

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED OCTOBER 2, 2024

NEW ISSUE

NOT RATED

THE BONDS ARE INITIALLY OFFERED ONLY TO “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933) AND “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933). SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.”

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



\$6,500,000\*

**CITY OF HUNTSVILLE, TEXAS,**  
(a municipal corporation of the State of Texas located in Walker County)  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024**  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)

Dated Date: Delivery Date (defined below)  
Interest to Accrue from Delivery Date

Due: September 15, as shown on the inside cover

The City of Huntsville, Texas, Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District) (the “Bonds”), are being issued by the City of Huntsville, 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 hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable on each March 15 and September 15 commencing March 15, 2025, 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 BOKF, NA, Dallas, Texas, as trustee (the “Trustee”), to DTC as the registered owner thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance expected to be adopted by the City Council of the City (the “City Council”) on October 15, 2024, and an Indenture of Trust, dated as of October 15, 2024 (the “Indenture”), expected to be entered into by and between the City and the Trustee. *Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.*

Proceeds of the Bonds will be used for the purposes of paying a portion of (i) the Actual Costs of the Authorized Improvements, (ii) District Formation Expenses, and (iii) Bond Issuance Costs, including capitalized interest and funding a reserve fund for the payment of principal of and interest on the Bonds. See “THE AUTHORIZED IMPROVEMENTS” and “APPENDIX B – Form of Indenture.”

The Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City payable solely from and secured by a first and prior lien on the Trust Estate, consisting primarily of the Assessments to be levied against assessable properties in The Reserves of Huntsville Public Improvement District (the “District”) in accordance with a Service and Assessment Plan, and other assets comprising the Trust Estate, all to the extent and upon the conditions described in the Indenture. 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 price more fully described herein under the subcaption “DESCRIPTION OF THE BONDS – Redemption Provisions.”

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

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM A FIRST AND PRIOR LIEN ON 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 ASSETS OF THE CITY OTHER THAN THE TRUST ESTATE, 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 ASSETS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER ASSETS 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 FMSbonds, Inc. (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 McCall, Parkhurst & Horton L.L.P., (“Bond Counsel”), as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX D – Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the City by its counsel, Liles Parker PLLC, for the Underwriter by its counsel, Jackson Walker L.L.P., and for the Developer by its counsel, Coats Rose, P.C. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about October 31, 2024 (the “Delivery Date”).



\* Preliminary; subject to change.

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

CUSIP Prefix: <sup>(a)</sup>

\$6,500,000\*

CITY OF HUNTSVILLE, TEXAS,  
(a municipal corporation of the State of Texas located in Walker County)  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)

\$ \_\_\_\_\_ % Term Bonds, Due September 15, 20 \_\_, Priced to Yield \_\_\_\_\_%; CUSIP Suffix: \_\_\_\_\_ <sup>(a) (b) (c)</sup>

\$ \_\_\_\_\_ % Term Bonds, Due September 15, 20 \_\_, Priced to Yield \_\_\_\_\_%; CUSIP Suffix: \_\_\_\_\_ <sup>(a) (b) (c)</sup>

<sup>(a)</sup> \_\_\_\_\_  
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 FactSet Research Systems Inc. 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 take any responsibility for the accuracy of such numbers.

<sup>(b)</sup> The Bonds maturing on or after September 15, 20 \_\_, 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 set forth herein under "DESCRIPTION OF THE BONDS – Redemption Provisions."

<sup>(c)</sup> The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as set forth herein under "DESCRIPTION OF THE BONDS – Redemption Provisions."

**CITY OF HUNTSVILLE, TEXAS,**

**CITY COUNCIL**

<u>Name</u>	<u>Position</u>	<u>Term Expires (November)</u>
Russell Humphrey	Mayor	2025
Tore Fossum	Councilmember	2025
Casey Cox	Councilmember	2025
Anissa Antwine	Councilmember	2025
Vicki McKenzie	Councilmember, Mayor Pro-Tem	2024
Jon Strong	Councilmember	2025
Bert Lyle	Councilmember	2024
Karen Denman	Councilmember	2024
Pat Graham	Councilmember	2024

**CITY MANAGER**

Aron Kulhavy

**FINANCE DIRECTOR**

Steve Ritter

**CITY SECRETARY**

Kristy Doll

**FINANCIAL ADVISOR**

Hilltop Securities Inc.

**BOND COUNSEL**

McCall, Parkhurst & Horton L.L.P.

**UNDERWRITER'S COUNSEL**

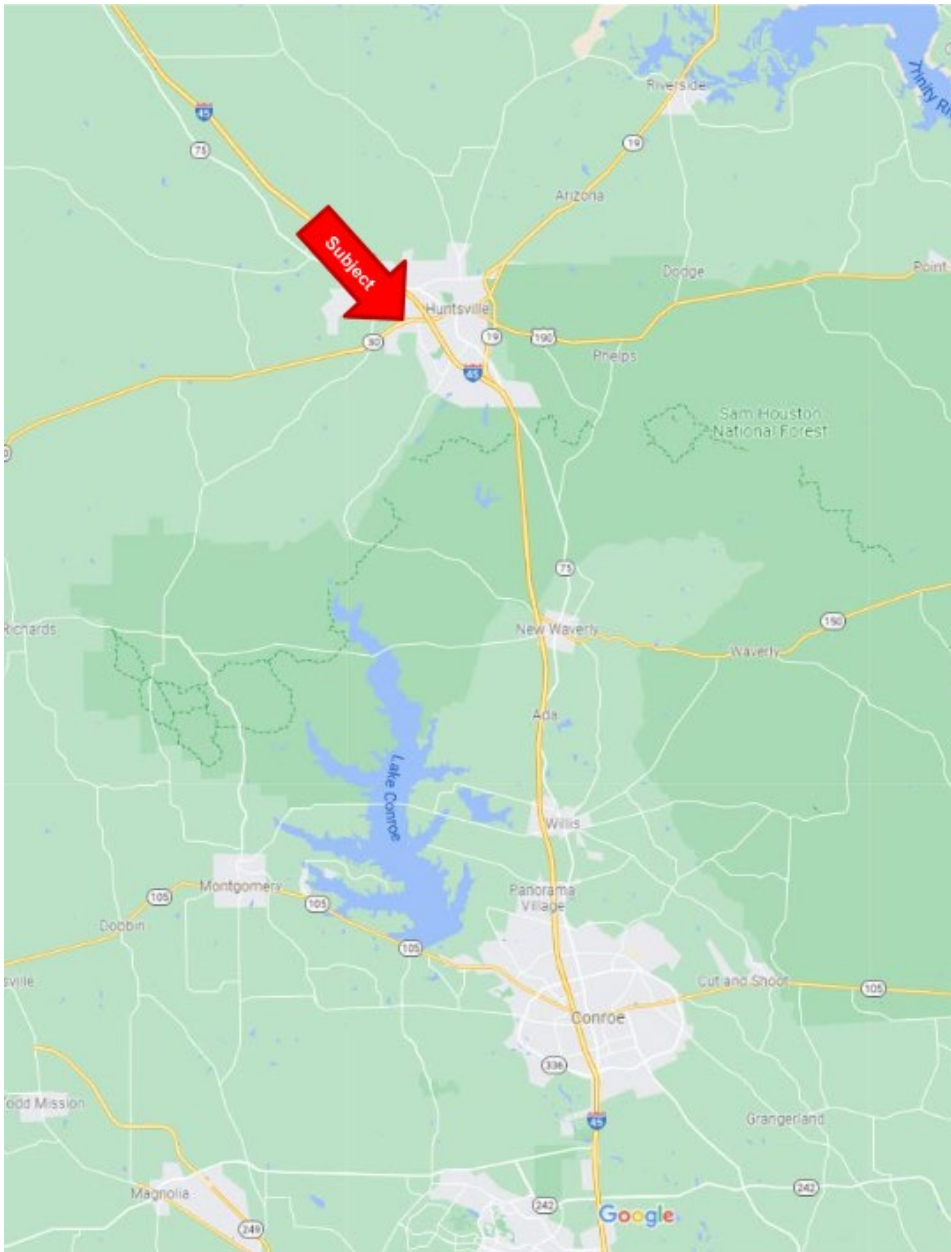
Jackson Walker L.L.P.

For additional information regarding the City, please contact:

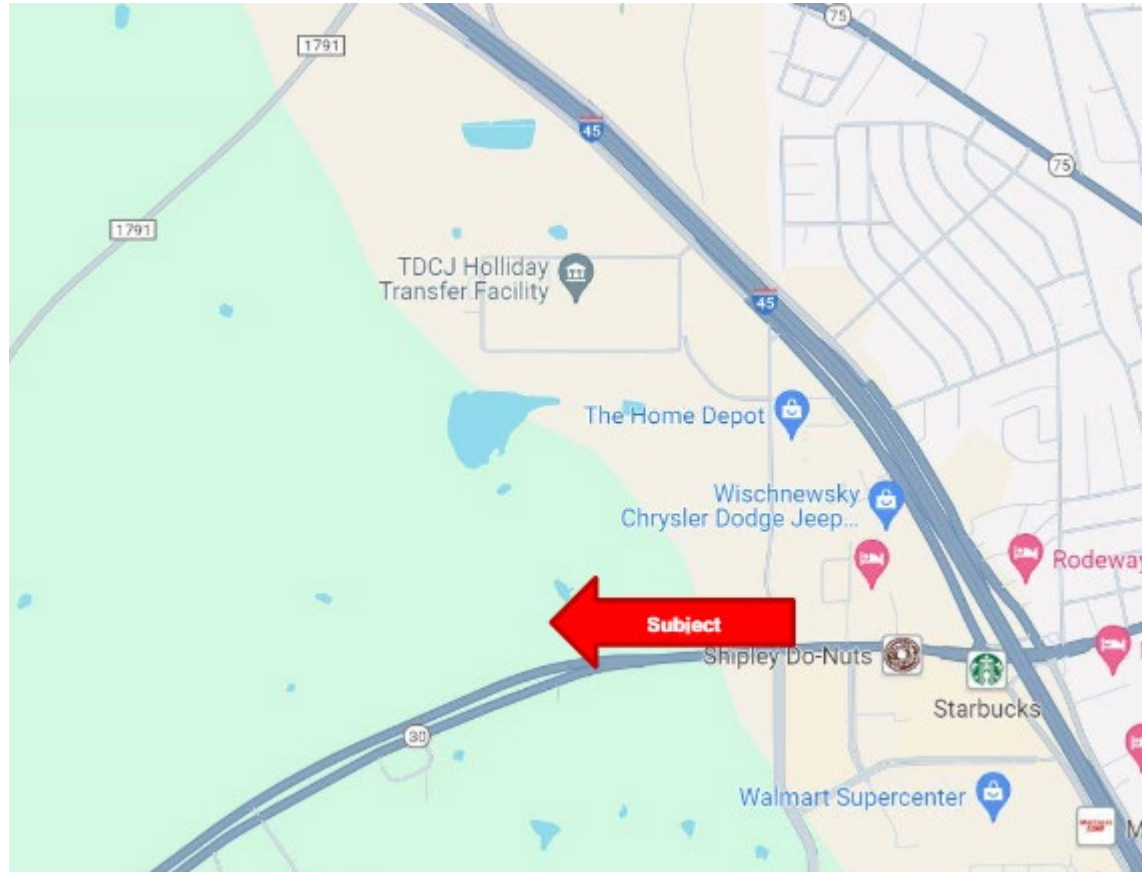
Steve Ritter  
Director of Finance  
City of Huntsville, Texas  
1212 Avenue M  
Huntsville, TX 77340  
(936) 291-5400

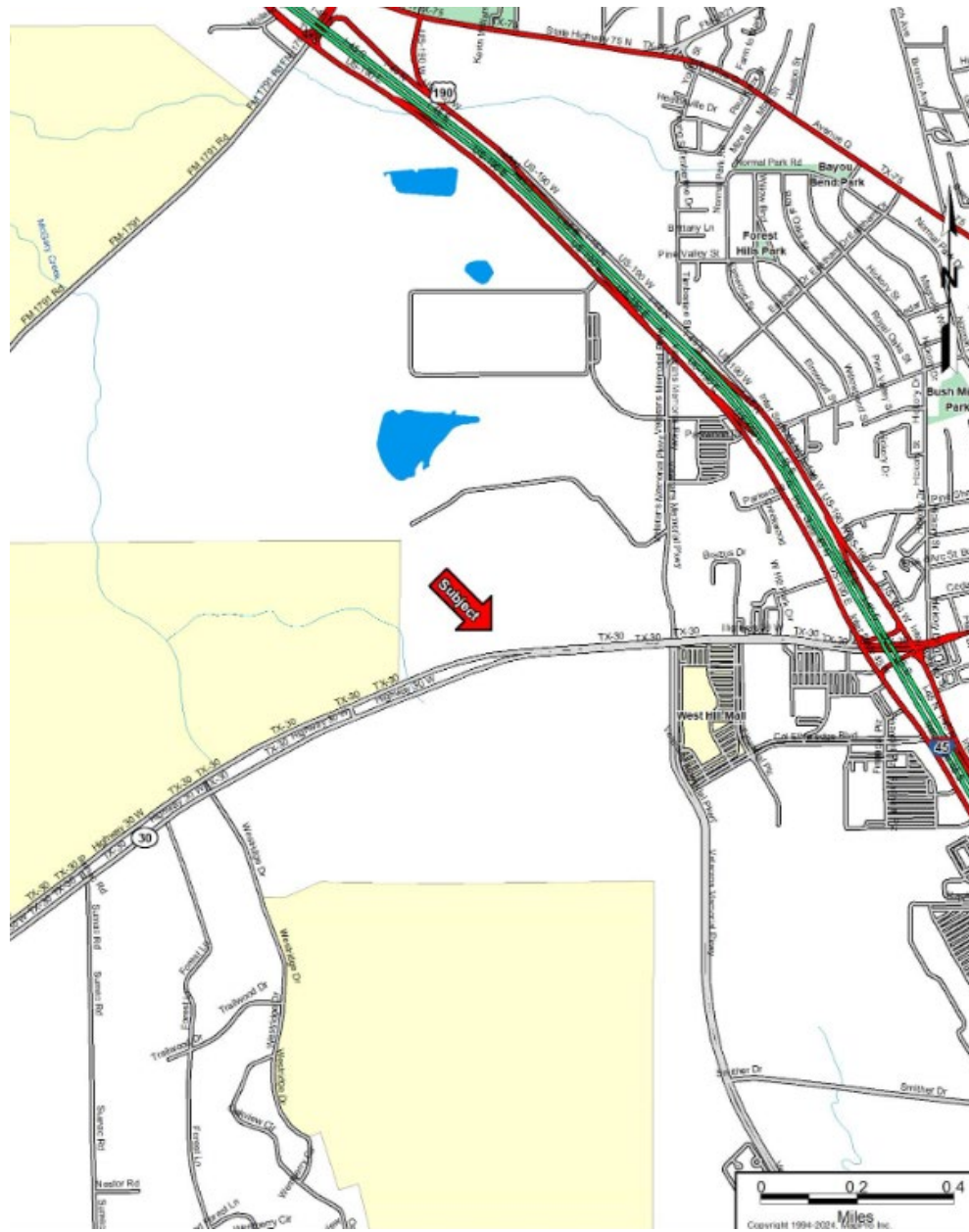
Marti Shew  
Hilltop Securities Inc., Managing Director  
717 N. Harwood St.  
Suite 3400  
Dallas, TX 75201  
(214) 953-4000

**REGIONAL LOCATION MAP OF THE DISTRICT**



**AREA LOCATION MAPS OF THE DISTRICT**





**MAP SHOWING CONCEPT PLAN FOR THE DISTRICT**



## USE OF LIMITED OFFERING MEMORANDUM

*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 ("RULE 15C2-12"), THIS DOCUMENT CONSTITUTES AN "OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BONDS THAT HAS BEEN "DEEMED FINAL" BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.*

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

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

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE 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.

NONE OF THE CITY, THE UNDERWRITER OR THE DEVELOPER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

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

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE



UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT OF 1933. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

REFERENCES TO WEBSITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER’S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEBSITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS LIMITED OFFERING MEMORANDUM FOR PURPOSES OF, AND AS THAT TERM IS DEFINED IN, RULE 15C2-12.

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## PRELIMINARY LIMITED OFFERING MEMORANDUM

**\$6,500,000\***

**CITY OF HUNTSVILLE, TEXAS,  
(a municipal corporation of the State of Texas located in Walker County)  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)**

### INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Huntsville, Texas (the “City”), of its \$6,500,000\* aggregate principal amount of Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District) (the “Bonds”).

INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED INITIALLY TO AND ARE BEING SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS,” “BONDHOLDERS’ RISKS,” AND “SUITABILITY FOR INVESTMENT.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance authorizing the issuance of the Bonds expected to be adopted by the City Council of the City (the “City Council”) on October 15, 2024 (the “Bond Ordinance”), and an Indenture of Trust, dated as of October 15, 2024 (the “Indenture”) expected to be entered into by and between the City and BOKF, NA, Dallas, Texas, as trustee (the “Trustee”). 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 B – Form of Indenture.”*

The Bonds will be secured by a first and prior lien on and pledge of the Trust Estate, consisting primarily of assessments (the “Assessments”) to be levied against assessable property (the “Assessed Property”) located within the District pursuant to a separate ordinance expected to be adopted by the City Council on October 15, 2024 (the “Assessment Ordinance”), all to the extent and upon the conditions described in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.” The Reserves of Huntsville Public Improvement District is defined herein as the “District.”

Set forth herein are brief descriptions of the City, the District, the Administrator, the Bond Ordinance, the Assessment Ordinance, the Service and Assessment Plan, the Development Agreement (defined herein), the Reimbursement Agreement (defined herein), and PHD – Huntsville 34, L.P. (the “Developer”), 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 B – Form of Indenture” and the Service and Assessment Plan appears as “APPENDIX C – Service and Assessment Plan.” The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein

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\* Preliminary; subject to change.

and is not intended, and should not be considered, fully representative or complete as to the subjects discussed in this Limited Offering Memorandum.

## **PLAN OF FINANCE**

### **Overview**

Following receipt of a petition from the Developer in accordance with the PID Act, the City created the District on August 16, 2022. The District is composed of approximately 33.22 acres within the corporate boundaries of the City. It is located west of Interstate Highway 45 and immediately north of State Highway 30 at 3400 SH 30 West. Maps of the District and the surrounding region are included on pages iv – vii.

### **Development Plan**

The Developer purchased the property within the District in February 2022 and is developing such property as a single-family community to include approximately 140 50' single-family detached residential lots, an outdoor pavilion, a playground and a community green space and pond (collectively, the "Development"), with substantial completion of all single-family lot development expected to occur by October 31, 2024. See the concept plan for the District on page vii. See "THE DEVELOPMENT."

The Developer began construction of the Authorized Improvements (as defined herein) on April 11, 2024. There is only one phase of construction and development, and the Authorized Improvements are anticipated to be accepted by the City at such time as construction and development is substantially complete. See "THE DEVELOPMENT" and "APPENDIX C – Service and Assessment Plan."

The Developer expects that the actual costs to complete the Authorized Improvements will be \$6,495,313. A portion of the proceeds of the Bonds will be used to reimburse the Developer for the actual costs of the construction and development of the public improvements that benefit only the Assessed Property in the District (the "Authorized Improvements").

As of August 13, 2024, the Developer has spent approximately \$5,229,763.52 on constructing the Authorized Improvements from cash on hand and bank loans and expects to spend the balance prior to delivery of the Bonds. A portion of such costs in the approximate amount of \$5,195,388 will be reimbursed from proceeds of the Bonds. The balance of the costs of the Authorized Improvements, in the approximate amount of \$1,299,925, have been or will be financed by the Developer and will not be reimbursed by the City. See "SOURCES AND USES OF FUNDS," "THE AUTHORIZED IMPROVEMENTS" and "APPENDIX C – Service and Assessment Plan."

### **Developer and Homebuilders**

The Developer has entered into lot purchase agreements with two merchant homebuilders, K Hovnanian Homes and CastleRock Homes (collectively, the "Homebuilders") for all lots within the District. The Developer anticipates that the Authorized Improvements will be substantially complete by October 31, 2024, with the first lot takedown targeted for October 31, 2024. The Homebuilders have collectively deposited \$1,338,746 in earnest money, of which \$669,373 was provided by K Hovnanian Homes and \$669,373 was provided by CastleRock Homes. See "THE DEVELOPMENT – Developer and Homebuilders" and "— Expected Build-Out and Home Prices in the Development."

### **The Bonds**

Proceeds of the Bonds will be used for the purposes of paying a portion of (i) the Actual Costs of the Authorized Improvements, (ii) District Formation Expenses, and (iii) Bond Issuance Costs, including capitalized interest and funding a reserve fund for the payment of principal of and interest on the Bonds. See "SOURCES AND USES OF FUNDS," "THE AUTHORIZED IMPROVEMENTS" and "APPENDIX B – Form of Indenture."

Payment of the Bonds is secured by a pledge of and a lien upon the Trust Estate, consisting primarily of Pledged Revenues derived from Assessments levied against the Assessed Property within the District, all to the extent and upon the conditions described in the Indenture. See “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES,” and “APPENDIX B – Form of Indenture.”

**The Bonds and any Refunding Bonds shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”), or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the full 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. No Refunding Bonds are offered pursuant to this Limited Offering Memorandum.**

#### **LIMITATIONS APPLICABLE TO INITIAL PURCHASERS**

Each initial purchaser (each, an “Investor”) 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 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 of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Authorized Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information, and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for gross negligence, fraud or willful misconduct. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.

6. The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid by the City pursuant to the terms of the Indenture and the City shall not

be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the State or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

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

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

## DESCRIPTION OF THE BONDS

### General Description

The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 15 and September 15, commencing March 15, 2025 (each an “Interest Payment Date”), until maturity or prior redemption. BOKF, NA, Dallas, Texas is the initial Trustee, Paying Agent, and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal and any integral multiple of \$1,000 in excess thereof (“Authorized Denominations”). The City prohibits any Bond to be issued in a denomination of less than \$100,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than \$100,000, and any attempt to accomplish either of the foregoing will be void and of no effect except as it may relate to a partial redemption as further described in the Indenture. 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 Bonds maturing on or after September 15, 20\_\_, may be redeemed prior to their scheduled maturities on any date on or after September 15, 20\_\_, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

*Extraordinary Optional Redemption.* The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in the Indenture) or any other transfers to the Redemption Fund under the terms of the Indenture. See “ASSESSMENT PROCEDURES – Prepayment of Assessments” for the definition and description of Prepayments. See also “APPENDIX B – Form of Indenture.”

*Mandatory Sinking Fund Redemption.* The Bonds maturing on September 15 in the years \_\_\_\_\_ and \_\_\_\_\_ (collectively, “Term Bonds”), are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at the redemption price equal to the principal amount of the Term Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from moneys available



for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

**§ Term Bonds Maturing [ ]**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
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<sup>†</sup> Final maturity.

At least thirty (30) days prior to each sinking fund redemption date, the Trustee shall select, in accordance with the Indenture, a principal amount of Term Bonds of such maturity equal to the Sinking Fund Installment amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Indenture.

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

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

*Partial Redemption.* If less than all of the Bonds are to be redeemed pursuant to the Indenture, Bonds shall be redeemed in increments of \$1,000 by lot, provided that no redemption shall cause the principal amount of any Bond to be less than the minimum Authorized Denomination for such Bond except as provided in the following sentence. Notwithstanding the foregoing, if any Bonds are to be partially redeemed and such redemption results in the redemption of a portion of a single Bond in an amount less than the Authorized Denomination in effect at the time, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for such Bond.

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

*Notice of Redemption.* Upon 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 first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register.

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

Any notice given as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The City has the right to rescind any optional redemption or extraordinary optional redemption described in the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the

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

*Effect of Redemption.* 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 principal amount plus accrued unpaid interest on 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.

## **BOOK-ENTRY-ONLY SYSTEM**

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

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, 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 an S&P Global Ratings' 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 detailed 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/REGISTRAR, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

## **SECURITY FOR THE BONDS**

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

### **General**

THE BONDS ARE SPECIAL 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 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. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY FOR THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE TRUST ESTATE. SEE "APPENDIX B – FORM OF INDENTURE."

The principal of, premium, if any, and interest on the Bonds are secured by and payable from a first lien on and pledge of the Trust Estate, all to the extent and upon the conditions described in the Indenture. See "APPENDIX B – Form of Indenture." In accordance with the PID Act, the City caused the preparation of a Service and Assessment Plan to be used in connection with the levy of Assessments in the District, and expects to adopt a final Service and Assessment Plan in connection with the levy of Assessments and authorization of the issuance of the Bonds. The Service and Assessment Plan describes the special benefit received by the property within 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 will be reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments 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 C – Service and Assessment Plan."

In connection with the pricing of the Bonds expected to occur on October 15, 2024, and as provided in the Bond Ordinance, the City expects to approve the Service and Assessment Plan, which will reflect the actual interest rate on the Bonds, as well as the additional interest collected pursuant to Section 372.018(a) of the PID Act. See "APPENDIX C – Service and Assessment Plan."

## **Pledged Revenues**

The City is authorized by the PID Act, the Assessment Ordinance, and other provisions of applicable law to finance the Authorized Improvements by levying Assessments upon properties in the District benefitted thereby. For a description of the assessment methodology and the amounts of Assessments levied in the District, see “ASSESSMENT PROCEDURES” and “APPENDIX C – Service and Assessment Plan.”

The Bonds are secured by and payable from a first lien on and pledge of the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. Pursuant to the Indenture, the following terms are assigned the following meanings:

“Actual Cost(s)” means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certificate for Payment that has been reviewed and approved by the City. Actual Cost may include: (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction, and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, as limited below; (b) the costs of preparing the construction plans for such Authorized Improvement; (c) the fees paid for obtaining permits, licenses, or other governmental approvals for such Authorized Improvement; (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting, and similar professional services; (e) the costs of all labor, bonds, and materials incurred by contractors, builders, and material men in connection with the acquisition, construction, or implementation of the Authorized Improvements; and (f) all related permitting, zoning, and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees, and charges (including inspection fees, City permit fees, development fees), insurance premiums, miscellaneous expenses. Actual Costs include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to 5.0% of the eligible Actual Costs described in a Certificate for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

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

“Additional Interest Rate” means the additional interest charged on the Assessments pursuant to Section 372.018 of the PID Act which shall be a minimum of 0.25% and a maximum of 0.50%, as determined annually pursuant to the terms of the Development Agreement.

“Administrator” means the City or the person or independent firm designated by the City who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the City related to the duties and responsibility of the administration of the District.

“Annual Collection Costs” means the actual or budgeted costs and expenses relating to collecting the Annual Installments, including, but not limited to, costs and expenses for: (1) the Administrator; (2) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (3) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (4) preparing and maintaining records with respect to Assessment Rolls and Annual Service Plan Updates; (5) issuing, paying, and redeeming PID Bonds; (6) investing or depositing Assessments and Annual Installments; (7) complying with this Service and Assessment Plan and the PID Act with respect to the issuance and sale of PID Bonds, including continuing disclosure requirements; and (8) 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.

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

“Applicable Laws” means the PID Act, and all other laws or statutes, rules, or regulations, and any amendments thereto, of the State or of the United States, 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 Property” or “Assessed Properties” means property within the District that benefits from an Authorized Improvement and on which Assessments have been levied as shown on an Assessment Roll (as the same may be updated each year by an update to a Service and Assessment Plan) and which includes any and all Parcels within the District other than Non-Benefitted Property.

“Assessment” means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein, in the Service and Assessment Plan, and/or in the PID Act.

“Assessment Ordinance” means Ordinance No. \_\_\_\_\_ adopted by the City Council on October 15, 2024, that levied the Assessments, and any additional ordinance adopted by the City Council in accordance with the PID Act that levies an Assessment on Assessed Property within of the District, as shown on any Assessment Roll.

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

“Assessment Roll(s)” means any assessment roll for the Assessed Property within the District, including the Assessment Roll included in the Service and Assessment Plan as Exhibit F, as updated, modified, or amended from time to time in accordance with the procedures set forth in the Indenture and in the PID Act, including updates prepared in connection with the levy of an Assessment, the issuance of PID Bonds, or in connection with any Annual Service Plan Update.

