348,960**.

Lot Type	Concluded Retail Value 10/1/2023	Number of Lots	Total Value on 10/1/2023
40' Lot	\$70,850	372	\$26,356,200
50' Lot	\$82,295	328	\$26,992,760
Total		700	\$53,348,960

Discount cash flow analysis was completed on a quarterly and annual basis as a check for reasonableness. The annual DCF is a more rudimentary calculation, and we consider the quarterly analysis to be more accurate. When applying the DCF on a quarterly basis, the discount rate is divided by 4 and a discount rate of 3.5% is applied to each period.

Mobberly Farms Public Improvement District

DISCOUNT CASH FLOW DATA – IA#2 RESIDENTIAL LOTS (QUARTERLY)

Lot Type	Oct-23			Jan-24		
	Units Available	Lot Price	Sales Oct-23	Units Available	Lot Price	Sales Jan-24
40' Lot	372	\$ 70,850	36	336	\$ 71,913	36
50' Lot	328	\$ 82,295	54	274	\$ 83,529	54
Revenue		\$6,994,530			\$7,099,448	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 270,821			\$ 238,843	
<i>Sales Expense (3% of Revenue)</i>		\$ 209,836			\$ 212,983	
Net Income		\$6,513,873			\$6,647,621	
Income Net Present Value (NPV)		\$6,303,955			\$6,226,068	



Lot Type	Apr-24			Jul-24		
	Units Available	Lot Price	Sales Apr-24	Units Available	Lot Price	Sales Jul-24
40' Lot	300	\$ 72,991	36	264	\$ 74,086	36
50' Lot	220	\$ 84,782	54	166	\$ 86,054	54
Revenue		\$7,205,940			\$7,314,029	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 205,846			\$ 171,805	
<i>Sales Expense (3% of Revenue)</i>		\$ 216,178			\$ 219,421	
Net Income		\$6,783,916			\$6,922,803	
Income Net Present Value (NPV)		\$6,148,962			\$6,072,635	



Lot Type	Oct-24			Jan-25		
	Units Available	Lot Price	Sales Oct-24	Units Available	Lot Price	Sales Jan-25
40' Lot	228	\$ 75,198	36	192	\$ 76,326	36
50' Lot	112	\$ 87,345	54	58	\$ 88,655	54
Revenue		\$7,423,739			\$7,535,095	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 136,696			\$ 100,495	
<i>Sales Expense (3% of Revenue)</i>		\$ 222,712			\$ 226,053	
Net Income		\$7,064,331			\$7,208,547	
Income Net Present Value (NPV)		\$5,997,082			\$5,922,301	



Mobberly Farms Public Improvement District

Lot Type	Apr-25			Jul-25		
	Units Available	Lot Price	Sales Apr-25	Units Available	Lot Price	Sales Jul-25
40' Lot	156	\$ 77,470	36	120	\$ 78,633	36
50' Lot	4	\$ 89,985	4	0	-	0
Revenue		\$3,148,876			\$2,830,770	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 63,177			\$ 47,900	
<i>Sales Expense (3% of Revenue)</i>		\$ 94,466			\$ 84,923	
Net Income		\$2,991,232			\$2,697,947	
Income Net Present Value (NPV)		\$2,378,300			\$2,075,983	



Lot Type	Oct-25			Jan-26		
	Units Available	Lot Price	Sales Oct-25	Units Available	Lot Price	Sales Jan-26
40' Lot	84	\$ 79,812	24	60	\$ 81,009	24
50' Lot	0	-	0	0	-	0
Revenue		\$1,915,488			\$1,944,220	
<u>Expenses</u>						
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 34,033			\$ 24,674	
<i>Sales Expense (3% of Revenue)</i>		\$ 57,465			\$ 58,327	
Net Income		\$1,823,990			\$1,861,220	
Income Net Present Value (NPV)		\$1,358,271			\$1,341,330	



Lot Type	Apr-26		
	Units Available	Lot Price	Sales Apr-26
40' Lot	36	\$ 82,224	24
50' Lot	0	-	0
Revenue		\$1,973,384	
<u>Expenses</u>			
<i>Tax Expense (%/Year of Outstanding Lots)</i>		\$ 15,027	
<i>Sales Expense (3% of Revenue)</i>		\$ 59,202	
Net Income		\$1,899,156	
Income Net Present Value (NPV)		\$1,324,562	



Total Net Revenue Over 11 Quarters	\$ 52,414,637
Net Present Value (at completion) at 14% Discount Rate	\$ 45,149,448
Rounded	\$ 45,100,000

Mobberly Farms Public Improvement District

DISCOUNT CASH FLOW DATA – IA#2 RESIDENTIAL LOTS (ANNUAL)

Lot Type	2023			2024		
	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
40' Lot	372	\$ 70,850	36	336	\$ 75,101	144
50' Lot	328	\$ 82,295	54	274	\$ 87,233	216
Revenue		\$ 6,994,530			\$29,656,807	
Expenses						
<i>Tax Expense</i>		\$ 1,083,300			\$ 997,746	
<i>Sales Expense</i>		\$ 209,836			\$ 889,704	
Net Income		\$ 5,701,394			\$27,769,357	
Income Net Present Value (NPV)		\$ 5,517,659			\$24,359,085	



Lot Type	2025			2026		
	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40' Lot	192	\$ 79,607	144	48	\$ 81,995	48
50' Lot	58	\$ 89,850	58	-	-	-
Revenue		\$16,674,698			\$3,935,773	
Expenses						
<i>Tax Expense</i>		\$ 416,187			\$ 19,980	
<i>Sales Expense</i>		\$ 500,241			\$ 118,073	
Net Income		\$15,758,270			\$3,797,720	
Income Net Present Value (NPV)		\$12,125,477			\$2,563,353	



Total Net Income Over 4 Years	\$ 53,026,742
Net Present Value (at completion) at 14% Discount Rate	\$ 44,565,575
Rounded	\$ 44,600,000

Note: Lot price increases were averaged in 2022 and 2024 based on the timing within the year the sales were estimated.

INCOME APPROACH CONCLUSIONS

Using the Income Approach with discount cash flow analysis calculating both quarterly and annual lot starts, the appraisers arrived at similar values – approximately 1%. Both annual and quarterly analyses have relevance and are a check of reasonableness on the overall analysis. The appraisers have chosen to reconcile the quarterly and annual analyses with greater emphasis on the quarterly DCF analysis and determined that **the improved lots in IA#2 have a net present value (at completion) of \$45,100,000 (\$64,429/Lot).**

Next, we will determine the value of the paper lots in the Major Improvement Area.

Mobberly Farms Public Improvement District

COST APPROACH – PAPER LOTS IN MAJOR IMPROVEMENT AREA

PHASES 2G & 3G

The Cost Approach is based on the principle of substitution, which states that a prudent buyer would not pay more for a property than the cost to acquire a similar site and construct the equivalent improvements without undue delay. This approach is most beneficial when appraising a proposed or recently built project. The methodology provides information that contrasts with information from the income capitalization and sales comparison approaches. It allows the appraiser to address the feasibility and highest and best use issues inherent in new construction.

The Cost Approach include three basic elements:

- Land Value – Raw Land Sales
- Reproduction Cost – Engineering, Platting, Zoning, Major Improvements
- Accrued Depreciation

The first step in the Cost Approach is to develop a value opinion of the underlying land involved. The land valuation is really a separate appraisal of the land of the subject property, under the assumption that the no improvement has been performed. Therefore, we have elected to treat the site valuation as a separate component of the appraisal process. After we reach an opinion of value for the subject site, that value will be transferred to the calculation of the Cost Approach in the following section of this report.

The subject property has a total approximately 474-AC. The future residential lot area (for 803 lots) in the Major Improvement Area comprises approximately 250-AC.

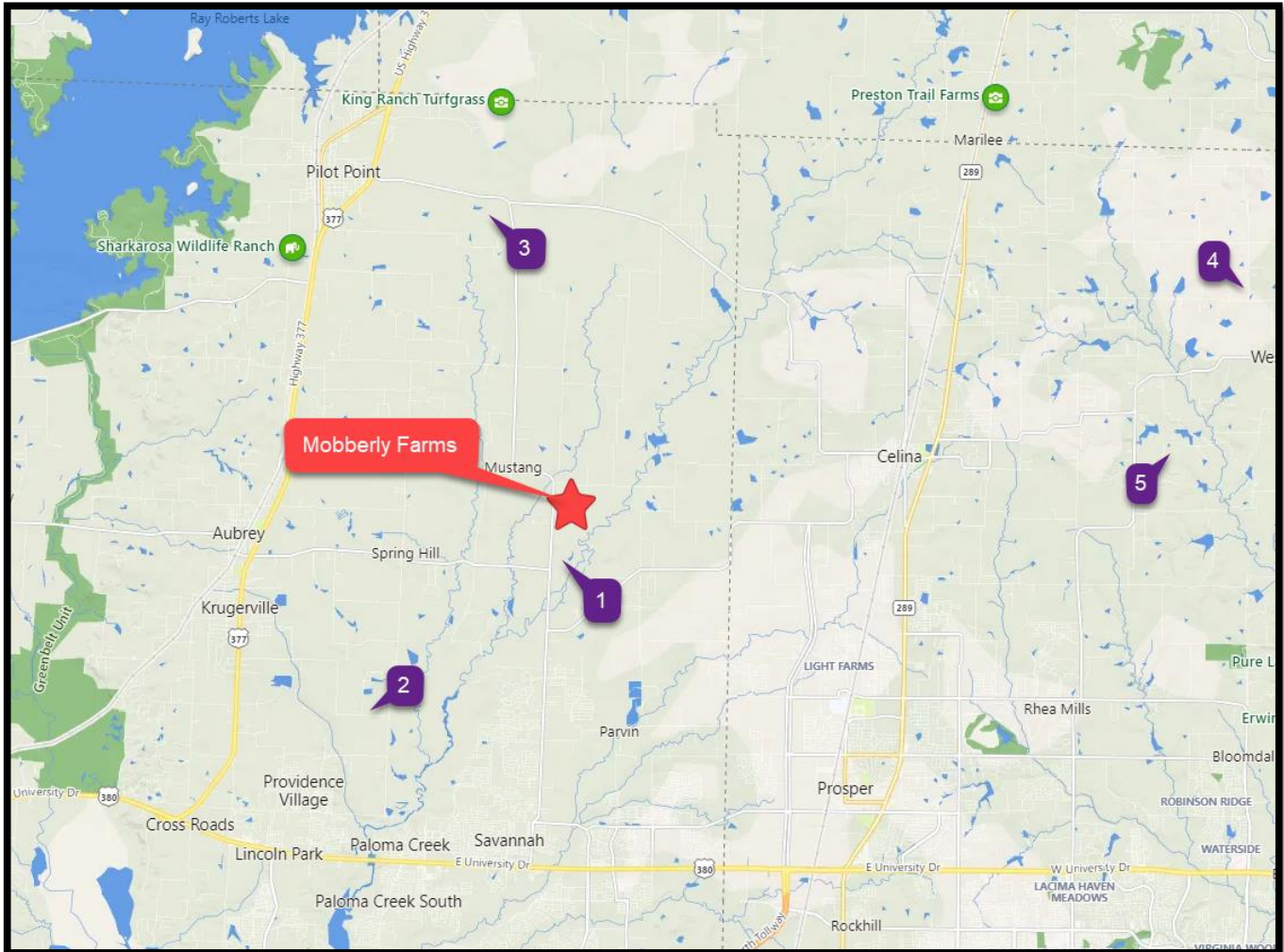
We have utilized the Sales Comparison Approach to determine the market value of the land. Based on research, buyers in the market typically rely heavily on the following unit of comparison for land valuation of over 50 acres:

Sales Price Per Acre - This number is obtained by dividing the sale price by the overall acreage of the land

A map of the subject property with similar, nearby, recent comparable sales is shown below page in addition to a summary of the land sales. Following the map and table there is an adjustment grid as well as an analysis explaining how we adjusted the comparable sales to arrive at a value indication for the subject site's land. Comparable sale data sheets follow the comparable sale map.

Mobberly Farms Public Improvement District

COMPARABLE SALES MAP – RESIDENTIAL PAPER LOT LAND



Subject: Mobberly Farms PID, Pilot Point TX 76258

SUMMARY OF VACANT LAND SALES							
Sale	Location	City	Sale Date	Zoning	Sale Price	Size (AC)	\$/AC
1	FM 1385 (Creekview Meadows)	Pilot Point	9/1/21	PD (SF-3)	\$39,500,000	1,027.000	\$38,462
2	6411 Knuckles Rd.	Aubrey	2/27/22	None	\$3,125,000	50.400	\$62,004
3	Strittmatter Rd.	Pilot Point	7/26/21	None	\$2,200,000	53.740	\$40,938
4	County Road 175	Celina	9/3/21	None	\$5,000,000	121.030	\$41,312
5	County Road 171	Celina	11/2/20	None	\$2,581,560	79.020	\$32,670
Subject	FM 1385 (Mobberly Farms)	Pilot Point	N/A	PD (SF-3)	N/A	249.751	N/A

Mobberly Farms Public Improvement District

SALE COMPARABLE 1 – RESIDENTIAL PAPER LOT LAND

Property Sale Write-Up for Creekview Meadows Land



Creekview Meadows Land - 1027 AC

Property Information

Property Name	Creekview Meadows Land
Property Class	Land
Address	FM 1385, Pilot Point, TX 76258
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	44,738,120
Land Acres	1,027.00
Zoning Code	None
Shape	Irregular
Topography	Gently Sloping
Available Utilities	Electricity, Gas, Water, and Sewer

Transaction Information

Sale Status	Closed
Sale Date	09/01/2021
Sale Price	\$39,500,000
Analysis Sale Price	\$39,500,000
Price per SF Land	\$0.88
Analysis Sale Price per SF Land	\$0.88
Price per Acre	\$38,462
Analysis Sale Price per Acre	\$38,462

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SALE COMPARABLE 2 – RESIDENTIAL PAPER LOT LAND

Property Sale Write-Up for 6411 Knuckles Rd. Aubrey



6411 Knuckles Rd. Aubrey

Property Information

Property Name	6411 Knuckles Rd. Aubrey
Property Class	Land
Address	6411 Knuckles Rd., Aubrey, TX 76227
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	2,195,424
Land Acres	50.40
Zoning Code	None
Shape	Rectangular
Topography	Gently Sloping
Available Utilities	Electricity and Water


Transaction Information

Sale Status	Closed
Sale Date	02/07/2022
Sale Price	\$3,125,000
Analysis Sale Price	\$3,125,000
Price per SF Land	\$1.42
Analysis Sale Price per SF Land	\$1.42
Price per Acre	\$62,004
Analysis Sale Price per Acre	\$62,004

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SALE COMPARABLE 3 – RESIDENTIAL PAPER LOT LAND

Property Sale Write-Up for Strittmatter Rd. Pilot Point



Strittmatter Rd. Pilot Point

Property Information	
Property Name	Strittmatter Rd. Pilot Point
Property Class	Land
Address	Strittmatter Rd., Pilot Point, TX 76258
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	2,341,089
Land Acres	53.74
Zoning Code	None
Transaction Information	
Sale Status	Closed
Sale Date	07/26/2021
Sale Price	\$2,200,000
Analysis Sale Price	\$2,200,000
Price per SF Land	\$0.94
Analysis Sale Price per SF Land	\$0.94
Price per Acre	\$40,938
Analysis Sale Price per Acre	\$40,938

SALE COMPARABLE 4 – RESIDENTIAL PAPER LOT LAND

Property Sale Write-Up for 121AC County Road 175 Celina



121AC County Road 175

Property Information

Property Name	121AC County Road 175 Celina
Property Class	Land
Address	121AC County Road 175, Celina, TX 75009
County	Collin
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	5,272,067
Land Acres	121.03
Zoning Code	None
Shape	L-shaped
Available Utilities	Electricity and Water

Transaction Information

Sale Status	Closed
Sale Date	09/03/2021
Sale Price	\$5,000,000
Analysis Sale Price	\$5,000,000
Price per SF Land	\$0.95
Analysis Sale Price per SF Land	\$0.95
Price per Acre	\$41,312
Analysis Sale Price per Acre	\$41,312

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SALE COMPARABLE 5 – RESIDENTIAL PAPER LOT LAND

Property Sale Write-Up for County Road 171 Celina



79 AC on County Road 171

Property Information

Property Name	County Road 171 Celina
Property Class	Land
Address	County Road 171, Celina, TX 75009
County	Collin
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	3,442,111
Land Acres	79.02
Zoning Code	None
Shape	L-shaped
Topography	Gently Sloping
Available Utilities	Electricity and Water

Transaction Information

Sale Status	Closed
Sale Date	11/02/2020
Sale Price	\$2,581,560
Analysis Sale Price	\$2,581,560
Price per SF Land	\$0.75
Analysis Sale Price per SF Land	\$0.75
Price per Acre	\$32,670
Analysis Sale Price per Acre	\$32,670

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COMPARABLE SALES ADJUSTMENT GRID – PAPER LOTS IN MAJOR IMPROVEMENT AREA

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
	FM 1385 (Mobberly Farms)	FM 1385 (Creekview Meadows)	6411 Knuckles Rd.	Strittmatter Rd.	County Road 175	County Road 171
	Pilot Point	Pilot Point	Aubrey	Pilot Point	Celina	Celina
<i>Transactional Adjustments</i>						
Sales Price/AC		\$38,462	\$62,004	\$40,938	\$41,312	\$32,670
Property Rights		0%	0%	0%	0%	0%
Sales Price/AC		\$38,462	\$62,004	\$40,938	\$41,312	\$32,670
Financing Terms		0%	0%	0%	0%	0%
Sales Price/AC		\$38,462	\$62,004	\$40,938	\$41,312	\$32,670
Conditions of Sale		0%	0%	0%	0%	0%
Sales Price/AC		\$38,462	\$62,004	\$40,938	\$41,312	\$32,670
Expenditures After Purchase		0%	0%	0%	0%	0%
Sales Price/AC		\$38,462	\$62,004	\$40,938	\$41,312	\$32,670
Market Conditions		6%	0%	7%	6%	18%
ADJUSTED Price/AC:		\$40,769	\$62,004	\$43,803	\$43,791	\$38,550
<i>Physical Adjustments</i>						
Location	FM 1385	0%	0%	10%	10%	15%
Size	249.751-AC	12%	-10%	-10%	-5%	-8%
Topography/Floodplain	64% Zone X; 36% Zone AE	3%	-15%	-20%	-20%	-20%
Utilities	All Nearby	0%	6%	15%	15%	15%
Land Use/Zoning	PD (SF-3)	0%	15%	15%	15%	15%
Total Net Physical Adj. After Financial Adj.		15%	-4%	10%	15%	17%
ADJUSTED Price/AC:		\$46,885	\$59,524	\$48,184	\$50,359	\$45,104
SUMMARY OF COMPARABLE VALUES						
Value Range/AC:		\$45,104 to \$59,524				
Weighted Allocation						
Weighted Allocation		20%	20%	20%	20%	20%
Contribution to Value		\$ 9,377	\$ 11,905	\$ 9,637	\$ 10,072	\$ 9,021
Subject Value/AC		\$50,011				
Value Indication		\$12,490,321				
Rounded		\$12,500,000				
		\$50,050/AC (\$1.15/SF)				

ANALYSIS OF THE SALES – PAPER LOTS IN MIA

Our research of sales comparables leads us to the determination that there are ample comparable sales within the last three years involving similar land sales within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property's land that are utilized had unadjusted sales prices ranging from \$32,670 to \$62,004 per acre, and sizes ranging from 50.40- to 1,027-AC.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Financial Adjustments

Property Rights

This adjustment considers the difference in sales price of properties sold in fee simple estate or in leased fee estate and the effect of any existing leases on the sales price of the property. All the sales involved fee simple interests being transferred. Thus, no adjustments are applicable for this factor.