“Bonds Similarly Secured” means, collectively, any Outstanding Bonds and Refunding Bonds.

“Delinquent Collection Costs” means interest, penalties, and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees, and any third-party costs paid or incurred by the City as a result of any delinquency of an Assessment.

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

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

“Parcel” or “Parcels” means a parcel or parcels within the District, identified by either a tax map identification number assigned by the Walker County Appraisal District for real property tax purposes, by metes and bounds description, or by lot and block number in a final subdivision plat recorded in the real property records of Walker County or by any other means determined by the City.

“Pledged Funds” means, collectively, the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

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

“Prepayment” means the payment of all or a portion of an Assessment before the due date thereof. Amounts received at the time of a Prepayment which represent a payment of principal, interest or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as the payment of the regularly scheduled Annual Installment.

“Quarter in Interest” means as of any particular date of calculation, the Owners of no less than twenty-five percent (25%) of the principal amount of the then Outstanding Bonds Similarly Secured. In the event that two or more groups of Owners satisfy the percentage requirement set forth in the immediately preceding sentence and act (or direct the Trustee in writing to act) in a conflicting manner, only the group of Owners with the greatest percentage of then Outstanding Bonds Similarly Secured (as measured in accordance with the immediately preceding sentence) shall, to the extent of such conflict, be deemed to satisfy such requirement.

“Refunding Bonds” means bonds issued to refund all or any portion of the Outstanding Bonds and secured by a parity lien with the Outstanding Bonds on the Trust Estate, as more specifically described in the indenture authorizing such Refunding Bonds.

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

“Trust Estate” means (i) the Pledged Revenues, as defined in the Indenture, including all moneys and investments held in the Pledged Funds, and including any contract or any evidence of indebtedness related thereto or other rights of the City to receive any of such moneys or investments, whether existing on the date of the Indenture or thereafter coming into existence, and whether acquired on the date of the Indenture or thereafter; (ii) any and all other property or money of every name and nature which is, from time to time after the date of the Indenture by delivery or by writing of any kind, conveyed, pledged, assigned or transferred, to the Trustee as additional security under the Indenture by the City or by anyone on its behalf or with its written consent; and (iii) any and all proceeds of the foregoing property and proceeds from the investment of the foregoing property.

The City will covenant, agree, and warrant in the Indenture that, for so long as any Bonds Similarly Secured are Outstanding and amounts are due to the Developer under the Reimbursement Agreement to reimburse it for its funds it has contributed to pay Actual Costs of the Authorized Improvements, the City will take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments. See “– Pledged Revenue Fund,” “APPENDIX B – Form of Indenture,” and “APPENDIX C –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.”

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 Enforcement of Assessments**

For so long as any Bonds Similarly Secured are Outstanding and amounts are due to the Developer under the Reimbursement Agreement to reimburse it for its funds it has contributed to pay Actual Costs of the Authorized Improvements, the City covenants, agrees and warrants that it will take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments.

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

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

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

### **Unconditional Levy of Assessments**

The City will impose Assessments on the property within the District to pay the principal of and interest on the Bonds scheduled for payment from the Trust Estate as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments will be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid in full or in part at any time, or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, interest on the Assessments for each lot within the District will begin to accrue on the date specified in the Service and Assessment Plan. After issuance of the Bonds, interest on the Assessments for each lot within the District will accrue at a rate specified in the Bond Ordinance, but may not exceed the Additional Interest Rate. Such interest rates may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated annually and shall be due on October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

As authorized by Section 372.018(b) of the PID Act, the City will levy, assess, and collect, each year while the Bonds are Outstanding and unpaid, a portion of each Annual Installment to pay the annual costs incurred by the City in the administration and operation of the District. The portion of each Annual Installment used to pay such annual costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount of the levy after an annual review in any year pursuant to Section 372.013 of the PID Act. The assessments to pay Annual Collection Costs 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 Annual Collection Costs do not secure repayment of the Bonds.



There is 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 will begin 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, which is the date of the initial delivery and payment for the Bonds, without physical delivery or transfer of control of the Trust Estate, the filing of the Indenture or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the City under the Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate granted by the City under the Indenture is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur. See "APPENDIX B – Form of Indenture."

### **Pledged Revenue Fund**

The City will create under the Indenture a Pledged Revenue Fund to be held by the Trustee. Immediately upon receipt thereof, the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Pledged Revenues, as set forth in the Service and Assessment Plan. Specifically, the Trustee shall deposit or cause to be deposited the foregoing amounts 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, (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 pay other Actual Costs of the Authorized Improvements, and (iv) fourth to pay other costs permitted by the PID Act. Notwithstanding the foregoing, the Additional Interest of the Annual Installments shall only be utilized for the purposes set forth in the Indenture and, on each March 15, beginning March 15, 2025, and on any other day set forth in a City Certificate, the amount of Additional Interest of the Annual Installments confirmed by the City pursuant to a City Certificate, will be deposited into the Delinquency & Prepayment Reserve Account and/or the Redemption Fund, as applicable.

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 of the Pledged Revenue Fund 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, 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.

The Trustee shall transfer the amounts determined in writing by the City as Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

Upon receipt of Foreclosure Proceeds, the Trustee shall transfer such amount of Foreclosure Proceeds determined in writing by the City, first to the Reserve Fund to restore any transfers from the Reserve Fund made to

which the Foreclosure Proceeds relate, second, to replenish the Delinquency and Prepayment Reserve Requirement, and third, to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal of and interest on the Bonds Similarly Secured and to fund any deficiency that may exist in the Reserve Fund, the Trustee shall, at the written request of the City, transfer any Pledged Revenues remaining in the Pledged Revenue Fund to the City, which monies may be used for any lawful purpose for which Assessments may be used under the PID Act. The Trustee may rely upon any such request of the City and shall have no obligation to determine the lawful purposes permitted under the PID Act.

### **Bond Fund**

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds Similarly Secured.

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. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

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

### **Project Fund**

Money on deposit in the Project Fund shall be used for the purposes described in “PLAN OF FINANCE – The Bonds.”

Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Disbursements from all other Accounts of the Project Fund to pay Actual Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certification for Payment. Each such City Certificate shall include a list of the payees and the payments (not to exceed) to be made to such payees as well as a statement that all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such written request and the Trustee may rely on such payment instructions though given by the City with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein.

Except as provided in the Indenture, money on deposit in the Improvement Account shall be used solely to pay Actual Costs provided the Trustee shall have no responsibility for the application of any funds disbursed from the Improvement Account in reliance upon a Certification for Payment approved by the City.

If the City Representative determines in the City Representative’s reasonable discretion that amounts then on deposit in the Improvement Account of the Project Fund are not expected to be expended for purposes of the Project Fund due to the abandonment, or constructive abandonment, of one or more of the Authorized Improvements such that, in the reasonable opinion of the City Representative, it is unlikely that the amounts in the Improvement Account of the Project Fund will ever be expended for the purposes of the Project Fund, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Account of the Project Fund that are not expected to be used for purposes of the Project Fund. If such City Certificate is so filed, the amounts on deposit in the Improvement 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. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

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

Upon the filing of a City Certificate stating that all of the Authorized Improvements have been completed and that all Actual Costs have been paid, or that any Actual Costs of the Authorized Improvements are not required to be paid from the Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Account of the Project Fund to the Bond Fund or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

Upon the Trustee's receipt of a written determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account or Subaccount in the Project Fund and used to pay Actual Costs of the Authorized Improvements or to the Principal and Interest Account and used to pay interest on the Bonds, as directed in a City Certificate filed with the Trustee and the Costs of Issuance Account shall be closed.

Notwithstanding the above paragraphs, the aggregate amount of funds that the Trustee may disburse from the Improvement Account shall not exceed \$1,237,137 (the "Authorized Amount") except and until the Release Condition (as defined below) has been satisfied, after which the Trustee may resume disbursements. The Trustee may make disbursements from the Improvement Account that exceed the Authorized Amount only when the Developer provides written certification to the Trustee and the City in a Certificate for Payment that the Release Condition has been satisfied. The first Certificate for Payment that requests funds in excess of the Authorized Amount from the Improvement Account after satisfaction of the Release Condition shall be submitted to the City, the Trustee, the City's financial advisor, Bond Counsel and the Administrator for review and confirmation.

Money may be disbursed from the Improvement Account in excess of the Authorized Amount only if the City has performed and approved the final inspections of at least seventeen (17) homes within the District and issued certificates of occupancy on each such home in accordance with its customary residential building inspection practices (the "Release Condition"). The City may not approve a Certificate for Payment for payment from the Improvement Account for any amounts that exceed the Authorized Amount until the Release Condition has been satisfied.

Notwithstanding anything in the Indenture to the contrary, in the event the Developer has not provided the required evidence that the Release Condition has been satisfied on or before October 31, 2027, then the Trustee shall transfer any funds remaining in the Improvement Account to the Redemption Fund to be used to redeem Bonds pursuant to the Indenture. See "APPENDIX B – Form of Indenture."

### **Redemption Fund**

Subject to adequate amounts on deposit in the Pledged Revenue Fund, the Trustee shall cause to be deposited to the Redemption Fund from the Pledged Revenue Fund an amount sufficient to redeem Bonds as provided in the Indenture on the dates specified for redemption as provided in the Indenture. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in the Indenture.

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

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Reserve Account will be funded initially with proceeds of the Bonds in the amount of the initial Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" means the Maximum Annual Debt Service on the Bonds Similarly Secured as of the date of issuance; provided, however, that as a result of (1) an optional redemption or (2) an extraordinary optional redemption, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds Similarly Secured redeemed by such redemption divided by the total principal amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the Closing Date for the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_.

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds Similarly Secured due on such date, the Trustee shall transfer first, from the Delinquency & Prepayment 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.

In the event of an extraordinary optional redemption of Bonds Similarly Secured pursuant to the Indenture, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds Similarly Secured to be redeemed multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest, there are insufficient funds to pay the principal amount to the nearest roundup of \$1,000 increment, plus accrued and unpaid interest on such Bonds Similarly Secured to the date fixed for redemption of the Bonds Similarly Secured to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency & Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the value of cash and Value of Investment Securities on deposit in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of interest on the Bonds Similarly Secured on the next Interest Payment Date in accordance with the Indenture, unless prior to the next Interest Payment Date, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due the United States Government in accordance with the Code, (ii) to the Administrative Fund in an amount not more than the Annual Collection Costs for the Bonds Similarly Secured or (iii) to the Project Fund to pay Actual Costs of the Authorized Improvements if such application and the expenditure of funds is expected to occur within three years of the date of the Indenture.

### **Delinquency & Prepayment Reserve Account of the Reserve Fund**

Pursuant to the Indenture, a Delinquency & Prepayment Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Delinquency & Prepayment Reserve Account will be funded in the amount of the Delinquency & Prepayment Reserve Requirement. Pursuant to the Indenture, the “Delinquency & Prepayment Reserve Requirement” means an amount equal to 4.5% of the principal amount of the then Outstanding Bonds Similarly Secured, which amount will be funded from Assessments and Annual Installments deposited to the Pledged Revenue Fund for subsequent transfer to the Delinquency & Prepayment Reserve Account of the Reserve Fund in accordance with the terms of the Indenture. As of the Closing Date for the Bonds, the Delinquency & Prepayment Reserve Requirement is \$292,500\*, which is an amount equal to 4.5% of the principal amount of the Bonds as of the Closing Date.

Pursuant to the Indenture, the Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency & Prepayment Reserve Account on March 15 of each year, commencing March 15, 2025, and on any other day set forth in a City Certificate, an amount equal to the Additional Interest until the Delinquency & Prepayment Reserve Requirement has been accumulated in the Delinquency & Prepayment Reserve Account. Once the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account, any amounts in excess of the Delinquency & Prepayment Reserve Requirement shall be transferred by the Trustee to the Redemption Fund to redeem Bonds Similarly Secured as provided in the Indenture provided, however, that at any time the amount on deposit in the Delinquency & Prepayment Reserve Account is less than Delinquency & Prepayment Reserve Requirement, the Trustee shall resume depositing such Additional Interest into the Delinquency & Prepayment Reserve Account until the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account. In determining the amounts to be transferred pursuant to the Indenture, the Trustee may conclusively rely on a City Certificate specifying the amounts to transfer.

Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amount in the Delinquency & Prepayment Reserve Account exceeds the Delinquency & Prepayment Reserve

\* Preliminary, subject to change.

Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and the Trustee shall transfer such excess pursuant to the Indenture.

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

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

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

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

#### **Administrative Fund**

The City will create under the Indenture an Administrative Fund. Immediately upon receipt thereof, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Assessments and Annual Installments allocated to the payment of Annual Collection Costs and Delinquent Collection Costs, as set forth in the Service and Assessment Plan. Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered under the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs or may be withdrawn by the Trustee without further authorization for the payment of the fees, expenses, advances and indemnities owed to the Trustee in accordance with the Indenture. The Administrative Fund shall not be part of the Trust Estate and shall not be security for the Bonds. See “APPENDIX C – Service and Assessment Plan.”

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

#### **Bonds Deemed Paid**

Any Outstanding Bonds Similarly Secured shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of the Trust Indenture (a “Defeased Debt”) when payment of the principal of, premium, if any, on such Defeased Debt, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), either (1) shall have been made in accordance with the terms thereof, or (2) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds Similarly Secured with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Indenture 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 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.

Any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified in the Indenture shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the Defeased Debt for redemption; (2) the City gives notice of the reservation of that right to the Owners of the Defeased Debt immediately following the defeasance; (3) the City directs that notice of the reservation be included in any defeasance or redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the City satisfies the conditions of the Indenture with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

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

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

## **Events of Default**

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

1. The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
2. The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
3. Default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture other than a default under (2) above or (4) below, and the continuation thereof for a period of ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured then Outstanding; and
4. The failure to make payment of the principal of or interest on any of the Bonds Similarly Secured when the same becomes due and payable and such failure is not remedied within thirty (30) days thereafter.

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 or federal law or court order.

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

Subject to provisions of the Indenture with respect to limits on liability of the City, upon the happening and continuance of any of the Events of Default described in the Indenture, then and in every such case the Trustee may proceed, and upon the written request of the Owners of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding under the Indenture and its receipt of indemnity satisfactory to it shall proceed, to protect and enforce the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that any action for money damages against the City shall be limited to recovery from the Trust Estate may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for default.

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

Whenever moneys are to be applied as a result of any Event of Default, 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. The Trustee shall sell Trust Estate assets, according to the appraised value thereof, beginning with the asset of the highest value and continuing such sales in the order of next succeeding most valuable asset until satisfaction of debts pertaining to the outstanding Bonds Similarly Secured. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

If an Event of Default shall have occurred and be continuing, the City, upon demand of the Trustee, shall surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the City pertaining thereto, and including the rights and the position of the City, and to hold, operate, and manage the same, and from time to time make all needed repairs and improvements, as well as set up proper reserve for the payment of all proper costs and expenses, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents, and counsel, (ii) any reasonable charges of the Trustee under the Indenture, (iii) any taxes and assessments and other charges prior to the lien of the Indenture, and (iv) all expenses of such repairs and improvements. After payment in full of the foregoing, the Trustee shall surrender possession of the Trust Estate to the City, its successors or assigns.

### **Restriction on Owner's Actions**

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has actual knowledge thereof or has been notified in writing as provided in the Indenture, or of which by the Indenture it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of at least a Quarter in Interest 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 granted in the Indenture 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 60 days after

such notice failed or refused to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds Similarly Secured then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to limits on liability 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 under the Indenture to the respective Owners thereof at the time and place, from the source and in the manner expressed in the Indenture and in the Bonds Similarly Secured.

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

#### **Application of Revenues and Other Moneys After Event of Default**

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the cost, liabilities, advances 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 the Indenture, during the continuance of an Event of Default, notwithstanding other provisions in the Indenture, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds 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 thirty (30) days of receipt of such good and available funds, the Trustee may fix a record date and a payment date for any payment to be made to Owners of Bonds Similarly Secured pursuant to the Indenture.

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

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



## **Investment of Funds**

Money in any Fund or Account, other than the Reserve Account, shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. Money in the Reserve Account shall be invested in such Investment Securities as directed by the City pursuant to a City Certificate filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days. Each such City Certificate shall be a certification that the investment directed therein constitutes an Investment Security and that such investments meet the maturity and average weighted maturity requirements set forth in the preceding sentence and the Trustee shall not be responsible for determining such requirements. Such investments shall be valued each year in terms of the Value of Investment Securities as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in the Funds and Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold, in order to make the disbursements required or permitted by the Indenture, to prevent any default under the Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee shall invest and re-invest cash balances in Invesco Short-Term Investments Trust Treasury, CUSIP No. 825252786, until directed otherwise by the City Certificate.

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 as determined and directed in writing by the City.

## **Against Encumbrances**

The City shall not create and shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds, or any Refunding Bonds, 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 are Outstanding under the Indenture, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, and Refunding Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

## **Other Obligations or Other Liens; Refunding Bonds; Future Bonds**

The City reserves the right to issue obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on any portion of the Trust Estate and are not payable from the Trust Estate.

Other than Refunding Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be done or omit to be done any matter or things whatsoever whereby the lien of the Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Trust Estate; provided, however, that nothing in the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall

be contested by it in good faith, unless thereby, in the opinion of counsel to the Trustee, the same would endanger the security for the Bonds Similarly Secured.

The City reserves the right to issue bonds in the future for any purpose permitted by the PID Act, pursuant to a separate indenture and secured by a separate assessment from the Assessment, subject to the conditions of the Financing Agreement.

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## SOURCES AND USES OF FUNDS \*

### Bonds

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

Sources of Funds:	
Principal Amount	\$
<b>TOTAL SOURCES</b>	<b>\$</b>
Use of Funds:	
Deposit to Improvement Account of the Project Fund	\$
Deposit to Costs of Issuance Account of Project Fund	
Deposit to Reserve Account of the Reserve Fund	
Deposit to Principal and Interest Account of the Bond Fund	
Deposit to the Administrative Fund	
Underwriter's Discount <sup>(1)</sup>	
<b>TOTAL USES</b>	<b>\$</b>

<sup>(1)</sup> Includes Underwriter's Counsel's fee.

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**DEBT SERVICE REQUIREMENTS \***

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

<u>Year Ending</u> <u>( )</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	\$	\$
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
<b>Total</b>			

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\* To be completed upon pricing of the Bonds.

## OVERLAPPING TAXES AND DEBT

### Overlapping Taxes and Debt

The land within the District lies within the corporate limits of the City. The land within 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.

The City, Walker County (the “County”), Huntsville Independent School District (“Huntsville ISD”) and Walker County Hospital District may each levy ad valorem taxes upon land in 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 assessments levied by such other taxing authorities.

The following table reflects the overlapping ad valorem taxes currently levied on property located in the District.

#### Overlapping Taxes in the District

<u>Taxing Entity</u>	<u>Tax Year 2023 Ad Valorem Tax Rate <sup>(1)</sup></u>
The City	\$0.3074
Walker County	\$0.4127
Huntsville ISD	\$0.8571
Walker County Hospital District	<u>\$0.0977</u>
<b>Total Current Tax Rate</b>	<b>\$1.6749</b>
Estimated Average Annual Installment of Assessment in the District as a Tax Rate Equivalent <sup>(2)</sup>	\$1.3448
<b>Estimated Total Tax Rate and Average Annual Installment of Assessment in the District as a Tax Rate Equivalent <sup>(2)</sup></b>	<b><u>\$3.0197</u></b>

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

<sup>(2)</sup> *Preliminary; subject to change.* Derived from information in the Service and Assessment Plan. Shown as an equivalent tax rate for illustration purposes only. See “ASSESSMENT PROCEDURES – Assessment Amounts – Method of Apportionment of Assessments” and “APPENDIX C – Service and Assessment Plan.”

Source: Walker County Appraisal District and the Service and Assessment Plan.

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As noted above, the District includes territory located within other governmental entities’ jurisdiction and such entities may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within the District, as of August 31, 2024, and City debt to be secured by the Assessments:

**Overlapping Debt in the District**

<u>Taxing or Assessing Entity</u>	<u>Gross Outstanding Debt as of August 31, 2024</u>	<u>Estimated % Applicable <sup>(1)</sup></u>	<u>Estimated Overlapping Debt <sup>(1)</sup></u>
The City (Assessments – Bonds)*	\$6,500,000	100%	\$6,500,000
The City (Ad Valorem Taxes)	\$43,725,000	0.24%	\$103,013
Walker County	\$0	0.11%	\$0
Walker County Hospital District	\$0	0.11%	\$0
Huntsville ISD	<u>\$123,995,000</u>	0.15%	<u>\$181,634</u>
<b>Total</b>	<b><u>\$174,220,000</u></b>		<b><u>\$6,784,647</u></b>

\* Preliminary, subject to change.

<sup>(1)</sup> Based on the tax year 2023 net taxable assessed valuation for the taxing entities and the appraisal “Upon Completion” Bulk Market Value for the District.

Sources: Municipal Advisory Council of Texas (gross outstanding debt secured by property taxes) and net taxable assessed valuation.

**Homeowners’ Association Dues**

In addition to the taxes and Assessments described above, the Developer anticipates that each single-family residential lot owner in the District will pay a property owner’s association fee to a homeowners’ association (the “HOA”) formed by the Developer in the approximate amount of \$750 annually.

**ASSESSMENT PROCEDURES**

**General**

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Authorized Improvements through Assessments, it must adopt a resolution generally describing the Authorized Improvements and the land within the District to be subject to Assessments to pay the cost therefor. The City has caused the Assessment Roll to be prepared, which shows the land within the District to be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land, and the number of Annual Installments in which the Assessment is divided. The Assessment Roll was filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing will be conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Authorized Improvements and funding a portion of the same with Assessments. The City expects to levy the Assessments and adopt the Assessment Ordinance on October 15, 2024. After adoption of the Assessment Ordinance, the Assessments will become legal, valid, and binding liens upon the property against which the Assessments were made.

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

**Assessment Methodology**

The Service and Assessment Plan describes the special benefit to be received by each Parcel of Assessed Property as a result of the Authorized Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments previously levied, and establishes the methodology by which the City

allocates the special benefit of the Authorized Improvements to Parcels in a manner that results in equal shares of costs being apportioned to Parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Authorized Improvements is being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessments, and other assets comprising the Trust Estate. As set forth in the Service and Assessment Plan, the City Council has determined that the actual costs associated with the Authorized Improvements will be allocated on the basis of the size of the Lots and their estimated assessed value at Build-Out, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements to Lots similarly benefited. The Assessed Property will be assessed for the special benefits conferred upon the property due to the Authorized Improvements.

The following table provides additional analysis with respect to assessment methodology, including the value to Assessment burden ratio per Lot Type, equivalent tax rate per Lot Type, and leverage per Lot Type related to the Assessments applicable to the District. The information in the table was obtained from and calculated using information provided in the Service and Assessment Plan. See “APPENDIX C – Service and Assessment Plan.”

**Lien to Value Analysis, Assessment Allocation, Equivalent Tax Rate,  
and Leverage per Lot Type in the District**

<b>Lot Type</b>	<b>Planned No. of Lots</b>	<b>Estimated Finished Value per Lot Type <sup>(1)</sup></b>	<b>Projected Average Home Value per Lot Type <sup>(2)</sup></b>	<b>Assessment per Lot Type <sup>(3)</sup></b>	<b>Average Annual Installment of Assessment per Lot Type <sup>(3)</sup></b>	<b>Tax Rate Equivalent of Average Annual Installment of Assessment per Lot Type <sup>(3)</sup></b>	<b>Estimated Ratio of Estimated Finished Value per Lot Type to Assessment <sup>(2), (3)</sup></b>	<b>Estimated Ratio of Projected Average Home Value per Lot Type to Assessment <sup>(2), (3)</sup></b>
50'	140	\$65,450	\$295,000	\$46,428.58	\$3,967.07	\$1.34477	1.40969	6.35385

<sup>(1)</sup> Provided in the Appraisal (as defined herein). See “APPENDIX F — Appraisal.”

<sup>(2)</sup> Provided by Developer at the time of the levy of the Assessments. See “THE DEVELOPMENT – Expected Build-Out and Home Prices in the Development” for current values.

<sup>(3)</sup> Per \$100 of home value.

Source: The Appraisal, DTA and information presented in the Service and Assessment Plan

For further explanation of the Assessment methodology, see “APPENDIX C – 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 benefitted within 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 C – 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.”

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 Parcel. Annual Collection Costs shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

In the Indenture, the City will covenant, agree, and warrant that, for so long as any Bonds are Outstanding, 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. See “SECURITY FOR THE BONDS – Collection and Enforcement of 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 February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City will not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property. See “SECURITY FOR THE BONDS – Collection and Enforcement of Assessments.”

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

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

Annual Installments will be paid to the City or its agent. Annual Installments are due when billed on or about October 1 each year and become delinquent on February 1. 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 increases 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 prevent 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 amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Parcel within the District. The Annual Installments may not exceed the amounts shown on the Assessment Roll. The Assessments are expected to be levied against the Parcels comprising the Assessed Property as indicated on the Assessment Roll. See “APPENDIX C – Service and Assessment Plan.”

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds, the Additional Interest, and the portion of the Annual Installment allocable to Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

If the debt service on issued Bonds is reduced as the result of an economic refunding of the Bonds, Prepayment of Assessments, or the redemption of Bonds, then there would be a corresponding reduction in the Assessments and the Annual Installments. See “APPENDIX C – Service and Assessment Plan.” In such case, the reduced Assessment and Annual Installment, as shown on the Assessment Roll, shall be reflected in the next Annual Service Plan Update and approved by City Council.

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the estimated costs of the Authorized Improvements, shall be allocated entirely to the Assessed Property. As reflected in the table below, the entire Assessment is spread across the Lot Types based on their respective estimated assessed value at Build-out and number of Lots anticipated to be developed within such Lot Type. Based on the estimated costs for the Authorized Improvements provided by the Developer, the City Council has determined that the benefit to the Assessed Property from the Authorized Improvements is at least equal to the Assessments to be levied on the Assessed Property.

**Allocation of Assessments<sup>(1)</sup>**

Lot Type	No. Lots	Estimated Assessed Value Per Home	Estimated Assessed Value Per Buildout	Assessment Allocation	Total Assessment Principal	Average Annual Installment	PID Tax Rate	Total Tax Rate
50'	140	\$295,000	\$41,300,000	100%	\$6,500,000	\$3,967.07	1.3448	3.0197

(1) Preliminary, subject to change. Derived from information in the Service and Assessment Plan.

**Prepayment of Assessments**

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

**Priority of Lien**

The Assessments or any reassessment, the expense of collection, and reasonable attorney’s fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the Assessment Ordinance until the Assessment is paid and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any Assessed Parcel 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 the Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase or make payment for the purchase of the delinquent 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 and distributed in accordance with the Indenture. See “APPENDIX B – Form of Indenture.” See also “APPENDIX E-1 – Form of Disclosure Agreement of Issuer” for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

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

## **THE CITY**

### **Background**

The City (founded in 1845) is the county seat and principal commercial center of Walker County, Texas, which is in the southeastern corner of Texas. The City is approximately 70 miles north of Houston, 170 miles southeast of Dallas, and approximately 130 miles west of the Louisiana state line. The City encompasses an area of approximately 31 square miles.

The City’s 2020 census population was 45,491, increasing 19.2% since 2010. Population estimates include inmates within the Texas Department of Criminal Justice (“T.D.C.J.”) System located within the City limits. T.D.C.J. headquarters and five of its main units are located in the City.

### **City Government**

The City is a political subdivision and home-rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1845, and first adopted its Home Rule Charter on September 28, 1968. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and Council members. The term of office is two years with the terms of the Mayor and eight Council members elected for staggered two-year terms. The City Manager is the

chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The current members of the City Council and the principal administrators of the City are shown on page iii hereof. General information regarding the City can be found in “APPENDIX A – General Information Regarding the City and the Surrounding Area.”

## **Water and Wastewater**

***Water & Sewer Capacity.*** The City will provide both water and wastewater services to the District. The City’s existing water system is sufficient to serve the District. The City’s wastewater system will be sufficient to serve the District once the McGary Creek Sanitary Sewer Lift Station project (the “Lift Station”) is completed. The Lift Station is scheduled to be operational in November 2024. The information and data relating to the City’s water and wastewater systems appearing under “Water System” and “Wastewater System” below is based on the City’s 2016 Water and Wastewater Condition and Capacity Assessment Study.