Financing Terms

All sales were cash or cash equivalent, thus an adjustment for this item was not necessary.

Condition of Sale

This adjustment reflects the motivations of the buyer and seller, i.e., assemblage, distress sale, reduced prices from family purchase, or purchase by adjacent landowners. All transactions were arm's length and occurred in an open market, with no undue influences noted; therefore, no adjustments were needed.

Expenditures After Purchase

Immediately following the purchase of a property, a buyer will often spend money to cure a problem or to make the property useable. These expenditures need to be accounted for in the adjustments. If a buyer pays an expense that would normally be a seller's responsibility, such as a real estate commission, this expense should be added to the price to determine the true price paid by the buyer for the property. Demolition of existing improvements that have no contributory value is another example of a cost paid by the buyer that would increase the effective price of the property. Based on our due diligence, there were no expenditures after purchase for any of the comparable sales, so no adjustment is made.

Market Conditions/Date of Sale

Market conditions generally change over time. The date of the appraisal is a specific time. Changes in market conditions may be caused by inflation, deflation, fluctuations in supply and demand or other factors. All the sales occurred during a similar period. According to significant YE 2020 and 2021 real estate industry reports, including data obtained from firms such as Integra, CBRE, and JLL and according to our firms' significant client and owned property records, vacant residential land values have shown increase over the last several years overall in the ~18-25% range for vacant land in outlying areas around the DFW Metroplex. These price increases were moderate – 3-5% per year – in 2019 and early 2020 and then accelerated and have been closer to 15-20% since mid-2020 up to the effective date of this report. A property that sold a year or two ago, would, therefore, have a

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greater market value this year, and therefore, there is a timing adjustment required based on the influences of economic market forces. Considering this we have adjusted the sales positively 15% for the past year-over-year timeframe and positively 6% per year for each year prior. In addition, we are estimating a 6% annual increase from the report date to the effective date of the appraisal on Oct. 1, 2023, because demand for residential land is expected to be strong throughout 2022-2023 due to low supply and high demand in the DFW residential development market.

All sales occurred from 11/2/2020 through 2/27/2022, and adjustments are reflected on the adjustment table ranging from 0 to 18% positive adjustment.

Physical Adjustments

Location

The location adjustments occur when the comparable sale is located in an area that is either more or less desirable than the subject, in relationship to absorption and new construction starts. Also, surrounding development, demographics, economics, and property use trends are given consideration. Each of the comparable sales would be average-to-good locations for a subdivision development with adjustments described below:

- Sale 1: Similar; Adjoining tracts to the south of the subject property in highly similar locations; No adjustment
- Sale 2: Similar; Slightly closer to US 380 but on a road that is less developed than FM 1385; No adjustment
- Sale 3: Inferior; North of the subject property of FM 1385 which is further from population centers of DFW and would be less appealing for a residential developer; Adjusted positively 10%
- Sale 4: Inferior; Further away from major roadways in Collin County with less development; Adjusted positively 10%
- Sale 5: Inferior; Further away from major roadways in Collin County with less development with lower probability of high-density residential development; Adjusted positively 15%

Size

Typically, due to economies of size, the larger the tract the lower the unit price. The converse also tends to be true. Land comparable sales analyzed on an area-wide basis around the subject seem to indicate an approximate price premium or discount for each halving/doubling of size of approximately 5% for tracts within the size range of those compared herein. Adjustments reconciled using this base metric for the size range of the sales utilized in this analysis would appear reasonable based on evaluation of comparable sales and yield the following results (based on 249.751-AC):

- Sale 1: Larger (1,027-AC); Adjusted positively 12%
- Sale 2: Smaller (50.4-AC); Adjusted negatively 10%
- Sale 3: Smaller (53.74-AC); Adjusted negatively 10%
- Sale 4: Smaller (121.030-AC); Adjusted negatively 5%
- Sale 5: Smaller (79.02-AC); Adjusted negatively 8%

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Topography/Floodplain

Topography conditions included are land contours, grades, drainage adequacies, and general physical usability. Land that is heavily wooded would likely be less valuable than a site that was cleared and ready for development. The land being analyzed is mostly cleared (except for the floodplain) due to prior agricultural utilization.

Floodplain includes land denoted by FEMA as being within Zone A, AE, or AE Floodway. These classifications indicate the land is either within the regular path of water or has a 1% average annual chance of flooding. Land within these FEMA Flood Zones generally cannot be improved with structures that impede water flow. This fact significantly reduces the development potential and market value.

The subject property's Major Improvement Area has approximately 36% of the property within Flood Zone AE (floodplain) or Floodway toward the southeast boundary of the major improvement area. This land in floodplain can add nominal value as an amenity to the residential lots because it acts as a buffer to development; however, this land will generally be unusable unless significant earthwork is undertaken, and approval is given by governmental authorities such as the Army Corps of Engineers. Land with or no floodplain is deemed superior, and the following adjustments are made for Topography/Floodplain:

- Sale 1: Inferior; Has approximately 40% of land in floodplain/floodway which bisects the development; Adjusted positively 3%
- Sale 2: Superior; No floodplain but does have a large pond that has been excavated which will limit development; Adjusted negatively 15%
- Sale 3: Superior; No floodplain and completely within Flood Zone X; Adjusted negatively 20%
- Sale 4: Superior; No floodplain and completely within Flood Zone X; Adjusted negatively 20%
- Sale 5: Superior; Has approximately 3% of the property in floodplain along the south boundary; Adjusted negatively 18%

Utilities

The availability of utilities is a major factor in the development of any property. If a site has no utility service or cannot acquire access, it is virtually impossible to develop. In addition, without access to a sanitary sewer most land sales with a highest and best use for residential development will require one-acre lots on a septic system which significantly restricts development potential.

Public utilities available near the subject property currently include Mustang SUD water and sanitary sewer, electricity provided by Oncor, natural gas provided by Atmos and telephone/Internet through a variety of providers. The area under analysis does not as yet have these utilities; however, the site does have the utilities stubbed in the vicinity. The following adjustments are made for utilities:

- Sale 1: Similar; Also has all utilities stubbed nearby; No adjustment
- Sale 2: Inferior; Has most utilities to the property or stubbed nearby and has sewer approximately 1 mile away would need to be trenched to the property for highest and best use; Adjusted positively 6%
- Sale 3: Inferior; Has electricity and water at the street but lacks sewer and natural gas which would limit higher density development; Adjusted positively 15%
- Sale 4: Inferior; Has electricity and water at the street but lacks sewer and natural gas which would limit higher density development; Adjusted positively 15%
- Sale 5: Inferior; Has electricity and water at the street but lacks sewer and natural gas which would limit higher density development; Adjusted positively 15%

Mobberly Farms Public Improvement District

Land Use/Zoning

The residential lots within the Major Improvement Area are under a Development Agreement with the City of Pilot Point for single-family residences which makes them residential paper lots. At this step in the process, the land has entitlements in place which add significant value above vacant land. Each of the comparable sales have highest and best uses for residential development. The following adjustments are made for land use/zoning:

- Sale 1: Similar; Paper lots which have entitlements in place or close to approval; No adjustment
- Sale 2: Inferior; Unimproved land without entitlements in place; Adjusted positively 15%
- Sale 3: Inferior; Unimproved land without entitlements in place; Adjusted positively 15%
- Sale 4: Inferior; Unimproved land without entitlements in place; Adjusted positively 15%
- Sale 5: Inferior; Unimproved land without entitlements in place; Adjusted positively 15%

Weighting

In the final analysis of the Sales Comparison Approach for the residential land in the Major Improvement Area, we placed similar weight on each of the sales and weighted each of the comparable sales 20%.

Conclusion

Only those categories which have a measurable difference on the sale price are examined. Each of the comparable sales have similar development potential for a single-family subdivision. After adjustments, the Comparable Sales indicate a price range per acre of \$45,104 to \$59,524 with a mean of \$50,011/AC and a median of \$48,184/AC. The concluded value for the residential land in the Major Improvement Area is **\$50,011/AC (\$1.15/SF), or \$12,490,321, rounded to \$12,500,000 (\$50,050/AC; \$1.15/SF).**

Mobberly Farms Public Improvement District

COST APPROACH – PAPER LOTS IN MAJOR IMPROVEMENT AREA (CONTINUED)

Replacement cost is the current cost of replacing the improvement with one having equal utility or able to perform the same economic function:

1. It could be the cost of acquiring an equally desirable substitute, or
2. The cost to replace, with a property having an equivalent utility, which may or may not be a replica, or
3. The replacing or remodeling of parts of a structure to maintain it in its highest and best use and operating condition.

This term generally is used to indicate: The present cost of replacing the improvements with improvements of equivalent utility, considering modern materials and construction methods.

NOTE: The appraisers have been provided with detailed construction development costs provided by Barraza Consulting Group (Professional Engineer) who have worked with developer on development costs necessary for Earthwork, Erosion Control, Sanitary Sewer, Drainage, Water Distribution Systems, and Street Paving. We have reviewed these costs and concluded they are reasonable and credible for developing the Mobberly Farms PID based on our experience reviewing costs from other PIDs. Further, we have utilized an extraordinary assumption that the development costs are accurate as of the effective date of the report. Use of this extraordinary assumption has affected assignment results.

Detailed costs for each phase (created by Barraza Consulting Group) were provided to us for Mobberly Farms. The portion concerning the paper lots in the Major Improvement Area is circled below and totals **\$7,024,956**:

	Major Improvement Area	
	%	Cost
Major Improvements²		
Streets ³	40.90%	\$ 3,426,371
Water	40.90%	81,511
Sewer	40.90%	144,634
Drainage	40.90%	299,177
Soft Costs ⁴	40.90%	1,510,673
		\$ 5,462,366
Bond Issuance Costs - Initial Bonds⁵		
Debt Service Reserve Fund		\$ 433,273
Capitalized Interest		517,046
Underwriter Discount		200,520
Cost of Issuance		366,751
		\$ 1,517,590
Other Costs		
Initial Deposit to Administrative Fund		\$ 45,000
		\$ 45,000
Bond Issuance Costs - Future Bonds⁶		
Debt Service Reserve Fund		\$ -
Capitalized Interest		-
Underwriter Discount		-
Cost of Issuance		-
		\$ -
Total⁷		\$ 7,024,956

Mobberly Farms Public Improvement District

Depreciation is defined as loss in capital value from any cause. It is employed in this report in estimating the difference in the present-day value of the improvements and the cost of new replacement. The three major types of accrued depreciation are:

Physical Deterioration

Physical deterioration is loss in value from actual physical causes and measured either as curable or incurable. The curable items are measured by the actual cost to replace or repair the component parts. The incurable portion is estimated by virtue of an observed condition or ascertaining the used portion by the best estimate of the appraiser. Curable physical deterioration, also referred to as deferred maintenance, is caused by normal wear and tear that should be corrected immediately or, is necessary to keep rents at market levels. The cost of curing the condition and bringing the property to a satisfactory and functioning condition, is generally the measure of deferred maintenance.

Note: As the subject property is a proposed subdivision, there is no physical deterioration to consider.

Functional Obsolescence

Functional obsolescence is loss in value from conditions existing within the property which make the property inadequate or less desirable to the typical prudent purchaser. It, too, may be curable or incurable. Incurable obsolescence is normally measured by the loss in income which may accrue to the property by reason thereof.

Note: The proposed subject building is considered to be of desirable size and functional design for demand from typical users in this market. There is no indication of functional obsolescence for this property.

External Obsolescence

According to the Dictionary of Real Estate Appraisal, Fifth Edition, external obsolescence is “*an element of depreciation; a diminution of value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.*”

External obsolescence is considered to be the loss in value of a property resulting from the influence of negative forces not inherent with the property. It can be caused by the exertion of detrimental external forces upon the neighborhood or property itself. Other examples are noise from nearby expressways or airports, excessive taxes, special assessments or certain other governmental actions, or the infiltration of inharmonious groups or land uses.

This form of obsolescence is rarely, if ever, curable. The measure of this form of obsolescence is the capitalized value of the rental loss due to the condition. Care must be exercised to charge against the improvements only the pro-rata amount of the indicated loss represented by the improvements to total property value ratio. In other words, if the land value already reflects the condition, the rent loss attributable only to the improvements should be capitalized.

Note: As the proposed subdivision is in an area in the growth cycle where similar residential subdivisions are planned, there is no depreciation for external obsolescence.

Mobberly Farms Public Improvement District

Entrepreneurial Profit

According to the Dictionary of Real Estate Appraisal, Fifth Edition, entrepreneurial profit is defined as “a market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property after completion) which represents the entrepreneur’s compensation for the risk and expertise associated with development.”. Typically, the range of 10-20% of cost is used for this category with higher percentages typical when a development involves more risk. Typically, subdivision developers are categorized as higher risk than other real estate endeavors due to the high degree coordination that takes place over several years. Within the span of those years numerous market changes are likely to occur. We are using **20%** for the purpose of this analysis as residential development tends to be riskier and thus a higher profit is expected from participants.

Cost Approach Assumptions

The following assumptions will affect our Cost Approach value conclusions:

- Developer construction cost estimates provided by Barraza Consulting Group are accurate and reflect all associated costs (as of the effective date) to construct the development – *Utilizing Extraordinary Assumption*
- Contingencies (10% of hard costs) were included within the soft cost calculation provided by Barraza
- Entrepreneurial profit is considered to be **20%** which is the market rate profit a developer would expect to undertake the risk associated with a subdivision development such as the subject property
- The value of the underlying land as of the report date **\$12,500,000**.
- We expect the land to continue to increase in value at 6% annually over the next 18+ months until the effective date of value on October 1, 2023; thus, the value of the land on that date is estimated at **\$13,625,000**

Mobberly Farms Public Improvement District

COST APPROACH VALUE CONCLUSION

Again, the indicated property value determined by the Cost Approach is derived by the following equation:

$$\text{Property Value} = \text{Land Value} + (\text{Cost New less Accumulated Depreciation})$$

With our assumptions in place, as well as the developer construction costs provided by a state licensed third party (Barraza Consulting Group) and our market values for the vacant land, we have reported our Cost Approach value indication below for the 803 residential paper lots:

Cost Approach - Major Improvement Area (803 Paper Lots)	
<i>Total Build Cost</i>	
Hard Costs*	\$ 3,951,693
Soft Costs**	\$ 1,510,673
Bond Issuance Costs and Other Costs	\$ 1,562,590
Plus: Entrepreneurial Profit (20%)	\$ 1,404,991
Less Depreciation	
Physical Curable/Incurable	\$ -
Functional Obsolescence	\$ -
External Obsolescence	\$ -
Total Accrued Depreciation	\$ -
Plus: Land (249.751 Acres)***	\$ 13,625,000
Indicated Total Value	\$ 22,054,947
Total Value Rounded	\$22,100,000

As of the construction completion date for the Major Improvement Area of October 1, 2023, the value indication (rounded) of the 803 residential paper lots using the Cost Approach is \$22,100,000 (\$27,522/Lot).

**Hard Costs – Expenditures for the labor and materials used in the construction of improvements, i.e., for construction of streets, water, sewer, and drainage*

***Soft Costs – Expenditures for items other than labor and materials that are necessary for construction but are not typically part of the construction contract. Soft costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the developer’s insurance during construction; and marketing and sales costs*

****This \$13,625,000 value is determined by assuming the land currently valued at \$12,500,000 will increase 6% per year (9% total) to the date of value on October 1, 2023*

RECONCILIATION AND FINAL VALUE CONCLUSION

The Appraisal of Real Estate, Fourteenth Edition, copyright 2013, pages 641-642, published by the Appraisal Institute states,

“Resolving the differences among various value indications is called reconciliation.... The final value opinion is not the average of the different value indications derived. No mechanical formula is used to select one indication over the others...Final reconciliation relies on proper application of appraisal techniques and the appraiser’s judgment.”

Three approaches to value are recognized in the appraisal profession (Sales Comparison Approach, Cost Approach, and Income Approach). Three approaches to value are recognized in the appraisal profession (Sales Comparison Approach, Cost Approach, and Income Approach). All three approaches were analyzed as part of the scope of work of this assignment. A summary of each approach follows:

Income (Subdivision) Approach

For the improved lots, the Income Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases the bulk of the lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices. Since our assignment is to determine the bulk sale value of 486 improved residential lots in IA#1 and 700 improved residential lots, as of the construction completion dates, the Income Approach is appropriate and was developed. Through Discounted Cash Flow Analysis, **we determined the value of the 486 improved lots in IA#1, as of April 1, 2022, using the Income Approach is \$29,300,000 (\$60,288/Lot). We determined the value of the 700 improved lots in IA#2, as of October 1, 2023, using the Income Approach is \$45,100,000 (\$64,429/Lot).**

For the valuing the Major Improvement Area, the Income Approach is not appropriate because the land is only partially developed and not yet marketable to end users. Thus, the Income Approach was not utilized in our analysis of the paper lots within the Major Improvement Area.

Sales Comparison Approach

For the improved lots in IA#1 and IA#2, the Sales Comparison Approach was not fully developed because finding highly similar and recent bulk sales of improved groups of lots or subdivisions is not available in the market. Aspects of the Sales Comparison Approach were utilized in concluding the retail lot market values for use in the Income Approach for the improved lots.

For valuation of the residential paper lots in the Major Improvement Area, the Sales Comparison Approach was not fully developed because finding highly similar and recent sales of improved and partially developed subdivisions is not available in the market. Aspects of the Sales Comparison Approach were utilized when determining the value of the underlying land that was required in the Cost Approach for valuing the paper lots.

Mobberly Farms Public Improvement District

Cost Approach

The Cost Approach is the process of estimating the current cost (new) of reproducing or replacing a property's improvements, subtracting depreciation from all sources and adding the value of the land to arrive at a value for the property as a whole.

Since the improved lots in IA#1 and IA#2 will be constructed in phases over several years, the Cost Approach is not appropriate and thus was not utilized to value the improved lots. This approach is most beneficial when appraising a proposed or recently built project and is typically used when developed units make up a substantial portion of the entire project.