***Water System.*** The City’s water system consists of 318 miles of water lines, ranging in size from 0.75-inches to 30-inches. The City relies on treated surface water from the Trinity River Authority Surface Water Treatment Plant and seven groundwater wells to provide water to its residents. The Palm Street, Lower Pressure Plane, and Spring Lake Water Plants distribute water throughout the City. The distribution system facilities also include five ground storage tanks and three elevated storage tanks. The City’s water distribution system currently has two pressure planes, Upper and Lower, separated by 17 pressure reducing valves (“PRVs”). A small PRV zone also exists in the Elkins Lake subdivision.

***Wastewater System.*** The City’s wastewater system consists of three wastewater treatment plants (“WWTPs”), approximately 258 miles of gravity wastewater lines ranging from 4-inches to 48-inches, and 26 lift stations throughout the collection system. The wastewater system is divided into three service areas that are each served by a WWTP. The three WWTPs are: (1) A.J. Brown, (2) N.B. Davidson, and (3) Robinson Creek (which will service the District).

***District Capacity Assessment.*** An outside engineering firm conducted a water capacity assessment for the District and delivered a memorandum to the City on November 5, 2021 relating thereto (the “Capacity Assessment Memo”). Based on the Capacity Assessment Memo, the City’s water system has sufficient capacity to serve the District. The City’s water model shows an available fire flow capacity of approximately 2,400 gpm at the District’s potential tie-in point. The Robinson Creek WWTP (the “Plant”) has a permitted average daily flow capacity of 2.5 million gallons per day (“MGD”) and a permitted peak flow capacity of 7.5 MGD. As of August 2024, the Plant is currently operating at 62% of its permitted average daily flow capacity. The Plant can service the District without expansion.

## **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 City in accordance with the PID Act by a resolution adopted by the City Council on August 16, 2022, in accordance with the PID Act (the “Creation Resolution”), for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Authorized Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the portion of the District property being developed. The District is not a separate political subdivision of the State and is governed by the City Council. Maps of the property within the District are included on pages iv – vi.

## **Powers and Authority of the City**

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

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, pay, or reimburse a developer for the costs of financing, acquisition, construction, or improvement of the Authorized Improvements. See “THE AUTHORIZED IMPROVEMENTS.” Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition, or purchase of certain streets, earthwork, water, storm drainage, and sanitary sewer comprising the Authorized Improvements and certain related soft costs, 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 and other assets comprising the Trust Estate. See “ASSESSMENT PROCEDURES” and “APPENDIX C – Service and Assessment Plan.”

## **THE AUTHORIZED IMPROVEMENTS**

### **General**

The Developer expects the Authorized Improvements to be complete and dedicated to the City in October 2024. Pursuant to the Reserves of Huntsville Development Agreement, by and between the City and the Developer, effective as of November 9, 2022 (as amended by the First Amendment to Reserves of Huntsville Development Agreement, effective as of December 19, 2023, and the Second Amendment to Reserves of Huntsville Development Agreement, effective as of May 7, 2024, the “Development Agreement”), the Developer is responsible for the completion of the construction, acquisition, or purchase of the Authorized Improvements.

Pursuant to the Indenture, the City will reimburse the Developer for a portion of the actual costs of the Authorized Improvements from proceeds of the Bonds. See “THE DEVELOPMENT – Development Plan.”

***Authorized Improvements.*** The Authorized Improvements, a portion of which are being financed with proceeds of the Bonds, include improvements and soft costs benefitting only Assessed Property in the District, as described below.

***Roadway Improvements*** - The roadway improvements are public road improvements including construction, grading, concrete, reinforcing steel, asphalt, lime, sidewalks, signs, lighting fixtures, street scaping, related dry utility work, and public walkway widening. The roadway improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

***Water Improvements*** - The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing. The water improvements will be designed and constructed in accordance with City and Texas Commission on Environmental Quality (“TCEQ”) standards and specifications and will be owned and operated by the City.

***Sanitary Sewer Improvements*** - The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City.

***Storm Drainage Improvements*** - The drainage improvements include preparation of a Stormwater Pollution Prevention Plan (“SWPPP”), storm sewer mains, inlets, earthen channels, swales, excavation and

embedment, dewatering, trench safety, grade inlets, RCP piping and hoses, headways, concrete flumes, rock rip rap, and concrete outfalls. The drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

*Earthwork Improvements* - The earthwork improvements include excavation, embankment, and grading. The earthwork improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City and operated by the City.

*Professional and Soft Costs* - Professional and Soft Costs are the expenses incurred in the design, engineering and construction management of the Authorized Improvements and the establishment, administration, and operation of the District, but exclude the costs related to the issuance of the Bonds.

The total costs of the Authorized Improvements and the costs of acquiring the land in the District were approximately \$7,778,563, all of which have been or will be paid by the Developer from cash on hand. A portion of such costs in the approximate amount of \$5,195,388 will be reimbursed from proceeds of the Bonds. The remainder of such costs in the approximate amount of \$2,583,175 will not be reimbursed by the City. See “SOURCES AND USES OF FUNDS,” “THE AUTHORIZED IMPROVEMENTS,” “THE DEVELOPER – History and Financing of the District”, “THE DEVELOPER – Sufficiency of Developer’s Financing,” and “APPENDIX C – Service and Assessment Plan.”

The following table reflects the estimated total PID eligible costs of the Authorized Improvements.

<u>Type of Improvement</u>	<u>Costs</u>
Road Improvements	\$1,450,796
Water System	\$703,465
Sanitary Sewer	\$613,201
Storm Sewer System	\$1,406,803
Earthwork	\$536,081
Contingency	\$159,358
Miscellaneous	\$416,804
Professional & Soft Costs	<u>\$1,208,805</u>
<b>Total</b>	<b>\$6,495,313</b>

### **Ownership and Maintenance of Authorized Improvements**

*Authorized Improvements.* The Authorized Improvements will be dedicated to and accepted by the City. The Developer expects the Authorized Improvements to be completed and accepted by the City in October 2024. The Authorized Improvements will constitute a portion of the City’s infrastructure improvements. The City will provide for the ongoing operation, maintenance, and repair of the Authorized Improvements constructed and conveyed, as outlined in the Service and Assessment Plan.

*Private Improvements.* In addition to the Authorized Improvements, the Developer plans to construct an outdoor pavilion, a playground, a pond and communal green space within the Development (collectively, the “Private Improvements”). The Private Improvements are expected to be completed in December 2024 and are expected to cost approximately \$1,472,017. The costs of the Private Improvements have been or will be paid entirely by the Developer, without reimbursement by the City, from cash on hand.

The Private Improvements will be owned, operated, and maintained by the HOA. The HOA will provide for the ongoing operation, maintenance, and repair of the Private Improvements through the administration of a property owner’s association fee to be paid by each lot owner within the District. See “OVERLAPPING TAXES AND DEBT – Homeowners’ Association Dues.”

\* Preliminary, subject to change.

## THE DEVELOPMENT

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

### Development Plan

The Developer purchased the property constituting the District in February 2022 and is developing such property as a single-family residential community to include approximately 140 50' single-family detached residential lots, an outdoor pavilion, a playground and a community green space and pond (collectively, the "Development"), with substantial completion of all single-family lot development expected to occur by October 31, 2024. See the map and concept plan for the District on page vi. See "THE DEVELOPMENT."

There is only one phase of construction and development, and the Development's improvements are anticipated to be accepted by the City at such time as construction and development is substantially complete. See "THE DEVELOPMENT," and "APPENDIX C – Service and Assessment Plan."

### Developer and Homebuilders

The Developer intends to construct improvements on all of the lots in the District and has contracted with the Homebuilders to purchase all of the lots in the District. The Developer anticipates that the Authorized Improvements will be substantially complete by October 31, 2024, with the first lot takedown targeted for October 31, 2024. The Developer began construction of the Authorized Improvements in April 2024. See "THE DEVELOPMENT – Expected Build-Out and Home Prices in the Development." Lot sales and home construction and sales absorption are shown in the schedule below.

The Reserves of Huntsville - Lot Takedown Schedule & Sales Absorption										
Take Down	31-Oct-24	31-Jan-25	30-Apr-25	31-Jul-25	31-Oct-25	31-Jan-26	30-Apr-26	31-Aug-26	30-Nov-26	
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	
K Hovnanian Homes	70	9	8	9	9	12	13	10		
Castlerock Homes	70	9	8	9	9	12	13	10		
<b>Total Lots Takedowns</b>	<b>140</b>	<b>18</b>	<b>16</b>	<b>18</b>	<b>18</b>	<b>24</b>	<b>26</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Todate</b>	<b>18</b>	<b>34</b>	<b>52</b>	<b>70</b>	<b>94</b>	<b>120</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>% Lots Held By Developer</b>	<b>87%</b>	<b>76%</b>	<b>63%</b>	<b>50%</b>	<b>33%</b>	<b>14%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Sales Absorption										
K Hovnanian Homes	70		8	8	10	12	8	12	12	
Castlerock Homes	70		8	8	10	12	8	12	12	
<b>Todate</b>	<b>140</b>	<b>0</b>	<b>16</b>	<b>16</b>	<b>20</b>	<b>24</b>	<b>16</b>	<b>24</b>	<b>24</b>	<b>0</b>
		<b>0</b>	<b>16</b>	<b>32</b>	<b>52</b>	<b>76</b>	<b>92</b>	<b>116</b>	<b>140</b>	<b>140</b>
<i>Estimated Average Price \$295,000</i>										

In the Purchase and Sale Agreements ("PSA") entered into between the Developer and the Homebuilders (individually), earnest money events have been established during four separate lot milestone events, the signing of the PSA, the expiration of the Feasibility Period, the receipt of the Notice to Proceed for construction of water, sewer and drainage, and the receipt of the Notice to Proceed for the construction of paving. K Hovnanian has deposited \$669,373 in earnest money and CastleRock Homes has deposited \$669,373 in earnest money. Upon the closing of each lot, the respective Homebuilder will be credited with the amount of earnest money deposited for the last eleven (11) lots.

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

The Developer expects to complete the Development in one construction phase with substantially complete lots expected October 31, 2024. The following tables reflect the Developer's expected build-out schedule for lots and estimated prices for homes in the District.

**EXPECTED DEVELOPMENT OF THE DISTRICT**

<u>Phase</u>	<u>Lot Type</u>	<u>Number of Lots</u>	<u>Improvement Actual Start Date</u>	<u>Improvement Actual/Expected Completion Date</u>
1	50'	140	April 11, 2024	October 31, 2024

**ESTIMATED HOME PRICES**

<u>Lot Type</u>	<u>Number of Lots</u>	<u>Average Base Home Price</u>
50'	140	\$295,000

**Development Agreement**

Pursuant to the Development Agreement, the Developer has the right to construct public improvements for the District, including the Authorized Improvements, according to certain rules and regulations of the City, and to be reimbursed for a portion of the costs of such construction from the proceeds of the Assessments and/or the Bonds. The Development Agreement provides certain requirements to be met for each issuance of assessment revenue bonds issued by the City and secured by Assessments on property within the District, including the Bonds (collectively, “PID Bonds”), including that the final maturity of each series of PID Bonds may not occur later than 30 years from the date of issuance of such PID Bonds. Pursuant to the Development Agreement, the City shall implement the PID Bond issue on the basis of an overall lien-to-value ratio of no less than fifty percent (50%) unless mutually agreed by the City and the Developer. In the event a series of PID Bonds cannot be sold and funds released with an overall 50% lien-to-value ratio, the City shall sell the PID Bonds and escrow a portion of the PID Bonds required by the purchaser of the PID Bonds until such time as the Developer can demonstrate, through an MAI appraisal, that an overall 33 1/3% lien-to-value ratio has been obtained, at which point the escrowed PID Bond proceeds will be available to fund costs of Authorized Improvements or to reimburse the Developer.

**Reimbursement Agreement**

The City and the Developer entered into that certain Reimbursement Agreement, effective as of September 17, 2024 (the “Reimbursement Agreement”), relating to the obligation of the City to pay the Developer for amounts shown on each Certificate for Payment (which amounts include only Actual Costs paid by or at the direction of Developer) (any unpaid amount owed Developer for all Certificates of Payment is referred to as the “Reimbursement Agreement Balance”). The City, in its sole, legislative discretion, may issue PID Bonds, in one or more series, when and if the City Council determines it is financially feasible for the purposes of: (a) paying all or a portion of the Reimbursement Agreement Balance; or (b) paying Actual Costs directly. PID Bonds issued for such purpose will be secured by and paid solely as authorized by the Indenture. Upon the issuance of PID Bonds for such purpose, Developer’s right to receive payments each year in accordance with the Reimbursement Agreement shall be subordinate to the deposits required under the Indenture related to any outstanding PID Bonds. Upon the issuance of the Bonds, Developer has a duty to construct related Authorized Improvements and shall not be relieved of such duty even if there are insufficient funds in the Project Fund to pay Actual Costs.

Upon delivery of the Bonds, the City will cause the Trustee under the Indenture to pay from the proceeds of the Bonds approved amounts from the appropriate account to the City, Developer, or their designees, as applicable, which costs may include payment for costs of issuance and payment of costs incurred in the establishment, administration, and operation of the District and any other eligible items for which funds have been expended by Developer and the City as of the time of the delivery of the Bonds. If the Developer is then in current compliance with its obligations under the Development Agreement, the Disclosure Agreement of Developer (as defined herein), if applicable, and the Reimbursement Agreement, and is not delinquent in payment of the Assessments and paying property taxes, then following the inspection and approval of any portion of the Authorized Improvements for which Developer seeks reimbursement of the Actual Costs by submission of a Certificate for Payment or City approval of a closing disbursement request in the form attached to the Reimbursement Agreement or as otherwise approved by the City, Developer and Trustee (a “Closing Disbursement Request”), the obligations of the City under the

Reimbursement Agreement to pay disbursements (whether to Developer or to any person designated by Developer) identified in any Closing Disbursement Request or in any Certificate for Payment are unconditional and not subject to any defenses or rights of offset except as may be provided in the Indenture.

Pursuant to the Service and Assessment Plan, the Development Agreement, and the Reimbursement Agreement, the Developer will be responsible for any Actual Costs of Authorized Improvements in excess of the amounts funded with proceeds of the Bonds, without reimbursement by the City. See “THE DEVELOPMENT – Development Agreement.”

### **Photographs of the District**



### **Zoning/Permitting**

Development of the District is governed by the Development Agreement (including the Concept Plan attached thereto and the Development Standards defined therein). The Development Agreement allows single-family residential uses and establishes guidelines pertaining to purpose, height, area, setbacks, aesthetics, landscaping, and use. The City’s Subdivision Regulations (Ordinance No. 2015-33) control the aspects of development not specifically set forth in the Development Agreement.



## **Education**

Students in the District will attend the following schools within Huntsville ISD: Samuel Walker Houston Elementary School (approximately 5.6 miles from the District), Mance Park Middle School (approximately 5.9 miles from the District) and Huntsville High School (approximately 7.7 miles from the District).

GreatSchools.org currently rates Samuel Houston Elementary School 5 out of 10, Mance Park Middle School 5 out of 10, and Huntsville High School 3 out of 10. The Texas Education Agency (“TEA”) accountability rating for Huntsville ISD for the 2021-2022 school year was “C.” According to the TEA annual school report cards, Samuel Houston Elementary School was rated “B,” Mance Park Middle School was rated “B,” and Huntsville High School was rated “C” for the 2021-2022 school year (the last year for which ratings have been published). The categories for public school districts and public schools are A, B, C, D and Not Rated.

## **Environmental**

*Site Evaluation.* A Phase One Environmental Site Assessment (the “Phase One ESA”) of the property within the District was completed on January 27, 2022. Based on the information presented in the Phase One ESA, there was no evidence that the Development was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review and historical source review revealed no evidence of recognized environmental conditions involving the site.

*Endangered Species.* According to the website for the Texas Parks & Wildlife, the red-cockaded woodpecker, and whooping crane are endangered species in Walker County. The Developer is not aware of any endangered species located on District property.

## **Existing Mineral and Groundwater Rights, Easements and Other Third-Party Property Rights**

The Developer does not own the mineral rights, royalty interests, and groundwater rights to property in 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 owners adjacent to the District. In addition, certain rules and regulations of the Texas Railroad Commission may restrict the ability of any mineral owners to explore or develop the property due to well density, acreage, or location issues.

Although the Developer does not expect adjacent property owners to 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.”

## **Flood Zone**

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Community Panel Number 48471C0355D, effective August 16, 2011, all of the property within the District lies outside of the 500-year flood plain, referred to as Zone X. See “BONDHOLDERS’ RISKS – Flood Plain and Severe Weather Events.”

*Water and Wastewater.* The City will provide both water and wastewater services to the District. The City’s existing water system is sufficient to serve the District. The City’s wastewater system will be sufficient to serve the District once the Lift Station is completed. The Lift Station is scheduled to be operational in November 2024. See “THE CITY – Water and Wastewater.”

*Other Utilities.* The Developer expects additional utilities to be provided by: (1) Phone/Data - AT&T and others; (2) Electric - Entergy; Cable - Optimum; and Natural Gas - Center Point Energy.

## THE DEVELOPER

*The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor, and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information.*

### 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, if any, 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

PHD – Huntsville 34, L.P., a Texas limited partnership, is the Developer and owns the real property located in the District. CBA Strategic Fund II GP, LLC, a Texas limited liability company, is the general partner for the Developer. PHD – Huntsville, LLC, a Texas limited liability company, owns 100% of the Developer's general partner and Paul Garza is its manager.

Paul Hayden Developments & BTR Advisors, LLC manages the development process from start to finish—site selection, project management, construction oversight, execution of capital stack, property disposition and asset management. Paul Garza is the founder and CEO. Mr. Garza has over 30 years of corporate finance, accounting, and management experience. Over the past fifteen years, Mr. Garza has focused on commercial, retail, and residential real estate. Previously, as VP of Accounting & Finance, Mr. Garza helped secure over \$450 million in permanent financing for various organizations. Specifically, Mr. Garza helped a home builder/investor create a 4,000+ single-family rental portfolio SFR in Texas and finance it with \$150 million. Mr. Garza also led a \$500 million office building portfolio merger with a publicly traded REIT. Mr. Garza's background includes business leadership and consulting roles for financial services, construction, land development, healthcare, hospitality, commercial and residential real estate, and non-profit organizations in account, tax, and banking compliance.

Under Mr. Garza's flagship company, Paul Hayden Developments, Mr. Garza has focused primarily on land acquisition and development, especially single-family housing. Besides the Development, Paul Hayden Developments is currently working on a 279-acre, 810-lot development in Corpus Christi, Texas. Mr. Garza works directly with legacy landowners to develop a multi-facet exit strategy including entitlements, best-use land development, and disposition of entitled land. Mr. Garza's current land advisory services cover locations in Central and South Texas.

Additionally, within BTR Advisors, LLC Mr. Garza works directly with sellers and buyers to bring projects to market.

Mr. Garza holds a BBA in Accounting from St. Edwards University, Austin, Texas, and an MBA from the University of Texas – San Antonio.

**NEITHER THE BONDS NOR THE ASSESSMENTS CONSTITUTE INDEBTEDNESS OF, NOR ARE THEY GUARANTEED BY, THE DEVELOPER.**

## **Biographies of Key Developer Parties**

*Paul Garza (Founder and CEO).* Paul Garza has over 30 years of corporate finance, accounting, and management experience. Over the past fifteen years, Paul's focus has been on commercial, retail, and residential real estate. In his previous roles as VP of Accounting & Finance, he has supported organizations in securing permanent financing totaling over \$450 million. Specifically, securing financing of \$150 million for a home builder/investor to create over 4,000 single-family rental portfolio SFR in Texas. He also assisted in and managed a real estate team to evaluate a \$500 million office building portfolio merger with a publicly-traded REIT. His background also includes leadership in business consulting roles for financial services, construction, healthcare, hospitality, real estate, and non-profit organizations in the areas of accounting, tax, and banking compliance. Paul is passionate about all aspects of land development. He operates with the singular focus of deploying his experience and highly-qualified team to find every opportunity available to enhance land value for legacy landowners. Paul holds a BBA in Accounting from St. Edwards University in Austin, Texas, and an MBA from the University of Texas – San Antonio.

*Paul Connor (Principal and Founder of Connor Investment Real Estate).* Paul Connor oversees sourcing properties, evaluating investment potential, capital formation, deal structuring, due diligence, and feasibility of investment opportunities. Prior to starting Connor Investment Real Estate in 2017, Paul worked in roles where he analyzed and structured real estate investments and managed the formation of capital for underwriting purposes. Throughout his career, he has been involved in over \$800 Million of residential and commercial real estate developments and investments. Paul received his BS in Finance and Accounting from the University of Texas at Austin and his JD from the University of Houston.

*Philip Guyton.* Philip Guyton has over twenty-five years of financial and management experience including financial analysis, business development, engineering, and construction activities. He has extensive experience developing and maintaining proformas for real estate development. He has been directly responsible for raising over \$100 Million in real estate land project funding. Prior to joining Connor Investment Real Estate in 2019, he worked with the largest single-family lot developer in Houston as the Vice President of Finance. Philip received his BCE (engineering) from Auburn University and his MBA from Southern Methodist University.

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

The Developer was formed for the purpose of, among other things, the acquisition and development of the property within the District consisting of approximately 33.22 acres of real property. Total Partner Cash Contribution of \$1,742,110 was used for the land acquisition and land entitlements. Except for the liens securing the Development Loan (defined below) and a second lien securing the Homebuilders' earnest money deposits, the Developer owns the Assessed Property free and clear of any liens.

## **Development Financing**

The Developer obtained a \$4,000,000 construction/development loan (the "Development Loan") from Susser Bank (the "Development Lender") for the purpose, among other things, of paying taxes, insurance, and certain of the costs associated with the Development. The rate of interest on the Development Loan is equal to the prime interest rate, plus 1.5 basis points (0.015%) and is subject to a floor rate of 6.00%. The Development Loan matures on April 10, 2026. As of August 2024, the Development Loan had a balance of approximately \$3,014,000.

The Developer intends to repay the Development Loan from, among other things, the revenue generated from sales of the Lots developed in the District and sold to the Homebuilders. The Development Loan is secured by a first lien Deed of Trust covering substantially all of the land in the District in favor of the Development Lender. In the event of a default under the Development Loan and/or related documents, the Development Lender will have the right to various remedies, including foreclosure of the Deed of Trust.

The PID Act provides that the Assessment Lien is a first and prior lien against the Assessed Property 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 before delivery of the Bonds, the Development Lender will acknowledge the creation of the District, the levy of the Assessments, and the subordination of the liens securing the Development Loan to the

Assessment Lien. The Assessment Lien will have priority over the liens on the property in the District securing the Development Loan, Homebuilders’ earnest money, and any other loans that may be obtained by the Developer.

**Sufficiency of Developer’s Financing**

The Authorized Improvements are expected to be substantially complete by October 31, 2024. According to the Developer, the Developer’s available financing sources are sufficient to fund all of the costs of the District. The Developer’s financing sources include the Development Loan, net proceeds of the Bonds of \$5,195,388, earnest money deposits from the Homebuilders of approximately \$1,338,746, and a Developer equity contribution of \$1,299,925.

The total budgeted costs to construct the Authorized Improvements in the District is approximately \$7,778,563, inclusive of the land acquisition costs of \$1,283,251. The Developer began construction of the Authorized Improvements in April 2024 which are expected to be substantially complete by October 31, 2024. A portion of the costs of such Authorized Improvements is expected to be reimbursed with proceeds of the Bonds.

Below is a summary of Developer’s financing relative to total project cost:

Project Cost (Land, Hard & Soft Cost)	\$ 9,623,052
Less: Reimbursements from Net Bonds Proceeds	<u>\$ (5,195,388)</u>
<b>Required Developer Contribution</b>	<b>\$ 4,427,664</b>
<b>Developer’s Secured Contribution</b>	
Cash/Equity	\$ 1,299,925
Susser Bank Loan	\$ 4,000,000
Homebuilders’ Earnest Money	<u>\$ 1,338,746</u>
<b>Total Developer’s Contribution</b>	<b>\$ 6,638,671</b>
<b>Developer’s Contribution Coverage</b>	<b>150%</b>

To finance the acquisition and development of the District, the Developer and certain third parties, including the Homebuilders, have expended equity or extended promissory notes that are secured by a lien on some or all of the real property within the District that are subordinate to the lien associated with the Assessments securing the Authorized Improvements of the District. A list of the entities with at-risk capital whose position or lien is subordinate to that of the Assessments securing the Authorized Improvements in the District is listed in the following table and more fully described in the subheadings below.

<b>At Risk Entity</b>	<b>Funding Type</b>	<b>Security</b>	<b>Initial Amount</b>	<b>Balance as of August 23, 2024</b>
Developer	Developer's Equity	Subordinate	\$ 1,742,110	\$ 1,742,110
K. Hovnanian Homes	Earnest Money Deposit	Subordinate	\$ 669,373	\$ 454,582
Castlerock Homes	Earnest Money Deposit	Subordinate	\$ 669,373	\$ 454,582
Susser Bank	Land Developer	Subordinate	\$ 4,000,000	\$ 3,014,719

**THE PID ADMINISTRATOR**

*The following information has been provided by the PID Administrator. Certain of the following information is beyond the direct knowledge of the City, 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 City has selected David Taussig & Associates (“DTA”) as the initial “PID Administrator.” The City has entered into an agreement with the PID Administrator to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The PID Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The PID Administrator is a consulting firm focused on providing district services relating to the formation and administration of public improvement districts, and has offices in Newport Beach, San Jose, San Francisco, Riverside, Dallas, Houston, Raleigh, and Tampa.

The PID Administrator’s duties will include:

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

### APPRAISAL

*General.* Barletta & Associates, Inc. (the “Appraiser”) prepared an appraisal report for the City and the Underwriter dated as of February 15, 2024, based upon a physical inspection of the District conducted on February 13, 2024 (the “Appraisal”).\* The Appraisal was prepared at the request of the City and the Underwriter. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX F 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 F — Appraisal.”

*Value Estimates.* The Appraiser estimated the “Upon Completion” Bulk Market Value of the fee simple interest in the various tracts within the District under certain hypothetical conditions. The Appraisal does reflect the value of the District as if sold to a single purchaser in a single transaction. See “APPENDIX F — Appraisal.”

The “Upon Completion” Bulk Market Value estimate for the Assessed Property using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of July 31, 2024 is \$7,570,000. For purposes of the value to lien calculation for the Bonds, the City is relying upon the retail revenue of \$9,163,000 set forth in the Appraisal. See “APPENDIX F — Appraisal.”

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

The Appraiser confirms that the valuations included in the Appraisal were prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

### 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***

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\* The Appraisal lists Adams Homes and K Hovnanian Homes as the two homebuilders within the District. Adams Homes has since been replaced by CastleRock Homes.

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

**THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER ASSETS 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 AND OTHER ASSETS COMPRISING THE TRUST ESTATE, 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 ASSETS COMPRISING THE TRUST ESTATE.**

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

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

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

The City has not applied for or received a rating on the Bonds. Although it is common for PID bonds to be issued without a rating, 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.

#### **Deemed Representations and Acknowledgment by Purchasers**

Each Investor will be deemed to have acknowledged and represented to the City the matters set forth under the heading "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" which include, among others, a representation and acknowledgment that the purchase of the Bonds involves investment risks, certain of which are set forth under this heading "BONDHOLDERS' RISKS" and elsewhere herein, and such Investor, either alone or with its purchaser representative(s) (as defined in Rule 501(h) of Regulation D under the Securities Act of 1933), has

sophisticated knowledge and experience in financial and business matters and the capacity to evaluate such risks in making an informed investment decision to purchase the Bonds, and the Investor can afford a complete loss of its investment in the Bonds.

### **Failure or Inability to Complete Proposed Development**

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

### **Completion of Homes**

The cost and time for completion of homes by the Developer and the Homebuilders is uncertain and may be affected by changes in national, regional, and local market and economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; 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 yet 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; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer and the Homebuilders.