We did utilize the Cost Approach to value the 803 paper lots in the Major Improvement Area of the subdivision. The Cost Approach utilizes aspects of the Sales Comparison Approach to determine the underlying value of the land. Cost figures provided by Barraza Consulting Group were then included to determine the value of the property when major public infrastructure is included. **We determined the value of the 803 residential paper lots, as of October 1, 2023, using the Cost Approach is \$22,100,000, or \$27,522/Lot.**

A table below summarizes the concluded values for each of the three improvement areas with each of the three approaches to values:

Mobberly Farms PID, Pilot Point, TX 76258			
<i>Fee Simple Interest, Complete April 1, 2022</i>			
Mobberly Farms IA#1	Income (Subdivision)	Sales	Cost
<i>486 Improved Residential Lots</i>	<i>\$ 29,300,000</i>	<i>N/A</i>	<i>N/A</i>
<i>Fee Simple Interest, Complete October 1, 2023</i>			
Mobberly Farms IA#2	Income (Subdivision)	Sales	Cost
<i>700 Improved Residential Lots</i>	<i>\$ 45,100,000</i>	<i>N/A</i>	<i>N/A</i>
Mobberly Farms Major Improvement Area	Income (Subdivision)	Sales	Cost
<i>803 Residential Paper Lots</i>	<i>N/A</i>	<i>N/A</i>	<i>\$ 22,100,000</i>

Mobberly Farms Public Improvement District

Final Value Conclusion Summary

As a result of our investigations, studies and analysis of the sale, cost, income, and expense data, interpreted within the context of all the factors in the marketplace which effect value, our reconciliation of the indicated values between the utilized approaches to value are listed in the table below. We utilized the Income (Subdivision) Approach to value the 486 improved residential lots in IA#1 and the 700 improved residential lots in IA#2. We utilized the Cost Approach to value the 803 paper residential lots in the Major Improvement Area. The effective date of each of these values is October 1, 2023, as that is the date when development construction is expected to be complete. Our opinion of value for the fee simple interest of IA#1, IA#2 and the MIA are as follows:

FINAL VALUE CONCLUSIONS	
<i>Fee Simple Interest, Complete April 1, 2022</i>	
Mobberly Farms IA#1	
<i>486 Improved Residential Lots</i>	<i>\$29,300,000 (\$60,288/Lot)</i>
<i>Fee Simple Interest, Complete October 1, 2023</i>	
Mobberly Farms IA#2	
<i>700 Improved Residential Lots</i>	<i>\$45,100,000 (\$64,429/Lot)</i>
Mobberly Farms Major Improvement Area	
<i>803 Residential Paper Lots</i>	<i>\$22,100,000 (\$27,522/Lot)</i>

Exposure Time

Assuming adequate exposure and normal marketing efforts, the estimated exposure time (i.e. the length of time the subject property would have been exposed for sale in the market had it sold at the market value concluded to in this analysis as of the date of this valuation) would have been at least 3-12 months; the estimated marketing time (i.e. the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of this valuation) is estimated to be between 3-12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Market conditions are presently strong, and we expect no significant changes in the near term. It is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 3-12 months.

ADDENDA

PROJECT COSTS

EXHIBIT B – PROJECT COSTS

	Total ¹	Private	Major Improvement Area		Improvement Area #1		Improvement Area #2	
			%	Cost	%	Cost	%	Cost
Major Improvements²								
Streets ³	\$ 8,376,497	\$ -	40.90%	\$ 3,426,371	24.01%	\$ 2,011,038	35.09%	\$ 2,939,088
Water	199,270	-	40.90%	81,511	24.01%	47,841	35.09%	69,918
Sewer	353,589	-	40.90%	144,634	24.01%	84,890	35.09%	124,065
Drainage	731,403	-	40.90%	299,177	24.01%	175,596	35.09%	256,630
Soft Costs ⁴	3,693,163	-	40.90%	1,510,673	24.01%	886,658	35.09%	1,295,832
	<u>\$ 13,353,922</u>	<u>\$ -</u>		<u>\$ 5,462,366</u>		<u>\$ 3,206,024</u>		<u>\$ 4,685,533</u>
Improvement Area #1 Improvements								
Streets ³	\$ 3,618,897	\$ -	0.00%	\$ -	100.00%	\$ 3,618,897	0.00%	\$ -
Water	1,505,852	-	0.00%	-	100.00%	1,505,852	0.00%	-
Sewer	1,136,575	-	0.00%	-	100.00%	1,136,575	0.00%	-
Drainage	1,248,472	-	0.00%	-	100.00%	1,248,472	0.00%	-
Right of Way	2,038,300	-	0.00%	-	100.00%	2,038,300	0.00%	-
Soft Costs ⁴	1,843,321	-	0.00%	-	100.00%	1,843,321	0.00%	-
	<u>\$ 11,391,417</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ 11,391,417</u>		<u>\$ -</u>
Improvement Area #2 Improvements								
Streets ³	\$ 5,973,729	\$ -	0.00%	\$ -	0.00%	\$ -	100.00%	\$ 5,973,729
Water	2,561,111	-	0.00%	-	0.00%	-	100.00%	2,561,111
Sewer	2,552,534	-	0.00%	-	0.00%	-	100.00%	2,552,534
Drainage	3,358,100	-	0.00%	-	0.00%	-	100.00%	3,358,100
Soft Costs ⁴	4,749,600	-	0.00%	-	0.00%	-	100.00%	4,749,600
	<u>\$ 19,195,074</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 19,195,074</u>
Private Improvements								
Grading Site Preparation	\$ 3,384,231	\$ 3,384,231	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -
Retaining Walls	1,619,018	1,619,018	0.00%	-	0.00%	-	0.00%	-
Dry Utilities	3,826,500	3,826,500	0.00%	-	0.00%	-	0.00%	-
Amenity Center	2,000,000	2,000,000	0.00%	-	0.00%	-	0.00%	-
Soft Costs ⁴	1,829,056	1,829,056	0.00%	-	0.00%	-	0.00%	-
	<u>\$ 12,658,805</u>	<u>\$ 12,658,805</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
Bond Issuance Costs - Initial Bonds⁵								
Debt Service Reserve Fund	\$ 2,638,223			\$ 433,273		\$ 961,400		\$ 1,243,550
Capitalized Interest	1,275,949			517,046		318,690		440,213
Underwriter Discount	1,212,390			200,520		424,920		586,950
Cost of Issuance	1,941,911			366,751		679,560		895,600
	<u>\$ 7,068,473</u>			<u>\$ 1,517,590</u>		<u>\$ 2,384,570</u>		<u>\$ 3,166,313</u>
Other Costs								
Initial Deposit to Administrative Fund	\$ 135,000			\$ 45,000		\$ 45,000		\$ 45,000
	<u>\$ 135,000</u>			<u>\$ 45,000</u>		<u>\$ 45,000</u>		<u>\$ 45,000</u>
Bond Issuance Costs - Future Bonds⁶								
Debt Service Reserve Fund	\$ 767,337			\$ -		\$ 227,529		\$ 539,808
Capitalized Interest	-			-		-		-
Underwriter Discount	367,174			-		103,389		263,786
Cost of Issuance	714,704			-		252,358		462,345
	<u>\$ 1,849,215</u>			<u>\$ -</u>		<u>\$ 583,276</u>		<u>\$ 1,265,939</u>
Total⁷	\$ 65,651,906	\$ 12,658,805		\$ 7,024,956		\$ 17,610,287		\$ 28,357,858

Notes:

¹ Authorized Improvement costs per Opinion of Probable Costs provided by Barraza Consulting Group, LLC, dated 1/17/2022.

² Major Improvements are allocated to the Major Improvement Area, Improvement Area #1, and Improvement Area #2 pro rata based on the ratio of the Estimated Buildout Value of each respective area, as shown on Exhibit I, to the Estimated Buildout Value of the entire District.

³ Street Improvements include grading site preparation, and in the case of Major Improvement streets, TxDOT turn lane improvements, and screening and landscaping.

⁴ Soft Costs include engineering, District creation, construction management, and 10% contingency.

⁵ Bond issuance costs associated with initial bonds are estimates only and will be determined at the time initial PID Bonds are sold.

⁶ Bond Issuance Costs associated with future bonds are estimates only and will be determined at the time future PID Bonds are sold to replace the Major Improvement Area Reimbursement Obligation, Improvement Area #1 Reimbursement Obligation, and/or the Improvement Area #2 Reimbursement Obligation.

⁷ Totals may not add due to rounding.

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LEGAL DESCRIPTIONS

474.040 ACRES

BEING that certain tract of land situated in the J.H. Holcomb and E.E. Steen Survey, Abstract No. 1467, the Levi Robinson Survey, Abstract No. 1488, the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 1504, the Memphis, El Paso and Pacific Railroad Company Survey, Abstract No. 926, and the James H. Melroy Survey, Abstract No. 895, in Denton County, Texas, and being all of that certain called 236.50 acre tract of land (save and except a called 10.003 acre tract of land) described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-20859, of the Real Property Records of Denton County, Texas (RPRDCT), all of that certain called 100.000 acre tract of land described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2018-23944, RPRDCT, all of that certain called 184.731 acre tract of land (save and except a called 9.498 acre tract of land) described in deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-103282, RPRDCT, all of that certain called 0.732 acre tract of land described in Quit Claim Deed to MM Mobberly 236, LLC recorded in Instrument No. 2019-79714, RPRDCT, all that certain called 10.003 acre tract of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT, and all of that certain called 10.003 acre tract of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said called 184.731 acre MM Mobberly 236, LLC tract, and being located at the intersection of the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way described as Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT), and the approximate center of Mobberly Road (an undedicated public right-of-way);

THENCE South 75°56'24" East, with the northerly line of said called 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, a distance of 1566.06 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE, continuing with the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, the following courses to 1/2-inch iron rods found for corner:

North 01°14'47" East, a distance of 20.60 feet;

And North 89°32'36" East, a distance of 1680.27 feet;

THENCE North 89°36'29" East, continuing with the northerly line of the 184.731 acre MM Mobberly 236, LLC tract, and said approximate center of Mobberly Road, passing at a distance of 1438.24 feet the northeast corner of said 184.731 acre MM Mobberly 236, LLC tract, and the northwest corner of said called 10.003 acre tracts of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, continuing with the north line of said 10.003 acre MM Mobberly 236, LLC tracts, and the approximate center of Mobberly Road, in all, a total distance of 1697.73 feet to a 1/2 inch iron rod found for corner, said iron rod being the northeast corner of that certain called 89.661 acre tract of land described in deed to Mobberly Road and 285 Partners, Ltd. recorded in Instrument No. 2007-31541, RPRDCT;

THENCE South 01°03'16" West, with the east line of said Mobberly Road and 285 Partners, Ltd. tract, a distance

Mobberly Farms Public Improvement District

of 1520.26 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner at the most northerly southeast corner of said 184.731 acre MM Mobberly 236, LLC tract;

THENCE South 38°20'16" West, with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, passing at a distance of 110.56 feet the most easterly southeast corner of said 184.731 acre MM Mobberly 236, LLC tract, continuing with said southeasterly line of the Mobberly Road and 285 Partners, Ltd. tract, in all, a total distance of 155.71 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner;

THENCE continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, the following courses to 1/2 inch iron rods with cap stamped "WINDROSE" found for corner:

South 41°20'04" West, a distance of 99.69 feet;

And South 41°58'03" West, a distance of 99.88 feet;

THENCE South 44°14'27" West, continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, passing at a distance of 51.49 feet a 1/2 inch iron rod with cap stamped "WINDROSE" found at the southwest corner of said called 10.003 acre tracts described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112423, RPRDCT, Instrument No. 2020-112424, RPRDCT, and Instrument No. 2020-112425, RPRDCT, continuing in all, a total distance of 100.37 feet to a 1/2 inch iron rod with cap stamped "WINDROSE" found for corner;

THENCE continuing with the southeasterly line of said Mobberly Road and 285 Partners, Ltd. tract, the following courses to 1/2 inch iron rods with cap stamped "WINDROSE" found for corner:

South 43°03'36" West, a distance of 106.44 feet;

South 36°27'00" West, a distance of 95.30 feet;

South 57°03'58" West, a distance of 41.20 feet;

South 30°13'50" West, a distance of 58.94 feet;

South 53°05'12" West, a distance of 89.83 feet;

South 83°10'55" West, a distance of 97.56 feet;

South 30°23'57" West, a distance of 91.28 feet;

South 44°54'39" West, a distance of 105.64 feet;

South 13°53'58" West, a distance of 85.61 feet;

South 15°57'31" West, a distance of 47.91 feet;

South 33°47'06" West, a distance of 97.77 feet;

And South 04°35'42" West, a distance of 80.14 feet, said iron rod being located at the most southerly southeast corner of said Mobberly Road and 285 Partners, Ltd. tract, and said 100.000 acre MM Mobberly

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236, LLC tract recorded in Instrument Number 2018-23944, RPRDCT;

THENCE North 89°35'34" East, with the north line of said called 236.50 acre MM Mobberly 236, LLC tract recorded in Instrument Number 2018-20859, RPRDCT, and the south line of that certain tract of land described as Tract X in deed to HI DEE Properties, L.P. recorded in Instrument No. 2010-6258, RPRDCT, and Instrument No. 6259, RPRDCT, a distance of 857.31 feet to a 1-inch steel pipe found for corner;

THENCE South 89°29'34" East, continuing with said north line of the called 236.50 acre MM Mobberly 236, LLC tract, a distance of 474.74 feet to a point for corner located in the approximate center of Little Elm Creek;

THENCE with said approximate center of Little Elm Creek, and the easterly line of said called 236.50 acre MM Mobberly 236, LLC tract, the following courses to points for corner:

- South 36°28'36" West, a distance of 42.91 feet;
- South 27°46'36" West, a distance of 47.40 feet;
- South 05°25'24" East, a distance of 32.00 feet;
- South 73°56'24" East, a distance of 41.00 feet;
- South 49°42'24" East, a distance of 38.00 feet;
- South 25°53'24" East, a distance of 43.00 feet;
- South 06°16'36" West, a distance of 37.00 feet;
- South 50°51'19" West, a distance of 88.62 feet;
- South 76°35'36" West, a distance of 61.82 feet;
- North 71°32'24" West, a distance of 55.18 feet;
- South 66°27'36" West, a distance of 140.87 feet;
- North 79°59'24" West, a distance of 80.58 feet;
- North 69°00'24" West, a distance of 49.56 feet;
- North 79°55'24" West, a distance of 91.04 feet;
- South 64°27'36" West, a distance of 102.08 feet;
- South 52°23'36" West, a distance of 78.33 feet;
- South 24°18'36" West, a distance of 62.00 feet;
- South 06°53'36" West, a distance of 89.20 feet;
- South 48°59'24" East, a distance of 50.20 feet;

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South 61°56'24" East, a distance of 59.03 feet;

North 89°32'38" East, a distance of 28.54 feet;

South 60°49'24" East, a distance of 31.70 feet;

South 54°35'24" East, a distance of 140.00 feet;

North 80°59'36" East, a distance of 58.50 feet;

South 82°06'24" East, a distance of 76.20 feet;

South 35°20'24" East, a distance of 117.00 feet;

And South 67°13'24" East, a distance of 142.40 feet;

THENCE South 23°42'24" East, continuing with said approximate center of Little Elm Creek, and said easterly line of the called 236.50 acre MM Mobberly 236, LLC tract, a distance of 138.50 feet to a steel pipe found for corner;

THENCE continuing with said approximate center of Little Elm Creek, and the easterly line of the called 236.50 acre MM Mobberly 236, LLC tract, the following courses to points for corner:

South 09°41'36" West, a distance of 113.56 feet;

South 42°09'36" West, a distance of 54.53 feet;

South 67°14'36" West, a distance of 90.24 feet;

North 57°43'24" West, a distance of 73.70 feet;

South 47°21'36" West, a distance of 66.40 feet;

North 80°55'24" West, a distance of 54.06 feet;

North 54°19'24" West, a distance of 111.60 feet;

North 81°32'24" West, a distance of 50.53 feet;

South 76°20'36" West, a distance of 46.45 feet;

North 79°43'24" West, a distance of 134.98 feet;

North 89°41'24" West, a distance of 107.86 feet;

North 75°30'24" West, a distance of 96.08 feet;

South 73°37'36" West, a distance of 195.09 feet;

North 87°11'24" West, a distance of 134.80 feet;

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South 77°58'36" West, a distance of 70.00 feet;
South 35°34'36" West, a distance of 70.50 feet;
South 10°06'36" West, a distance of 109.67 feet;
South 33°53'36" West, a distance of 60.00 feet;
South 77°14'36" West, a distance of 115.00 feet;
North 85°47'24" West, a distance of 122.20 feet;
South 59°50'36" West, a distance of 63.00 feet;
South 37°52'36" West, a distance of 61.20 feet;
South 12°48'36" West, a distance of 113.30 feet;
South 21°50'36" West, a distance of 120.00 feet;
South 03°09'24" East, a distance of 49.64 feet;
South 21°23'24" East, a distance of 182.30 feet;
South 11°55'24" East, a distance of 67.00 feet;
South 11°14'36" West, a distance of 72.30 feet;
South 35°02'36" West, a distance of 35.00 feet;
South 73°07'36" West, a distance of 40.20 feet;
North 67°51'24" West, a distance of 56.00 feet;
North 23°00'24" West, a distance of 135.00 feet;
North 55°59'24" West, a distance of 281.18 feet;
South 62°36'36" West, a distance of 112.42 feet;
South 21°25'36" West, a distance of 47.74 feet;
South 02°15'24" East, a distance of 55.34 feet;
South 60°56'24" East, a distance of 57.76 feet;
South 13°47'36" West, a distance of 147.11 feet;
South 24°54'24" East, a distance of 48.85 feet;

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South 60°44'24" East, a distance of 50.23 feet;

North 73°48'36" East, a distance of 110.19 feet;

South 61°25'24" East, a distance of 93.52 feet;

South 16°50'24" East, a distance of 35.56 feet;

And South 17°58'36" West, a distance of 115.12 feet, said point being located at the northeast corner of said called 10.003 acre tracts of land described in deeds to MM Mobberly 236, LLC recorded in Instrument No. 2020-112426, RPRDCT, and Instrument No. 2020-112427, RPRDCT;

THENCE continuing with the approximate center of said Little Elm Creek, and the southeasterly line of said called 10.003 acre MM Mobberly 236, LLC tracts, the following courses to points for corner:

South 35°30'36" West, a distance of 141.61 feet;

South 49°48'36" West, a distance of 76.66 feet;

South 88°50'36" West, a distance of 182.51 feet;

South 50°18'36" West, a distance of 125.50 feet;

South 58°39'36" West, a distance of 101.20 feet;

South 77°06'36" West, a distance of 61.98 feet;

South 62°47'36" West, a distance of 121.24 feet;

North 76°47'24" West, a distance of 90.54 feet;

North 26°36'24" West, a distance of 129.17 feet;

And North 45°52'24" West, a distance of 161.30 feet;

THENCE North 69°10'24" West, continuing with said center of Little Elm Creek, a distance of 119.81 feet to a 1-inch iron pipe found for corner at a northeast corner of that certain tract of land described in deed to Shiney Hiney Partners I, recorded in Volume 3435, Page 478, RPRDCT;

THENCE North 89°29'24" West, with the north line of that certain called 273.782 acre tract of land described in deed to Kenneth B. Moore and Ruth Moore recorded in Volume 871, Page 856, RPRDCT, a distance of 254.18 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner;

THENCE South 89°55'50" West, continuing with said north line, a distance of 188.45 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner;

THENCE South 89°51'45" West, continuing with said north line, a distance of 2030.15 feet to a 1/2-inch iron rod with cap stamped "GEER" found for corner located on said east right-of-way line of Farm-to-Market Road No. 1385, and being the northwest corner of said Kenneth B. Moore and Ruth Moore tract;

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THENCE North 02°10'09" East, with said east right-of-way line of Farm-to-Market Road No. 1385, said east right-of-way line according to deed to the State of Texas recorded in Volume 348, Page 364, RPRDCT, and said Tract No. 1 in deed to the State of Texas, recorded in Volume 348, Page 343, RPRDCT, a distance of 740.83 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°49'09" East, continuing with said east right-of-way line of Farm-to-Market Road No. 1385, a distance of 2081.98 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 01°14'11" East, with said east right-of-way line of Farm to Market Road No. 1385, a distance of 540.34 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, and the beginning of a non-tangent curve to the right;

THENCE northeasterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°54'56", a radius of 2819.79 feet, a chord which bears North 03°10'41" East, a chord distance of 192.67 feet, and an arc distance of 192.71 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 05°08'09" East, continuing with said east right-of-way line of Farm to Market Road 1385, a distance of 34.70 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner, and the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°46'00", a radius of 2909.79 feet, a chord which bears North 03°15'09" East, a chord distance of 191.26 feet, and an arc distance of 191.29 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" found for corner;

THENCE North 01°22'09" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 137.00 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 04°03'55", a radius of 2909.79 feet, a chord which bears North 00°39'11" West, a chord distance of 206.42 feet, and an arc distance of 206.46 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 02°33'48" West, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 84.83 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the right;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°33'52", a radius of 2819.79 feet, a chord which bears North 00°55'49" West, a chord distance of 175.39 feet, and an arc distance of 175.42 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 00°53'03" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 786.20 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

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THENCE northwesterly, with said curve which has a central angle of 10°30'47", a radius of 617.96 feet, a chord which bears North 04°21'54" West, a chord distance of 113.23 feet, and an arc distance of 113.39 feet to the end of said curve and the POINT OF BEGINNING, containing an area of 521.519 acres of land, more or less.