### **Absorption Rate**

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

The Homebuilders expect to construct homes on all of the lots in the District. Consequently, the Developer will not be able to affect or control the absorption rates of the homes in the District.

### **Assessment Limitations**

Annual Installments of Assessments are billed to property owners of Assessed Property. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as ad valorem taxes as set forth under “ASSESSMENT PROCEDURES.” 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, interest, and the Annual Collection Costs for such year. See “ASSESSMENT PROCEDURES.” 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.”

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

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

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

Under State law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights will have been claimed. Furthermore, the Developer will own 100% of the property within the District at the time the Assessments are levied, and will not be eligible to claim homestead rights. Consequently, there are and can be no homestead rights on the Assessed Property superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

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

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



## **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 private financing, may reduce the ability or willingness of the landowners to pay the Assessments. See "OVERLAPPING TAXES AND DEBT."

## **Depletion of Reserve Fund; No Prefunding of Delinquency & Prepayment Reserve Account**

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Delinquency & Prepayment Reserve Account of the Reserve Fund is not funded from proceeds of the Bonds. Instead, funding of the Delinquency & Prepayment Reserve Account is accumulated over time, by the mechanism described in "SECURITY FOR THE BONDS – Delinquency & Prepayment Reserve Account of the Reserve Fund." The Indenture provides that if after a withdrawal from the Reserve Account the amounts therein are less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account sufficient to cure such deficiency. The Indenture also provides that if the amount on deposit in the Delinquency & Prepayment Reserve Account shall at any time be less than the Delinquency & Prepayment 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 Delinquency & Prepayment Reserve Account until the Delinquency & Prepayment Reserve Requirement has been accumulated in the Delinquency & Prepayment Reserve Account; provided, however, that the City shall not be required to replenish the Delinquency & Prepayment Reserve Account in the event funds are transferred from the Delinquency & Prepayment Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment, as described under "SECURITY FOR THE BONDS – Reserve Account of the Reserve Fund."

## **Hazardous Substances**

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

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

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

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

## **Regulation**

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

## **Recent Changes in State Law Regarding Public Improvement Districts**

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 of purchase and sale. If the Developer or the Homebuilders 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 paid. 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, if the Developer or the Homebuilders 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 forms of notice to be provided to homebuyers are attached as appendices to the Service and Assessment Plan. See “APPENDIX C – Service and Assessment Plan.”

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

During past Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments, including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. 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.

## **Flood Plain and Severe Weather Events**

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Community Panel Number 48471C0355D, all of the property within the District lies outside of the 500-year flood plain, referred to as Zone X.

FEMA will from time to time revise its Flood Insurance Rate Maps. None of the City, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such revisions may result in homes that are currently outside of the 500-year flood plain from being included in the 500-year or 100-year flood plain in the future, or whether extreme flooding events may occur more often than assumed in creating the rate maps.

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

### **Exercise of Third-Party Property Rights**

As described under “THE DEVELOPMENT – Existing Mineral and Groundwater Rights, Easements and Other Third-Party Property Rights,” none of the mineral rights, royalty interests, and easement reservations located within the District are owned by the Developer.

The Developer does not expect the existence or exercise of any third-party 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 City, the City’s Financial Advisor, or the Underwriter provide any assurances as to such Developer expectations.

### **Bondholders’ Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, the Trustee may proceed, and upon the written request of the Owners of at least a Quarter in Interest of the Bonds then Outstanding thereunder and its receipt of indemnity satisfactory to it shall proceed, to protect and enforce the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that any action for money damages against the City shall be limited to recovery from the Trust Estate may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for default.

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 its use rests within 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 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.”

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

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language.

In so ruling, the Court declared that statutory language such as “sue and be sued,” in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

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

The City is not aware of any State 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 State courts. In general, State 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. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

### **Judicial Foreclosures**

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See “OVERLAPPING TAXES AND DEBT.” 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 Acceleration**

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

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

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

### **No Credit Rating**

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

### **Bankruptcy Limitation to Bondholders' Rights**

The enforceability of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. The City is authorized under State 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 State 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 or affiliated property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer, homebuilder, or new officers in management positions may not have comparable experience in projects comparable to the Development.

## **Tax-Exempt Status of the Bonds**

The Indenture will contain 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,” 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.

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

## **General Risks of Real Estate Investment and Development**

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

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

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The District will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the District, 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 District, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer.

The Development cannot be 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 Authorized Improvements 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.

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

#### **Risks Related to the Current Residential Real Estate Market**

The real estate market is currently experiencing a slowing of new home sales and new home closings due in part to rising inflation and mortgage interest rates. Downturns in the real estate market and other factors beyond the control of the Developer, including general economic conditions, may impact the timing of parcel, lot, and home sales within the District. No assurances can be given that projected home prices and buildout values presented in this Limited Offering Memorandum will be realized.

#### **Risks Related to Recent Increase in Costs of Building Materials**

As a result of 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 the Homebuilders are unable to access building materials in a timely manner, it may affect the ability of the Homebuilders 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.

#### **Competition**

The housing industry in the Houston 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 throughout the District will be completed in accordance with the Developer's expectations. The successful development of the land within 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. 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.

To the Developer's knowledge, there are no competitive projects within a 5-mile radius of the Development at this time. However, 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 become able to compete with the Development.

### **Availability of Utilities**

The progress of development within the District is also dependent upon the City providing an adequate supply of water and sufficient capacity for the collection and treatment of wastewater. If the City fails to supply water and wastewater services to the property in the District, the development of the land in the District could be adversely affected. See "THE DEVELOPMENT – Utilities."

### **Use of Appraisal**

Caution should be exercised in the evaluation and use of appraisal results. An 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. It 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 analyses, the Appraiser has made 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 to 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.

The intended use and user of the Appraisal are specifically identified in the Appraisal as agreed upon in the contract for services and/or reliance language found in the Appraisal. The Appraiser has consented to the use of the Appraisal in this Limited Offering Memorandum in connection with the issuance of the Bonds. No other use or user of the Appraisal is permitted by any other party for any other purpose.

### **Dependence Upon Developer**

The Developer will own all of the Assessed Property in the District until lots begin to be sold to the Homebuilders. Sales to Homebuilders are expected to be complete in July 2026. The Developer expects to own approximately 76% of the Assessed Property on the date the first Annual Installments of the Assessments become due on January 31, 2025. Accordingly, the Developer expects to have the obligation for payment of approximately 76% of such Annual Installments. The ability of the Developer to make full and timely payment of its portion of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. 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 the Developer, or the Developer's designee, from proceeds of the Bonds for a portion of the project costs actually incurred in developing and constructing the Authorized Improvements within the District. See "THE AUTHORIZED IMPROVEMENTS." There can be no assurances given as to the financial ability of the Developer to complete the Authorized Improvements or any other improvements.



## TAX MATTERS

### Opinion

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

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City’s federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

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

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

### **State, Local and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

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

## **LEGAL MATTERS**

### **Legal Proceedings**

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

McCall, Parkhurst & Horton L.L.P. serves as Bond Counsel to the City. Jackson Walker L.L.P. 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 of and interest thereon, are payable from and secured by a pledge of and lien on the Trust Estate. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS." A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX D – Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds herein under the captions or subcaptions "PLAN OF FINANCE – The Bonds," "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the last paragraph under the subcaption "General"), "ASSESSMENT PROCEDURES" (except for the first paragraph under the subcaption "General" and the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS – Legal Proceedings," "LEGAL MATTERS – Legal Opinions," "SUITABILITY FOR INVESTMENT," "CONTINUING DISCLOSURE – The City," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and APPENDIX B 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, to its knowledge, 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 the 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 or any of its affiliates wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Development Agreement, the Reimbursement Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds. Additionally, principals of Developer and their affiliated entities have been (but are not currently) 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.

### **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 governmental immunity, bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors and enacted before or after such delivery, and by general principles of equity that permit the exercise of judicial discretion.

### **NO RATING**

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

### **CYBERSECURITY RISKS**

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City’s finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

### **CONTINUING DISCLOSURE**

#### **The City**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City, the PID Administrator and BOKF, NA (in such capacity, the “Dissemination Agent”) will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of Issuer”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds) to provide, by certain dates prescribed in the Disclosure Agreement of Issuer, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX E-1 – Form of Disclosure Agreement of Issuer.” Under certain circumstances, the failure of the City to comply with its obligations under the Disclosure

Agreement of Issuer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of Issuer would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

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

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

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

### **The Developer**

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

The Developer has agreed to prepare and provide (i) certain updated information to the PID Administrator, which consultant will prepare and provide such updated information in report form to the Dissemination Agent and (ii) notices of certain specified events, only as provided in the Disclosure Agreement of Developer. 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 Disclosure Agreement of Developer. 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 Disclosure Agreement of Developer or from any statement made pursuant to the Disclosure Agreement of Developer.

### **The Developer's Compliance With Prior Undertakings**

The Developer has not previously entered into to a continuing disclosure agreement made by it in accordance with the Rule.

## **UNDERWRITING**

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 \$\_\_\_\_\_). 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 INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

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

## **INVESTMENTS**

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

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

States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above or clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "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 ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a



nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

## **INFORMATION RELATING TO THE TRUSTEE**

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

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

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

## **SOURCES OF INFORMATION**

### **General**

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

### **Source of Certain Information**

The information contained in this Limited Offering Memorandum relating to the description of the Development and the Developer generally and, in particular, the information included in the sections captioned "PLAN OF FINANCE – Overview," "– Development Plan," and "– Developer and Homebuilders," "OVERLAPPING TAXES AND DEBT – Homeowners' Association Dues," "THE AUTHORIZED IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Authorized Improvements, and the Development), "LEGAL MATTERS – Litigation – The Developer," and "APPENDIX E-2" have been provided by the Developer.

### **Experts**

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

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

### **Updating of Limited Offering Memorandum**

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

### **FORWARD-LOOKING STATEMENTS**

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

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

### **AUTHORIZATION AND APPROVAL**

The City Council has authorized the use of this Preliminary Limited Offering Memorandum by the Underwriter in connection with the marketing and sale of the Bonds.

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## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY AND THE SURROUNDING AREA

The following information has been provided for informational purposes only.

#### Location

The City (founded in 1845) is the county seat and principal commercial center of Walker County, Texas, which is in the southeastern corner of Texas. The City is approximately 70 miles north of Houston, 170 miles southeast of Dallas, and approximately 130 miles west of the Louisiana state line. The City encompasses an area of approximately 31 square miles.

The City’s 2020 census population was 45,491, increasing 19.2% since 2010. Population estimates include inmates within the Texas Department of Criminal Justice (“T.D.C.J.”) System located within the City limits. T.D.C.J. headquarters and five of its main units are located in the City.

#### Population History<sup>(1)</sup>

	1980 Census	1990 Census	2000 Census	2010 Census	2020 Census
Huntsville	23,463	27,925	35,078 <sup>(2)</sup>	38,548	45,491
Walker County	41,789	50,917	61,758	67,861	76,400

<sup>(1)</sup> Source: U.S. Census Bureau.

<sup>(2)</sup> In 1994 and 1997, the City annexed property increasing the population to an estimated 34,592.

#### Economy

The economy is based on education, state employment in the prison system, lumbering, agribusiness and tourism. The principal sources of agricultural income are livestock, hay, blueberries and timber.

#### Employment/Labor Force

City of Huntsville	Average Annual				
	2024 <sup>(1)</sup>	2023	2022	2021 <sup>(2)</sup>	2020 <sup>(2)</sup>
Civilian Labor Force	12,247	12,026	11,897	11,920	11,936
Total Employed	11,493	11,375	11,242	11,079	10,938
Total Unemployed	754	651	655	841	998
Unemployment Rate	6.2%	5.4%	5.5%	7.1%	8.4%

Walker County	Average Annual				
	2024 <sup>(1)</sup>	2023	2022	2021 <sup>(2)</sup>	2020 <sup>(2)</sup>
Civilian Labor Force	24,638	24,262	24,019	24,049	23,982
Total Employed	23,388	23,148	22,877	22,545	22,258
Total Unemployed	1,250	1,114	1,142	1,504	1,724
Unemployment Rate	5.1%	4.6%	4.8%	6.3%	7.2%

<sup>(1)</sup> Data through February 2024.

<sup>(2)</sup> The COVID-19 Pandemic negatively affected travel, commerce, employment rates and financial markets globally.

Source: Texas Labor Market Information.

**Leading Employers in the City**

Name	Product/Service	Local Employees	Year Established	Union
Texas Department of Criminal Justice	State Prison Administration	6,061	1848	No
Sam Houston State University	Education	3,941	1879	No
Huntsville I.S.D.	Education	1,486	1888	No
Huntsville Memorial Hospital	Medical	623	1927	No
Wal-Mart	Retail	485	1979	No
Winham School District	Education (TDCJ)	480	1969	No
HEB	Grocery	350	1905	No
City of Huntsville	Municipality	296	1845	No
Weatherford Completion Services	Manufacturing	262	1996	No
Walker County	Government	229	1846	No

**Texas Department of Criminal Justice**

The headquarters for the Texas Department of Corrections is located in the City. In addition, located in or near the City are the following institutional prison units:

Unit	Unit Capacity	Population	Employees
<b>In City Limits</b>			
Byrd	1,365	853	282
Goree	1,321	884	315
Holliday	2,128	1,768	435
Huntsville	1,705	1,265	446
Wynne	2,621	2,587	679
<b>Outside City Limits</b>			
Ellis	2,482	1,996	604
Estelle	3,480	2,976	980

**Sam Houston State University**

Sam Houston State, located in the City, was the first teacher training facility in the State and is noted for its unique Criminal Justice Center, only the second of its kind in the nation. The University has an approximate enrollment of 21,000.

**Education**

Huntsville Independent School District, which ranks as the 91st largest district in Texas, encompasses an area of 629.27 square miles, and includes the City of Huntsville. Some nine campuses provide education for approximately 16,900 students from pre-kindergarten through twelfth grade.

## Utilities

Electric power is furnished by Entergy, and Mid-South Electric Cooperative; gas is provided by Reliant Energy; water and wastewater service is distributed by the City of Huntsville; and telephone service is provided by AT&T.

## Transportation

Huntsville is traversed by Interstate Highway 45, U.S. Highway 190, State Highways 19 and 30, and numerous farm-to-market roads. The City is serviced by Missouri Pacific Railroad Company, Tex-Pack Express, Missouri Pacific Truck Lines, Central Freight Lines, and Red Arrow Freight Lines. Greyhound Trailways also provides bus service to the City.

Huntsville Municipal Airport provides a 5,000-foot asphalt runway for air traffic in the area. The nearest airport with commercial passenger service is 55 miles away at Houston Intercontinental Airport.

## Recreation

Sam Houston National Forest (covers 53,461 acres) and Huntsville State Park provide facilities for hunting and camping. Sam Houston Museum and the 77-foot tall statue of Sam Houston on Interstate 45, attracts tourist income. Fishing, boating, and other water activities on Lakes Livingston and Conroe provide recreation for the City.

## Building Permits

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
2019	127	\$ 54,639,370	147	\$ 11,418,542
2020	116	3,936,485	254	24,762,220
2021	176	74,715,949	327	35,044,096
2022	122	65,563,129	430	60,134,277
2023	54	37,522,202	177	18,521,847

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**APPENDIX B**  
**FORM OF INDENTURE**

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**INDENTURE OF TRUST**

By and Between

**CITY OF HUNTSVILLE, TEXAS**

and

**BOKF, NA,  
AS TRUSTEE**

**DATED AS OF OCTOBER 15, 2024**

SECURING

**\$\_\_\_\_\_,000**

**CITY OF HUNTSVILLE, TEXAS  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE  
PUBLIC IMPROVEMENT DISTRICT)**

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EXHIBIT A DESCRIPTION OF THE PROPERTY WITHIN THE EMORY CROSSING PUBLIC  
IMPROVEMENT DISTRICT  
EXHIBIT B FORM OF CERTIFICATION FOR PAYMENT

## INDENTURE OF TRUST

THIS INDENTURE, dated as of October 15, 2024, is by and between the CITY OF HUNTSVILLE, TEXAS (the "*City*"), and BOKF, NA, 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, Chapter 372, Texas Local Government Code, as amended (the "*PID Act*"), requesting the creation of a public improvement district located within the corporate limits of the City to be known as The Reserves of Huntsville Public Improvement District; and

WHEREAS, on August 16, 2022, the City Council (the "*City Council*") authorized the formation of The Reserves of Huntsville Public Improvement District (the "*District*" or "*PID*") pursuant to Resolution No. 2022-23 (the "*Creation Resolution*") in accordance with the PID Act;

WHEREAS, the petition contained the signatures of the record owners of taxable real property representing more than 50% of the appraised value of the real property liable for assessments within the District, as determined by the then current ad valorem tax rolls of the Walker County Appraisal District, and the signatures of record property owners who own taxable real property that constitutes more than 50% of the area of all taxable property that is liable for assessment by the District; and

WHEREAS, on August 16, 2022, after due notice, the City Council held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the petition as required by Section 372.009 of the PID Act and on March 1, 2022, the City Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 2022-23, 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

WHEREAS, following the adoption of Resolution No. 2022-23, the City recorded such resolution with Walker County on August 6, 2024; and

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

WHEREAS, on December 19, 2023, the City Council adopted Resolution No. \_\_\_\_\_ approving a first amendment to the development agreement by and between the City and the Developer (as defined herein) to establish the development and improvement standards for the District; and

WHEREAS, on \_\_\_\_\_, the City Council adopted Resolution No. \_\_\_\_\_ approving a second amendment to the development agreement by and between the City and the



Developer (as defined herein) to further establish the development and improvement standards for the District; and

WHEREAS, on October 15, 2024, the City Council approved the form and execution of the Reimbursement Agreement; and

WHEREAS, the City, pursuant to Section 372.016(b) of the PID Act, published notice on \_\_\_\_\_, 20\_\_ of a public hearing in a newspaper of general circulation in the City to consider the proposed " *Assessment Roll*" and the "*Service and Assessment Plan*" and the levy of the " *Assessments*" in the amount of \$ \_\_\_\_\_ on property in the District (all as defined herein); 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 Assessment Roll and the Service and Assessment Plan and the levy of Assessments on property in the District to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, the City Council convened the hearing on October 15, 2024, at which all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the Service and Assessment Plan, the Assessment Roll, and the Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of Actual Costs, the purposes of the Assessments, the special benefits of the Assessments, and the penalties and interest on annual installments and on delinquent annual installments of the Assessments; and

WHEREAS, at the public hearing referenced in the preceding paragraph, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of Actual Costs, the Assessment Roll, or 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, at a meeting held on October 15, 2024, respectively, approved and accepted the Service and Assessment Plan in conformity with the requirements of the PID Act and adopted the Assessment Ordinance, which Assessment Ordinance approved the Assessment Roll and levied the Assessments; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purpose of paying a portion of (1) the Actual Costs of the Authorized Improvements, (2) District Formation Expenses, and (3) Bond Issuance Costs, including funding a reserve fund for the payment of principal and interest on the Bonds; and

WHEREAS, the City Council now desires to issue its revenue bonds, in accordance with the PID Act, such bonds to be entitled "City of Huntsville, Texas, Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District )" (the "*Bonds*"),

such Bonds being payable solely from the Assessments and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in this preamble; and

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

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

#### FIRST GRANTING CLAUSE

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

#### SECOND GRANTING CLAUSE

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

#### THIRD GRANTING CLAUSE

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

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

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

PROVIDED, HOWEVER, if the City or its assigns shall well and truly pay, or cause to be paid, the principal or Redemption Price of and the interest on the Bonds Similarly Secured at the times and in the manner stated in the Bonds Similarly Secured, according to the true intent and

meaning thereof, then this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and remain in full force and effect;

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

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

## ARTICLE I

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.1. **Definitions.**

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

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

"*Actual Cost(s)*" means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certificate for Payment that has been reviewed and approved by the City. Actual Cost may include: (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction, and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, as limited below; (b) the costs of preparing the construction plans for such Authorized Improvement; (c) the fees paid for obtaining permits, licenses, or other governmental approvals for such Authorized Improvement; (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting, and similar professional services; (e) the costs of all labor, bonds, and materials incurred by contractors, builders, and material men in connection with the acquisition, construction, or implementation of the Authorized Improvements;

and (f) all related permitting, zoning, and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees, and charges (including inspection fees, City permit fees, development fees), insurance premiums, miscellaneous expenses. Actual Costs include general contractor's fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to 5.0% of the eligible Actual Costs described in a Certificate for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

"*Additional Interest*" means the amount collected by application of the Additional Interest Rate.

"*Additional Interest Rate*" means the additional interest charged on the Assessments pursuant to Section 372.018 of the PID Act which shall be a minimum of 0.25% and a maximum of 0.50%, as determined annually pursuant to the terms of the Development Agreement.

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

"*Administrator*" means the City or the person or independent firm designated by the City who shall have the responsibility provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the City related to the duties and responsibility of the administration of the District.

"*Annual Collection Costs*" means the actual or budgeted costs and expenses relating to collecting the Annual Installments, including, but not limited to, costs and expenses for: (1) the Administrator; (2) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (3) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (4) preparing and maintaining records with respect to Assessment Rolls and Annual Service Plan Updates; (5) issuing, paying, and redeeming PID Bonds; (6) investing or depositing Assessments and Annual Installments; (7) complying with this Service and Assessment Plan and the PID Act with respect to the issuance and sale of PID Bonds, including continuing disclosure requirements; and (8) 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 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 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.

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

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

"*Assessment*" means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein, in the SAP, and/or in the PID Act.

"*Assessment Ordinance*" means Ordinance No. \_\_\_\_\_ adopted by the City Council on October 15, 2024, that levied the Assessments, and any additional ordinance adopted by the City Council in accordance with the PID Act that levies an Assessment on Assessed Property within of the District, as shown on any Assessment Roll.

"*Assessed Property*" or "*Assessed Properties*" means property within the District that benefits from an Authorized Improvement and on which Assessments have been levied as shown on an Assessment Roll (as the same may be updated each year by an update to a Service and Assessment Plan) and which includes any and all Parcels within the District other than Non-Benefitted Property.

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

"*Assessment Roll(s)*" means any assessment roll for the Assessed Property within the District, including the Assessment Roll included in the Service and Assessment Plan as Exhibit F, 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 levy of an Assessment, the issuance of PID Bonds, or in connection with any Annual Service Plan Update.

"*Attorney General*" means the Attorney General of the State.

"*Authorized Denomination*" means \$100,000 and any integral multiple of \$1,000 in excess thereof. The City prohibits any Bond to be issued in a denomination of less than \$100,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than \$100,000, and, unless made pursuant to Section 4.5 herein, any attempt to accomplish either of the foregoing shall be void and of no effect.

"*Authorized Improvements*" means those improvements (i) listed in Table IV-1 of the SAP and described in Section IV(A) of the SAP, authorized by Section 372.003 of the PID Act,

acquired, constructed, or installed in accordance with the SAP, as may be amended, and (ii) for which Assessments are levied against the Assessed Property receiving a special benefit from such improvements.

"*Bond*" means any of the Bonds.

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

"*Bond Date*" means the date designated as the initial date of the Bonds by Section 3.2(a) of this Indenture.

"*Bond Fund*" means the Fund established pursuant to Section 6.1 and administered pursuant to Section 6.4.

"*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, City costs, capitalized interest, reserve fund requirements, underwriter's discount, fees charged by the Texas Attorney General, and any other cost or expense directly associated with the issuance of PID Bonds.

"*Bond Ordinance*" means Ordinance No. \_\_\_\_\_ adopted by the City Council on October 15, 2024, authorizing the issuance of the Bonds pursuant to this Indenture.

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

"*Bonds*" means the City's bonds authorized to be issued by Section 3.1 of this Indenture entitled "City of Huntsville, Texas, Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District)."

"*Bonds Similarly Secured*" means, collectively, any Outstanding Bonds and Refunding Bonds.

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

"*Certification for Payment*" means a certificate given pursuant to the Reimbursement Agreement executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the written approval of a City Representative, specifying the amount of work performed and the cost thereof, presented to the Trustee to request funding for Actual Costs from money on deposit in the Project Fund. The Form of Certification for Payment is attached hereto as Exhibit B.

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

"*City Representative*" means that official or agent of the City authorized by the City Council to undertake the action referenced herein as evidenced by a written incumbency certificate provided to the Trustee. Such certificate may designate alternates, each of whom shall be entitled to perform all duties of the City Representative.

"*Closing Date*" means the date of the initial delivery of and payment for the Bonds.

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

"*Comptroller*" means the Comptroller of Public Accounts of the State.

"*Continuing Disclosure Agreement of the Developer*" means the agreement executed between the Developer, Administrator and dissemination agent in connection with the issuance of the Bonds pursuant to which the Developer agrees to provide certain information regarding the development of the District and the Authorized Improvements for the benefit of the owners of the Bonds.

"*Continuing Disclosure Agreement of the Issuer*" means the agreement executed between the Issuer, Administrator and the dissemination agent for the benefit of the Owners of the Bonds (including owners of beneficial interests of the Bonds), to provide, by certain dates prescribed in the Continuing Disclosure Agreement of the Issuer to provide periodic information and notices of material events regarding the Issuer in accordance with Securities and Exchange Commission Rule 15c2-12.

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

"*Delinquency & Prepayment Reserve Requirement*" means an amount equal to 4.5% of the principal amount of the then Outstanding Bonds Similarly Secured, which amount will be funded from Assessments and Annual Installments deposited to the Pledged Revenue Fund for subsequent transfer to the Delinquency & Prepayment Reserve Account of the Reserve Fund in accordance with the terms of this Indenture.

"*Delinquent Collection Costs*" means interest, penalties, and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney's fees, and any third-party costs paid or incurred by the City as a result of any delinquency of an Assessment.

"*Designated Payment/Transfer Office*" means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office designated by the Paying Agent/Registrar, initially Dallas, Texas and (ii) with respect to any successor Paying

Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

"*Developer*" means PHD – Huntsville 34, L.P., a Texas limited partnership, or their respective successors and assigns.

"*District Formation Expenses*" means the costs associated with forming the District, including but not limited to 1<sup>st</sup> year Annual Collection Costs, and any other cost or expense directly associated with the establishment of the District.

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

"*DTC Participant*" means brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions.

"*Foreclosure Proceeds*" means the proceeds, including interest and penalty interest, received by the City from the enforcement of the Assessments, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

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

"*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; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

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

"*Interest Payment Date*" means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on March 15 and September 15 of each year, commencing March 15, 2025.

"*Investment Securities*" means those authorized investments determined by the City and described in the Public Funds Investment Act, Chapter 2256, Government Code, as amended,



which investments are, at the time made, included in and authorized by the City's official investment policy as approved by the City Council from time to time.

"*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.

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

"*Owner*" or "*Holder*" means the Person who is the registered owner of a Bond or Bonds, as shown in the Register, which shall be Cede & Co., as nominee for DTC, so long as the Bonds are in book-entry only form and held by DTC as securities depository in accordance with Section 3.11. The term "*Owner*" or "*Holder*", when used in connection with the Bonds Similarly Secured, shall also include the Person who is the registered owner of a Bond Similarly Secured under the terms of any indenture relating thereto.

"*Parcel*" or "*Parcels*" means a parcel or parcels within the District, identified by either a tax map identification number assigned by the Walker County Appraisal District for real property tax purposes, by metes and bounds description, or by lot and block number in a final subdivision plat recorded in the real property records of Walker County or by any other means determined by the City.

"*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 Chapter 372, Texas Local Government Code, as amended.

"*Pledged Funds*" means, collectively, the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

"*Pledged Revenue Fund*" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.3.

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

"*Prepayment*" means the payment of all or a portion of an Assessment before the due date thereof. Amounts received at the time of a Prepayment which represent a payment of principal, interest or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as the payment of the regularly scheduled Annual Installment.

"*Prepayment Costs*" means interest and expenses to the date of Prepayment, plus any additional expenses related to the Prepayment, reasonably expected to be incurred by or imposed upon the City as a result of any Prepayment.

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

"*Property*" means that certain 33.22 acres of land more particularly described in Exhibit A attached hereto.

"*Public Improvements*" means the public improvements authorized by the PID Act, including the public improvements as described in Section III of the Service and Assessment Plan.