SAVE & EXCEPT THE TWO FOLLOWING TACTS OF LAND

SAVE & EXCEPT TRACT A

12.990 ACRES

BEING that certain tract of land situated in the J. H. Holcomb and E. E. Steen Survey, Abstract No. 1467, Denton County, Texas, and being part of a called 184.731 acre (Save and Except 9.498 acres) tract of land as described in deed to MM Mobberly 236, LLC, as recorded in Instrument No. 2019-103282, of the Real Property Records of Denton County, Texas (RPRDCT), and part of a called 100.000 acre tract of land as described in deed to MM Mobberly 236, LLC, as recorded in Instrument No. 2018-23944, RPRDCT, and being more particular described as follows:

COMMENCING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found in the east right-of-way line of Farm to Market Road No. 1385 (a variable width right-of-way), same being the southwest corner of that certain tract of land as described in deed to Cowboys Center, Ltd., as recorded in Instrument No. 2017-151470, RPRDCT, and the northwest corner of said 184.731 acre tract of land, also being the beginning of a non-tangent curve to the right;

THENCE, with said east right-of-way line of Farm to Market Road No. 1385, and the West line of said 184.731 acre tract of land, the following courses and distances as follows:

Southeasterly, along said curve to the right having a central angle of 10 degrees 30 minutes 47 seconds, a radius of 617.96 feet, a chord which bears South 04 degrees 21 minutes 54 seconds East, a distance of 113.23 feet, and an arc length of 113.39 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

South 00 degrees 53 minutes 03 seconds West, a distance of 760.52 feet to an 'ell' point for corner, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 00 degrees 53 minutes 03 seconds West, a distance of 25.68 feet;

THENCE, leaving said east right-of-way line of Farm to Market Road No. 1385, and the west line of said 184.731 acre tract of land, over and across said 184.731 acre tract of land, the following courses and distances to points for corner as follows:

South 89 degrees 06 minutes 57 seconds East, a distance of 766.26 feet to the POINT OF BEGINNING;

North 89 degrees 57 minutes 39 seconds East, a distance of 256.94 feet;

South 00 degrees 02 minutes 21 seconds East, a distance of 1218.92 feet;

North 82 degrees 54 minutes 51 seconds West, a distance of 95.91 feet;

South 89 degrees 57 minutes 39 seconds West, a distance of 381.77 feet;

North 00 degrees 02 minutes 21 seconds West, a distance of 987.02 feet, said point being the beginning of a tangent curve to the right;

Northeasterly, with said curve to the right with a central angle of 90 degrees 00 minutes 00 seconds, a radius of 220.00 feet, a chord which bears North 44 degrees 57 minutes 39 seconds East, a distance of 311.13 feet, and an arc length of 345.58 feet to the POINT OF BEGINNING, and containing an area of 12.990 acres of land.

SAVE & EXCEPT TRACT B

34.489 ACRES

BEING that certain tract of land situated in the J.H. HOLCOMB AND E.E. STEEN SURVEY, ABSTRACT No. 1467, and the MEMPHIS, EL PASO, AND PACIFIC RAILROAD COMPANY SURVEY, ABSTRACT No. 1504, and being part of that certain called 184.731 acre tract of land described in deed to MM Mobberly, LLC (Save and Except 9.498 acres) recorded in Instrument Number

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2019-103282, of the Real Property Records of Denton County, Texas (RPRDCT), and that certain called 100.000 acre tract of land described in deed to MM Mobberly 236, LLC, recorded in Instrument Number 2018-23944, RPRDCT, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod with cap stamped "ALLIANCE" found at the northwest corner of said MM Mobberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, and being located on the east right-of-way line of Farm to Market Road No. 1385 (variable width right-of-way), described as Tract No. 1 in deed to the State of Texas recorded in Volume 348, Page 343, RPRDCT, said iron rod also being located in the approximate center of Mobberly Road (undedicated public right-of-way);

THENCE South 75°56'24" East, with said approximate center of Mobberly Road, and the northerly line of said MM Mobberly 236, LLC tract recorded in Instrument Number 2019-103282, RPRDCT, a distance of 1355.52 feet to 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 75°56'24" East, a distance of 210.54 feet;

THENCE, leaving said approximate center of Mobberly Road, and over and across said called 184.731 acre and 100.00 acre MM Mobberly 236, LLC tracts, the following courses to 5/8-inch iron rods with plastic cap stamped "BCG 10194538" set for corner:

South 00°02'21" East, a distance of 495.48 feet;

South 89°57'39" West, a distance of 552.24 feet, said iron rod being the beginning of a tangent curve to the left;

Southwesterly, with said curve to the left having a central angle of 90°00'00", a radius of 280.00 feet, a chord which bears South 44°57'39" West, a chord distance of 395.98 feet, and an arc distance of 439.82 feet to the end of said curve;

South 00°02'21" East, a distance of 987.02 feet;

South 89°57'39" West, a distance of 363.13 feet, said iron rod being the beginning of a tangent curve to the right;

Northwesterly, said curve to the right having a central angle of 01°16'04", a radius of 955.00 feet, a chord which bears North 89°24'19" West, a chord distance of 21.13 feet, and an arc distance of 21.13 feet to the end of said curve;

And North 88°46'17" West, a distance of 125.74 feet, said iron rod being located on said east right-of-way line of Farm to Market Road No. 1385, from which a 1/2-inch iron rod with cap stamped "ALLIANCE" found bears South 01°14'11" West, a distance of 370.96 feet;

THENCE North 01°14'11" East, with said east right-of-way line of Farm to Market Road No. 1385, a distance of 169.38 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, and the beginning of a non-tangent curve to the right;

THENCE northeasterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°54'56", a radius of 2819.79 feet, a chord which bears North 03°10'41" East, a chord distance of 192.67 feet, and an arc distance of 192.71 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner;

THENCE North 05°08'09" East, continuing with said east right-of-way line of Farm to Market Road 1385, a distance of 34.70 feet to a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner, and the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°46'00", a radius of 2909.79 feet, a chord which bears North 03°15'09" East, a chord distance of 191.26 feet, and an arc distance of 191.29 feet to the end of said curve, a 5/8-inch iron rod with plastic cap stamped "BCG 10194538" set for corner;

THENCE North 01°22'09" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 137.00 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 04°03'55", a radius of 2909.79 feet, a chord which bears North 00°39'11" West, a chord distance of 206.42 feet, and an arc distance of 206.46 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

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THENCE North 02°33'48" West, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 84.83 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the right;

THENCE northwesterly, continuing with said east right-of-way line of Farm to Market Road No. 1385, and with said curve which has a central angle of 03°33'52", a radius of 2819.79 feet, a chord which bears North 00°55'49" West, a chord distance of 175.39 feet, and an arc distance of 175.42 feet to the end of said curve, a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner;

THENCE North 00°53'03" East, continuing with said east right-of-way line of Farm to Market Road No. 1385, a distance of 786.20 feet to a 1/2-inch iron rod with cap stamped "ALLIANCE" found for corner at the beginning of a non-tangent curve to the left;

THENCE northwesterly, with said curve which has a central angle of 10°30'47", a radius of 617.96 feet, a chord which bears North 04°21'54" West, a chord distance of 113.23 feet, and an arc distance of 113.39 feet to the end of said curve and the POINT OF BEGINNING, containing an area of 34.489 acres of land.
Containing a net acreage of 474.040 acres, more or less.

NOTE:

THIS DOCUMENT WAS PREPARED UNDER 22 TAC §663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED.

DRAFT

ASSUMPTIONS AND LIMITING CONDITIONS

This report is subject to the following assumptions and limiting conditions:

- 1) The value is based on the assumption of responsible ownership and competent management. The subject property is assumed to be free and clear of all liens, except as may be otherwise herein described. No responsibility is assumed by the appraiser for matters legal in character, nor is any opinion on the title rendered, which is assumed to be good and marketable.
- 2) The information contained herein has been gathered from sources deemed to be reliable, but the appraiser assumes no responsibility for its accuracy. Correctness of estimates, opinions, dimensions, sketches, and other exhibits that have been furnished and have been used in this report are not guaranteed.
- 3) The value rendered herein is based on preliminary analyses of the subject and market area. The market value is expressed in terms of the current purchasing power of the dollar.
- 4) Any leases, agreements or other written or verbal representations and/or communications and information received by the appraiser has been reasonably relied upon in good faith but have not been analyzed for their legal implications. We urge and caution the user of this report to obtain legal counsel of his/her own choice to review the legal and factual matters, and to verify and analyze the underlying facts and merits of any investment decision in a reasonably prudent manner.
- 5) Appraisers assume no responsibility for any hidden agreements known as "side reports", which may or may not exist relative to this property, which have not been made known to us, unless specifically acknowledged within this report.
- 6) This report is to be used in whole, and not in part. Any separate valuation for land and improvements shall not be used in conjunction with any other valuation and is invalid if so used. Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any purpose by anyone but the client without the previous written consent of the appraiser, and in any event, only in its entirety.
- 7) The appraiser, by reason of this report, are not required to give testimony in court with reference to the property unless notice and proper arrangements have been previously made, therefore.
- 8) Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without prior written consent and approval of the author.
- 9) No subsoil data or analysis based on engineering core borings or other tests were furnished to us. We have assumed that there are no subsoil defects present that would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for engineering, which might be required to discover such factors.
- 10) Any construction and physical condition of the improvements described herein are based on the building construction plans and specifications and construction budgets if provided. No liability is assumed by the appraiser for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition or adequacy of mechanical equipment, plumbing or electrical components. No

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responsibility is assumed for engineering, which might be required to discover such factors. We urge the user of this report to retain an expert in this field as this is any considered “to-be-built” improvements.

- 11) Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present in or on the property, or other environmental conditions were not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser site visit. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, are not qualified to test such substances or conditions. If the presence of such substances as asbestos, urea formaldehyde, foam insulation or other hazardous substance or environmental conditions may affect the value of the property, the value is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto as to cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to detect or discover them. We urge the user of this report to retain an expert in the field of environmental impacts on real estate if so desired.
- 12) We have made no survey of the property and assume no responsibility in connected with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
- 13) We accept no responsibility for issues requiring expertise in other fields. Such factors include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic items such as soils and seismic stability; civil, mechanical, electrical, structural and other engineering and environmental matters. Such issues may also include determinations of compliance with zoning and other federal, state, and local laws, regulations, and codes.
- 14) The projections of income, expenses, terminal values or future sales prices are not predictions of the future; rather, they are the best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly changing. It is not the task of the appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future, and upon what assumptions of the future investment decisions are based.
- 15) The client or user of this report agrees to notify the appraiser of any error, omission or inaccurate data contained in the report within 15 days of receipt and return the report and all copies thereof to the appraiser for correction prior to any use.
- 16) The acceptance of this report, and its subsequent use by the client or any other party in any manner whatsoever for any purpose, is acknowledgment by the user that the report has been read and understood, and specifically agrees that the data and analyses, to their knowledge, are correct and acceptable.
- 17) We have assumed no extreme fluctuations in the economic cycles will occur over the dates analyzed herein
- 18) The appraisal report and value conclusions assume the satisfactory development proceeds in a workmanlike manner

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- 19) The conclusions in this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, existing trends, interviews with parties knowledgeable and experienced in the market, data obtained from public records, and research conducted by third parties. Such data is not always completely reliable. The appraisers are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. In addition, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we hold the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will be achieved, as they are forecasts and subject to risk and uncertainty. Additionally, we assume competent and effective management and market for the duration of the projected holding period of this property.
- 20) Prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to risk and uncertainty. Many events could occur that may substantially alter the outcome of our estimates such as changes in the economy, interest rates, capitalization rates, the behavior of consumers, investors, and lenders, and changes in title or conveyances of easements and deed restrictions. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
- 21) This assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan. However, it is based on a hypothetical assumption that access to the south tract is achievable in accordance with all applicable regulations, and any building is to be constructed according to the approved plans and specifications provided by a licensed general contractor.
- 22) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more requirements of the act. If so, this fact could have a negative impact upon the value of the property. However, since we have no direct evidence relating to the issue of compliance, we did not consider possible noncompliance with requirements of ADA in forming an opinion of the value of the property.
- 23) In addition to the preceding assumptions and limiting conditions, this appraisal is subject to the following extraordinary assumptions and/or hypothetical conditions:

Mobberly Farms Public Improvement District

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions. Extraordinary assumptions are used as the residential lots are to be delivered as improved residential lots by the dates utilized in this report.

- Our opinions of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans, specifications, and cost projections provided by Barraza Consulting Group as of April 1, 2022, for the 486 improved residential lots in Phase 1 and as of October 1, 2023, for the 700 improved residential lots in Phases 1G and 2, as well as the paper lots which comprise Phase 2G and 3G.
- All information relative to the property located within the Mobberly Farms Public Improvement District including land areas, lot totals, lot sizes, and other pertinent data that was provided by FMSbonds, MM Mobberly 236 LLC (owner), Centurion American (developer), Barraza Consulting Group (professional engineers), the City of Pilot Point, and the Denton Central Appraisal District is assumed to be correct.
- The subject is proposed construction with an expected completion date of IA#1 of April 1, 2022, IA#2 of Oct. 1, 2023, and Major Improvement Area of Oct. 1, 2023; therefore, this report contains a prospective opinion of value. Considering this, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation dates. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to the prospective effective dates.

The use of these extraordinary assumptions has affected assignment results.

The value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- No Hypothetical Conditions are used in this report.

ENVIRONMENTAL ASSUMPTIONS

This report is subject to the following environmental assumptions:

- 1) There is a safe, lead-free, adequate supply of drinking water.
- 2) The subject property is free of soil contamination.
- 3) There is no uncontained friable asbestos or other hazardous asbestos material on the property. The appraiser is not qualified to detect such substances.
- 4) There are no uncontained PCB's on or near the property.
- 5) The radon level is at or below EPA recommended levels.
- 6) Any functioning underground storage tanks (UST's) are not leaking and are properly registered; any abandoned UST's are free from contamination and were properly drained, filled and sealed.
- 7) There are no hazardous waste sites on or near the subject property that negatively affect the value and/or safety of the property.
- 8) There is no significant urea formaldehyde (UFFI) insulation or other urea formaldehyde material on the property.
- 9) There is no flaking or peeling of lead-based paint on the property.
- 10) The property is free of air pollution.
- 11) There are no wetlands/flood plains on the subject property (unless otherwise stated in the report).
- 12) There are no other miscellaneous hazardous substances and/or detrimental environmental conditions on or in the area of the site (excess noise, radiation, light pollution, magnetic radiation, acid mine drainage, agricultural pollution, waste heat, miscellaneous chemical, infectious medical wastes, pesticides, herbicides, and the like).

DEFINITIONS

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The value conclusions expressed within this report are in terms of cash (\$US).

Extraordinary assumptions are assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Hypothetical condition a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion

Mobberly Farms Public Improvement District

to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Prospective Market Value “As Completed” and “As Stabilized”

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the Appraisal Report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value—as completed - reflects the property’s market value as of the time that development is expected to be completed. The prospective market value - as stabilized - reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (See USPAP Statement 4* and Advisory Opinion 17.) (Interagency Appraisal and Evaluation Guidelines)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.”

Neighborhood

- (1) A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.
- (2) A developed residential superpad within a master-planned community usually having a distinguishing name and entrance.

Depreciation

1. In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset’s life; calculated using a variety of standard techniques.

The three major types of accrued depreciation are:

Physical Deterioration

Physical deterioration is loss in value from actual physical causes and measured either as curable or incurable. The curable items are measured by the actual cost to replace or repair the component parts. The incurable portion is estimated by virtue of an observed condition or ascertaining the used portion by the best estimate of the appraiser. Curable physical deterioration, also referred to as deferred maintenance, is caused by normal wear and tear that should be corrected immediately or is necessary to keep rents at market levels. The cost of curing the condition and bringing the property to a satisfactory and functioning condition, is generally the measure of deferred maintenance.

Mobberly Farms Public Improvement District

Functional Obsolescence

Functional obsolescence is loss in value from conditions existing within the property which make the property inadequate or less desirable to the typical prudent purchaser. It, too, may be curable or incurable. Incurable obsolescence is normally measured by the loss in income which may accrue to the property by reason thereof.

External Obsolescence

According to the Dictionary of Real Estate Appraisal, Sixth Edition, external obsolescence is “*A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.*”

Definition Sources:

- Office of the Comptroller of the Currency (12 CFR Part 34)
- Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Sixth Edition, copyright 2015.
- The Appraisal Foundation: USPAP (Uniform Standards of Professional Appraisal Practice) 2018-2019 edition

DRAFT

Mobberly Farms Public Improvement District

JAMES L. MAIBACH, CPM

Certified Property Manager and State Certified General Real Estate Appraiser

EDUCATION:

Graduate North Quincy High School, Quincy, Massachusetts, 1976
Bachelor of Science in Business Administration (with Honors)
Northeastern University, Boston Massachusetts, 1981
Major: Accounting Minor: Marketing

TECHNICAL TRAINING:

Institute of Real Estate Management Courses:
#303 - Leasing and Management of Shopping Center and Retail Space
#400 - Managing Real Estate as an Investment
#500 - Problem-Solving & Decision-Making for the Property Manager
#800 - Ethics in Real Estate Management
University of Texas at Arlington: Real Estate Courses:
RE 001 Real Estate Finance; RE 004 Real Estate Mathematics ;
RE 101 Principles of Real Estate; RE 301 Texas Real Estate Law: Contracts;
RE 501 Texas Real Estate Law; RE 701 Property Management
East Texas Baptist University:
Uniform Standards of Professional Appraisers and Code of Ethics. The Appraisal Foundation:
USPAP Update
Texas Association of Property Tax Professionals, Inc.:
Principles of Property Tax Consulting; A Survey of Texas Property Tax Law
Other: USPAP-97 Instructor's Workshop, USPAP Instructor 1997
TREC Licensed Instructor – Commercial Investment Course, CEI 1998
Continuing Education Institute:
Deceptive Trade Practices Act; Let's Talk-Not Fight; Property Taxes: Rights, Remedies and Responsibilities; USPAP Update
Institute for Real Estate Professionals, Inc.
Preparing & Presenting an Ethical Ad Valorem Property Tax Valuation; Texas Property Tax Law 2007
Texas Association of Realtors:
Tarrant County Appraisal Review Board Determinations

PROFESSIONAL AFFILIATIONS:

Texas Appraiser Licensing and Certification Board - State Certified General Real Estate Appraiser No. TX-1323658-G
Institute of Real Estate Management (IREM)- Certified Property Manager, CPM Designation No. 14942
Texas Real Estate Broker's License, No. 375882
Texas Dept. of Licensing & Regulations - Licensed Property Tax Consultant, License #1360
Texas Property Tax Arbitrator #32020394139
Tarrant Appraisal Review Board Member 1991-1992 Appointment
City of Arlington - Planning and Zoning – Commissioner 1997-2003 (Appointed by Mayor and City Council)
American Planning Association – Member 1997 to 2003
Arlington Chamber of Commerce - Board of Directors 1995 to 2001 – Reappointed 2003 to 2006 – Reappointed 2007 to present
City of Arlington Parks & Recreation – Board of Directors, Appointed 2003 to 2007

EXPERIENCE:

Active field appraiser, property manager, developer, broker, and tax consultant of all types of real property since June, 1986.
Appeared in Texas State Court as an expert witness on real estate values on numerous occasions. A property manager and developer for nineteen years at Peyco Properties, Inc. and twenty-one years through Peyco Southwest Realty, Inc. (formerly Southwest Real Estate Services, Inc.), involved in real estate development, leasing, management, rent analysis and consulting services through the DFW metroplex and Colorado. President and founder of Peyco Southwest Realty, Inc. (Southwest Real Estate Services, Inc.), a full-service brokerage company, real estate appraisal, and ad valorem property tax representation firm.



**Certified General
Real Estate Appraiser**

Appraiser: James Lawrence Maibach

License #: TX 1323658 G

License Expires: 09/30/2022

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.


**Chelsea Buchholtz
Commissioner**

DRAFT

Mobberly Farms Public Improvement District

SHERIDAN ENGEL
Appraiser Trainee

EDUCATION:

Graduate, 2002 - Brookville High School, Lynchburg, VA
Bachelor of Science in Biochemistry, 2007 - Virginia Polytechnic Institute & State University, Blacksburg, VA
Bachelor of Science in Psychology, 2007 - Virginia Polytechnic Institute & State University, Blacksburg, VA

TECHNICAL TRAINING:

McKissock Learning Appraisal Courses

- Basic Appraisal Principles (30 hours)
- Basic Appraisal Procedures (30 hours)
- 2018-2019 National USPAP Course (15 hours)
- Supervisor-Trainee Course for Texas (4 hours)
- Residential Appraiser Site Valuation and Cost Approach (15 hours)
- Residential Sales Comparison and Income Approaches (30 hours)
- Residential Market Analysis and Best Use (15 hours)
- Residential Report Writing and Case Studies (15 hours)
- Advanced Residential Applications and Case Studies (15 hours)
- Finance, Modeling, and Statistics (15 hours)
- General Appraiser-Highest and Best Use (30 hours)
- General Report Writing & Case Studies (30 hours)
- General Sales Comparison Approach (30 hours)
- General Cost Approach (30 hours)
- General Income Approach (60 hours)
- Expert Witness for Commercial Appraisers (15 hours)
- Commercial Appraisal Review (15 hours)
- Appraisal Subject Matter Electives (20 hours)
- Appraisal Institute: Subdivision Valuation (7 hours)

EXPERIENCE:

October 2020-Present

Appraiser Trainee with Peyco Southwest Realty, Arlington, TX

- Written Reports on Commercial Industrial, Commercial Office, Vacant Land, Residential Appraisals
- Served as Liaison between clients, banks, and supervisor, James L. Maibach, CPM
- Texas Appraiser Trainee - #1342474

April 2009-October 2020

Field Calibration Technician with Bio-Tek Services, Inc., Dallas, TX

- Serviced laboratory instruments for university research, government, hospital, and biotech laboratories
- Top earning service/sales representative from 2011-2020; sales on average 3 times higher than the mean sales rep
- Worked remotely (main office based in Richmond, VA) and rarely needed oversight from operations managers
- Organized an extremely busy schedule (along with 75% overnight travel) to maintain customer compliance
- Developed and maintained strong relationships with clients over the course of a decade
- Followed ISO 17025 guidelines to keep client labs compliant with regulatory standards



Appraiser Trainee

Trainee: **Sheridan Scott Engel**

Authorization #: **TX 1342474 Trainee**

Expires: **12/31/2022**

Review the list of the above Trainee's Supervisors on the License Holder Search at www.talcb.texas.gov.

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title: Appraiser Trainee

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.

Chelsea Buchholtz
Commissioner

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APPENDIX F

FORM OF CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT

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**MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1
CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT**

THIS MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT (this “Agreement”), dated as of May 12, 2022, is by and among the CITY OF PILOT POINT, TEXAS, a home-rule municipality of the State of Texas (the “City”), and MM MOBBERLY 236, LLC, a Texas limited liability company (the “Developer”).

**ARTICLE I
DEFINITIONS**

The following terms shall have the meanings ascribed to them in this Article I for purposes of this Agreement. Unless otherwise indicated, any other terms, capitalized or not, when used herein shall have the meanings ascribed to them in the Indenture (as hereinafter defined).

“**Act**” means the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended.

“**Actual Costs**” means the costs of the Authorized Improvements actually paid or incurred for construction and installation of the Authorized Improvements.

“**Administrator**” means, initially, P3Works, LLC, or any other individual or entity designated by the City to administer the District.

“**Annual Service Plan Update**” means the annual update to the Service and Assessment Plan conducted by the Administrator pursuant to the Service and Assessment Plan.

“**Authorized Improvements**” means the improvements authorized by the Act, which (1) will benefit all property assessed within Improvement Area #1 of the District, as set forth in the Service and Assessment Plan, (2) are defined as “Improvement Area #1 Projects” in the Service and Assessment Plan, and (3) are more particularly described in Section III.A and Section III.B of the Service and Assessment Plan. An individual Authorized Improvement, including a completed segment or part, shall be referred to as an Authorized Improvement.

“**Bond Ordinance**” means the ordinance adopted by the City Council on May 12, 2022 authorizing the issuance of the Bonds pursuant to the Indenture.

“**Bonds**” means the City’s bonds designated “City of Pilot Point, Texas, Special Assessment Revenue Bonds, Series 2022 (Mobberly Public Improvement District Improvement Area #1 Project)”.

“**Budgeted Costs**” means the anticipated, agreed upon costs of the Authorized Improvements as shown in Table III-F of the Service and Assessment Plan.

“Certification for Payment” means a certificate, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the Developer, the Administrator and the City Representative, executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, provided no more frequently than once per each month to the City Representative and the Trustee, specifying the amount of work performed and the amount charged for that work, including materials and labor costs, presented to the Trustee to request payment for Actual Costs of Authorized Improvements under the Indenture.

“City Certificate of Release Restrictions” means the certificate the City will send to the Trustee upon request of the Developer, upon confirmation that the Release Restrictions (as defined in the Indenture) have been met.

“City Inspector” means an individual employed by or an agent of the City whose job is, in part or in whole, to inspect infrastructure to be owned by the City for compliance with all rules and regulations applicable to the development and the infrastructure inspected.

“City Manager” means the City Manager of the City, or its designee.

“City Representative” means the City Manager, or any other official or agent of the City later authorized by the City to undertake the action referenced herein.

“Closing Disbursement Request” means the certificate, substantially in the form of **Exhibit A** hereto or otherwise mutually agreed to by the Developer, Administrator, and City Representative, executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, specifying the amounts to be disbursed for the costs related to the operation of the District and the costs of issuance of the Bonds.

“Construction Contracts” means the contracts for the construction of an Authorized Improvement. “Construction Contract” means any one of the Construction Contracts.

“Cost” means the Budgeted Costs or the cost of an Authorized Improvement as reflected in a Construction Contract, if greater than the Budgeted Costs.

“Cost of Issuance Account” means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

“Cost Overrun” means, with respect to each Authorized Improvement, the Actual Cost, as appropriate, of such Authorized Improvement in excess of the Budgeted Cost.

“Development Agreement” means that certain Mobberly Development Agreement by and among the City, the Developer, and MM Mobberly 13, LLC, approved by the City on January 27, 2022, and related to development of the property within the District, as the same may be amended from time to time.

“District” shall mean the Mobberly Public Improvement District created by the City on January 27, 2022.

“Final Completion” means completion of an Authorized Improvement in compliance with existing City standards for dedication under the City’s ordinances and the Development Agreement.

“Indenture” means that certain Indenture of Trust between Wilmington Trust, National Association, as trustee, dated as of June 1, 2022 relating to the Bonds.

“Mustang SUD” means Mustang Special Utility District.

“Mustang SUD Inspector” means an individual employed by or an agent of Mustang SUD whose job is, in part or in whole, to inspect infrastructure to be owned by Mustang SUD for compliance with all rules and regulations applicable to the development and the infrastructure inspected.

“Improvement Area #1” shall have the meaning set forth in the Service and Assessment Plan.

“Improvement Area #1 Improvements” means the portion of the Authorized Improvements consisting of only those improvements that will benefit Improvement Area #1.

“Improvement Area #1 Improvements Account” means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

“Improvement Area #1 Major Improvements” means the portion of the Authorized Improvements consisting of Improvement Area #1’s allocable share of the improvements that will benefit all of the property in the District.

“Improvement Area #1 Major Improvements Account” means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

“Plans” means the plans, specifications, schedules and related construction contracts for the Authorized Improvements, respectively, approved pursuant to the applicable standards, ordinances, procedures, policies and directives of the City or Mustang SUD, as applicable, the Development Agreement, and any other applicable governmental entity.

“Project Fund” means the fund, including the accounts created and established under such fund, where monies from the proceeds of the sale of the Bonds, excluding those deposited in other funds in accordance with the Indenture, shall be deposited, and the fund by such name created under the Indenture.

“Release Restrictions” shall have the meaning ascribed to such term in the Indenture.

“Service and Assessment Plan” means the Mobberly Public Improvement District Service and Assessment Plan, adopted by the City Council on May 12, 2022, as the same may be updated, amended, or supplemented, for the purpose of assessing allocated cost(s) against the property located within the boundaries of the District having terms, provisions and findings approved and agreed to by the Developer and the City, as required by this Agreement and in accordance with the PID Act.

“Substantial Completion” means the time at which the construction of an Authorized Improvement (or specified segment, section or part thereof) has progressed to the point where such Authorized Improvement (or a specified segment, section or part thereof) is sufficiently complete in accordance with the Construction Contracts related thereto so that such Authorized Improvement (or a specified segment, section or part thereof) can be utilized for the purposes for which it is intended.

“Supplement” means a written document agreed upon by the parties to this Agreement amending, supplementing or otherwise modifying this Agreement and any exhibit hereto.

“Unrestricted Amount” shall have the meaning ascribed to such term in the Indenture.

ARTICLE II RECITALS

Section 2.01. The District and the Authorized Improvements.

(a) The City has created the District under the Act for the financing of, among other things, the acquisition, construction and installation of the Authorized Improvements.

(b) The City has authorized the issuance of the Bonds in accordance with the provisions of the Act, the Bond Ordinance and the Indenture, the proceeds of which Bonds shall be used, in part, to finance all or a portion of the Authorized Improvements in accordance with the terms and limitations of the Development Agreement, this Agreement, and the Service and Assessment Plan.

(c) All Authorized Improvements are eligible to be financed with proceeds of the Bonds to the extent specified herein.

(d) The proceeds from the issuance and sale of the Bonds shall be deposited in accordance with the Indenture.

(e) The Developer will undertake, oversee, or ensure the construction and development of the Authorized Improvements for acquisition and acceptance by the City or Mustang SUD, in accordance with the terms and conditions contained in the Development Agreement and this Agreement.

Section 2.02. Agreements. In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Developer agree that the foregoing recitals, as applicable to each, are true and correct and further make the agreements set forth herein.

ARTICLE III FUNDING

Section 3.01. Bonds.

(a) The City, in connection with this Agreement, is proceeding with the issuance and delivery of the Bonds.

(b) The projects to be financed with a portion of the proceeds of the Bonds are the Authorized Improvements. The payment of costs from the proceeds of the Bonds for the Improvement Area #1 Improvements shall be made from the Improvement Area #1 Improvements Account of the Project Fund established under the Indenture. The payment of costs from the proceeds of the Bonds for the Improvement Area #1 Major Improvements shall be made from the Improvement Area #1 Major Improvements Account of the Project Fund established under the Indenture. Money on deposit in the Improvement Area #1 Improvements Account of the Project Fund shall only be used to pay Actual Costs of Improvement Area #1 Improvements and money on deposit in the Improvement Area #1 Major Improvements Account of the Project Fund shall only be used to pay Actual Costs of Improvement Area #1 Major Improvements.

(c) The City's obligation with respect to the payment of the Authorized Improvements shall be limited to the lesser of the Actual Costs or Budgeted Costs, and shall be payable solely from amounts on deposit for the payment of such costs as provided herein and in the Indenture. The Developer agrees and acknowledges that it is responsible for all Cost Overruns and all expenses related to the Authorized Improvements, qualified, however, by the distribution of Cost Underrun (as defined in Section 4.04 hereof) monies, as detailed in Section 4.04.

(d) The City shall have no responsibility whatsoever to the Developer with respect to the investment of any funds held in the Project Fund by the Trustee under the provisions of the Indenture, including any loss of all or a portion of the principal invested or any penalty for liquidation of an investment. The obligation of the property owner in the District to pay Assessments is not in any way dependent on the availability of amounts in the Project Fund to pay for all or any portion of the Actual Costs of the Authorized Improvements

(e) The Developer acknowledges that, in accordance with Section 5.03 of this Agreement, some funds in the Improvement Area #1 Improvements Account and/or the Improvement Area #1 Major Improvements Account may not be available for the reimbursement of the Actual Costs of the Authorized Improvements that the Developer has submitted and would otherwise be approved and that any lack of availability of amounts in the funds or accounts established in the Indenture to pay the Actual Costs of the Authorized Improvements shall in no

way diminish any obligation of the Developer with respect to the construction of or contributions for the Authorized Improvements required by this Agreement, the Development Agreement, or any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject.

Section 3.02 Accounts. All disbursements from the Improvement Area #1 Improvements Account of the Project Fund and the Improvement Area #1 Major Improvements Account of the Project Fund shall be made by the City in accordance with provisions, including provisions governing the timing and sequencing of withdrawals from the respective accounts and provisions governing the restrictions on the withdrawal of certain funds of the Project Fund, of the Development Agreement, the Service and Assessment Plan, this Agreement, and the Indenture.

ARTICLE IV CONSTRUCTION OF AUTHORIZED IMPROVEMENTS

Section 4.01. Duty of Developer to Construct.

(a) All Authorized Improvements shall be constructed by or at the direction of the Developer in accordance with the Plans and in accordance with this Agreement and the Development Agreement. The Developer shall perform, or cause to be performed, all of its obligations and shall conduct, or cause to be conducted, all operations with respect to the construction of Authorized Improvements in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. The Developer shall employ at all times adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of all Authorized Improvements to be acquired and accepted by the City or Mustang SUD, from the Developer as provided in this Agreement.

(b) The Developer shall not be relieved of its obligation to construct or cause to be constructed each Authorized Improvement and, upon completion, inspection, and acceptance, shall convey each such Authorized Improvement to the City or Mustang SUD, where applicable, in accordance with the terms hereof, even if there are insufficient funds in the Project Fund to pay the Actual Costs thereof. In any event, this Agreement shall not affect any obligation of the Developer under any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject, with respect to the Authorized Improvements required in connection with the development of the land within the District.

Section 4.02. No Competitive Bidding. The Authorized Improvements shall not require competitive bidding pursuant to Section 252.022(a)(9) of the Texas Local Government Code, as amended.

Section 4.03. Independent Contractor. In performing this Agreement, the Developer is an independent contractor and not the agent or employee of the City with respect to the Authorized Improvements.

Section 4.04. Remaining Funds After Completion of an Authorized Improvement. Upon the Final Completion of an Authorized Improvement and payment of all outstanding invoices for such Authorized Improvement, if the Actual Cost of such Authorized Improvement is less than the Budgeted Cost (a “Cost Underrun”), any remaining Budgeted Cost may be made available to pay Cost Overruns on any other Authorized Improvement with the approval of the Administrator. The elimination of a category of Authorized Improvements from the Service and Assessment Plan will require an amendment to the Service and Assessment Plan. The City shall promptly confirm to the Administrator that such remaining amounts are available to pay such Cost Overruns, and the Developer, the Administrator and the City Representative will agree how to use such monies to secure the payment and performance of the work for other Authorized Improvements. Any Cost Underrun for any Authorized Improvement is available to pay Cost Overruns on any other Authorized Improvement.

Section 4.05. Contracts and Change Orders. The Developer shall be responsible for entering into all contracts and any supplemental agreements (herein referred to as “change orders”) required for the construction of the Authorized Improvements. The Developer or its contractors may approve and implement any change orders, even if such change order would increase the Actual Cost of an Authorized Improvement, but the Developer shall be solely responsible for payment of any Cost Overruns resulting from such change orders except to the extent amounts are available pursuant to Section 4.04. If any change order is for work that requires changes to be made by an engineer to the construction and design documents and plans previously approved under Section 4.01, then such revisions made by an engineer must be submitted to the City for approval by the City’s engineer prior to execution of the change order.

ARTICLE V ACQUISITION, CONSTRUCTION, AND PAYMENT

Section 5.01. Payment Requests for Disbursements at Closing. In order to receive the disbursement from the Cost of Issuance Account of the Project Fund and/or from the Improvement Area #1 Improvements Account of the Project Fund at closing of the Bonds related to costs of issuance of the Bonds or costs incurred in the creation of the District, the Developer shall execute a Closing Disbursement Request, substantially in the form of **Exhibit A** hereto or otherwise acceptable and agreed to by the City, to be delivered to the City and the Administrator no less than five (5) business days prior to the scheduled Closing Date for the Bonds for payment in

accordance with the provisions of the Indenture. In order to receive the disbursement for an Authorized Improvement from the Improvement Area #1 Improvements Account of the Project Fund or the Improvement Area #1 Major Improvements Account of the Project Fund, as applicable, and subject to the limitations set forth in Section 5.03(c) hereof, the Developer shall execute a Certification for Payment, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the City, to be delivered to the City no later than five (5) business days prior to the scheduled Closing Date for the Bonds for payment in accordance with the provisions of the Indenture. Upon approval by the City, the City shall submit a Closing Disbursement Request or a Certification for Payment, as applicable, to the Trustee for disbursement to be made from the Cost of Issuance Account of the Project Fund, the Improvement Area #1 Improvements Account of the Project Fund, or the Improvement Area #1 Major Improvements Account of the Project Fund, as applicable, and in accordance with the provisions hereof and the provisions of the Indenture.

Section 5.02. Certification for Payment for an Authorized Improvement.

(a) No payment hereunder shall be made from the Project Fund to the Developer for work on an Authorized Improvement until a Certification for Payment is received from the Developer. Upon receipt of a Certification for Payment substantially in the form of **Exhibit B** hereto (and all accompanying documentation required by the City) from the Developer, the City Inspector (for a City owned Authorized Improvement) shall conduct a review in order to confirm that such request is complete, that the work with respect to such Authorized Improvement identified therein for which payment is requested was completed in accordance with all applicable governmental laws, rules and regulations and applicable Plans therefor and with the terms of this Agreement, the Development Agreement, and to verify and approve the Actual Cost of such work specified in such Certification for Payment (collectively, the “Developer Compliance Requirements”). The City Inspector and/or the City Representative shall also conduct such review as is required in his discretion to confirm the matters certified in the Certification for Payment. The Developer agrees to cooperate with the City Inspector and/or City Representative in conducting each such review and to provide the City Inspector and/or City Representative with such additional information and documentation as is reasonably necessary for the City Inspector and/or City Representative to conduct each such review.