"*Purchaser*" means the initial purchaser of the Bonds.

"*Quarter in Interest*" means as of any particular date of calculation, the Owners of no less than twenty-five percent (25%) of the principal amount of the then Outstanding Bonds Similarly Secured. In the event that two or more groups of Owners satisfy the percentage requirement set forth in the immediately preceding sentence and act (or direct the Trustee in writing to act) in a conflicting manner, only the group of Owners with the greatest percentage of then Outstanding Bonds Similarly Secured (as measured in accordance with the immediately preceding sentence) shall, to the extent of such conflict, be deemed to satisfy such requirement.

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

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

"*Record Date*" means the close of business on the last business day of the month next preceding an Interest Payment Date.

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

"*Redemption Price*" means, when used with respect to any Bond or portion thereof, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, plus accrued and unpaid interest on such Bond to the date fixed for redemption payable upon redemption thereof pursuant to this Indenture.

"*Refunding Bonds*" means bonds issued to refund all or any portion of the Outstanding Bonds and secured by a parity lien with the Outstanding Bonds on the Trust Estate, as more specifically described in the indenture authorizing such Refunding Bonds.

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

"*Reimbursement Agreement*" means the Agreement For The Construction And Funding Of Authorized Improvements And Reimbursement Of Advances between the City and the Developer, dated as of October 15, 2024, as may have been or may be further amended and supplemented from time to time.

"*Release Condition*" has the meaning assigned in Section 6.5(h).

"*Reserve Account Requirement*" means Maximum Annual Debt Service on the Bonds Similarly Secured as of the date of issuance, provided, however, that as a result of (1) an optional redemption pursuant to Section 4.3 or (2) an extraordinary optional redemption pursuant to Section 4.4, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds Similarly Secured redeemed by such redemption divided by the total principal amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_. The City Representative shall provide the Trustee with written confirmation of the Reserve Account Requirement and any modifications related thereto.

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

"*Service and Assessment Plan*" and "*SAP*" each mean the document, including the Assessment Roll, which is attached as Exhibit A to the Assessment Ordinance, as amended and restated, as may be updated, amended and supplemented from time to time.

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

"*Special Record Date*" means 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 that will be established by the Trustee, if and when funds for the payment of such interest have been received from the City.

"*State*" means the State of Texas.

"*Stated Maturity*" means the date the Bonds, or any portion of the Bonds, as applicable are scheduled to mature without regard to any redemption or prepayment.

"*Subaccount*" means any of the subaccounts established pursuant to Section 6.1 of this Indenture.

"*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.

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

"*Trust Estate*" means the Trust Estate described in the granting clauses of this Indenture.

"*Trustee*" means BOKF, NA, Dallas, Texas, and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article IX, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds Similarly Secured.

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

### Section 1.2. **Findings.**

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

### Section 1.3. **Table of Contents, Titles and Headings.**

The table of contents, titles, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only and are not to be considered a part hereof

and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

**Section 1.4. Interpretation.**

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

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

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

(d) When used in Article XI of this Indenture in connection with the Bonds Similarly Secured, any reference to this Indenture, Article XI of this Indenture or any Section thereunder, and/or any events of default or remedies set forth therein, such terms and references shall be read and interpreted to include any indenture relating to any Bonds Similarly Secured, the related Article or Section in such indenture, and/or the events of default and remedies set forth therein.

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

**ARTICLE II**

**THE BONDS**

**Section 2.1. Security for the Bonds.**

(a) 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.

(b) The lien on and pledge of the Trust Estate shall be valid and binding and fully perfected from and after the Closing Date, which is the date of the delivery of this Indenture, without physical delivery or transfer of control of the Trust Estate, the filing of this Indenture or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended, which applies to the issuance of the Bonds Similarly Secured and the pledge of the 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 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 Chapter 9, Texas Business and Commerce Code, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees

to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, 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 and/or convenient in order to better secure the Bonds Similarly Secured and is a contract or agreement necessary, useful and/or convenient to carry out and effectuate the purposes herein described.

**Section 2.4. Contract with Owners and Trustee.**

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

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

**ARTICLE III**

**AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS**

**Section 3.1. Authorization.**

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State, including particularly the PID Act, as amended. The Bonds shall be issued in the aggregate principal amount of \$ \_\_\_\_\_ for the purpose of paying a portion of (1) the Actual Costs of the Authorized Improvements, (2) District Formation Expenses,

and (3) Bond Issuance Costs, including capitalized interest and funding a reserve fund for the payment of principal and interest on the Bonds.

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

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

(b) Interest shall accrue and be paid on each Bond from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 15 and September 15 of each year, commencing March 15, 2025, computed on the basis of a 360-day year of twelve 30-day months.

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

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

**Section 3.3. Conditions Precedent to Delivery of Bonds.**

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

- (a) a certified copy of the Assessment Ordinance;
- (b) a certified copy of the Bond Ordinance;

- (c) a copy of the executed Reimbursement Agreement and any amendments;
- (d) a copy of the Continuing Disclosure Agreement of the Issuer and the Continuing Disclosure Agreement of the Developer;
- (e) a copy of this Indenture executed by the Trustee and the City;
- (f) an executed City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the City;
- (g) an executed signature and no-litigation certificate of the City;
- (h) executed opinions of Bond Counsel and the City Attorney; and
- (i) the approving opinion of the Attorney General of the State and the State Comptroller's registration certificate.

**Section 3.4. Medium, Method and Place of Payment.**

- (a) Principal of and interest on the Bonds Similarly Secured shall be paid in lawful money of the United States of America, as provided in this Section.
- (b) Interest on the Bonds Similarly Secured shall be payable to the Owners thereof as shown in the Register at the close of business on the relevant Record Date or Special Record Date, as applicable.
- (c) Interest on the Bonds Similarly Secured shall be paid by check, dated as of the Interest Payment Date, and sent, first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each as such appears in the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.
- (d) The principal of each Bond 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 banking



institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Indenture.

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds Similarly Secured to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State, any such payments remaining unclaimed by the Owners entitled thereto for three (3) years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds Similarly Secured thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State.

### Section 3.5. Execution and Registration of Bonds.

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

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

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

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Purchaser, or its designee, executed with the manual or facsimile signatures of the Mayor, Mayor Pro-Tem and the City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Trustee shall cancel the Initial

Bond and upon City order deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

**Section 3.6. Ownership.**

(a) The City, the Trustee, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment as provided herein (except interest shall be paid to the Person in whose name such Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not such Bond is overdue, and none of the City, the Trustee or the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

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

**Section 3.7. Registration, Transfer and Exchange.**

(a) So long as any Bond 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 in accordance with this Indenture. The Paying Agent/Registrar represents and warrants that it will maintain a copy of the Register, and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

(b) A Bond 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 shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. The Trustee is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) The Trustee is hereby authorized to authenticate and deliver Bonds transferred or exchanged in accordance with this Section. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond 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 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 or Bonds in lieu of which such transferred Bond is delivered.

(e) Each exchange Bond 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 or Bonds in lieu of which such exchange Bond 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. 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.

(g) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond 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.

#### **Section 3.8. Cancellation.**

All Bonds paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds in lieu of which exchange Bonds or replacement Bonds 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 Trustee, as Paying Agent should dispose of cancelled Bonds similarly secured in accordance with the records retention requirements of the Trustee.

#### **Section 3.9. Temporary Bonds.**

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

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

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Trustee the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and the Trustee shall authenticate and deliver in exchange therefor a

Bond or Bonds of the same maturity and series, in definitive form, in the Authorized Denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

**Section 3.10. Replacement Bonds.**

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Trustee shall authenticate and deliver in exchange therefor a replacement Bond 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 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 is lost, apparently destroyed or wrongfully taken, the Trustee, pursuant to the Applicable Laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

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

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

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

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

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond 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 has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond 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 or Bonds in lieu of which such replacement Bond is delivered.

**Section 3.11. Book-Entry Only System.**

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

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

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

In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the City to DTC, the City

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

**Section 3.13. Payments to Cede & Co.**

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

**ARTICLE IV**

**REDEMPTION OF BONDS BEFORE MATURITY**

**Section 4.1. Limitation on Redemption.**

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

**Section 4.2. Mandatory Sinking Fund Redemption.**

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

<u>Redemption Date</u>	<u>Principal Amount</u>
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†Final Maturity

(b) At least thirty (30) days prior to each sinking fund redemption date, the Trustee shall select, in accordance with Section 4.5, a principal amount of Term Bonds of such maturity equal to the Sinking Fund Installment amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.6.

(c) The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such maturity which, at least 30 days prior to the sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

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

#### **Section 4.3. Optional Redemption.**

The Bonds may be redeemed prior to their scheduled maturities on any date on or after September 15, 2034, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

#### **Section 4.4. Extraordinary Optional Redemption.**

The City reserves the right and option to redeem Bonds, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City before their respective scheduled maturity dates, in whole or in part, on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in Section 6.7(c)) or any other transfers to the Redemption Fund under the terms of this Indenture.

#### **Section 4.5. Partial Redemption.**

(a) If less than all of the Bonds are to be redeemed pursuant to either Sections 4.2, 4.3 or 4.4, Bonds shall be redeemed in increments of \$1,000 by lot, provided that no redemption shall cause the principal amount of any Bond to be less than the minimum Authorized Denomination for such Bond except as provided in the following sentence. Notwithstanding the foregoing, if any Bonds are to be partially redeemed and such redemption results in the redemption of a portion of

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

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

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

(a) Upon 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 first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register.

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

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

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

#### **Section 4.7. Payment Upon Redemption.**

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

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



**Section 4.8. Effect of Redemption.**

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

**ARTICLE V**

**FORM OF THE BONDS**

**Section 5.1. Form Generally.**

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

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

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

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

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

(a) Form of Bond.

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

REGISTERED  
NO. \_\_\_\_\_

United States of America  
State of Texas

REGISTERED  
\$ \_\_\_\_\_

CITY OF HUNTSVILLE, TEXAS  
SPECIAL ASSESSMENT REVENUE BOND, SERIES 20\_\_  
(THE RESERVES OF HUNTSVILLE PUBLIC  
IMPROVEMENT DISTRICT)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER</u>
_____ %	September 15, 20__	_____, 2024	_____

The City of Huntsville, 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 March 15, 2025.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the "*Designated Payment/Transfer Office*"), of BOKF, NA, as trustee and paying agent/registrar (the "*Trustee*"), 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 15<sup>th</sup> day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a

scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "*Special Record Date*") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated as of the Date of Delivery and issued in the aggregate principal amount of \$ \_\_\_\_\_ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of \_\_\_\_\_, 2024 (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 paying a portion of (1) the Actual Costs of the Authorized Improvements, (2) District Formation Expenses, and (3) Bond Issuance Costs, including funding capitalized interest and a reserve fund for the payment of principal and interest on the Bonds.

The Bonds are special, limited obligations of the City payable solely from the Trust Estate. Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the City, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

The City has reserved the right to issue Refunding Bonds and other obligations on the terms and conditions specified in 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 denominations of \$100,000 and any multiple of \$1,000 in excess thereof ("*Authorized Denominations*"). The City prohibits the breaking up or allocation of CUSIP numbers to any Bond or Bonds in denominations of less than \$100,000, and any attempt to do so will be void and of no effect, except as may be the result of a partial redemption of a single Bond as provided in the Indenture.

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

Term Bonds Maturing September 15, 20\_\_\_\_\_

<u>Redemption Date</u>	<u>Principal Amount</u>
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†Final Maturity

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

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

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

The Bonds may be redeemed prior to their scheduled maturities on any date on or after September 15, 2034, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be

redeemed shall be selected and designated by the City, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

The Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from amounts on deposit in the Redemption Fund as a result of Prepayments or any other transfers to the Redemption Fund under the terms of the Indenture.

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

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

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the rights of the holders of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the holders of all the Bonds, to waive compliance by the City with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the holder of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such holder and upon all future holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Trustee, and upon delivery to the Trustee of such certifications and/or opinion of counsel as may be required under the Indenture for the transfer of this Bond. Upon satisfaction of such requirements, one or more new fully registered Bonds of the same Stated Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Trustee shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

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

The City has reserved the right to issue Refunding Bonds and future bonds on the terms and conditions specified in the Indenture.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, WALKER COUNTY, OR THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the City, including the Bonds, does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City.

\_\_\_\_\_  
City Secretary, City of Huntsville, Texas

\_\_\_\_\_  
Mayor, City of Huntsville, 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.

BOKF, NA, as Trustee

DATED: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name and address, including zip code, of Transferee.)

\_\_\_\_\_  
\_\_\_\_\_

(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed by:

\_\_\_\_\_  
\_\_\_\_\_  
Authorized Signatory

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

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

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

(ii) the Initial Bond shall be numbered T-1; and

(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 \_\_\_\_\_ in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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### Section 5.3. **CUSIP Registration.**

The City may secure identification numbers through CUSIP Global Services, managed by S&P Fact Set Research Systems Inc. on behalf of the American Bankers Association, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and none of the City, the attorneys approving said Bonds as to legality or the Trustee are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. The City prohibits any Bond to be issued in a denomination of less than



\$100,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than \$100,000, and any attempt to accomplish either of the foregoing shall be void and of no effect, except as provided in Section 4.5 hereof. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the City nor the Trustee shall be liable for any inaccuracies in such numbers.

**Section 5.4. Legal Opinion.**

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

**ARTICLE VI**

**FUNDS AND ACCOUNTS**

**Section 6.1. Establishment of Funds and Accounts.**

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

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

(b) Creation of Accounts.

Fund: (i) The following Account is hereby created and established under the Bond

- (A) Principal and Interest Account.

Fund: (ii) The following Account is hereby created and established under the Reserve

- (A) Reserve Account; and
- (B) Delinquency & Prepayment Reserve Account.

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

- (A) Improvement Account; and
- (B) Costs of Issuance Account.

(iv) The following Account is hereby created and established under the Pledged Revenue Fund:

- (A) Bond Pledged Revenue Account.

(c) Each Fund, 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. Amounts on deposit in the Funds and Accounts shall be used solely for the purposes set forth herein.

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

**Section 6.2. Initial Deposits to Funds and Accounts.**

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

- (i) to the Reserve Account of the Reserve Fund \$\_\_\_\_\_ which is equal to the initial Reserve Account Requirement;
- (ii) to the Principal and Interest Account of the Bond Fund \$\_\_\_\_\_ which is the amount of capitalized interest on the Bonds;
- (iii) to the Costs of Issuance Account of the Project Fund: \$\_\_\_\_\_;
- (iii) to the Improvement Account of the Project Fund: \$\_\_\_\_\_; and
- (v) to the Administrative Fund: \$\_\_\_\_\_.

**Section 6.3. Pledged Revenue Fund.**

(a) Immediately upon receipt thereof, the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Pledged Revenues, as set forth in the Service and Assessment Plan. Specifically, the Trustee shall deposit or cause to be deposited the foregoing amounts 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, (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 pay other Actual Costs, and (iv) fourth to pay other costs permitted by the PID Act. Notwithstanding the foregoing, the Additional Interest of the Annual Installments shall only be utilized for the purposes set forth in Section 6.7(a-1) hereof and, on each March 15, beginning March 15, 2025, and on any other day set forth in a City Certificate, the amount of Additional Interest of the Annual Installments confirmed by the City pursuant to a City Certificate, will be deposited into the Delinquency & Prepayment Reserve Account and/or the Redemption Fund, as applicable.

(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 of the Pledged Revenue Fund 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, 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) The Trustee shall transfer the amounts determined in writing by the City as Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

(d) Upon receipt of Foreclosure Proceeds, the Trustee shall transfer such amount of Foreclosure Proceeds determined in writing by the City, first to the Reserve Fund to restore any transfers from the Reserve Fund made to which the Foreclosure Proceeds relate, second, to replenish the Delinquency and Prepayment Reserve Requirement, and third, to the Redemption Fund.

(e) After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds Similarly Secured and to fund any deficiency that may exist in the Reserve Fund, the Trustee shall, at the written request of the City, transfer any Pledged Revenues remaining in the Pledged Revenue Fund to the City, which monies may be used for any lawful purpose for which Assessments may be used under the PID Act. The Trustee may rely upon any such request of the City and shall have no obligation to determine the lawful purposes permitted under the PID Act.

**Section 6.4. Bond Fund.**

(a) On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds Similarly Secured.

(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. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

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

**Section 6.5. Project Fund.**

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

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Disbursements from all other Accounts of the Project Fund to pay Actual Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certification for Payment. Each such City Certificate shall include a list of the payees and the payments (not to exceed) to be made to such payees as well as a statement that all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such written request and the Trustee may rely on such payment instructions though given by the City with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein.

(c) Except as provided in Section 6.5(d) and (f), money on deposit in the Improvement Account shall be used solely to pay Actual Costs provided the Trustee shall have no responsibility for the application of any funds disbursed from the Improvement Account in reliance upon a Certification for Payment approved by the City.

(d) If the City Representative determines in the City Representative's reasonable discretion that amounts then on deposit in the Improvement Account of the Project Fund are not expected to be expended for purposes of the Project Fund due to the abandonment, or constructive abandonment, of one or more of the Authorized Improvements such that, in the reasonable opinion of the City Representative, it is unlikely that the amounts in the Improvement Account of the Project Fund will ever be expended for the purposes of the Project Fund, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Account of the Project Fund that are not expected to be used for purposes of the

Project Fund. If such City Certificate is so filed, the amounts on deposit in the Improvement 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 this Indenture. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

(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 of the Authorized Improvements have been completed and that all Actual Costs have been paid, or that any Actual Costs are not required to be paid from the Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Account of the Project Fund to the Bond Fund or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

(g) Upon the Trustee's receipt of a written determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account in the Project Fund and used to pay Actual Costs or to the Principal and Interest Account and used to pay interest on the Bonds, as directed in a City Certificate filed with the Trustee and the Costs of Issuance Account shall be closed.

(h) (1) Notwithstanding the above sections, the aggregate amount of funds that the Trustee may disburse from the Improvement Account shall not exceed \$\_\_\_\_\_ (the "Authorized Amount") except and until the Release Condition (as defined in Section 6.5(h)(2) below) has been satisfied, after which the Trustee may resume disbursements. The Trustee may make disbursements from the Improvement Account that exceed the Authorized Amount only when the Developer provides written certification to the Trustee and the City in a Certificate for Payment that the Release Condition has been satisfied. The first Certificate for Payment that requests funds in excess of the Authorized Amount from the Improvement Account after satisfaction of the Release Condition shall be submitted to the City, the Trustee, the City's financial advisor, Bond Counsel and the Administrator for review and confirmation.

(2) Money may be disbursed from the Improvement Account in excess of the Authorized Amount only if the City has performed and approved the final inspections of at least 17 homes within the District and issued certificates of occupancy on each such home in accordance with its customary residential building inspection practices (the "Release Condition"). The City may not approve a Certificate for Payment for payment from the Improvement Account for any amounts that exceed the Authorized Amount until the Release Condition has been satisfied.

(3) Notwithstanding anything in this Indenture to the contrary, in the event the Developer has not provided the required evidence that the Release Condition has been satisfied on or before \_\_\_\_\_, 2027, then the Trustee shall transfer any funds remaining in the

Improvement Account to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 of this Indenture.

**Section 6.6. Redemption Fund.**

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

**Section 6.7. Reserve Fund.**

(a) The City agrees with the Owners of the Bonds Similarly Secured to accumulate and, when accumulated, maintain in the Reserve Account, an amount equal to not less than the Reserve Account Requirement. All amounts deposited in the Reserve Account shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund as provided in this Indenture.

(a-1) Subject to 6.3(a) herein, the Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency & Prepayment Reserve Account on March 15 of each year, commencing March 15, 2025, and on any other day set forth in a City Certificate, an amount equal to the Additional Interest until the Delinquency & Prepayment Reserve Requirement has been accumulated in the Delinquency & Prepayment Reserve Account. Once the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account, any amounts in excess of the Delinquency & Prepayment Reserve Requirement shall be transferred by the Trustee to the Redemption Fund to redeem Bonds Similarly Secured as provided in Article IV provided, however, that at any time the amount on deposit in the Delinquency & Prepayment Reserve Account is less than Delinquency & Prepayment Reserve Requirement, the Trustee shall resume depositing such Additional Interest into the Delinquency & Prepayment Reserve Account until the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account. In determining the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on a City Certificate specifying the amounts to transfer.

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

(c) In the event of an extraordinary optional redemption of Bonds Similarly Secured pursuant to Section 4.4, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds Similarly Secured to be redeemed multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve

Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayments toward payment of accrued interest, there are insufficient funds to pay the principal amount to the nearest roundup of \$1,000 increment, plus accrued and unpaid interest on such Bonds Similarly Secured to the date fixed for redemption of the Bonds Similarly Secured to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency & Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

(d) Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the value of cash and Value of Investment Securities on deposit in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of interest on the Bonds Similarly Secured on the next Interest Payment Date in accordance with Section 6.4, unless prior to the next Interest Payment Date, 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 the Administrative Fund in an amount not more than the Annual Collection Costs for the Bonds Similarly Secured or (iii) to Improvement Account of the Project Fund to pay Actual Costs if such application and the expenditure of funds is expected to occur within three years of the date hereof.

(d-1) Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amount in the Delinquency & Prepayment Reserve Account exceeds the Delinquency & Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and the Trustee shall transfer such excess pursuant to Section 6.7(a-1) hereof.

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

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

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

(h) If the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Bond Fund and Redemption Fund is sufficient to pay the principal amount and of all Outstanding Bonds Similarly Secured on the next date the Bonds Similarly Secured may be

optionally redeemed by the City at a redemption price of par, together with the unpaid interest accrued on such Bonds Similarly Secured as of such date, the moneys in the Reserve Fund shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds Similarly Secured on such date.

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

(a) The Rebate Fund is to be held by the Trustee in accordance with the terms and provisions of this Indenture. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code. The Rebate Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured.

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

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

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

**Section 6.9. Administrative Fund.**

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

(b) Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs or may be withdrawn by the Trustee without further authorization for the payment of the fees, expenses, advances and indemnities owed to the Trustee in accordance with Section 9.6. The Administrative Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured.

**Section 6.10. Investment of Funds.**

(a) Money in any Fund or Account, other than the Reserve Account, shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the



proper time or times. Money in the Reserve Account shall be invested in such Investment Securities as directed by the City pursuant to a City Certificate filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days. Each such City Certificate shall be a certification that the investment directed therein constitutes an Investment Security and that such investments meet the maturity and average weighted maturity requirements set forth in the preceding sentence and the Trustee shall not be responsible for determining such requirements. Such investments shall be valued each year in terms of the Value of Investment Securities as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in the Funds and Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold, in order to make the disbursements required or permitted by this Indenture, to prevent any default under this Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee shall invest and re-invest cash balances in Invesco Short-Term Investments Trust Treasury, CUSIP No. 825252786, until directed otherwise by the City Certificate.

(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 as determined and directed in writing by the City.

(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 may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades. 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 legality of any investments. The Trustee is not providing investment supervision, recommendation, or advice in acting pursuant to the provisions hereof.

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

(e) The Trustee will furnish to the City, upon the City's written request, periodic cash transaction statements which include detail for all investment transactions effected by the Trustee

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

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

#### **Section 6.11. Security of Funds.**

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

## **ARTICLE VII**

### **COVENANTS**

#### **Section 7.1. Confirmation of Assessments.**

The City hereby confirms, covenants, and agrees that, in the Assessment Ordinance, it has levied the Assessments against the Assessed Property in the District from which the Assessment Revenues will be collected and received.

#### **Section 7.2. Collection and Enforcement of Assessments.**

(a) For so long as any Bonds Similarly Secured are Outstanding and, as applicable, amounts are due to the Developer under the Reimbursement Agreement to reimburse the Developer for the funds it has contributed to pay Actual Costs, the City covenants, agrees and warrants that it will take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments.

(b) To the extent permitted by law, notice of the Annual Installments shall be sent by, or on behalf of, the City to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously

with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

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

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

### **Section 7.3. Against Encumbrances.**

(a) The City shall not create and shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds, or any Refunding Bonds, 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 are Outstanding hereunder, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Refunding Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

### **Section 7.4. Records, Accounts, Accounting Reports.**

The City hereby covenants and agrees that so long as any Bonds Similarly Secured are Outstanding, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and holder or holders of any Bonds Similarly Secured or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the City by the Trustee or duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds Similarly Secured during the City's regular business hours and on a mutually agreeable date not later than thirty days after the City receives such request.

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

(a) The City covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as an obligation described in section 103

of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

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

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds is issued,

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

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

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code;

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

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

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

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

(d) The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for Actual Costs on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Authorized Improvements are

completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds is retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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

## **ARTICLE VIII**

### **LIABILITY OF CITY**

#### **Section 8.1. Liability of City.**

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

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

(c) In the absence of bad faith, the City may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of this Indenture. The City shall not be

liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

(d) No provision of this Indenture, the Bonds Similarly Secured, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds Similarly Secured (collectively, the "*Bond Documents*"), shall require the City to expend or risk its own general funds or other funds or otherwise incur any financial liability (other than with respect to the Trust Estate) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

(e) Neither the Owners nor any other Person shall have any claim against the City or any of its officers, officials, agents, or employees for damages suffered as a result of the City's failure to perform in any respect any covenant, undertaking, or obligation under any Bond 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 the Trust Estate. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds Similarly Secured by mandamus or other proceeding at law or in equity.

(f) The City may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever in the administration of its duties under this Indenture the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector or City Manager or other independent person designated by the City Council to so act on behalf of the City, and such certificate shall be full warrant to the City for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

(g) In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be

entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations, and directions of such persons or entities.

## **ARTICLE IX**

### **THE TRUSTEE**

#### **Section 9.1. Acceptance of Trust; Trustee as Registrar and Paying Agent.**

(a) The Trustee accepts and agrees to execute the respective trusts imposed upon it by this Indenture, but only upon the terms and conditions and subject to the provisions of this Indenture to all of which the parties hereto and the respective Owners of the Bonds Similarly Secured agree. The Trustee undertakes to perform such duties and only such duties as are specifically set forth herein. No implied covenants or obligations shall be read into this Indenture against the Trustee.

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

#### **Section 9.2. Trustee Entitled to Indemnity.**

The Trustee shall be under no obligation to spend its own funds, to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction by the Owners against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct; provided, however, that in no event shall the Trustee request or require indemnification as a condition to making scheduled debt service payments prior to the occurrence of a default, 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 make transfers from the Administrative Fund to pay all fees, costs, and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Similarly Secured Outstanding hereunder on amounts held within the Administrative Fund.

#### **Section 9.3. Responsibilities of the Trustee.**

(a) The recitals contained in this Indenture and in the Bonds Similarly Secured shall be taken as the statements of the City and the Trustee assumes no responsibility for 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; (iv) any calculation of arbitrage or rebate under the Code; or (v) any loss suffered in connection with any investment of funds in accordance with this Indenture, or (vi) to undertake any other action unless specifically authorized pursuant to a written direction by the City pursuant to this Indenture. The Trustee has the right to act through agents and attorneys and shall have no liability for the negligence or willful misconduct of the agents and attorneys appointed with due care.

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

(c) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Project. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and 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.

(d) The Trustee shall not be liable for any action taken, or errors of judgment made in good faith by any one of its officers, agents, or employees unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts.

(e) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of at least a Quarter in Interest of the Bonds Similarly Secured 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.

(f) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default unless the Trustee has actual knowledge thereof or shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the Owners of at least Quarter in Interest of the Bonds Similarly Secured at that time. The Trustee may assume conclusively that there is no Event of Default, except as noted above.

(g) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds Similarly Secured.

(h) The permissive rights of the Trustee to do things enumerated in this Agreement 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.

(i) The Trustee may act through attorneys or agents and shall not be responsible for the acts or omissions of any such attorney or agent appointed with due care.

(j) 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, the Developer, or any of their directors, members, officers, agents, affiliates or employees, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all such 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.

(k) In the event that any of the Trust Estate shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the 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.

(l) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement 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; it being understood that the Trustee shall use its best efforts to resume performance as soon as practicable under the circumstances.

#### **Section 9.4. Property Held in Trust.**

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

**Section 9.5. Trustee Protected in Relying on Certain Documents.**

(a) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond, resolution, direction, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. Subject to Section 9.1 and 9.3, the Trustee may, at the expense of the City, consult with counsel selected by the Trustee with due care, who may or may not be Bond Counsel, and any advice from such counsel with respect to compliance with the provisions of this Indenture shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder, reasonably and in good faith, in accordance with such advice.

(b) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a City Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such City Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its 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 be entitled to conclusively rely upon the foregoing as sufficient evidence of the facts set forth herein. The execution of any City Certificate shall constitute, unto the Trustee, an irrevocable determination that all conditions precedent thereto have occurred.

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

**Section 9.6. Compensation.**

Unless otherwise provided by contract with the Trustee, the Trustee shall transfer from 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, which, with respect to ordinary fees and expenses incurred prior to an Event of Default hereunder, shall be transferred pursuant to a City Certificate and subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by such City Certificate, and the Trustee shall have a lien

therefor on any and all funds at any time held by it in the Administrative Fund prior to any Outstanding Bonds Similarly Secured. Following an Event of Default, the foregoing limitation on expenses shall not apply, however any such fees or expenses must be reasonable. 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 and shall be entitled to a preference therefor over any Bonds Similarly Secured Outstanding hereunder. In the event that the Trustee renders any service not contemplated in this Agreement, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Agreement or the subject matter hereof, then the Trustee shall be compensated for such extraordinary services and any services or work performed by the 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. The right of the Trustee to fees, expense, and indemnification shall survive the release, discharge, and satisfaction of the Indenture.

#### **Section 9.7. Permitted Acts.**

The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds Similarly Secured and may join in any action that any Owner of Bonds Similarly Secured may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the City or any committee formed to protect the rights of holders of Bonds Similarly Secured or to effect or aid in any reorganization growing out of the enforcement of the Bonds Similarly Secured or this Indenture, whether or not such committee shall represent the holders of a Quarter in Interest 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' notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bonds 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 by giving not fewer than 30 days' notice, specifying the date when such removal shall take effect at any time by (i) the Owners of at least a Quarter in Interest of the Bonds Similarly Secured by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City, or (ii) so long as the City is not in default under this Indenture, the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate principal amount of Bonds Similarly Secured then Outstanding.

**Section 9.10. Successor Trustee.**

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

(b) If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least a Quarter in Interest of the Bonds Similarly Secured by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the City.

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

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

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

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

#### **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 and upon receipt of its outstanding charges, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the City be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

#### **Section 9.12. Merger, Conversion or Consolidation of Trustee.**

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

#### **Section 9.13. Trustee To File Continuation Statements.**

The City will cause to be filed all appropriate financing statements. If necessary, the Trustee shall file or cause to be filed, at the City's expense, such continuation statements as may

be delivered to the Trustee and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "*UCC*"), in order to continue perfection of the security interest and rights 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. Unless otherwise notified in writing by the City or an Owner, the Trustee may conclusively rely upon the initial financing statements in filing any continuation statements hereunder. The Trustee shall have no responsibility to file financing statements or continuation statements other than to file continuation statements that are delivered to it.

If applicable, but immediately upon its receipt thereof, the City, or an authorized third-party representative thereof, shall deliver to the Trustee file-stamped copies of each UCC initial financing statement recorded in the jurisdictions applicable thereto.

The Trustee's UCC filing requirements are limited to those responsibilities as set forth in this Section 9.13.

#### **Section 9.14 Offering Documentation.**

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 and shall have no responsibility for compliance with any State or federal securities laws in connection with the Bonds Similarly Secured.

#### **Section 9.15 Expenditure of Funds and Risk.**

None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of its rights or powers if the Trustee shall have reasonable grounds for believing that the repayment of such funds or indemnity against such risk or liability is not assured.

#### **Section 9.16 Environmental Hazards.**

The Trustee may inform any Owner of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and in such event, no fiduciary duty exists which imposes any obligation for further action with respect to the Trust Estate or any portion thereof if the Trustee, in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not been adequately indemnified.

The Trustee shall not be responsible or liable for the environmental condition related to the improvements to any real property or for diminution in value of the same, or for any claims by or on behalf of the owners thereof as the result of any contamination by a hazardous substance, hazardous material, pollutant, or contaminant. The Trustee assumes no duty or obligation to assess the environmental condition of any improvements or with respect to compliance 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.

**Section 9.17. Accounts, Periodic Reports and Certificates.**

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less than 10% in principal amount of the Bonds Similarly Secured then Outstanding or their representatives duly authorized in writing.

**Section 9.18. Construction of Indenture.**

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds Similarly Secured.

**ARTICLE X**

**MODIFICATION OR AMENDMENT OF THIS INDENTURE**

**Section 10.1. Amendments Permitted.**

(a) This Indenture and the rights and obligations of the City and of the Owners of the Bonds Similarly Secured may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds Similarly Secured, or with the written consent without a meeting, of the Owners of the Bonds Similarly Secured of at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured at that time and City approval of such modification or amendment. No such modification or amendment shall (i) extend the maturity of any Bond Similarly Secured or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond Similarly Secured, without the express consent of the Owner of such Bond Similarly Secured, or (ii) permit the creation by the City of any pledge or lien upon the 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 Bonds Similarly Secured required for the amendment hereof. Any such amendment shall not modify any of the rights or obligations of the Trustee without its written consent. In executing or accepting any Supplemental Indenture, the Trustee shall be fully protected in relying upon an opinion of Bond Counsel addressed and delivered to the Trustee stating that (a) the execution of such Supplemental Indenture is permitted by and in compliance with this Indenture, (b) the execution and delivery of will not adversely affect the exclusion from federal gross income of the interest on the Bonds Similarly Secured, and (c) such



Supplemental Indenture will, upon the execution and delivery thereof, to be a valid and binding obligation of the City.

(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 Applicable Laws, and only for anyone 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; and

(iv) 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) Notwithstanding anything to the contrary herein, no Supplemental Indenture entered into in accordance with Section 10.1(b) above shall be effective unless the City first delivers to the Trustee an opinion of Bond Counsel to the effect that such amendment will not adversely affect the: (i) interests of the Owners in any material respect, or (ii) 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 rules and regulations for the conduct of said meeting.

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

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

Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

(b) Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds Similarly Secured for which such consent is given, which proof shall be such as is permitted by Section 11.6. Any such consent shall be binding upon the Owner of the Bonds Similarly Secured giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owners of the required percentage of Bonds Similarly Secured shall have filed their consents to the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds Similarly Secured and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds Similarly Secured at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period 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. Procedure for Amendment Not Requiring Owner Consent.**

(a) The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds Similarly Secured or of this Indenture, to the extent that such amendment is permitted by Section 10.1, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a notice stating that the Supplemental Indenture does not require Owner consent, shall be mailed by first class mail by the Trustee to each Owner of Bonds Similarly Secured, but failure to mail copies of such Supplemental Indenture shall not affect the validity of the Supplemental Indenture. The Trustee shall retain the proof of its mailing of such notice. A record, consisting of the papers required by this Section 10.4, shall be proof of the matters therein stated until the contrary is proved.

(b) The Supplemental Indenture shall become effective upon the execution and delivery of such Supplemental Indenture by the Trustee and the City, and the Supplemental Indenture shall be deemed conclusively binding upon the City, the Trustee and the Owners of all Bonds Similarly Secured as of the date of such execution and delivery.

**Section 10.5. Effect of Supplemental Indenture.**

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

**Section 10.6. Endorsement or Replacement of Bonds 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 Bonds 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 10.7. 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 10.8. Waiver of Default.**

Subject to Section 10.1, with the written consent of at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured at that time, the Owners may waive compliance by the City with certain past defaults under this Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

**Section 10.9. Execution of Supplemental Indenture.**

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

**ARTICLE XI**

**DEFAULT AND REMEDIES**

**Section 11.1. Events of Default.**

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

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

(ii) The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings, in accordance with Section 7.2;

(iii) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture other than a default under (i) above or (iv) below, and the continuation thereof for a period of ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured then Outstanding; and

(iv) The failure to make payment of the principal of or interest on any of the Bonds Similarly Secured when the same becomes due and payable and such failure is not remedied within thirty (30) days thereafter.

**Section 11.2. Immediate Remedies for Default.**

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, then and in every such case the Trustee may proceed, and upon the written request of the Owners of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding hereunder and its receipt of indemnity satisfactory to it shall proceed, to protect and enforce the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that any action for money damages against the City shall be limited to recovery from the Trust Estate may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for default.

(b) PURSUANT TO SECTION 11.7, THE PRINCIPAL OF THE BONDS SIMILARLY SECURED SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

(c) 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. The Trustee shall sell Trust Estate assets, according to the appraised value thereof, beginning with the asset of the highest value and continuing such sales in the order of next succeeding most valuable asset until satisfaction of debts pertaining to the outstanding Bonds Similarly Secured. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

(d) In an Event of Default shall have occurred and be continuing, the City, upon demand of the Trustee, shall surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the City pertaining thereto, and including the

rights and the position of the City, and to hold, operate, and manage the same, and from time to time make all needed repairs and improvements, as well as set up proper reserve for the payment of all proper costs and expenses, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents, and counsel, (ii) any reasonable charges of the Trustee hereunder, (iii) any taxes and assessments and other charges prior to the lien of this of Indenture, and (iv) all expenses of such repairs and improvements. After payment in full of the foregoing, the Trustee shall surrender possession of the Trust Estate to the City, its successors or assigns.

### 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 actual knowledge thereof or has been notified in writing as provided in Section 9.3(f), or of which by such Section it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of at least a Quarter in Interest 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, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds Similarly Secured then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

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

(c) In case the Trustee or any Owners of Bonds Similarly Secured 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 of Bonds Similarly Secured, then and in every such case the City, the Trustee and the Owners of Bonds Similarly Secured 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 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, liabilities, advances 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, 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 thirty (30) days of receipt of such good and available funds, the Trustee may fix a record date and a payment date for any payment to be made to Owners of Bonds Similarly Secured pursuant to this Section 11.4.

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

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

#### Section 11.5. **Effect of Waiver.**

The Trustee may, with the prior written consent of at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured at that time, waive an Event of Default occurring hereunder. 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 any Bond Similarly Secured shall bind all future Owners of the same Bond Similarly Secured in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

**Section 11.7. No Acceleration.**

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

**Section 11.8. Mailing of Notice.**

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



**Section 11.9. Exclusion of Bonds Similarly Secured.**

Bonds Similarly Secured owned or held by or for the account of the City will not be deemed Outstanding for any purpose. The City shall promptly deliver any such Bonds Similarly Secured to the Trustee for cancellation.

**Section 11.10. Remedies Not Exclusive.**

Subject to Section 11.2, 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 a Quarter in Interest of the Bonds Similarly Secured 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 any 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 law 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 Trust Estate are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

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

(c) Subject to Section 7.2(d), 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.

**Section 12.2. General.**

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

**ARTICLE XIII**

**SPECIAL COVENANTS**

**Section 13.1. Further Assurances; Due Performance.**

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

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

**Section 13.2. Other Obligations or Other Liens; Refunding Bonds; Future Bonds.**

(a) The City reserves the right to issue obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on any portion of the Trust Estate and are not payable from the Trust Estate.

(b) Other than Refunding Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be done or omit to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with this Indenture as a lien or charge upon the Trust Estate; provided, however, that nothing in this Section shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of counsel to the Trustee, the same would endanger the security for the Bonds Similarly Secured.

(c) The City reserves the right to issue bonds in the future for any purpose permitted by the PID Act, pursuant to a separate indenture and secured by a separate assessment from the Assessment, subject to the conditions of the Financing Agreement.

**Section 13.3. Books of Record.**

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

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture.

**ARTICLE XIV**

**PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE  
INDENTURE**

**Section 14.1. Trust Irrevocable.**

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

**Section 14.2. Satisfaction of Indenture.**

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

**Section 14.3. Bonds Similarly Secured Deemed Paid.**

(a) Any Outstanding Bonds Similarly Secured shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of this Trust Indenture (a "*Defeased Debt*"), and particularly this Article XIV, when payment of the principal of, premium, if any, on such Defeased Debt, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), either

(1) shall have been made in accordance with the terms thereof, or (2) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds Similarly Secured with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. 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 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.

(b) Any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified in Sections 14.3(a)(1) or 14.3(a)(2) shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the Defeased Debt for redemption; (2) the City gives notice of the reservation of that right to the Owners of the Defeased Debt immediately following the defeasance; (3) the City directs that notice of the reservation be included in any defeasance or redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the City satisfies the conditions of clause (a) of this Section 14.3 with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

## ARTICLE XV

### MISCELLANEOUS

#### Section 15.1. **Benefits of Indenture Limited to Parties.**

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee. This Indenture and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

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

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

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

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

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

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

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

**Section 15.4. No Waiver of Personal Liability.**

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

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

(a) Except as otherwise expressly provided herein, all notices or other instruments required or permitted under this Indenture shall be in writing and shall be faxed, delivered by hand, or mailed by first class mail, postage prepaid, and addressed as follows:

If to the City

City of Huntsville, Texas

Physical location:

1220 11th Street  
Huntsville, TX 77340

Mailing address:

1212 Avenue M  
Huntsville, TX 77340

Attn: City Manager

Telephone: 936-291-5400

Fax: 936-291-540

If to the Trustee

Or the Paying Agent/Registrar

(b) Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

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

(d) The Trustee shall mail to each Owner of a Bond Similarly Secured notice of (1) any substitution of the Trustee; or (2) the redemption or defeasance of all Outstanding Bonds Similarly Secured.

#### 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 anyone or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

#### Section 15.7. **Applicable Laws; Jurisdiction.**

THIS INDENTURE SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS AND THE OBLIGATIONS OF THE PARTIES HERETO ARE AND SHALL BE PERFORMABLE IN THE COUNTY WHEREIN THE PROPERTY IS LOCATED, AND IF LEGAL ACTION IS NECESSARY BY EITHER PARTY WITH RESPECT TO THE ENFORCEMENT OF ANY TERM OF THIS INDENTURE, EXCLUSIVE VENUE FOR SAME SHALL LIE IN THE COURTS OF WALKER COUNTY, TEXAS. BY EXECUTING THIS AGREEMENT, EACH PARTY HERETO

EXPRESSLY (a) CONSENTS AND SUBMITS TO PERSONAL JURISDICTION AND VENUE CONSISTENT WITH THE PREVIOUS SENTENCE, (b) WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL CLAIMS AND DEFENSES THAT SUCH JURISDICTION AND VENUE ARE NOT PROPER OR CONVENIENT, AND (c) CONSENTS TO THE SERVICE OF PROCESS IN ANY MANNER AUTHORIZED BY TEXAS LAW.

**Section 15.8. Payment on Business Day.**

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

**Section 15.9. Counterparts.**

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

**Section 15.10. Boycotts and Foreign Business Engagements.**

(a) The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Indenture. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable State or 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 Trustee understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

(b) The Trustee represents that neither it nor any of its respective parent companies, 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 Trustee and its respective parent companies, 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 any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

(c) The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any,

(1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and

(2) will not discriminate during the term of this Agreement against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” shall have the meaning assigned to such term in Section 2274.001(3), Texas Government Code (as added by SB 19). The Trustee understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

(d) The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of this Indenture. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies” shall have the meaning assigned to the term “boycott energy company” in Section 809.001, Texas Government Code. The Trustee understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

#### Section 15.11. **Electronic Storage.**

The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files, and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action, or suit in the appropriate court of law.



IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed as of the date hereof.

CITY OF HUNTSVILLE, TEXAS

By: \_\_\_\_\_  
Russell Humphrey, Mayor

Attest:

\_\_\_\_\_  
Kristy Doll, City Secretary

(CITY SEAL)

\_\_\_\_\_,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**DESCRIPTION OF THE PROPERTY WITHIN  
THE EMORY CROSSING PUBLIC IMPROVEMENT DISTRICT**

**EXHIBIT B**

**FORM OF CERTIFICATION FOR PAYMENT**

**(Certification for Payment – The Reserves of Huntsville)**

**CERTIFICATION FOR PAYMENT FORM NO.**

The undersigned \_\_\_\_\_ (the "**Construction Manager**") requests payment from [the applicable account of the Project Fund] [the Operating Account] from the City of Huntsville (the "**City**") in the amount of \$\_\_\_\_\_ for labor, design, materials, fees, and/or other general costs related to the acquisition or construction of certain Authorized Improvements providing a special benefit to property within The Reserves of Huntsville Public Improvement District (the "**District**"). Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Agreement For The Construction And Funding Of Authorized Improvements And Reimbursement Of Advances between the Owner and the City (the "**PID Financing Agreement**").

In connection with the above referenced payment, the Construction Manager represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Construction Manager, is qualified to execute this Certification for Payment Form No. \_\_\_\_\_ on behalf of the Construction Manager, and is knowledgeable as to the matters set forth herein.
2. The work described in Attachment A has been completed in the percentages stated therein.
3. The Certification for Payment for the below referenced Authorized Improvements has not been the subject of any prior Certification for Payment submitted for the same work to the City or, if previously requested, no disbursement was made with respect thereto.
4. The amounts listed for Actual Costs of the Authorized Improvements, as set forth in Attachment A, is a true and accurate representation of the Actual Costs associated with the acquisition, design or construction of said Authorized Improvements, and such costs (i) are in compliance with the PID Financing Agreement, and (ii) are consistent with the Service and Assessment Plan.
5. The Construction Manager is in compliance with the terms and provisions of the PID Financing Agreement and the Service and Assessment Plan.
6. The Construction Manager has timely paid all ad valorem taxes and annual installments of Special Assessments it owes or an entity under common control with the

Construction Manager owes, located in the District and has no outstanding delinquencies for such taxes and assessments.

7. The work with respect to the Authorized Improvements referenced below (or its Segment) has been completed, and the City has inspected [and accepted] such Authorized Improvements (or its completed Segment). ***[Include bracketed language if final progress payment for such Authorized Improvement]***

8. No more than ninety-five percent (95%) of the budgeted or contracted hard costs for the Authorized Improvements identified may be paid until the work with respect to such Authorized Improvements (or Segment thereof) has been completed and the City has accepted such Authorized Improvements (or Segment thereof). One hundred percent (100%) of soft costs (e.g., engineering costs, inspection fees and the like) may be paid prior to City acceptance of such Authorized Improvements (or Segment thereof).

9. [Attached hereto as Attachment B is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed work described in Attachment A has been paid in full for all work completed through the previous Certification for Payment.]***[Include bracketed language if final progress payment for such Authorized Improvement]***

10. Attached hereto as Attachment C are invoices, receipts, purchase orders, change orders, and similar instruments, which are in sufficient detail to allow the City to verify the Actual Costs for which payment is requested.

11. Also attached hereto as Attachment D are any lender consents or approvals that the Construction Manager may be required to obtain under any loan documents relating to the District.

Pursuant to the PID Financing Agreement, after receiving this Certification for Payment, the City has inspected [and accepted] the Completed Authorized Improvements and confirmed that said work has been completed in accordance with approved plans and all applicable governmental laws, rules, and regulations. ***[Include bracketed language if final progress payment for such Authorized Improvement]***

*(Signature pages follow)*

I hereby declare that the above representations and warranties are true and correct.

**PHD – Huntsville 34, L.P.,**  
a Texas limited partnership, as  
**CONSTRUCTION MANAGER**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

JOINDER OF PROJECT ENGINEER

The undersigned Project Engineer joins this Certification for Payment solely for the purposes of certifying that the representations made by Construction Manager in Paragraph 2 above are true and correct in all material respects.

\_\_\_\_\_

By:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**APPROVAL OF CERTIFICATION FOR PAYMENT**

The City is in receipt of the attached Certification for Payment Form No. \_\_\_\_\_, acknowledges the Certification for Payment, acknowledges that the Authorized Improvements (or its Segment) covered by the certificate have been inspected by the City, and otherwise finds the Certification for Payment Form No. \_\_\_\_\_ to be in order. After reviewing the Certification for Payment Form, the City approves the Certification for Payment Form No. \_\_\_\_\_ and shall direct the Trustee to make payment from [the appropriate account of the Project Fund] [the Reimbursement Fund] to the Construction Manager or to any person designated by the Construction Manager.

**CITY OF HUNTSVILLE, TEXAS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_



**ATTACHMENT A**

**TO CERTIFICATION FOR PAYMENT FORM NO. \_\_\_\_\_**

<u>Segment</u>	<u>Description of Work Completed under this Certification for Payment</u>	<u>Actual Costs</u>
----------------	---	---------------------

**ATTACHMENT B**

**TO CERTIFICATION FOR PAYMENT FORM NO. \_\_\_\_\_**

***[Include Attachment B bracketed if final progress payment for such Authorized Improvement]***

**[bills paid affidavit and release of liens - attached]**

**ATTACHMENT C**

**TO CERTIFICATION FOR PAYMENT FORM NO. \_\_\_\_**

**INVOICE LEDGER**

<b>Invoice Ledger</b> Entity: PHD – Huntsville 34, L.P. Project: The Reserves of Huntsville Public Improvement District								
<b>Certification of Payment Form No.</b>	<b>Date</b>	<b>Vendor</b>	<b>Invoice #</b>	<b>Invoice Amount</b>	<b>Requested Amount</b>	<b>Approved Amount</b>	<b>Budget Sub- Category</b>	<b>Budget Description</b>

**[INVOICES AND/OR RECEIPTS - ATTACHED]**

**ATTACHMENT D**

**TO CERTIFICATION FOR PAYMENT FORM NO. \_\_\_\_\_**

**[lender consents or approvals - attached]**

**APPENDIX C**  
**SERVICE AND ASSESSMENT PLAN**

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# PRELIMINARY SERVICE AND ASSESSMENT PLAN

CITY OF HUNTSVILLE, TX

THE RESERVES PUBLIC IMPROVEMENT  
DISTRICT

Report Date: September 12, 2024

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds

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## **CITY OF HUNTSVILLE**



## **PRELIMINARY SERVICE AND ASSESSMENT PLAN THE RESERVES PUBLIC IMPROVEMENT DISTRICT**

Prepared for:

City of Huntsville

1212 Avenue M

Huntsville, Texas 77340

Attn: Kevin Byal, Director of Development Services/Building Official



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## **I INTRODUCTION**

On August 16, 2022 (the “**Creation Date**”), the City Council of the City of Huntsville, Texas (the “**City**”) passed Resolution No. 2022-23 approving and authorizing the creation of The Reserves Public Improvement District (the “**PID**” or “**District**”), to finance the costs of certain public improvements for the benefit of property in the PID (the “**Authorized Improvement(s)**”), of which 33.22 acres are currently located in the City.

Chapter 372 of the Texas Local Government Code, Improvement Districts in municipalities and counties (as amended, the “**PID Act**”), governs the creation of public improvement districts within the State of Texas. This Preliminary Service and Assessment Plan has been prepared pursuant to the PID Act. According to the PID Act, a Service Plan “must (i) cover a period of 5 years; (ii) define the annual indebtedness and the projected costs for improvements; and (iii) include a copy of the notice form required by Section 5.014, Property Code”. The governing body of the municipality or county shall review and update the service plan annually for the purpose of determining the annual budget for improvements.” The Service Plan is described in **Section V** of this Preliminary Service and Assessment Plan.

The Assessment Roll for the District is attached hereto as **Appendix A**, and identifies the Assessment and anticipated Annual Installments for each property. The Assessments as shown on the Assessment Roll are based on the method of assessment described in **Section VI** of this Preliminary Service and Assessment Plan. A copy of the notice required by Section 5.014 of the Texas Property Code is attached hereto as **Appendix B**; this notice will also be included in all future annual updates to the Service and Assessment Plan.

## **II DEFINITIONS**

Capitalized terms shall have the meanings ascribed to them as follows:

**“Actual Cost(s)”** means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certificate for Payment that has been reviewed and approved by the City. Actual Cost may include: (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction, and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, as limited below; (b) the costs of preparing the construction plans for such Authorized Improvement; (c) the fees paid for obtaining permits, licenses, or other governmental approvals for such Authorized Improvement; (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting, and similar professional services; (e) the costs of all labor, bonds, and materials incurred by contractors, builders, and material men in connection with the acquisition, construction, or implementation of the Authorized Improvements; and (f) all related permitting, zoning, and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees, and charges (including inspection fees, City permit fees, development fees), insurance premiums, miscellaneous expenses.

Actual Costs include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to 5.0% of the eligible Actual Costs described in a Certificate for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

**“Additional Interest”** means the incremental interest rate charged on the Assessments securing PID Bonds in excess of the interest rate charged on the PID Bonds issued by the City, not to exceed 0.50% as authorized pursuant to the PID Act and further described in **Section VI(F)**. Additional Interest shall be charged at the rate specified in the Development Agreement or Indenture, whichever governs, as amended.

**“Administrative Expenses”** means the portion of the Annual Installment collected for the administrative, organizational, and operation costs and expenses associated with, or incident to, the administration, organization, and operation of the PID. Administrative Expenses include, but are not limited to, the costs of:

- i. Hiring legal counsel, engineers, accountants, financial advisors, investment bankers, or other consultants and advisors;

- ii. Creating and organizing the PID (including engineering fees, legal fees, and consultant fees), preparing the Assessment Roll, and preparing the Annual Service Plan Update;
- iii. Computing, levying, collecting, and transmitting the Assessments or the Annual Installments thereof, including foreclosure and maintaining a record of installments, payments, and reallocations and/or cancellations of the Assessments;
- iv. Investing or depositing the Assessments or other monies;
- v. Complying with the PID Act and arbitrage requirements;
- vi. Paying the paying agent/registrar's and trustee's fees and expenses (including the fees and expenses of its legal counsel) related to the PID Bonds; and
- vii. Complying with continuing disclosure obligations.

**"Administrator"** means the City or a third party whom the City designates by contract who shall have the responsibilities provided for herein. The City has selected DTA, Inc. as the Administrator.

**"Annual Installment(s)"** means, with respect to each parcel of Assessed Property, each annual payment of: (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest, as applicable, as set forth herein, and (iii) Administrative Expenses.

**"Annual Service Plan Update"** has the meaning set forth in Section V of this Preliminary Service and Assessment Plan.

**"Assessed Property"** means the property that benefits from the Authorized Improvements to be provided by the PID on which Assessments have been imposed as shown on the applicable Assessment Roll and as the Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes all parcels or Lots within the PID other than Non-Benefited Property.

**"Assessment"** means an assessment levied against an Assessed Property imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Assessed Property or reduction according to the provisions herein and the PID Act.

**"Assessment Ordinance"** means an Assessment Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

**"Assessment Revenues"** means the revenues actually received by or on behalf of the City from the collection of Assessments.

“**Assessment Roll**” means the Assessment Roll attached hereto as **Appendix A** identifying the Assessment and anticipated Annual Installments for each parcel or Lot, or any other Assessment Roll as set forth in an amendment or supplement to this Preliminary Service and Assessment Plan or in an Annual Service Plan Update.

“**Authorized Improvement Costs**” mean the budgeted costs, as applicable, of all or any portion of the Authorized Improvements, as described in **Section IV**.

“**Authorized Improvements**” means those improvements (i) listed in **Table IV-1** and described in **Section IV(A)**, authorized by **Section 372.003** of the PID Act, acquired, constructed, or installed in accordance with this SAP, as may be amended pursuant to any Annual Service Plan Updates and/or amended and restated SAP, and (ii) for which Assessments are levied against the Assessed Property receiving a special benefit from such improvements.

“**Build-out**” means, for the District, that all Assessed Property expected to be developed within the District has been constructed, as determined by the City and based on assumptions provided by the Developer. Although the actual unit counts and assessed value at Build-out may vary from the estimates identified in **Table VI-1** of this SAP, the initial Assessment allocation for each Lot Type as set forth in this SAP will not change and any adjustments to unit counts or assessed value at Build-out resulting in an allocation of the Assessment that exceeds the Assessment for the Lot Type as set forth in this SAP shall require a Mandatory Prepayment as outlined in **Section VII**.

“**Certificate for Payment**” means the certificate to be provided by the Owner, or the Owner’s designee, to substantiate the Actual Cost of one or more Authorized Improvements, as described in the Indenture.

“**City**” means the City of Huntsville, Texas.

“**City Council**” means the duly elected governing body of the City.