(b) Within fifteen (15) business days of receipt of any Certification for Payment, the City Representative shall either (i) approve and execute the Certification for Payment and forward the same to the Administrator for approval and delivery to the Trustee for payment to the Developer in accordance with Section 5.03(a) hereof or (ii) in the event the City Representative disapproves the Certification for Payment, give written notification to the Developer of the City Representative’s disapproval, in whole or in part, of such Certification for Payment, specifying the reasons for such disapproval and the additional requirements to be satisfied for approval of such Certification for Payment. If a Certification for Payment seeking reimbursement is approved only in part, the City Representative shall specify the extent to which the Certification for Payment is

approved and shall deliver such partially approved Certification for Payment to the Administrator for approval in accordance with Section 5.03 hereof and delivery to the Developer in accordance with Section 5.02(c) hereof, and any such partial work shall be processed for payment under Section 5.03 notwithstanding such partial denial.

(c) If the City Representative denies the Certification for Payment, the denial must be in writing, stating the reason(s) for denial. The denial may be appealed to the City Council by the Developer in writing within thirty (30) days of being denied by the City Representative. Denial of the Certification for Payment by the City Council shall be attempted to be resolved by half-day mediation between the parties in the event an agreement is not otherwise reached by the parties, with the mediator's fee being paid by Developer. The Certification for Payment shall not be forwarded to the Trustee for payment until the dispute is resolved by the City and the Developer.

(d) The Developer shall deliver the approved or partially approved Certification for Payment to the Trustee for payment and the Trustee shall make such payment from the Project Fund in accordance with Section 5.03 below.

Section 5.03. Payment for the Authorized Improvements.

(a) Upon receipt of a reviewed and approved Certification for Payment, the Trustee shall make payment, subject to Section 5.03(c) below, from (1) with respect to Improvement Area #1 Improvements, the Improvement Area #1 Improvements Account of the Project Fund, and (2) with respect to Improvement Area #1 Major Improvements from the Improvement Area #1 Major Improvements Account of the Project Fund, as designated in the Certification for Payment pursuant to the terms of the Certification for Payment and the Indenture in an amount not to exceed the Budgeted Cost for the particular Authorized Improvement (or its completed segment), unless a Cost Overrun amount has been approved for a particular Authorized Improvement. If a Cost Overrun amount has been approved, then the amount reimbursed shall not exceed the Budgeted Amount plus the approved Cost Overrun amount.

(b) Approved Certifications for Payment that await reimbursement shall not accrue interest.

(c) Until such time as the Unrestricted Amount has been disbursed from, collectively, the Improvement Area #1 Improvements Account and the Improvement Area #1 Major Improvements Account, the Trustee may pay the Actual Costs of an Improvement Area #1 Improvement or a Improvement Area #1 Major Improvement, as shown on an approved Certification for Payment, from the Improvement Area #1 Improvements Account or Improvement Area #1 Major Improvements Account, respectively. Upon achieving the Release Restrictions, the Developer shall request that the City, upon confirmation by the City that the Release Restrictions have been met, send the City Certificate of Release Restrictions within 15 days of receipt of the request from the Developer. Once the Unrestricted Amount has been disbursed from the Project

Fund, and prior to the satisfaction of the Release Restriction and receipt of a City Certificate of Release Restrictions confirming the satisfaction of the Release Restriction, the City may not approve a Certification for Payment and the Trustee may not pay the Actual Costs of an Authorized Improvement. After the Trustee has received a City Certificate of Release Restrictions confirming that the Release Restriction has been satisfied, the Trustee may resume paying the Actual Costs of an Improvement Area #1 Improvement or a Improvement Area #1 Major Improvement, as shown on an approved Certification for Payment, from the Improvement Area #1 Improvements Account or Improvement Area #1 Major Improvements Account, respectively. Once the City Certificate of Release Restrictions confirming the Release Restriction has been satisfied is delivered to the Trustee, no additional City Certificate is required to disburse funds in excess of the Unrestricted Amount, pursuant to an approved Certification for Payment; provided, however, that each such Certification for Payment requesting an amount that would exceed the Unrestricted Amount shall include a provisions setting forth that the Release Restriction has been satisfied, as set forth in the form attached as Exhibit B hereto.

(d) Notwithstanding any other provisions of this Agreement, when payment is made, the Trustee shall make payment directly to the general contractor or supplier of materials or services or jointly to Developer (or any permitted assignee of such Developer) and the general contractor or supplier of materials or services, as indicated in an approved Certification for Payment, out of available funds in the Project Fund. If the request for payment results in ninety percent (90%) or more of the Budgeted Costs for such Authorized Improvement identified in such request for payment being paid, then Trustee shall hold the payment until work with respect to that Authorized Improvement has been completed and accepted by the City. If an unconditional lien release related to the items referenced in the Certification for Payment is attached to such Certification for Payment, the Trustee shall make such payment to the Developer or any permitted assignee of the Developer. In the event the Developer provides a general contractor's or supplier of materials' unconditional lien release for a portion of the work covered by a Certification for Payment, the Trustee will make such payment directly to the Developer or any permitted assignee of the Developer to the extent of such lien release.

(e) Withholding Payments.

Nothing in this Agreement shall be deemed to prohibit the Developer or the City from contesting in good faith the validity or amount of any mechanics or materialman's lien and/or judgment nor limit the remedies available to the Developer or the City with respect thereto, including the withholding of any payment that may be associated with the exercise of such remedy, so long as such delay in performance shall not subject the Authorized Improvement to foreclosure, forfeiture, or sale. In the event that any such mechanics or materialman's lien and/or judgment with respect to any Authorized Improvements is contested, the Developer shall post or cause delivery of a surety bond in the amount determined by the City or the City may decline to accept the Authorized Improvements until such mechanics or materialman's lien and/or judgment is satisfied.

ARTICLE VI
OWNERSHIP AND TRANSFER OF THE AUTHORIZED IMPROVEMENTS

Section 6.01. Authorized Improvements to be Owned by the City – Title Evidence. The Developer shall furnish to the City, a preliminary title report for land with respect to an Authorized Improvement to be acquired and accepted by the City from the Developer and not previously dedicated or otherwise conveyed to the City, for review and approval at least thirty (30) calendar days prior to the transfer of title of an Authorized Improvement to the City. The City shall approve the preliminary title report unless it reveals a matter which, in the reasonable judgment of the City, could materially affect the City’s clean title or use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the City does not approve the preliminary title report, the City shall not be obligated to accept title to the Authorized Improvement until the Developer has cured such objections to title to the satisfaction of the City.

Section 6.02. Authorized Improvements Constructed on City Land or Developer Land. If the Authorized Improvement is on land owned by the City, the City hereby grants to the Developer a license to enter upon such land for purposes related to construction (and maintenance pending acquisition and acceptance) of the Authorized Improvement. If the Authorized Improvement is on land owned by the Developer, the Developer hereby grants to the City an easement to enter upon such land for purposes related to inspection and maintenance (pending acquisition and acceptance) of the Authorized Improvement. The grant of the permanent easement shall not relieve the Developer of any obligation to grant the City or Mustang SUD title to property and/or easements related to the Authorized Improvement as required by the Development Agreement or as should in the City’s reasonable judgment be granted to provide for convenient access to and routine and emergency maintenance of such Authorized Improvement. The provisions for inspection and acceptance of such Authorized Improvement otherwise provided herein shall apply.

ARTICLE VII
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 7.01. Representations, Covenants and Warranties of the Developer. The Developer represents and warrants for the benefit of the City as follows:

(a) Organization. The Developer consists of limited liability companies duly formed, organized and validly existing under the laws of the State of Texas, is in compliance with the laws of the State of Texas, and has the power and authority to own its properties and assets and to fulfill its obligations in this Agreement and the Development Agreement and to carry on its business in the State of Texas as now being conducted as hereby contemplated.

(b) Authority. The Developer has the power and authority to enter into this Agreement and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered by the Developer.

(c) Binding Obligation. This Agreement is a legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms, subject to bankruptcy and other equitable principles.

(d) Compliance with Law. The Developer shall not commit, suffer or permit any act to be done in, upon or to the lands in the District or the Authorized Improvements in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the lands in the District or the Authorized Improvements.

(e) Requests for Payment. The Developer represents and warrants that (i) it will not request payment from the Project Fund for the acquisition construction or installation of any improvements that are not part of the costs associated with the Authorized Improvements, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to the Certification for Payments.

(f) Financial Records. For a period of two years after completion of the Authorized Improvements, the Developer covenants to maintain proper books of record and account for the construction of the Authorized Improvements and all Costs related thereto. Such accounting books shall be maintained in accordance with generally accepted accounting principles, and shall be available for inspection by the City or its agents at any reasonable time during regular business hours on reasonable notice.

(g) Plans. The Developer represents that it has obtained or will obtain approval of the Plans from all appropriate departments of the City and from any other public entity or public utility from which such approval must be obtained. The Developer further agrees that, subject to the terms hereof, the Authorized Improvements have been or will be constructed in full compliance with such Plans and any change orders thereto consistent with the Act, this Agreement and the Development Agreement. Developer shall provide as-built plans for all Authorized Improvements to the City.

(h) Additional Information. The Developer agrees to cooperate with all reasonable written requests for nonproprietary information by the initial purchaser of the Bonds, the City Manager and the City Representative related to the status of construction of Authorized Improvements within the District, the anticipated completion dates for future improvements and any other matter that the initial purchaser of the Bonds or City Representative deems material to the investment quality of the Bonds.

(i) Continuing Disclosure Agreement. The Developer agrees to provide the information required pursuant to the Continuing Disclosure Agreement executed by the Developer in connection with the Bonds.

(j) Tax Certificate. The City will deliver a certificate relating to the Bonds (such certificate, as it may be amended and supplemented from time to time, being referred to herein as the “Tax Certificate”) containing covenants and agreements designed to satisfy the requirements of 26 U.S. Code Sections 103 and 141 through 150, inclusive, and the federal income tax regulations issued thereunder relating to the use of the proceeds of the Bonds or of any monies, securities or other obligations on deposit to the credit of any of the funds and accounts created by the Indenture or this Agreement or otherwise that may be deemed to be proceeds of the Bonds within the meaning of 26 U.S. Code Section 148 (collectively, “Bond Proceeds”).

The Developer covenants to provide, or cause to be provided, such facts and estimates as the City reasonably considers necessary to enable it to execute and deliver its Tax Certificate. The Developer further covenants that (i) such facts and estimates will be based on its reasonable expectations on the date of issuance of the Bonds and will be, to the best of the knowledge of the officers of the Developer providing such facts and estimates, true, correct and complete as of that date, and (ii) the Developer will make reasonable inquires to ensure such truth, correctness and completeness. The Developer covenants that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use or investment of the Bond Proceeds (including, but not limited to, the use of the Authorized Improvements) that would cause any of the covenants or agreements of the City contained in the Tax Certificate to be violated or that would otherwise have an adverse effect on the tax-exempt status of the interest payable on the Bonds for federal income tax purposes.

(k) Financial Resources. The Developer represents and warrants that it has the financial resources, or the ability to obtain sufficient financial resources, to meet its obligations under this Agreement, the Service and Assessment Plan and the Development Agreement.

Section 7.02. Indemnification and Hold Harmless. THE DEVELOPER SHALL INDEMNIFY AND HOLD HARMLESS THE CITY INSPECTOR, THE CITY, ITS OFFICIALS, EMPLOYEES, OFFICERS, REPRESENTATIVES AND AGENTS (EACH AN “INDEMNIFIED PARTY”), FROM AND AGAINST ALL ACTIONS, DAMAGES, CLAIMS, LOSSES OR EXPENSE OF EVERY TYPE AND DESCRIPTION TO WHICH THEY MAY BE SUBJECTED OR PUT: (I) BY REASON OF, OR RESULTING FROM THE BREACH OF ANY PROVISION OF THIS AGREEMENT BY THE DEVELOPER; (II) THE NEGLIGENT DESIGN, ENGINEERING, AND/OR CONSTRUCTION BY THE DEVELOPER OR ANY ARCHITECT, ENGINEER OR CONTRACTOR HIRED BY THE DEVELOPER OF ANY OF THE AUTHORIZED IMPROVEMENTS ACQUIRED FROM THE DEVELOPER HEREUNDER; (III) THE DEVELOPER’S NONPAYMENT UNDER CONTRACTS BETWEEN THE DEVELOPER AND ITS CONSULTANTS, ENGINEERS, ADVISORS, CONTRACTORS, SUBCONTRACTORS AND SUPPLIERS IN THE PROVISION OF THE AUTHORIZED IMPROVEMENTS; (IV) ANY CLAIMS OF PERSONS EMPLOYED BY THE DEVELOPER OR ITS AGENTS TO CONSTRUCT THE AUTHORIZED IMPROVEMENTS; OR (V) ANY CLAIMS AND SUITS OF THIRD PARTIES, INCLUDING BUT NOT LIMITED

TO DEVELOPER'S RESPECTIVE PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNEES, VENDORS, GRANTEEES AND/OR TRUSTEES, REGARDING OR RELATED TO THE AUTHORIZED IMPROVEMENTS OR ANY AGREEMENT OR RESPONSIBILITY REGARDING THE AUTHORIZED IMPROVEMENTS, INCLUDING CLAIMS AND CAUSES OF ACTION WHICH MAY ARISE OUT OF THE SOLE OR PARTIAL NEGLIGENCE OF AN INDEMNIFIED PARTY (THE "CLAIMS"). NOTWITHSTANDING THE FOREGOING, NO INDEMNIFICATION IS GIVEN HEREUNDER FOR ANY ACTION, DAMAGE, CLAIM, LOSS OR EXPENSE DETERMINED BY A COURT OF COMPETENT JURISDICTION TO BE DIRECTLY ATTRIBUTABLE TO THE WILLFUL MISCONDUCT OF ANY INDEMNIFIED PARTY, DEVELOPER IS EXPRESSLY REQUIRED TO DEFEND CITY AGAINST ALL SUCH CLAIMS, AND CITY IS REQUIRED TO REASONABLY COOPERATE AND ASSIST DEVELOPER IN PROVIDING SUCH DEFENSE.

IN ITS REASONABLE DISCRETION, CITY SHALL HAVE THE RIGHT TO APPROVE OR SELECT DEFENSE COUNSEL TO BE RETAINED BY DEVELOPER IN FULFILLING ITS OBLIGATIONS HEREUNDER TO DEFEND AND INDEMNIFY THE INDEMNIFIED PARTIES, UNLESS SUCH RIGHT IS EXPRESSLY WAIVED BY CITY IN WRITING. THE INDEMNIFIED PARTIES RESERVE THE RIGHT TO PROVIDE A PORTION OR ALL OF THEIR/ITS OWN DEFENSE, AT THEIR/ITS SOLE COST; HOWEVER, INDEMNIFIED PARTIES ARE UNDER NO OBLIGATION TO DO SO. ANY SUCH ACTION BY AN INDEMNIFIED PARTY IS NOT TO BE CONSTRUED AS A WAIVER OF DEVELOPER'S OBLIGATION TO DEFEND INDEMNIFIED PARTIES OR AS A WAIVER OF DEVELOPER'S OBLIGATION TO INDEMNIFY INDEMNIFIED PARTIES, PURSUANT TO THIS AGREEMENT. DEVELOPER SHALL RETAIN CITY-APPROVED DEFENSE COUNSEL WITHIN SEVEN (7) BUSINESS DAYS OF WRITTEN NOTICE FROM AN INDEMNIFIED PARTY THAT IT IS INVOKING ITS RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. IF DEVELOPER FAILS TO RETAIN COUNSEL WITHIN SUCH TIME PERIOD, INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO RETAIN DEFENSE COUNSEL ON ITS OWN BEHALF, AND DEVELOPER SHALL BE JOINTLY AND SEVERALLY LIABLE FOR ALL REASONABLE COSTS INCURRED BY INDEMNIFIED PARTIES.

THIS SECTION 7.02 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

THE PARTIES AGREE AND STIPULATE THAT THIS INDEMNIFICATION COMPLIES WITH THE CONSPICUOUSNESS REQUIREMENT AND THE EXPRESS NEGLIGENCE TEST, AND IS VALID AND ENFORCEABLE AGAINST THE DEVELOPER.

Section 7.03. Use of Monies by City; Changes to Indenture. The City agrees not to take any action or direct the Trustee to take any action to expend, disburse or encumber the monies held

in the Project Fund, except as set forth in the Indenture and in Section 5.03(c) hereof, and any monies to be transferred thereto for any purpose other than the purposes permitted by the Indenture. Prior to the acceptance of all the Authorized Improvements, the City agrees not to modify or supplement the Indenture without the approval of the Developer if as a result or as a consequence of such modification or supplement: (a) the amount of monies that would otherwise have been available under the Indenture for disbursement for the Costs of the Authorized Improvements is reduced, delayed or deferred, (b) the obligations or liabilities of the Developer is or may be substantially increased or otherwise adversely affected in any manner, or (c) the rights of the Developer is or may be modified, limited, restricted or otherwise substantially adversely affected in any manner.

Section 7.04. No Reduction of Assessments. The Developer agrees not to take any action or actions to reduce the total amount of such Assessments to be levied as of the effective date of this Agreement.

ARTICLE VIII TERMINATION

Section 8.01. Mutual Consent. This Agreement may be terminated by the mutual, written consent of the City and the Developer, in which event the City may either execute contracts for or perform any remaining work related to the Authorized Improvements not accepted by the City or other appropriate entity and use all or any portion of funds on deposit in the Project Fund or other amounts transferred to the Project Fund under the terms of the Indenture to pay for same, and the Developer shall have no claim or right to any further payments for the Costs of an Authorized Improvement hereunder, except as otherwise may be provided in such written consent.

Section 8.02. City's Election for Cause.

(a) The City, upon notice to Developer and the passage of the cure period identified in subsection (b) below, may terminate this Agreement, without the consent of the Developer if the Developer shall breach any material covenant or default in the performance of any material obligation hereunder.

(b) If any such event described in Section 8.02(a) occurs, the City shall give written notice of its knowledge of such event to the Developer, and the Developer agrees to promptly meet and confer with the City Inspector and other appropriate City staff and consultants as to options available to assure timely completion, subject to the terms of this Agreement, of the Authorized Improvements. Such options may include, but not be limited to, the termination of this Agreement by the City. If the City elects to terminate this Agreement, the City shall first notify the Developer (and any mortgagee or trust deed beneficiary specified in writing by the Developer to the City to receive such notice) of the grounds for such termination and allow the Developer a minimum of

45 days to eliminate or to mitigate to the satisfaction of the City the grounds for such termination. Such period may be extended, at the sole discretion of the City, if the Developer, to the reasonable satisfaction of the City, is proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), as determined reasonably by the City, the Developer has not eliminated or completely mitigated such grounds to the satisfaction of the City, the City may then terminate this Agreement. In the event of the termination of this Agreement, the Developer is entitled to payment for work accepted by the City related to an Authorized Improvement only as provided for under the terms of the Indenture and this Agreement prior to the termination date of this Agreement. Notwithstanding the foregoing, so long as the Developer has breached any material covenant or defaulted in the performance of any material obligation hereunder, notice of which has been given by the City to the Developer, and such event has not been cured or otherwise eliminated by the Developer, the City may in its discretion cause the Trustee to cease making payments for the Actual Costs of Authorized Improvements, provided that the Developer shall receive payment of the Actual Costs of any Authorized Improvements that were accepted by the City at the time of the occurrence of such breach or default by the Developer upon submission of the documents and compliance with the other applicable requirements of this Agreement.