“**Delinquency and Prepayment Reserve**” means a reserve amount to be funded from the Additional Interest collected each year as more fully described in **Section VI(I)** of this Preliminary Service and Assessment Plan.

“**Delinquent Collection Costs**” means interest, penalties, and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees, and any third-party costs paid or incurred by the City as a result of any delinquency of an Assessment.

“**Developer**” means, collectively, PHD-Huntsville 34, L.P., or their respective successors and assigns.

**“Development Agreement”** means The Reserves Development Agreement by and among the City and the Owner dated November 9, 2022, including any subsequent amendments.

**“Fiscal Year” or “FY”** means the 12-month period starting October 1 and ending September 30.

**“Indenture”** means one or more indentures of trust or similar document setting forth the terms and other provisions relating to the PID Bonds, as modified, amended, and/or supplemented from time to time.

**“Lot”** means a tract of land that is (i) a “lot” in a final subdivision plat recorded in the official records of Walker County, Texas, (ii) tract of land identified in a development/concept plan anticipated to be described as a “lot” in a final recorded subdivision plat or (iii) tract of land identified in preliminary plat anticipated to be described as a “lot” in a final recorded subdivision plat, and such (i), (ii), or (iii) is the basis for the determination of benefit and the levy of Assessments.

**“Lot Type”** means a classification of final building Lots with similar characteristics as determined or approved by the Administrator and confirmed by the City Council. Lots within the PID shall be classified as “50’-wide Lot,” encompassing all Lots with a typical lot width of 50 feet, as determined from the final subdivision plat/plotting plan attached hereto as **Appendix D**. The Administrator’s classifications shall be final.

**“Non-Benefited Property”** means the property that accrues no special benefit from the Authorized Improvements. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in **Section VII.C.3**.

**“Non-Eligible Improvement Costs”** mean the budgeted costs, as applicable, of all or any portion of the Non-Eligible Improvements, as described in **Section IV**.

**“Non-Eligible Improvements”** means those improvements listed in **Table IV-1** that are constructed and/or installed in connection with the development of property within the PID that are not permitted by **Section 372.003** of the PID Act. Non-Eligible Improvements will be paid for entirely by the Developer and will not be eligible to be funded through either PID Bond proceeds or Annual Installment revenues.

**“Owner”** means, collectively, PHD-Huntsville 34, L.P., a Texas limited liability company, or their respective successors and assigns.

**“Parcel(s)”** means a parcel or parcels within the PID identified by either a tax map identification number assigned by the Walker Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Walker County.

**“PID”** has the meaning set forth in **Section I** of this Preliminary Service and Assessment Plan.

“**PID Act**” has the meaning set forth in **Section I** of this Preliminary Service and Assessment Plan.

“**PID Bonds**” means one or more series of bonds issued to fund the Actual Costs of the Authorized Improvements (or a portion thereof). In connection with the issuance of PID Bonds, Assessments will be levied only on Assessed Property, other than Non-Benefited Property.

“**Prepayment Costs**” means interest (including Additional Interest) and Administrative Expenses incurred up to the date of prepayment of an Assessment.

“**Service and Assessment Plan**” or “**SAP**” means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, and as may be updated or amended from time to time.

“**Trustee**” means the trustee as specified in the Indenture, including a substitute or successor trustee.

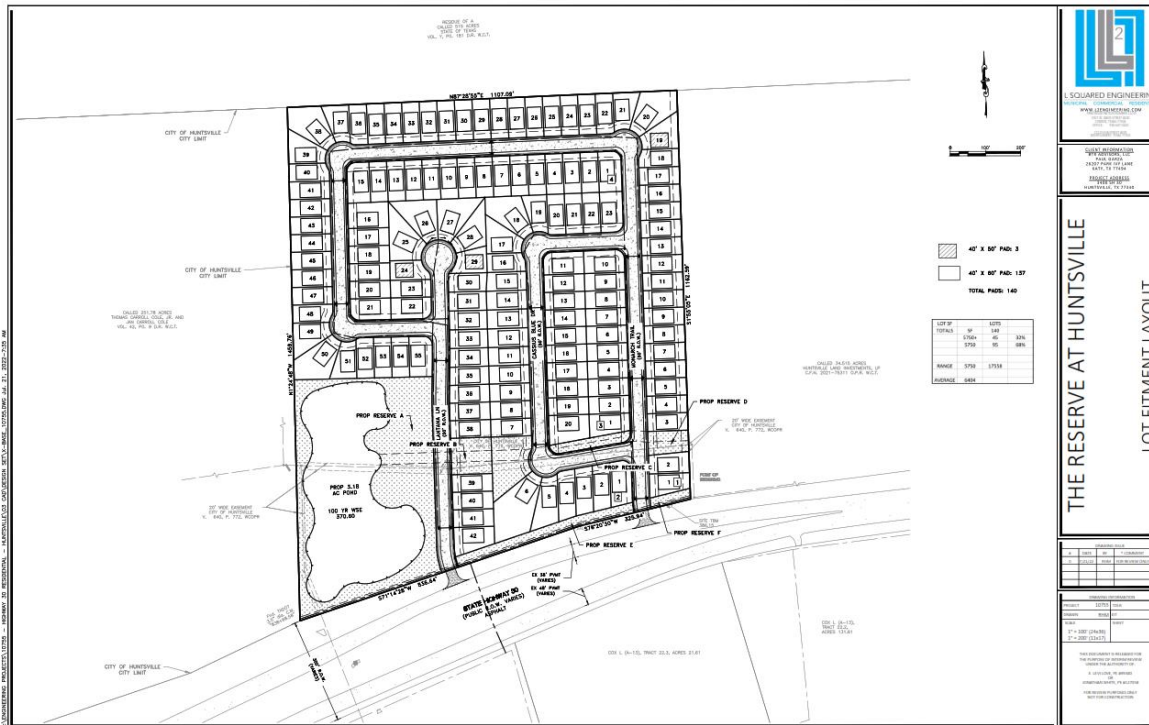


**III PROPERTY INCLUDED IN THE PID**

The PID is located entirely within the City and contains approximately 33.22 total acres of land. Legal descriptions of the boundaries of the PID are included in **Appendix C**.

A site plan of the property within the PID is shown below in Figure III-1. At completion, the PID is expected to consist of approximately 140 single-family residential units as well as the infrastructure necessary to provide roadways, landscaping, drainage, and utilities to the property within the PID. The estimated number of Lots (140) and the classification of each Lot to a Lot Type are based upon the proposed development plan provided by the Developer, attached hereto as **Appendix D**.

**Figure III-1: PID Site Plan**



#### IV DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

Section 372.003 of the PID Act defines the Authorized Improvements that may be undertaken by the City through the establishment of the PID. Authorized Improvements that may be undertaken pursuant to the PID Act include the following:

- Landscaping;
- Erection of fountains, distinctive lighting, and signs;
- Acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- Construction or improvement of pedestrian mall;
- Acquisition and assessment of pieces of art;
- Acquisition, construction, or improvement of libraries;
- Acquisition, construction, or improvement of off-street parking facilities;
- Acquisition, construction, or improvement of rerouting of mass transportation facilities;
- Acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- The establishment or improvement of parks;
- Projects similar to those listed in Subdivisions (i)-(x);
- Acquisition, by purchase or otherwise, of real property in connection with a public improvement;
- Special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development recreation, and cultural enhancement;
- Payment of expenses incurred in the establishment, administration, and operation of the district; and
- The development, rehabilitation, or expansion of affordable housing.

After analyzing the public improvement projects authorized by the PID Act, the City has determined that the Authorized Improvements described in Section IV(A) of this SAP should be undertaken by the Developer.

## **A Descriptions and Estimated Costs of the Authorized Improvements**

The costs of the Authorized Improvements, shown in **Table IV-1**, include the costs which benefit all Lots. These figures are estimates and may be revised in subsequent Annual Service Plan Updates.

The Authorized Improvements are generally described as follows and are constructed in accordance with the Development Agreement, the plans and specifications approved by the City, applicable local ordinances to the extent not modified by the City in writing, applicable state and federal regulations, and good engineering practices.

- **Roadway Improvements** – The roadway improvements are public road improvements including construction, grading, concrete, reinforcing steel, asphalt, lime, sidewalks, signs, lighting fixtures, street scaping, related dry utility work, and public walkway widening. The roadway improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. The costs of the roadway improvements are set forth in **Table IV-1**.
- **Water Improvements** – The water improvements include water mains, trench excavation and embedment, dewatering, trench safety, PVC piping, bore, valves, ground storage, pumps, fire hydrants, thrust restraint devices, service connections, and testing. The water improvements will be designed and constructed in accordance with City and Texas Commission on Environmental Quality (“TCEQ”) standards and specifications and will be owned and operated by the City. The costs of the water improvements are set forth in **Table IV-1**.
- **Sanitary Sewer Improvements** – The sanitary sewer improvements include sewer mains, manholes, trench excavation and embedment, dewatering, trench safety, and PVC piping. The sanitary sewer improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City. The costs of the sanitary sewer improvements are set forth in **Table IV-1**.
- **Storm Drainage Improvements** – The drainage improvements include preparation of a Stormwater Pollution Prevention Plan (“SWPPP”), storm sewer mains, inlets, earthen channels, swales, excavation and embedment, dewatering, trench safety, grade inlets, RCP piping and hoses, headways, concrete flumes, rock rip rap, and concrete outfalls. The drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. The costs of the drainage improvements are set forth in **Table IV-1**.
- **Earthwork Improvements** – The earthwork improvements include excavation, embankment, and grading. The earthwork improvements will be designed and constructed in accordance with City standards and specifications and will be owned

and operated by the City. The costs of the landscaping improvements are set forth in **Table IV-1**.

- **Professional and Soft Costs** – Professional and Soft Costs are the expenses incurred in the design, engineering and construction management of the Authorized Improvements and the establishment, administration, and operation of the district, but exclude the costs related to the issuance of the PID Bonds. The professional and soft costs are set forth in **Table IV-1**.

**Table IV-1: PID Eligible Project Costs\***

Description	PID Eligible Authorized Improvement Costs			Non-Eligible Improvement Costs	Total Improvement Costs
	PID Bond Funded	Developer Funded	Total		
Road Improvements	\$1,160,444	\$290,352	\$1,450,796	\$0	\$1,450,796
Water Systems	\$562,679	\$140,786	\$703,465	\$0	\$703,465
Sanitary Sewer	\$490,479	\$122,722	\$613,201	\$0	\$613,201
Storm Sewer	\$1,125,256	\$281,547	\$1,406,803	\$0	\$1,406,803
Earthwork	\$428,794	\$107,287	\$536,081	\$823,200	\$1,359,281
Park & Play Pavillion	\$0	\$0	\$0	\$541,530	\$541,530
Contingency	\$127,465	\$31,893	\$159,358	\$0	\$159,358
Miscellaneous	\$333,388	\$83,416	\$416,804	\$55,000	\$471,804
Professional & Soft Costs	\$966,883	\$241,922	\$1,208,805	\$424,758	\$1,633,563
<b>Total</b>	<b>\$5,195,388</b>	<b>\$1,299,926</b>	<b>\$6,495,313</b>	<b>\$1,844,488</b>	<b>\$8,339,801</b>

**\*Note:** Costs provided by the Developer. The amounts shown are subject to rounding and may be revised in Annual Service Plan Updates.

The funding of the Authorized Improvements as depicted in **Table IV-1** will be from the proceeds of the PID Bonds and/or Developer cash contributions. The entire Non-Eligible Improvement Costs will be privately funded by the Developer, without any reimbursements from the PID Bond proceeds or Annual Installment revenues. Note, the construction and/or installation of the Authorized Improvements and Non-Eligible Improvements are entirely the responsibility of the Developer and are **non-recourse to the City**.

## **V SERVICE PLAN**

The PID Act requires the service plan to cover a period of at least 5 years and define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during the 5-year period.

Construction of the Authorized Improvements began in Q2 of 2024 and is anticipated to be substantially complete in September 2024.

As reflected in **Table V-1** on the following page, the total uses of funds are approximately \$6,500,000 and include the following:

- Estimated Authorized Improvement Costs and the source funding;
- Estimated costs related to the issuance of PID Bonds;
- Deposits to fund the required reserves and capitalized interest, if required, for PID Bonds; and
- Payment of expenses incurred in the establishment, administration, and operation of the PID.

The sources of funds are comprised of cash contributions from the Owner and aggregate principal amount of the PID Bonds, which are computed using the following assumptions:

- PID Bonds will each be issued in a single series of 30-year bonds with an estimated average coupon rate of 6.50%;
- Capitalized Interest is calculated through March 15, 2025; and
- PID Bonds are expected to be issued on October 31, 2024.

The sources and uses of funds shown in **Table V-1** shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and changes to Actual Costs.

Table V-1: Sources and Uses

Description	PID Bonds
<b>Sources of Funds</b>	
PID Bond Par Amount	\$6,500,000
<b>Total Sources of Funds</b>	<b>\$6,500,000</b>
<b>Uses of Funds</b>	
<u>Estimated Costs</u>	
Road Improvements	\$1,160,444
Water Systems	\$562,679
Sanitary Sewer	\$490,479
Storm Sewer	\$1,125,256
Earthwork	\$428,794
Park & Play Pavillion	\$0
Contingency	\$127,465
Miscellaneous	\$333,388
Professional & Soft Costs	\$966,883
<b>Subtotal Improvements Costs</b>	<b>\$5,195,388</b>
<u>Financing Costs</u>	
Costs of Issuance	\$415,000
Underwriter's Discount	\$195,000
Capitalized Interest	\$158,438
Reserve Fund Deposit	\$506,175
Administrative Expenses	\$30,000
<b>Subtotal Financing Costs</b>	<b>\$1,304,613</b>
<b>Total Uses of Funds</b>	<b>\$6,500,000</b>

**\*Note:** Numbers may not sum due to rounding. The current appraised market value of the District of \$9,163,000 would yield a value-to-lien ratio at 1.41. To comply with the mandated value-to-lien ratio of 2:1, only \$1,358,387 of \$5,195,387 earmarked for funding the Authorized Improvements will be available at the time of closing, with the remaining \$3,837,000 released after the completion of 17 residential homes within the District, upon the approval from the City.

This Preliminary Service and Assessment Plan shall be reviewed and updated annually for the purpose of determining the annual budget for Administrative Expenses, incorporating the most recent estimate of Authorized Improvement Costs, and revising the Assessment Roll to reflect such updates. Any update to this Preliminary Service and Assessment Plan shall be referred to as an Annual Service Plan Update.

The annual projected debt service and Administrative Expenses are shown in Table V-2. The annual projected debt service and Administrative Expenses portion of the Annual Installments are subject to revision and shall be updated in the Annual Service Plan Update to reflect any changes expected for each year provided, however, that any Administrative Expenses charged as part of the Annual Installment shall not exceed the amount set forth in

the Assessment Roll without compliance with the provisions of Section 372.016 and 372.017 of the PID Act.

**Table V-2: 5-Year Summary**

Fiscal Year Ending	Principal	Interest	Capitalized Interest	Additional Interest	Administrative Expenses	Annual Assessment Installment
2025	\$0	\$369,688	(\$158,438)	\$16,250	\$30,000	\$257,500
2026	\$80,000	\$422,500	\$0	\$16,250	\$30,600	\$549,350
2027	\$85,000	\$417,300	\$0	\$16,050	\$31,212	\$549,562
2028	\$90,000	\$411,775	\$0	\$15,838	\$31,836	\$549,449
2029	\$100,000	\$405,925	\$0	\$15,613	\$32,473	\$554,010
<b>TOTAL</b>	<b>\$355,000</b>	<b>\$2,027,188</b>	<b>(\$158,438)</b>	<b>\$80,000</b>	<b>\$156,121</b>	<b>\$2,459,871</b>

**\*Note:** Numbers may not sum due to rounding. The projected Annual Installments are based on the interest rate on the PID Bonds, a 29-year term of the Assessments, Additional Interest component equal to 0.25% of outstanding principal portion of the Assessment, and initial annual administrative expenses of \$30,000 in FY 2024-25 and increasing at 2.0% per year thereafter. Administrative Expenses for the first year will be funded through the initial deposit at bond closing.

The projected annual costs shown in Table V-3 are the annual expenditures relating to the Authorized Improvements, the costs associated with setting up the PID, and the costs of issuance, including reserves.

**Table V-3: Annual Projected Costs and Indebtedness**

Fiscal Year Ending	Projected Annual Costs of Authorized Improvements	Projected Annual Indebtedness
2025	\$5,195,388	\$369,688
2026	\$0	\$502,500
2027	\$0	\$502,300
2028	\$0	\$501,775
2029	\$0	\$505,925
<b>TOTAL</b>	<b>\$5,195,388</b>	<b>\$2,382,188</b>

## **VI ASSESSMENT PLAN**

### **A Introduction**

The PID Act requires the City Council to apportion the costs of the Authorized Improvements on the basis of special benefits conferred upon the property as a result of the Authorized Improvements. The PID Act provides that the costs of the Authorized Improvements may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited.

The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

The proposed bond issuance program entails a single series of bond financings that are intended to finance the public infrastructure required for the development. This financing will necessarily be undertaken to coincide with the private investment and development of the Authorized Improvements.

The purpose of the issuance of bonds is to mirror the actual development of the Authorized Improvements. PID Bonds are most prudently and efficiently utilized when directly coinciding with construction of the public infrastructure needed for the private development that is to occur once the infrastructure is completed; it is most effective to issue the Bonds when the infrastructure is needed, not before.

Additionally, the issuance of PID Bonds will maintain a prudent Value-to-Lien ("VTL") within the financing program. In order to maintain a prudent VTL, the issuance of bonds at the time of bond issuance may not fund all of the necessary Authorized Improvements because the property value is not high enough to support the entire debt load at the VTL chosen for the development. In the event that the VTL cannot support the full bond issuance, the City shall escrow a portion of the PID Bonds not supported by the overall VTL requirement until such time as the Developer can demonstrate that the overall VTL requirement has been obtained. The target VTL shall be outlined in the Development Agreement or Indenture, whichever governs, as amended.

The value-to-lien ratio in connection with the issuance of PID Bonds is estimated at 1.41, based on \$9,163,000 in the current District appraised value and \$6,500,000 in the PID Bonds. To comply with the mandated value-to-lien ratio of 2:1, only \$1,358,387 of \$5,195,387 earmarked for funding the Authorized Improvements will be available at the time of closing, with the remaining \$3,837,000 anticipated to be released after the completion of approximately 17 residential homes within the District. The City shall reserve the right to request supporting materials before authorizing the release of such funds, including an updated appraisal.





For purposes of this Preliminary Service and Assessment Plan, the City Council has determined that the costs of the Authorized Improvements shall be allocated on the basis of the size of the Lots and their estimated assessed value at Build-Out, and that such method of allocation will result in the imposition of equal shares of the costs of the improvements to Lots similarly benefited. At this time, the Assessed Property will be assessed for the special benefits conferred upon the property due to the Authorized Improvements.

This section of the SAP currently (i) describes the special benefit received by the Assessed Property as a result of the construction of the Authorized Improvements, (ii) provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments to be levied on the Assessed Property for such improvements, and (iii) establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Authorized Improvements to Assessed Property in a manner that results in equal shares of the Actual Costs of such improvements being apportioned to Assessed Property similarly benefited.

The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Owner and all future owners and owners of the Assessed Property.

**B Special Benefit**

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in **Section IV(A)** of this Preliminary Service and Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment of the PID, shown in **Table V-1**, are authorized by the Act. These improvements are provided specifically for the benefit of the Assessed Property.

Each owner of Assessed Property at the time Assessments are levied on their property has acknowledged that the Authorized Improvements confer a special benefit on the property and has consented to the imposition of Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in his or her best interest in consenting to this apportionment and levying of Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements is equal to or greater than the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed

use of the property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*The Appraisal of Real Estate, Fourteenth Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Owner has evaluated the potential use of the property and has determined that the highest and best use of the property is the use intended and the legal use for the property for single-family residential units as described in **Section III** of this Preliminary Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

Each Owner of Assessed Property will ratify, confirm, accept, agree to, and approve: (i) the determinations and findings by the City Council and Administrator as to the special benefits described in this Preliminary Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property.

The use of Assessed Property as described in this Preliminary Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs of the Authorized Improvements through the PID has been determined by the City Council to be the most beneficial and cost-effective means of doing so. The Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

In summary, the Authorized Improvements result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, and provide a special benefit to the Assessed Property;
2. The special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

### **C Assessment Methodology**

The estimated costs of the Authorized Improvements may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the property by the Authorized Improvements equals or exceeds the Assessments. The estimated costs of



the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of the costs on Assessed Property similarly benefited.

**C.1 Assessment Methodology for Authorized Improvements**

For purpose of this SAP, the City Council has determined that the estimated costs of the Authorized Improvements, shall be allocated entirely to the Assessed Property. As reflected in **Table VI-1**, the entire Assessment is spread across the Lot Types based on their respective estimated assessed value at Build-out and number of Lots anticipated to be developed within such Lot Type. Authorized Improvements are to be financed in part with the proceeds of the PID Bonds.

Based on the estimated costs for the Authorized Improvements provided by the Developer, the City Council has determined that the benefit to the Assessed Property from the Authorized Improvements is at least equal to the Assessments levied on the Assessed Property.

The Assessment and Annual Installments for Assessed Property are shown on the Assessment Roll, attached as **Appendix A**, and no Assessment shall be changed except as authorized by this SAP or the PID Act.

**Table VI-1: Assessment Allocations by Lot Type**

Lot type	# of Lots	Estimated Assessed Value Per Home	Estimated Assessed Value at Buildout	Assessment Allocation
50'-wide Lot	140	\$295,000	\$41,300,000	100.00%
Total	140	N/A	\$41,300,000	100.00%

*\*Note:* Value estimates provided by the Developer. Final sale price of homes may vary.

**D Assessments Allocation**

The Assessments for the PID Bonds will be levied on the Assessed Property according to the Assessment Roll, attached hereto as **Appendix A**. The Annual Installments for the PID Bonds will be collected at the time and in the amounts shown on the respective Assessment Roll, subject to any revisions made during an Annual Service Plan Update.

Although the actual unit counts and Build-out values may vary from the estimates shown below, the initial assessment allocation for each Lot Type as set forth will not change, except as authorized by this SAP or the PID Act, and any adjustments to unit counts or Build-out values resulting in an assessment that exceeds the Assessment for the Lot Type as set forth in this SAP shall require a Mandatory Prepayment as outlined in **Section VII.C**.

The total Assessment is set forth below in **Table VI-2**.

Table VI-2: Assessments Per Lot

Lot type	# of Lots	Estimated Assessed Value Per Home	Estimated Assessed Value at Buildout	Assessment Allocation	Total Assessment Principal	Average Annual Installment	PID Tax Rate	Total Tax Rate
50'-wide Lot	140	\$295,000	\$41,300,000	100.00%	\$6,500,000	\$3,967.07	1.3448	3.0197
Total	140	N/A	\$41,300,000	100.00%	\$6,500,000	N/A	N/A	N/A

**E Administrative Expenses**

The Administrative Expense portion of the Assessment shall be paid for on a pro rata basis by each Parcel based on the amount of outstanding Assessment remaining on the Parcel. The Administrative Expenses shall be collected as part of the Annual Installments in the amounts shown on the Assessment Rolls shown on **Appendix A**. Administrative Expenses do not include payment of the actual principal of and interest on the PID Bonds or any costs which constitute expenses payable as an expense of issuing the PID Bonds. Administrative Expenses commence upon the levy of the Assessments and terminate upon the payment on the final installment of the Assessments. The initial payment of Administrative Expenses may be paid from the proceeds of the PID Bonds issued. The Administrative Expenses may be revised, based on actual costs incurred, in Annual Service Plan Updates, as shown on **Table V-1**.

**F Delinquency and Prepayment Reserve**

Pursuant to the PID Act, the interest rate for Assessments securing PID Bonds may exceed the actual interest rate per annum paid on the related PID Bonds by no more than 0.50%. The interest rate used to determine the interest rate on the Assessments is 0.25% per annum higher than the actual rate paid on the PID Bonds (the "Additional Interest"). Additional Interest shall be collected as part of each Annual Installment as set forth on the Assessment Roll. Under the Indenture, Additional Interest shall ultimately be deposited into a reserve account pursuant to the Indenture (the "Delinquency and Prepayment Reserve Account") such that the balance in the Delinquency and Prepayment Reserve Account equals a percentage of the outstanding principal balance of the PID Bonds (the "Delinquency and Prepayment Reserve Requirement") determined by the Indenture, and shall then be deposited as set forth in the Indenture. The Delinquency and Prepayment Reserve Account shall be used to pay Prepayment Costs, Delinquent Collection Costs, or to cover any deficiencies in the funds available to pay debt service on the PID Bonds, all as set forth in the Indenture. If the Delinquency and Prepayment Reserve Account contains the Delinquency and Prepayment Reserve Requirement, the Additional Interest will be allocated for the additional purposes set forth in the PID Bond Indenture.

**VII TERMS**

**A Amount of Assessments and Annual Installments for Assessed Property Located within the PID**

**A.1 Assessed Property**

The Assessment and Annual Installments for Assessed Property located within the PID are presented in **Appendix A**. No Assessment shall be changed except as authorized in an Annual Service Plan Update and the PID Act.

The Annual Installments shall be collected in an amount sufficient to pay the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest with respect to the PID Bonds, and (iii) Administrative Expenses.

**B Reallocation of Assessments for Assessed Property located within the PID**

**B.1 Apportionment of Assessments Upon Consolidation of Assessed Properties**

Subject to the limitations described herein and applicable law, upon the consolidation of two or more Assessed Properties, the Assessment for the consolidated Assessed Property shall be the sum of the Assessments for the Assessed Properties prior to consolidation.

**B.2 Apportionment of Assessments Upon Division of Assessed Properties**

In general, the sum of the Assessments for all newly subdivided Assessed Property shall equal the Assessment for the subdivided Assessed Property prior to subdivision. The Assessment initially applicable to each Assessed Property is equal to the Assessment that corresponds to the Lot Type for such Assessed Property; if an Assessed Property contains two or more Lots, the Assessment initially applicable is equal to the sum of the Assessments that correspond to the actual or proposed Lot Types for such Assessed Property. Similarly, if an Assessed Property is subsequently platted, subdivided, re-subdivided or re-platted, the Assessment applicable to each resulting new Lot shall be equal to the Assessment that corresponds to the actual or proposed Lot Type for such Assessed Property. However, the reallocation of an Assessment for an Assessed Property may not exceed the Assessment prior to the reallocation without a Mandatory Prepayment made pursuant to **Section VII(C)**. Any reallocation pursuant to this section shall be calculated by the Administrator and shall be reflected in an Annual Service Plan Update approved by the City. The reallocation of any Assessments as described herein shall be considered an administrative action and will not require any notice or public hearing, as defined in the PID Act, by the City.

### ***B.3 Non-Benefited Property to Assessed Property***

In the case it has been determined that a Non-Benefited Property shall be classified as an Assessed Property (i.e., it has been determined that the property now receives benefit from the Authorized Improvements), an Assessment shall be allocated against such Assessed Property in accordance with the methodology described in this Assessment Plan and in accordance with the provisions of the PID Act, and the Assessment Roll shall be amended in the next Annual Service Plan Update. Following City Council approval, the assessment will be allocated and the newly Assessed Property will be subject to the terms defined in Section VII(C) regarding Assessment excess.

## **C Mandatory Prepayment of Assessments**

An owner of Assessed Property is required to (i) partially prepay any Assessment that exceeds the applicable Assessment for such Lot Type in an amount sufficient to reduce the Assessment to the applicable Assessment for such Lot Type or shortfall and (ii) prepay any Assessment for Assessed Property transferred to a party that is exempt from the payment of the Assessments under applicable law or for which the owner causes all or portion thereof to become Non-Benefited Property, plus Prepayment Costs and any Delinquent Collection Costs, as described below (a "Mandatory Prepayment").