(c) If this Agreement is terminated by the City for cause, the City may either execute contracts for or perform any remaining work related to the Authorized Improvements not accepted by the City and use all or any portion of the funds on deposit in the Project Fund or other amounts transferred to the Project Fund and the Developer shall have no claim or right to any further payments for the Authorized Improvements hereunder, except as otherwise may be provided upon the mutual written consent of the City and the Developer. The City shall have no obligation to perform any work related to an Authorized Improvement or to incur any expense or cost in excess of the remaining balance of the Project Fund.

Section 8.03. Termination Upon Redemption or Defeasance of Bonds. This Agreement will terminate automatically and with no further action by the City or the Developer upon the redemption or defeasance of all outstanding Bonds (including any refunding bonds issued to fund the Bonds) issued under the Indenture.

Section 8.04. Construction of the Authorized Improvements Upon Termination of this Agreement. Notwithstanding anything to the contrary contained herein, upon the termination of this Agreement pursuant to this Article VIII, the Developer shall perform its obligations with respect to the Authorized Improvements in accordance with this Agreement and the Development Agreement.

Section 8.05. Force Majeure. Whenever performance is required of a party hereunder, that party shall use all due diligence and take all necessary measures in good faith to perform, but if completion of performance is delayed by reasons of floods, earthquakes or other acts of God, war, civil commotion, riots, strikes, picketing or other labor disputes, damage to work in progress

by casualty or by other cause beyond the reasonable control of the party (financial inability excepted) (“Force Majeure”), then the specified time for performance shall be extended by the amount of the delay actually so caused. The extension of time to perform allowed by this Section 8.05 shall not apply unless, upon the occurrence of an event of Force Majeure, the party needing additional time to perform notifies the other party of the event of Force Majeure and the amount of additional time reasonably required within ten (10) business days of the occurrence of the event of Force Majeure.

ARTICLE IX MISCELLANEOUS

Section 9.01. Limited Liability of City. The Developer agrees that any and all obligations of the City arising out of or related to this Agreement are special obligations of the City, and the City’s obligations to make any payments hereunder are restricted entirely to the monies, if any, in the Project Fund and from no other source. Neither the City, the City Inspector, City Representative nor any other City employee, officer, official or agent shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of their actions hereunder or execution hereof.

Section 9.02. Audit. The City Inspector, City Representative or a finance officer of the City shall have the right, during normal business hours and upon the giving of three business days’ prior written notice to a Developer, to review all books and records of the Developer pertaining to costs and expenses incurred by the Developer with respect to any of the Authorized Improvements and any bids taken or received for the construction thereof or materials therefor.

Section 9.03. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any party shall be deemed to have been received when personally delivered or transmitted by email or facsimile transmission (which shall be immediately confirmed by telephone and shall be followed by mailing an original of the same within 24 hours after such transmission) or 72 hours following deposit of the same in any United States Post Office, registered or certified mail, postage prepaid, addressed as follows:

To the City: Attn: City Manager
City of Pilot Point, Texas
142 N. Ohio
Pilot Point, Texas 75009

With a copy to: Attn: Brenda McDonald
Messer, Fort & McDonald
6371 Preston Road, Suite 200
Frisco, Texas 75034

And to: Attn: Jordan Sawyer
Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201

To the Developer: Attn: Mehrdad Moayed
MM Mobberly 236, LLC
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234

With a copy to: Attn: Robert Miklos
Miklos Cinclair, PLLC
1800 Valley View Lane, Suite 360
Farmers Branch, Texas 75234

Any party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

The City shall advise the Developer of the name and address of any person who is to receive any notice or other communication pursuant to this Agreement.

Section 9.04. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent possible.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. Any receivables due under this Agreement may be assigned by the Developer without the consent of, but upon written notice to the City pursuant to Section 9.03 of this Agreement. The obligations, requirements, or covenants of this Agreement shall be able to be assigned to an affiliate or related entity of the Developer, or any lien holder on the Property, without prior written consent of the City. The obligations, requirements, or covenants of this Agreement shall not be assigned by the Developer to a non-affiliate or non-related entity of the Developer without prior written consent of the City Manager, except pursuant to a collateral assignment to any person or entity providing construction financing

to the Developer for the Developer for an Authorized Improvement, provided such person or entity expressly agrees to assume all obligations of the Developer hereunder if there is a default under such financing and such Person elects to complete the Authorized Improvement. No such assignment shall be made by the Developer or any successor or assignee of the Developer that results in the City being an “obligated person” within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission without the express written consent of the City. In connection with any consent of the City, the City may condition its consent upon the acceptability of the financial condition of the proposed assignee, upon the assignee’s express assumption of all obligations of the Developer hereunder and/or upon any other reasonable factor which the City deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the scope of the rights and/or obligations assigned. The City may assign by a separate writing certain rights as described in this Agreement and in the Indenture, to the Trustee and the Developer hereby consents to such assignment.

Section 9.06. Other Agreements. The obligations of the Developer hereunder shall be those of a party hereto and not as an owner of property in the District. Nothing herein shall be construed as affecting the City’s or the Developer’s rights or duties to perform their respective obligations under other agreements, use regulations, ordinances or subdivision requirements relating to the development of the lands in the District, including the applicable Construction Contracts and the Development Agreement. To the extent there is a conflict between this Agreement and the Development Agreement, the Development Agreement shall control. To the extent there is a conflict between this Agreement and the Indenture, the Indenture shall control.

Section 9.07. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by any other party, or the failure by a party to exercise its rights upon the default of any other party, shall not constitute a waiver of such party’s right to insist and demand strict compliance by such other party with the terms of this Agreement thereafter.

Section 9.08. Merger. No other agreement, statement or promise made by any party or any employee, officer or agent of any party with respect to any matters covered hereby that is not in writing and signed by all the parties to this Agreement shall be binding.

Section 9.09. Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and the Developer any rights, remedies or claims under or by reason of this Agreement or any covenants, conditions or stipulations hereof, and all covenants, conditions, promises and agreements in this Agreement contained by or on behalf of the City or the Developer shall be for the sole and exclusive benefit of the City and the Developer.

Section 9.10. Amendment. Except as otherwise provided in Section 9.05, upon agreement by the parties, this Agreement may be amended, from time to time in a manner consistent with the

Act, the Indenture, and the Bond Ordinance by written supplement hereto and executed in counterparts, each of which shall be deemed an original.

Section 9.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 9.12. Effective Date. This Agreement has been dated as of the date first above written solely for the purpose of convenience of reference and shall become effective upon its execution and delivery, on the Closing Date of the Bonds, by the parties hereto. All representations and warranties set forth therein shall be deemed to have been made on the Closing Date of the Bonds.

Section 9.13. Term. The term of this Agreement, other than the provisions contained in Section 7.02, which shall survive the termination of this Agreement, shall be thirty (30) years or upon redemption or defeasance of the Bonds (including any refunding bonds issued to refund the Bonds) issued under the Indenture. If the Developer defaults under this Agreement or the Development Agreement, this Agreement and the Development Agreement shall not terminate with respect to the costs of the Authorized Improvements that have been approved by the City pursuant to a Certification for Payment prior to the date of default.

Section 9.14. No Waiver of Powers or Immunity. The City does not waive or surrender any of its governmental powers, immunities, or rights except as necessary to allow Developer to enforce its remedies under this Agreement.

Section 9.15. No Boycott Israel. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel,’ a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

Section 9.16. Not a Listed Company. The Developer represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under

Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the City to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Developer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. As used in this Section, the Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.17. Verification Regarding Energy Company Boycotts. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this Section, the Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.18. Verification Regarding Discrimination Against Firearm Entity or Trade Association. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm

entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions:

(i) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association;

(ii) ‘firearm entity,’ a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and

(iii) ‘firearm trade association,’ a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation,

unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

[Execution pages follow.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of _____, 2022.

CITY OF PILOT POINT, TEXAS

By: _____
Shea Dane, Mayor

ATTEST:

Lenette Cox, City Secretary

APPROVED AS TO FORM

Brenda McDonald, Attorney for the City

DEVELOPER:

MM Mobberly 236, LLC,
a Texas limited liability company

By: MMM Ventures, LLC,
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company
Its Manager

By: _____
Name: Mehrdad Moayedi
Its: Manager

Exhibit A

FORM OF CLOSING DISBURSEMENT REQUEST

The undersigned is an agent for [MM Mobberly 236, LLC] (the “Developer”) and requests payment from:

[the Cost of Issuance Account of the Project Fund][the Improvement Area #1 Improvements Account of the Project Fund] [the Improvement Area #1 Major Improvements Account of the Project Fund] (as defined in the Mobberly Public Improvement District Improvement Area #1 Construction, Funding, and Acquisition Agreement) from Wilmington Trust, National Association, (the “Trustee”) in the amount of _____ DOLLARS (\$_____) for costs incurred in the establishment, administration, and operation of the Mobberly Public Improvement District (the “District”), as follows:

Closing Costs Description	Cost	PID Allocated Cost
TOTAL		

In connection to the above referenced payments, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the above referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the City.
3. The amount listed for the above itemized costs is a true and accurate representation of the Actual Costs incurred by Developer with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Mobberly Public Improvement District Improvement Area #1 Construction, Funding, and Acquisition Agreement, the Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture (as defined in the Mobberly Public Improvement District Improvement Area #1 Construction, Funding, and Acquisition Agreement) for the payment hereby requested have been satisfied.

6. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

Payments requested hereunder shall be made as directed below:

- a. X amount to Person or Account Y for Z goods or services.
- b. Etc.

I hereby declare that the above representations and warranties are true and correct.

MM MOBBERLY 236, LLC

By: _____

Name: _____

Title: _____

Date: _____

APPROVAL OF REQUEST BY CITY

The City is in receipt of the attached Closing Disbursement Request. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request and shall include said payments in the City Certificate submitted to the Trustee directing payments to be made from the Cost of Issuance Account of the Project Fund and/or the Improvement Area #1 Improvements Account and/or the Improvement Area #1 Major Improvements Account of the Project Fund, as applicable, upon delivery of the Bonds. The City's approval of the Closing Disbursement Request shall not have the effect of estopping or preventing the City from asserting claims under the Mobberly Public Improvement District Improvement Area #1 Construction, Funding and Acquisition Agreement, the Indenture, the Service and Assessment Plan, any other agreement between the parties or that there is a defect in an Authorized Improvement.

CITY OF PILOT POINT, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Exhibit B

CERTIFICATION FOR PAYMENT FORM –IMPROVEMENT AREA #1 PROJECTS

The undersigned is a lawfully authorized representative for MM Mobberly 236, LLC (the “Developer”) and requests payment from the [Improvement Area #1 Improvements Account of the Project Fund][Improvement Area #1 Major Improvements Account of the Project Fund] from U Wilmington Trust, National Association (the “Trustee”) in the amount of _____ for labor, materials, fees, and/or other general costs related to the construction and installation of the following Improvement Area #1 Projects related to the Mobberly Public Improvement District:

[insert specific Improvement Area #1 Projects this request is for here]

Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture of Trust by and between the City of Pilot Point and the Trustee dated as of June 1, 2022 relating to the "CITY OF PILOT POINT, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022 (MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 PROJECT)" (the “Indenture”).

In connection to the above referenced payment, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certification for Payment Form on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the below referenced Improvement Area #1 Project has not been the subject of any prior payment request submitted for the same work to the City or, if previously requested, no disbursement was made with respect thereto.
3. The itemized amounts listed for the Improvement Area #1 Projects below is a true and accurate representation of the Actual Costs incurred by Developer with the construction and installation of said Improvement Area #1 Projects identified below, and such costs (i) are in compliance with the Mobberly Public Improvement District Improvement Area #1 Construction, Funding and Acquisition Agreement, and (ii) are consistent with the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Mobberly Public Improvement District Improvement Area #1 Construction, Funding and Acquisition Agreement, the Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture for the payment hereby requested have been satisfied.

6. The work with respect to the Improvement Area #1 Project identified below (or its completed segment, portion or segment) has been completed and the City has inspected the Improvement Area #1 Project. If this request for payment results in ninety percent (90%) or more of the Budgeted Costs for the Improvement Area #1 Project(s) identified above being paid, then the work with respect to the Improvement Area #1 Project(s) have been completed and the City has inspected AND accepted the Improvement Area #1 Project(s)
7. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

Payments requested are as follows:

Payee / Description of Improvement Area #1 Projects	Total Cost of Improvement Area #1 Projects	Budgeted Cost of Improvement Area #1 Projects	Amount to be paid from the [Improvement Area #1 Improvements Account][Improvement Area #1 Major Improvements Account] of the Project Fund

Attached hereto, are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments.

Pursuant to the Mobberly Public Improvement District Improvement Area #1 Construction, Funding and Acquisition Agreement, after receiving this Payment Request, the City is authorized to inspect the Improvement Area #1 Projects (or completed segment, portion or segment) and confirm that said work has been completed in accordance with all applicable governmental laws, rules, and Plans.

[FOR REQUESTS FOR PAYMENT IN EXCESS OF THE UNRESTRICTED AMOUNT (AS DEFINED IN THE MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 CONSTRUCTION, FUNDING AND ACQUISITION AGREEMENT, THE FOLLOWING REPRESENTATION MUST BE PROVIDED)]

[With this Certification for Payment, the Developer is requesting the disbursement of moneys from the [Improvement Area #1 Improvements Account][Improvement Area #1 Major Improvements Account] of the Project Fund which, together with previously disbursed funds from the Project Fund would be in excess of the Unrestricted Amount. The Developer, hereby certifies, that as of the date of the submission of this Certification for Payment the City has issued a

certificate of occupancy for at least 10 homes within Improvement Area #1. The total amount drawn from the Project Fund, inclusive of the amounts requested under this Certification for Payment is \$ _____]

Payments requested hereunder shall be made as directed below:

- a. X amount to Person or Account Y for Z goods or services.
- b. Etc.

I hereby declare that the above representations and warranties are true and correct.

MM MOBBERLY 236, LLC

By: _____

Name: _____

Title: _____

Date: _____

APPROVAL OF REQUEST BY CITY

The City is in receipt of the attached Certification for Payment. After reviewing the Certification for Payment, the City approves the Certification for Payment and shall include said payments in the City Certificate submitted to the Trustee directing payments to be made from the [Improvement Area #1 Improvements Account of the Project Fund][Improvement Area #1 Major Improvements Account of the Project Fund]. The City's approval of the Certification for Payment shall not have the effect of estopping or preventing the City from asserting claims under the Mobberly Public Improvement District Improvement Area #1 Construction, Funding and Acquisition Agreement, the Indenture, the Service and Assessment Plan, any other agreement between the parties or that there is a defect in the Improvement Area #1 Projects.

[FOR REQUESTS FOR PAYMENT IN EXCESS OF THE UNRESTRICTED AMOUNT (AS DEFINED IN THE MOBBERLY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1 CONSTRUCTION, FUNDING AND ACQUISITION AGREEMENT, THE FOLLOWING REPRESENTATION MUST BE PROVIDED)]

[The City hereby certifies that it has received satisfactory evidence that the 10 certificates of occupancy have been issued for homes within Improvement Area #1 and the Release Restriction set forth in the Indenture has been satisfied and it has heretofore delivered a certificate to the Trustee confirming the satisfaction of the Release Restriction]

CITY OF PILOT POINT, TEXAS

By: _____
Name: _____
Title: _____
Date: _____

APPENDIX G
REIMBURSEMENT AGREEMENT

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**MOBBERLY PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #1 REIMBURSEMENT AGREEMENT**

This Mobberly Public Improvement District Improvement Area #1 Reimbursement Agreement (this “Reimbursement Agreement”) is executed by and between the **City of Pilot Point, Texas** (the “City”) and **MM Mobberly 236, LLC**, a Texas limited liability company (the “Developer”) (individually referred to as a “Party” and collectively as the “Parties”) to be effective February 10, 2022 (the “Effective Date”).

RECITALS

WHEREAS, capitalized terms used in this Reimbursement Agreement shall have the meanings given to them in this Reimbursement Agreement or in the *Mobberly Public Improvement District Service and Assessment Plan*, dated February 10, 2022, as the same may be further amended, supplemented, and updated from time to time (the “SAP”) approved by Ordinance No. 473-14-2022 passed and approved by the City Council on February 10, 2022; and

WHEREAS, on January 27, 2022 the City Council passed and approved Resolution No. 2022-06-531 authorizing the creation of the Mobberly Public Improvement District (the “District”) covering approximately 474.04 acres of land described by metes and bounds in said Resolution (the “District Property”); and

WHEREAS, the purpose of the District is to finance public improvements (the “Authorized Improvements”) as provided by Chapter 372, Texas Local Government Code, as amended (the “PID Act”) that promote the interests of the City and confer a special benefit on the Assessed Property within the District; and

WHEREAS, the District Property is being developed in accordance with that certain Mobberly Development Agreement dated January 27, 2022 between MM Mobberly 236, LLC, a Texas limited liability company, and MM Mobberly 13, LLC, a Texas limited liability company, and the City (the “Development Agreement”), as amended; and

WHEREAS, the District Property is being developed in phases, and special assessments for each phase have been or will be levied against the Assessed Property within such phase to pay the costs of Authorized Improvements that confer a special benefit on the Assessed Property within such phase; and

WHEREAS, Improvement Area #1 Projects (as defined in the SAP) are to be constructed within and/or for the benefit of Improvement Area #1 of the District Property, as described and depicted in the SAP; and

WHEREAS, on January 27, 2022 the City Council passed and approved Resolution No. 2022-006-532 determining, among other things, the estimated costs of the Improvement Area #1 Authorized Improvements; and

WHEREAS, on February 10, 2022, the City Council passed and approved Ordinance No. 473-14-2022 (the “Assessment Ordinance”) which, among other things, approved the SAP

(including the Improvement Area #1 Assessment Roll), levied assessments, and established the dates upon which interest on assessments will begin to accrue and collection of assessments will begin; and

WHEREAS, in addition to approving the SAP, the Assessment Ordinance levied assessments against property within Improvement Area #1 (the “Improvement Area #1 Assessed Property”) for the Improvement Area #1 Authorized Improvements in accordance with the Improvement Area #1 Assessment Roll attached as Appendix F-1 to the SAP; and

WHEREAS, the Parties intend to enter into that certain “Mobberly Public Improvement District Improvement Area #1 Construction, Funding, and Acquisition Agreement (the “Construction Funding Agreement”) for the construction of the Improvement Area #1 Projects; and

WHEREAS, the SAP established \$17,610,287 as the cost of the Improvement Area #1 Authorized Improvements, a portion of which is to be assessed against Improvement Area #1 of the District Property (the “Improvement Area #1 Authorized Improvements Costs”); and

WHEREAS, the SAP allocated the Improvement Area #1 Authorized Improvements Costs to Improvement Area #1 of the District Property, and the SAP contemplated the allocation of the Improvement Area #1 Authorized Improvements Costs among the single family residential lots to be created from the subdivision of the District Property located within Improvement Area #1; and

WHEREAS, assessments against lots within Improvement Area #1 of the District (“Improvement Area #1 Assessments”) are reflected on the Improvement Area #1 Assessment Roll as approved by the City Council; and

WHEREAS, the SAP and the Assessment Ordinance provide, in part, that an assessment or assessments may be paid in full, and if an assessment is not paid in full, it shall be due and payable in Annual Installments plus interest for a period of 30 years or until the assessment is paid in full; and

WHEREAS, all revenue received and collected by the City from the collection of the Improvement Area #1 Assessments and Annual Installments (excluding Delinquent Collection Costs, and Annual Collection Costs) (the “Improvement Area #1 Assessment Revenue”) shall be deposited as required by the PID Act and as directed by this Agreement, or as otherwise provided in an indenture authorizing the issuance of Future Improvement Area #1 Bonds (as defined below) into an assessment fund that is segregated from all other funds of the City (the “Improvement Area #1 Assessment Fund”); and

WHEREAS, the Improvement Area #1 Assessment Revenue deposited into the Improvement Area #1 Assessment Fund shall be used to reimburse Developer and its assigns for the Improvement Area #1 Authorized Improvements Costs, less Bonds Issuance Costs and Annual Collection Costs related to any Future Improvement Area #1 Bonds, advanced by the Developer in an amount not to exceed \$14,597,441.00, plus interest; and

WHEREAS, the Parties agree that this Reimbursement Agreement supersedes and replaces any prior agreements (whether written or oral) including any amendments to those prior agreements between the Parties regarding the subject matter hereof; and

WHEREAS, the obligations of the City to use the Improvement Area #1 Assessments hereunder is authorized by the PID Act;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS OF THE PARTIES SET FORTH IN THIS REIMBURSEMENT AGREEMENT AND FOR VALUABLE CONSIDERATION THE RECEIPT AND ADEQUACY OF WHICH ARE ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

1. The recitals in the “WHEREAS” clauses of this Reimbursement Agreement are true and correct, create obligations of the Parties, and are incorporated as part of this Reimbursement Agreement for all purposes.
2. Strictly subject to the terms, conditions, and requirements and solely from the Improvement Area #1 Assessment Revenues as herein provided, the City agrees to pay the Developer and its assigns, and the Developer and its assigns shall be entitled to receive from the City, the amount equal to the actual costs of the Improvement Area #1 Authorized Improvements paid by the Developer for the Improvement Area #1 Authorized Improvements that were within budgeted costs, or authorized overrun costs, that were paid by the Developer plus interest on the unpaid balance in accordance with the terms of this Reimbursement Agreement until September 1, 2048 (the “Maturity Date”), and which shall be reimbursed to the Developer and its assigns in a principal amount not to exceed \$14,597,441.00 (the “Reimbursement Amount”), plus interest accrued, as hereinafter provided. The City hereby covenants to create, concurrently with the execution of this Reimbursement Agreement, a separate fund to be designated the “Improvement Area #1 Assessment Fund.” The Reimbursement Amount is payable from monies to be deposited in the Improvement Area #1 Assessment Fund, and/or from the net proceeds of Future Improvement Area #1 Bonds, as described below:
 - a. The Reimbursement Amount is payable solely from: (i) the Improvement Area #1 Assessment Revenue received and collected by the City and deposited into the Improvement Area #1 Assessment Fund; (ii) the net proceeds (after payment of costs of issuance, including the costs paid or incurred by the City and the transfer of proceeds to other accounts and funds created within the indenture of trust and in accordance with the provisions of the applicable indenture) of one or more series of bonds (the “Future Improvement Area #1 Bonds”) issued by the City and secured in part or in whole by the Improvement Area #1 Assessment Revenue; or (iii) a combination of items (i) and (ii) immediately above. The Improvement Area #1

Assessment Revenue shall be received, collected and deposited into the Improvement Area #1 Assessment Fund subject to the following limitations:

- i. Calculation of the Improvement Area #1 Assessments and the first Annual Installment for a Lot or Parcel shall begin as provided for in the SAP and the Assessment Ordinance.
 - ii. Until such time as Future Improvement Area #1 Bonds are issued, the Improvement Area #1 Assessments shall accrue interest at the rates set forth in this Section 2. Interest shall continue on the unpaid principal amount of the Improvement Area #1 Assessments for a Lot for the earlier of 30 years or until the Improvement Area #1 Assessments for such Lot are paid in full.
 - iii. The Developer and its assigns shall be reimbursed in a combined aggregate amount not to exceed \$14,597,441.00 plus interest from the Improvement Area #1 Assessment Fund and/or the net proceed of Future Improvement Area #1 Bonds and as allowed under Section 2(a) above.
 - iv. The unpaid Reimbursement Amount shall bear simple interest per annum at the rate of (x) 4.5% for years one through five, and (y) 4.24% for years six through 26. The interest rate has been approved by the City Council and is authorized by the PID Act and was determined based upon *The Bond Buyer*, a daily publication that publishes this interest rate index, which the highest average index rate for tax-exempt bonds reported in the previous month was 2.24%. The interest rate of 4.5% and 4.24% contained herein comply with Subsections 372.023(e)(1) and (e)(2) of the PID Act.
3. The amount of the Reimbursement Amount that has not been paid, plus the interest accrued as described in Section 2(a)(iv) above, are collectively, the “Unpaid Balance.” The Unpaid Balance is secured by and payable solely from the Improvement Area #1 Assessment Revenue received and collected by the City and deposited into the Improvement Area #1 Assessment Fund and/or from the net proceeds of the Future Improvement Area #1 Bonds. No other City funds, revenue, taxes, or income of any kind shall be used to pay the Unpaid Balance, even if the Unpaid Balance is not paid in full by the Maturity Date. This Reimbursement Agreement shall not, under any circumstances, give rise to or create a charge against the general credit or taxing power of the City or a debt or other obligation of the City payable from any source other than Improvement Area #1 Assessment Revenue received, collected and deposited into the Improvement Area #1 Assessment Fund or from the net proceeds of the Future Improvement Area #1 Bonds. The Developer further agrees to look solely to the Improvement Area #1 Assessment Revenue, and not the City’s general fund or any other revenues, taxes, income, property, or other funds of the City for reimbursement of the Unpaid Balance. The City covenants that it will comply with the provisions of this Reimbursement Agreement, the Construction Funding Agreement, the

Development Agreement, and the PID Act, including provisions relating to the administration of the District and the enforcement and collection of taxes and assessments, and all other covenants provided therein. Notwithstanding its collection efforts, if the City fails to receive all or any part of the Improvement Area #1 Assessment Revenue and, as a result, is unable to make transfers from the Improvement Area #1 Assessment Revenue Fund for payments to the Developer as required under this Reimbursement Agreement, such failure and inability shall not constitute a Failure or Default by the City under this Reimbursement Agreement.

4. If Future Improvement Area #1 Bonds are issued, the net proceeds of such Future Improvement Area #1 Bonds shall be used, in accordance with the terms of the indenture of trust relating to the Future Improvement Area #1 Bonds, from time to time, first to pay the Unpaid Balance due to the Developer under this Reimbursement Agreement for the costs of Improvement Area #1 Projects that have already been paid and then to pay all or any portion of any Improvement Area #1 Authorized Improvements Cost. If, after application of the net proceeds of such Future Improvement Area #1 Bonds, any Improvement Area #1 Authorized Improvements Cost remains unpaid, then the Developer shall pay or caused to be paid such cost. If, after application of the net proceeds of any Future Improvement Area #1 Bonds, the Unpaid Balance due the Developer remains unpaid, all payments toward the Unpaid Balance due the Developer shall be paid from available and authorized amounts deposited into any funds created for such purpose under any indenture relating to any Future Improvement Area #1 Bonds and subject to the priority provisions relating to the use of Improvement Area #1 Assessment Revenues as set forth in such Indenture. Once the principal amount of all Future Improvement Area #1 Bonds plus all payments paid to the Developer under this Reimbursement Agreement equal the Unpaid Balance, this Reimbursement Agreement shall terminate.
5. The Developer has the right to convey, transfer, assign, mortgage, pledge, or otherwise encumber, in whole or in part without the consent of (but with written notice to) the City, the Developer's right, title, or interest under this Reimbursement Agreement including, but not limited to, any right, title, or interest of the Developer in and to payment of the Unpaid Balance (any of the foregoing, a "Transfer," and the person or entity to whom the Transfer is made, a "Transferee"). Notwithstanding the foregoing, however, no Transfer shall be effective until five days after notice of the Transfer is received by the City, including for each Transferee the information required by Section 9 below. The City may rely on any notice of a Transfer received from the Developer without obligation to investigate or confirm the validity or occurrence of such Transfer. No conveyance, transfer, assignment, mortgage, pledge or other encumbrance shall be made by the Developer or any successor or assignee of the Developer that results in the City being an "obligated person" within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission without the express written consent of the City. The Developer waives all rights or claims

against the City for any such funds provided to a third party as a result of a Transfer for which the City has received notice.

6. The obligations of the City under this Reimbursement Agreement are non-recourse and payable only from the Improvement Area #1 Assessment Fund and/or the net proceeds of the Future Improvement Area #1 Bonds and such obligations do not create a debt or other obligation payable from any other City revenues, taxes, income, or property. None of the City or any of its elected or appointed officials or any of its officers or employees shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of this Reimbursement Agreement or their acts or omissions under this Reimbursement Agreement.
7. Nothing in this Reimbursement Agreement is intended to constitute a waiver by the City of any remedy the City may otherwise have outside this Reimbursement Agreement against the Developer, any Transferee, or any other person or entity involved in the design, construction or installation of the Improvement Area #1 Projects. The obligations of Developer hereunder shall be those as a Party hereto and not solely as an owner of property in the District. Nothing herein shall be constructed, nor is intended, to affect the City's or Developer's rights and duties to perform their respective obligations under other agreements, regulations and ordinances.
8. This Reimbursement Agreement is being executed and delivered, and is intended to be performed in the State of Texas. Except to the extent that the laws of the United States may apply to the terms hereof, the substantive laws of the State of Texas shall govern the validity, construction, enforcement, and interpretation of this Reimbursement Agreement. In the event of a dispute involving this Reimbursement Agreement, venue for such dispute shall lie in any court of competent jurisdiction in Denton County, Texas.
9. Any notice required or contemplated by this Reimbursement Agreement shall be signed by or on behalf of the Party giving the Notice, and shall be deemed effective as follows: (i) when delivered by a national company such as FedEx or UPS with evidence of delivery signed by any person at the delivery address regardless of whether such person was the named addressee; or (ii) 72 hours after the notice was deposited with the United States Postal Service, Certified Mail, Return Receipt Requested. Any Party may change its address by delivering written notice of such change in accordance with this section. All Notices given pursuant to this Section shall be addressed as follows:

To the City: Attn: Britt M. Lusk, City Manager
 City of Pilot Point
 102 E Main Street
 Pilot Point, Texas 76258

With a copy to: Attn: Brenda McDonald, City Attorney
Messer, Fort & McDonald LLC
6371 Preston Road, Suite 200
Frisco, TX 75234

To the Developer: Attn: Brock Babb
MM Mobberly 236, LLC
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234

With a copy to: Attn: Robert Miklos
Miklos Cinclair, PLLC
1800 Valley View Lane, Suite 360
Farmers Branch, Texas 75234

10. Notwithstanding anything herein to the contrary, nothing herein shall otherwise authorize or permit the use by the City of the Improvement Area #1 Assessments contrary to the provisions of the PID Act.

11. Remedies:

- a. If either Party fails to perform an obligation imposed on such Party by this Reimbursement Agreement (a “Failure”) and such Failure is not cured after written notice and the expiration of the cure periods provided in this section, then such Failure shall constitute a “Default.” Upon the occurrence of a Failure by a non-performing Party, the other Party shall notify the non-performing Party and all Transferees of the non-performing Party in writing specifying in reasonable detail the nature of the Failure. The non-performing Party to whom notice of a Failure is given shall have at least 30 days from receipt of the notice within which to cure the Failure; however, if the Failure cannot reasonably be cured within 30 days and the non-performing Party has diligently pursued a cure within such 30-day period and has provided written notice to the other Party that additional time is needed, then the cure period shall be extended for an additional 30 day period so long as the non-performing Party is diligently pursuing a cure. Any Transferee shall have the same rights as the Developer to enforce the obligations of the City under this Reimbursement Agreement and shall also have the right, but not the obligation, to cure any alleged Failure by the Developer within the same time periods that are provided to the Developer. The election by a Transferee to cure a Failure by the Developer shall constitute a cure by the Developer but shall not obligate the Transferee to be bound by this Reimbursement Agreement with respect to Developer obligations under this Reimbursement Agreement unless the Transferee agrees to be bound.

- b. If the Developer is in Default, the City shall have available all remedies at law or in equity, provided that no Default by the Developer shall: (1) affect the obligations of the City to use the amounts transferred to the Improvement Area #1 Assessment Fund as provided in Sections 2 and 3 of this Reimbursement Agreement; or (2) entitle the City to terminate this Reimbursement Agreement.
 - c. If the City is in Default, the Developer's sole and exclusive remedies shall be to: (1) seek a writ of mandamus to compel performance by the City; or (2) seek specific enforcement of this Reimbursement Agreement.
- 12. To the extent there is a conflict between this Reimbursement Agreement and an indenture securing the Future Improvement Area #1 Bonds, the indenture securing the Future Improvement Area #1 Bonds shall control as the provisions relate to the Improvement Area #1 Assessments. To the extent there is a conflict between this Reimbursement Agreement and the Construction Funding Agreement, the Construction Funding Agreement shall control. To the extent there is a conflict between this Reimbursement Agreement and the Development Agreement, this Reimbursement Agreement shall control.
- 13. The failure by a Party to insist upon the strict performance of any provision of this Reimbursement Agreement by the other Party, or the failure by a Party to exercise its rights upon a Default by the other Party shall not constitute a waiver of such Party's right to insist and demand strict compliance by such other Party with the provisions of this Reimbursement Agreement.
- 14. The City does not waive or surrender any of its governmental powers, immunities, or rights except to the extent permitted by law and necessary to allow the Developer to enforce its remedies under this Reimbursement Agreement.
- 15. Nothing in this Reimbursement Agreement, express or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and the Developer and its assigns any rights, remedies, or claims under or by reason of this Reimbursement Agreement, and all covenants, conditions, promises, and agreements in this Reimbursement Agreement shall be for the sole and exclusive benefit of the City and the Developer.
- 16. The Parties acknowledge that each has been actively involved in negotiating this Reimbursement Agreement. Accordingly, the rule of construction that any ambiguities are to be resolved against the drafting Party will not apply to interpreting this Reimbursement Agreement. In the event of any dispute over the meaning or application of any provision of this Reimbursement Agreement, the provision will be interpreted fairly and reasonably and neither more strongly for nor against any Party, regardless of which Party originally drafted the provision.

17. In this Reimbursement Agreement, time is of the essence and compliance with the times for performance herein is required.
18. The City represents and warrants that this Reimbursement Agreement has been approved by official action by the City Council of the City in accordance with all applicable public notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Reimbursement Agreement on behalf of the City has been duly authorized to do so. The Developer represents and warrants that this Reimbursement Agreement has been approved by appropriate action of the Developer, and that the individual executing this Reimbursement Agreement on behalf of the Developer has been duly authorized to do so. Each Party respectively acknowledges and agrees that this Reimbursement Agreement is binding upon such Party and is enforceable against such Party, in accordance with its terms and conditions and to the extent provided by law.
19. This Reimbursement Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements, whether oral or written, covering the subject matter of this Reimbursement Agreement. This Reimbursement Agreement shall not be modified or amended except in writing signed by the Parties. If any provision of this Reimbursement Agreement is determined by a court of competent jurisdiction to be unenforceable for any reason, then: (a) such unenforceable provision shall be deleted from this Reimbursement Agreement; (b) the unenforceable provision shall, to the extent possible and upon mutual agreement of the parties, be rewritten to be enforceable and to give effect to the intent of the Parties; and (c) the remainder of this Reimbursement Agreement shall remain in full force and effect and shall be interpreted to give effect to the intent of the Parties.
20. This Reimbursement Agreement may be executed in any number of counterparts, each of which shall be deemed an original.
21. The Parties agree that at any time after execution of this Reimbursement Agreement, they will, upon request of another Party, execute and deliver such further documents and do such further acts and things as the other Party may reasonably request in order to effectuate the terms of this Reimbursement Agreement. This provision shall not be construed as limiting or otherwise hindering the legislative discretion of the City Council seated at the time that this Reimbursement Agreement is executed or any future City Council.
22. The term of this Reimbursement Agreement is thirty (30) years, or until the Unpaid Balance is paid in full, whichever occurs first. If the Developer defaults under this Reimbursement Agreement, the Development Agreement or the Construction Funding Agreement, this Reimbursement Agreement, the Development Agreement and Construction Funding Agreement shall not terminate with respect to the costs of the Improvement Area #1 Projects that have been approved by the City pursuant to a Certification for Payment (as defined in the Construction Funding Agreement) prior to the date of default.

23. Each Party shall use good faith, due diligence and reasonable care in the performance of its respective obligations under this Reimbursement Agreement, and time shall be of the essence in such performance; however, in the event a Party is unable, due to force majeure, to perform its obligations under this Reimbursement Agreement, then the obligations affected by the force majeure shall be temporarily suspended. Within three (3) business days after the occurrence of a force majeure, the Party claiming the right to temporarily suspend its performance, shall give Notice to all the Parties, including a detailed explanation of the force majeure and a description of the action that will be taken to remedy the force majeure and resume full performance at the earliest possible time. The term “force majeure” shall include events or circumstances that are not within the reasonable control of Party whose performance is suspended and that could not have been avoided by such Party with the good faith exercise of good faith, due diligence and reasonable care.
24. The Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Reimbursement Agreement is a contract for goods or services, will not boycott Israel during the term of this Reimbursement Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.
25. The Developer hereby 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 comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Developer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Developer understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Developer and exists to make a profit.

26. To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

27. To the extent this Reimbursement Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Reimbursement Agreement. The foregoing verification is made solely to enable the City to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions:

(i) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail

seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association;

(ii) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and

(iii) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this Section, the Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

[SIGNATURE PAGES TO FOLLOW]

Executed by Developer and City to be effective on the Effective Date.

CITY OF PILOT POINT

By: _____
Name: Shea Dane-Patterson
Title: Mayor

ATTEST

By: _____
Name: Lenette Cox
Title: City Secretary

APPROVED AS TO FORM

Attn: Brenda McDonald, City Attorney
Messer, Fort & McDonald LLC
6371 Preston Road, Suite 200
Frisco, TX 75234

[Signature Page for Mobberly PID IA #1 Reimbursement Agreement]

DEVELOPER

MM Mobberly 236, LLC,
a Texas limited liability company

By: MMM Ventures, LLC,
a Texas limited liability company
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company
Its Manager

By: _____
Name: Mehrdad Moayedi
Its: Manager

[Signature Page for Mobberly PID NIA #1 Reimbursement Agreement]

APPENDIX H

PHOTOGRAPHS OF DEVELOPMENT WITHIN THE DISTRICT (IMPROVEMENT AREA #1)

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Development in Improvement Area #1 of the District





Development in Improvement Area #1 of the District





Development in Improvement Area #1 of the District





Development in Improvement Area #1 of the District





Development in Improvement Area #1 of the District





Development in Improvement Area #1 of the District