The Mandatory Prepayments required below shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this SAP, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

### ***C.1 Assessment Excess***

If at any time the Assessment on a Lot exceeds the original Assessment calculated for the Lot as set forth in the SAP as a result of any reallocation of an Assessment authorized by this SAP (including platting or re-platting) and initiated by the owner of the Lot, then following compliance with any applicable notice and hearing requirement of the PID Act (unless a waiver of such notice and hearing is obtained from the owner of the Lot) such owner shall pay to the City prior to the recordation of the document subdividing or re-subdividing the Lot the amount calculated by the Administrator by which the new Assessment for the Lot exceeds the original Assessment for the Lot.

### ***C.2 Assessment Shortfall***

If at any time the Assessment on a Lot is less than the original Assessment calculated for the Lot as a result of any reallocation of an Assessment authorized by this SAP (including platting or re-platting) and initiated by the owner of the Lot, then, such owner shall pay to the City prior to the recordation of the document subdividing or re-subdividing the Lot the amount calculated by the Administrator by which the new Assessment for the Lot is less than the original Assessment for the Lot.

**C.3 Transfer of Assessed Property to Exempt Party and Conversion of Assessed Property to Non-Benefited Property**

If an Assessed Property or portion thereof is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes an Assessed Property or portion thereof to become Non-Benefited Property, the owner of such Assessed Property or portion thereof shall pay to the City the full amount of the Assessment or portion thereof that is related to the transferred property, plus all Prepayment Costs and Delinquent Collection Costs, if applicable, for such Assessed Property or portion thereof prior to any such transfer or act.

**D Reduction of Assessments**

If as a result of cost savings or Authorized Improvements not being constructed, the Actual Costs of completed Authorized Improvements are less than the Assessments, (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, or (ii) in the event PID Bonds are issued, the Trustee shall apply amounts on deposit in the applicable account of the project fund, relating to the PID Bonds, that are not expected to be used for purposes of the project fund to redeem outstanding PID Bonds, in accordance with the applicable Indenture. The Assessments shall not be reduced to an amount less than the amount due on the related 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.

Similarly, if any of the Authorized Improvements to be funded with a series of PID Bonds are not undertaken resulting in excess bond proceeds, then the City may, in its discretion and in accordance with the applicable Indenture, reduce the Assessment for each Assessed Property securing such PID Bonds on a pro rata basis to reflect only the Actual Costs that were expended and deposit and apply such excess PID Bond proceeds as described in the paragraph above or as authorized in the Indenture.

**E Payment of Assessments**

**E.1 Payment in Full**

The Assessment for any Assessed Property may be paid in full or in part at any time. Such payment shall include all Prepayment Costs. If prepayment will result in redemption of PID Bonds, the payment amount shall be reduced by the amount, if any, of reserve funds applied to the redemption under the Indenture.

If an Annual Installment has been billed prior to payment of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

If an Assessment is paid in full: (i) the Administrator shall cause such Assessment to be reduced to zero and the Assessment Roll to be revised accordingly; (ii) the Administrator shall submit the revised Assessment Roll to be approved by the City Council as part of the next Annual Service Plan Update; (iii) the obligation to pay such Assessment and corresponding Annual Installments shall terminate; and (iv) the City shall provide the Owner with a recordable notice that the lien on such Assessed Property has been released by the City. If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

If an Assessment is prepaid in part: (i) the Administrator shall cause such Assessment to be reduced by the amount of such partial prepayment in a manner conforming to the provisions of the Indenture and the Assessment Roll revised accordingly; (ii) the Administrator shall submit the revised Assessment Roll reflecting such partial prepayment to be approved by the City Council as part of the next Annual Service Plan Update; and (iii) the obligation to pay such Assessment and corresponding Annual Installments shall be reduced to the extent the partial payment is made.

### ***E.2 Payment in Annual Installments***

The PID Act provides that an Assessment for any Assessed Property may be paid in full at any time. If not paid in full, the PID Act authorizes the Assessment to be paid in installments and additionally allows the City to collect principal, interest, Additional Interest, and Administrative Expenses in installments. An Assessment for Assessed Property that is not paid in full will be collected in Annual Installments each year in the amounts shown on the Assessment Roll, as updated and provided for herein. Payment of the Annual Installments shall commence with tax bills mailed in 2024 and shall be delinquent if not paid prior to February 1, 2025.

The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property consisting of the (i) annual principal amount due on the Assessments, (ii) annual interest amount due on the Assessments including the Additional Interest with respect to the PID Bonds, and (iii) Administrative Expense. The Annual Installments may not exceed the amounts shown on the Assessment Rolls in **Appendix A** as of the date the respective Assessments are levied.

The Annual Installments shown on the Assessment Roll shall be adjusted to equal the Actual Costs of repaying the PID Bonds, including Additional Interest and Administrative Expenses. In addition, the City may adopt additional Assessment Roll(s) relating to the Authorized Improvements within the PID and the issuance of future PID Bonds.

The City reserves and shall have the right and option to refund PID Bonds in accordance with the PID Act and/or Chapter 1207, Texas Government Code, as amended, and the Indenture related to such Bonds. In the event of issuance of refunding bonds, the Administrator shall recalculate the Annual Installments, and if



necessary, may adjust, or decrease, the amount of the Annual Installment so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the debt service on the refunding bonds when due and payable as required by and established in the ordinance and/or the Indenture authorizing and securing the refunding bonds plus interest generated from the Additional Interest rate, and such refunding bonds shall constitute "PID Bonds" for purposes of the SAP.

#### **F Collection of Annual Installments**

The Administrator shall, no less frequently than annually, prepare and submit to the City Council for its approval an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Assessed Property. Administrative Expenses shall be allocated on a pro rata basis by each Parcel based on the amount of outstanding Assessment remaining on the Parcel. Each Annual Installment shall be reduced by any credits applied under the Indenture, such as interest earnings on any account balances, and any other funds available under the applicable Indenture for such purpose. Annual Installments may be collected by the City (or such entity to whom the City directs) in the same manner and at the same time as *ad valorem* taxes. Annual Installments shall be subject to the 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 for the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Any sale of Assessed Property for nonpayment of the delinquent Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such Assessed Property and such Assessed Property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such Assessed Property as they become due and payable.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be updated annually and each Annual Installment shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments shall be due when billed in 2024 and will be delinquent if not paid prior to February 1, 2025.

The City or County Tax Assessor/Collector or another collection entity engaged by the City will invoice each owner of property for the Annual Installment payment at approximately the same time as the County's annual property tax bill, and the Annual Installments shall be due and payable, and incur penalty and interest for unpaid Annual Installments in the same manner as provided for property taxes. Thereafter, subsequent Annual Installments shall be due in the same manner in each succeeding calendar year until the Assessment, together with interest, Additional Interest, and Administrative Expenses as provided in this SAP, has been paid in full.

Failure of an owner to receive an invoice for an Annual Installment on the property tax bill shall not relieve the owner of the responsibility for payment of the Assessment. Assessments, or Annual Installments thereof, that are delinquent shall incur Delinquent Collection Costs. The City may provide for other means of collecting the Annual Installments to the extent permitted by the Act.

The Assessments, with interest and Administrative Expenses, are personal liability of charges against the owners of the property. The lien is effective from the date of the ordinance or order levying the assessment and lasts until the assessment is paid. Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

**VIII ASSESSMENTS**

**A Assessment**

As described by this SAP, Assessed Property will be assessed for the special benefits conferred upon the property as a result the Authorized Improvements. **Table VIII-1** summarizes the \$7,799,926 in special benefit received by Assessed Property as a result of the Authorized Improvements and the PID formation and bond issuance costs.

**Table VIII-1: Special Benefit Summary**

<b>Public Improvement</b>	<b>Improvement Costs</b>
Total Authorized Improvements	\$6,495,313
Costs of Issuance	\$415,000
Underwriter's Discount	\$195,000
Capitalized Interest	\$158,438
Reserve Fund Deposit	\$506,175
Administrative Expenses	\$30,000
<b>Total Special Benefit</b>	<b>\$7,799,926</b>
<b>Total Assessment</b>	<b>\$6,500,000</b>
<b>Excess Benefit</b>	<b>\$1,299,926</b>

**B Annual Assessment Roll Updates**

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel and Lot; (ii) the Assessment for each Lot of Assessed Property, including any adjustments authorized by this Preliminary Service and Assessment Plan and the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided in **Section VI** of this Preliminary Service and Assessment Plan. The Annual Service Plan Update shall reflect the actual interest on the PID Bonds on which the Annual Installments shall be paid plus Additional Interest, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by the PID Bonds and Developer funds.



**IX MISCELLANEOUS PROVISIONS**

**A Administrative Review**

To the extent consistent with the PID Act, an owner of Assessed Property claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than 30 days after the date the invoice or other bill for the Annual Installment is received. If the Owner(s) fails to give such notice, such Owner(s) shall be deemed to have accepted the calculation of the Assessment Roll (including the Annual Installments) and to have waived any objection to the calculation. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred. The City may elect to designate a third party who is not an officer or employee of the City to serve as administrator of the PID.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Property owner, such change or modification shall be presented to the City Council for approval to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Property owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the City Council, the decision of the City Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

**B Termination of Assessments**

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable Notice of the PID Assessment Termination.

**C Amendments**

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The City Council reserves the right to the extent permitted by the PID Act to amend this Preliminary Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels: (i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Delinquent Collection Costs, and other charges imposed by the Service and Assessment Plan.

**D Administration and Interpretation of Provisions**

The City Council shall administer the PID, this Preliminary Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act and shall make all interpretations and determinations related to the application of this Preliminary Service and Assessment Plan unless stated otherwise herein or in the Indenture. Such determinations shall be final, binding, and conclusive.

**E Severability**

If any provision, section, subsection, sentence, clause, or phrase of this Preliminary Service and Assessment Plan or the application of same to Assessed Property or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Preliminary Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Preliminary Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any other part hereof, and all provisions of this Preliminary Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Preliminary Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Preliminary Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

**F Buyer Disclosure**

The PID Act requires that this Preliminary Service and Assessment Plan and each Annual Service Plan Update include a copy of the notice form required by Section 5.014 of the Texas Property Code. The buyer disclosure is attached hereto as **Appendix B** and may be updated in an Annual Service Plan Update.

# **APPENDIX A**

City of Huntsville, Texas  
The Reserves Public Improvement District  
Preliminary Service and Assessment Plan



## **ASSESSMENT ROLL**

**Appendix A**  
**The Reserves Public Improvement District**  
**Assessment Roll**

**Assessment by Parcel ID and Phase**

<b>Parcel ID</b>	<b>Owner<sup>1</sup></b>	<b>Total Lots</b>	<b>Outstanding PID Assessment Principal</b>
11372	PHD HUNTSVILLE 34 LP	140	\$6,500,000.00
Total		140	\$6,500,000.00

<sup>1</sup>Ownership data according to Walker CAD, as of March 20, 2024.

Total Amortization								
FY Ending	Principal	Interest	CAPI	Debt Service	Prepay Reserve	DQ Reserve	Admin	Total Installment
2025	\$0.00	\$369,687.50	(\$158,437.50)	\$211,250.00	\$6,500.00	\$9,750.00	\$30,000.00	\$257,500.00
2026	\$80,000.00	\$422,500.00	\$0.00	\$502,500.00	\$6,500.00	\$9,750.00	\$30,600.00	\$549,350.00
2027	\$85,000.00	\$417,300.00	\$0.00	\$502,300.00	\$6,420.00	\$9,630.00	\$31,212.00	\$549,562.00
2028	\$90,000.00	\$411,775.00	\$0.00	\$501,775.00	\$6,335.00	\$9,502.50	\$31,836.24	\$549,448.74
2029	\$100,000.00	\$405,925.00	\$0.00	\$505,925.00	\$6,245.00	\$9,367.50	\$32,472.96	\$554,010.46
2030	\$105,000.00	\$399,425.00	\$0.00	\$504,425.00	\$6,145.00	\$9,217.50	\$33,122.42	\$552,909.92
2031	\$110,000.00	\$392,600.00	\$0.00	\$502,600.00	\$6,040.00	\$9,060.00	\$33,784.87	\$551,484.87
2032	\$120,000.00	\$385,450.00	\$0.00	\$505,450.00	\$5,930.00	\$8,895.00	\$34,460.57	\$554,735.57
2033	\$125,000.00	\$377,650.00	\$0.00	\$502,650.00	\$5,810.00	\$8,715.00	\$35,149.78	\$552,324.78
2034	\$135,000.00	\$369,525.00	\$0.00	\$504,525.00	\$5,685.00	\$8,527.50	\$35,852.78	\$554,590.28
2035	\$145,000.00	\$360,750.00	\$0.00	\$505,750.00	\$5,550.00	\$8,325.00	\$36,569.84	\$556,194.84
2036	\$150,000.00	\$351,325.00	\$0.00	\$501,325.00	\$5,405.00	\$8,107.50	\$37,301.24	\$552,138.74
2037	\$160,000.00	\$341,575.00	\$0.00	\$501,575.00	\$5,255.00	\$7,882.50	\$38,047.26	\$552,759.76
2038	\$175,000.00	\$331,175.00	\$0.00	\$506,175.00	\$5,095.00	\$7,642.50	\$38,808.21	\$557,720.71
2039	\$185,000.00	\$319,800.00	\$0.00	\$504,800.00	\$4,920.00	\$7,380.00	\$39,584.37	\$556,684.37
2040	\$195,000.00	\$307,775.00	\$0.00	\$502,775.00	\$4,735.00	\$7,102.50	\$40,376.06	\$554,988.56
2041	\$210,000.00	\$295,100.00	\$0.00	\$505,100.00	\$4,540.00	\$6,810.00	\$41,183.58	\$557,633.58
2042	\$220,000.00	\$281,450.00	\$0.00	\$501,450.00	\$4,330.00	\$6,495.00	\$42,007.25	\$554,282.25
2043	\$235,000.00	\$267,150.00	\$0.00	\$502,150.00	\$4,110.00	\$6,165.00	\$42,847.40	\$555,272.40
2044	\$250,000.00	\$251,875.00	\$0.00	\$501,875.00	\$3,875.00	\$5,812.50	\$43,704.35	\$555,266.85
2045	\$270,000.00	\$235,625.00	\$0.00	\$505,625.00	\$3,625.00	\$5,437.50	\$44,578.44	\$559,265.94
2046	\$285,000.00	\$218,075.00	\$0.00	\$503,075.00	\$3,355.00	\$5,032.50	\$45,470.01	\$556,932.51
2047	\$305,000.00	\$199,550.00	\$0.00	\$504,550.00	\$3,070.00	\$4,605.00	\$46,379.41	\$558,604.41
2048	\$325,000.00	\$179,725.00	\$0.00	\$504,725.00	\$2,765.00	\$4,147.50	\$47,307.00	\$558,944.50
2049	\$345,000.00	\$158,600.00	\$0.00	\$503,600.00	\$2,440.00	\$3,660.00	\$48,253.14	\$557,953.14
2050	\$370,000.00	\$136,175.00	\$0.00	\$506,175.00	\$2,095.00	\$3,142.50	\$49,218.20	\$560,630.70
2051	\$390,000.00	\$112,125.00	\$0.00	\$502,125.00	\$1,725.00	\$2,587.50	\$50,202.56	\$556,640.06
2052	\$415,000.00	\$86,775.00	\$0.00	\$501,775.00	\$1,335.00	\$2,002.50	\$51,206.61	\$556,319.11
2053	\$445,000.00	\$59,800.00	\$0.00	\$504,800.00	\$920.00	\$1,380.00	\$52,230.74	\$559,330.74
2054	\$475,000.00	\$30,875.00	\$0.00	\$505,875.00	\$475.00	\$712.50	\$53,275.35	\$560,337.85
	\$6,500,000.00	\$8,477,137.50	(\$158,437.50)	\$14,818,700.00	\$131,230.00	\$196,845.00	\$1,217,042.64	\$16,363,817.64

Note: First year administrative expenses to be funded through funds deposited at bond closing.

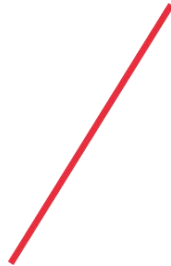


Amortization, Single Lot								
Tax Year	Principal	Interest	CAP I	Debt Service	Prepay Reserve	DQ Reserve	Admin	Total Installment
2025	\$0.00	\$2,640.63	(\$1,131.70)	\$1,508.93	\$46.43	\$69.64	\$214.29	\$1,839.29
2026	\$571.43	\$3,017.86	\$0.00	\$3,589.29	\$46.43	\$69.64	\$218.57	\$3,923.93
2027	\$607.14	\$2,980.71	\$0.00	\$3,587.86	\$45.86	\$68.79	\$222.94	\$3,925.44
2028	\$642.86	\$2,941.25	\$0.00	\$3,584.11	\$45.25	\$67.88	\$227.40	\$3,924.63
2029	\$714.29	\$2,899.46	\$0.00	\$3,613.75	\$44.61	\$66.91	\$231.95	\$3,957.22
2030	\$750.00	\$2,853.04	\$0.00	\$3,603.04	\$43.89	\$65.84	\$236.59	\$3,949.36
2031	\$785.71	\$2,804.29	\$0.00	\$3,590.00	\$43.14	\$64.71	\$241.32	\$3,939.18
2032	\$857.14	\$2,753.21	\$0.00	\$3,610.36	\$42.36	\$63.54	\$246.15	\$3,962.40
2033	\$892.86	\$2,697.50	\$0.00	\$3,590.36	\$41.50	\$62.25	\$251.07	\$3,945.18
2034	\$964.29	\$2,639.46	\$0.00	\$3,603.75	\$40.61	\$60.91	\$256.09	\$3,961.36
2035	\$1,035.71	\$2,576.79	\$0.00	\$3,612.50	\$39.64	\$59.46	\$261.21	\$3,972.82
2036	\$1,071.43	\$2,509.46	\$0.00	\$3,580.89	\$38.61	\$57.91	\$266.44	\$3,943.85
2037	\$1,142.86	\$2,439.82	\$0.00	\$3,582.68	\$37.54	\$56.30	\$271.77	\$3,948.28
2038	\$1,250.00	\$2,365.54	\$0.00	\$3,615.54	\$36.39	\$54.59	\$277.20	\$3,983.72
2039	\$1,321.43	\$2,284.29	\$0.00	\$3,605.71	\$35.14	\$52.71	\$282.75	\$3,976.32
2040	\$1,392.86	\$2,198.39	\$0.00	\$3,591.25	\$33.82	\$50.73	\$288.40	\$3,964.20
2041	\$1,500.00	\$2,107.86	\$0.00	\$3,607.86	\$32.43	\$48.64	\$294.17	\$3,983.10
2042	\$1,571.43	\$2,010.36	\$0.00	\$3,581.79	\$30.93	\$46.39	\$300.05	\$3,959.16
2043	\$1,678.57	\$1,908.21	\$0.00	\$3,586.79	\$29.36	\$44.04	\$306.05	\$3,966.23
2044	\$1,785.71	\$1,799.11	\$0.00	\$3,584.82	\$27.68	\$41.52	\$312.17	\$3,966.19
2045	\$1,928.57	\$1,683.04	\$0.00	\$3,611.61	\$25.89	\$38.84	\$318.42	\$3,994.76
2046	\$2,035.71	\$1,557.68	\$0.00	\$3,593.39	\$23.96	\$35.95	\$324.79	\$3,978.09
2047	\$2,178.57	\$1,425.36	\$0.00	\$3,603.93	\$21.93	\$32.89	\$331.28	\$3,990.03
2048	\$2,321.43	\$1,283.75	\$0.00	\$3,605.18	\$19.75	\$29.63	\$337.91	\$3,992.46
2049	\$2,464.29	\$1,132.86	\$0.00	\$3,597.14	\$17.43	\$26.14	\$344.67	\$3,985.38
2050	\$2,642.86	\$972.68	\$0.00	\$3,615.54	\$14.96	\$22.45	\$351.56	\$4,004.51
2051	\$2,785.71	\$800.89	\$0.00	\$3,586.61	\$12.32	\$18.48	\$358.59	\$3,976.00
2052	\$2,964.29	\$619.82	\$0.00	\$3,584.11	\$9.54	\$14.30	\$365.76	\$3,973.71
2053	\$3,178.57	\$427.14	\$0.00	\$3,605.71	\$6.57	\$9.86	\$373.08	\$3,995.22
2054	\$3,392.86	\$220.54	\$0.00	\$3,613.39	\$3.39	\$5.09	\$380.54	\$4,002.41
<b>Total</b>	<b>\$46,428.58</b>	<b>\$60,551.00</b>	<b>(\$1,131.70)</b>	<b>\$105,847.89</b>	<b>\$937.36</b>	<b>\$1,406.03</b>	<b>\$8,693.18</b>	<b>\$116,884.43</b>

Note: First year administrative expenses to be funded through funds deposited at bond closing.

## **APPENDIX B**

City of Huntsville, Texas  
The Reserves Public Improvement District  
Preliminary Service and Assessment Plan



**BUYER DISCLOSURE  
FORM**

**Texas Property Code Section 5.014(A) Notice  
(Required Before Contract Execution)**

**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;
- 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 or from a government entity; or,
- 8) Of only a mineral interest, leasehold interest, or security interest.

The following notice shall be given to the 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 exception, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchase 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.

**Texas Property Code Section 5.014(A) Notice  
(Required Before Contract Execution)**

NOTICE OF OBLIGATION TO PAY  
PUBLIC IMPROVEMENT DISTRICT ASSESSMENT TO HUNTSVILLE, TEXAS  
THE RESERVES PUBLIC IMPROVEMENT DISTRICT

CONCERNING THE FOLLOWING PROPERTY

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As the purchaser of the real property described above, you are obligated to pay assessments to Huntsville, 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 **The Reserves 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 Huntsville. The exact amount of each annual installment will be approved each year by Huntsville 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 Huntsville.

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.

**Texas Property Code Section 5.014(A) Notice  
(Required Before Contract Execution)**

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.

Buyer (Print Name)	Signature	Date
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Buyer (Print Name)	Signature	
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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.

Seller (Print Name)	Signature	Date
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Seller (Print Name)	Signature	Date
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**Texas Property Code Section 5.0143 Notice  
(Required At Closing And Must Be Recorded In Walker County Deed Of Records)**

AFTER RECORDING RETURN TO:

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NOTICE OF OBLIGATION TO PAY  
PUBLIC IMPROVEMENT DISTRICT ASSESSMENT TO HUNTSVILLE, TEXAS  
THE RESERVES PUBLIC IMPROVEMENT DISTRICT

CONCERNING THE FOLLOWING PROPERTY

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As the purchaser of the real property described above, you are obligated to pay assessments to Huntsville, 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 **The Reserves 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 Huntsville. The exact amount of each annual installment will be approved each year by Huntsville 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 Huntsville.

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.

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.



**Texas Property Code Section 5.0143 Notice  
(Required At Closing And Must Be Recorded In Walker County Deed Of Records)**

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.

Seller (Print Name)	Signature	Date
---------------------	-----------	------

Seller (Print Name)	Signature	
---------------------	-----------	--

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.

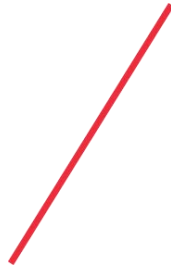
Given under my hand and seal of office on this \_\_\_\_\_, 20\_\_

Notary Public, State of Texas



## **APPENDIX C**

City of Huntsville, Texas  
The Reserves Public Improvement District  
Preliminary Service and Assessment Plan



## **PID BOUNDARIES AND LEGAL DESCRIPTION**

**Metes-and-Bounds Description of The Property**

**H.E. McADAMS & SON SURVEYING, INC.**

Registered Professional Land Surveyors  
P.O. Box 5047, Huntsville, Texas  
77342TBPELS Firm No.  
10194425

THE STATE OF TEXAS §

COUNTY OF WALKER §

I, Harold E. McAdams, Registered Professional Land Surveyor No. 2005, do hereby state that the following field notes represent a survey made on the ground of the following described tractor parcel of land located in Walker County, Texas. Coordinates, bearings, distances, and areas surveyed herein are Grid N.A.D. 1983 (1993), Texas Central Zone referenced to the City of Huntsville Mapping Control Network and is based on the position of Control Point 7187 having published coordinates of N= 10,256,115.190 feet, E= 3,786,890.283 feet, and G.P.S. observations. Distances herein may be converted to Geodetic Horizontal (surface) by dividing by a CombinedScale Factor of 0.99988.

Being 33.22 acres of land, situated in the City of Huntsville, LEWIS COX LEAGUE, Abstract No. 13, Walker County, Texas, and being part of a called 33.49-acre tract described as 28.31 acre and 10.05-acre tracts save and except 3.74 acre and 1.13-acre tracts in a Deed from James B. Hall Trust to James L. Hall Trust, et al dated October 25, 2016, and recorded in Volume 1259, page 633, Official Public Records of Walker County, Texas, said 33.22 acres being more definitely described as follows:

**BEGINNING** at the northwest corner of said Hall Trust 33.49 acres and the northeast corner of a called 251.78-acre tract (51% interest) described as Tract II in a Deed from Thomas Carroll Cole, Jr., et al to Thomas Carroll Cole, Jr. and Jan Carroll Cole dated April 16, 1987, and recorded in Volume 42, page 5, Official Public Records, same 251.78-acre tract being described as 49% interest in a Deed: from Margaret Thomason Cole to Thomas Carroll Cole, Jr. and Jan Carroll Cole dated April 23, 1987, and recorded in Volume 42, page 9, Official Public Records in a south line of a called 515-acre tract described in a Deed from Ed. H. Cunningham, et al to John Ireland, Governor of the State of Texas and his successors (now being T.D.C.J. Institutional Division "Wynne Farm") dated June 23, 1883, and recorded in Volume Y, page 181, Deed Records of Walker County, set a 5/8" iron rod

with yellow plastic cap stamped "H.E. McAdams RPLS 2005" having coordinates of N= 10,257,920.90 feet and E= 3,787,525.41 feet for corner from which a 3" diameter concrete monument found bears N 01°24'48"W- 1.44 feet and a 4"x4" concrete monument stamped "TPL" found for a southwest corner of said the State of Texas 515 acres bears S 87°26'52" W- 1215.30 feet;

THENCE N 87°26'52"E, with the common boundary of said Hall Trust 33.49 acre and State of Texas 515 acre tracts, at 782.26 feet pass the common corner of said 28.31 and 10.05 acre tracts, from the said point found a 3" diameter concrete monument S 01°39'E- 1.20 feet, continuing a total distance of 1107.25 feet to the northeast corner of said Hall Trust 33.49 acres and the northwest corner of a called 34.499-acre tract described in a Deed from Thomason Family Trust to Amstad Development, LLC dated June 14, 2018, and recorded in Volume 1331, page 683, Official Public Records, a point for corner from which found a 5/8" iron rod with plastic cap stamped "Johnson Incorporate" S 01°54'40" E- 0.79 feet and a concrete monument with broken top bears N 87°26'52" E- 1761.56 feet;

THENCE S 01°54'40"E, with the common boundary of said Hall Trust 33.49 acre and Amstad Development 34.499 acre tracts, a distance of 1163.19 feet to their common corner and then northeast corner of a called 3.74-acre tract (out said 33.49 acres) awarded to the State of Texas described in an Agreed Judgment styled The State of Texas v James L. Hall Trustee, et al dated April 28, 2008, and recorded in Volume 873, page 74, Official Public Records in a northwest right-of-way line of State Highway No. 30, found a 3.5" diameter Texas Department of Transportation (hereinafter referred to as TXDOT) concrete monument with brass disc stamped "850+02.40" for corner;

THENCE S 76°19'15"W, with the southeast line of said Hall Trust and the northwest right-of-way line of State Highway 30, a distance of 326.22 feet to an angle point in said line, found a 3.5" diameter TXDOT concrete monument with brass disc stamped "846+86.00";

THENCE S 71°15'07"W, continuing with the southeast line of said Hall Trust and the northwest right-of-way line of State Highway 30, at 512.12 feet pass a 3.5" diameter TXDOT concrete monument with brass disc stamped "841+90.93" found for reference, continuing a total distance of 836.35 feet to the southwest corner of said Hall Trust 33.49 acres and the southeast corner of said Cole 251.78 acre tract, found a 3.5" diameter TXDOT concrete monument with brass disc stamped "838+68.58" for corner;

THENCE N 01°24'48"W, with the common boundary of said Hall Trust and Cole tracts, a distance of 1459.64 feet to the POINT OF BEGINNING.

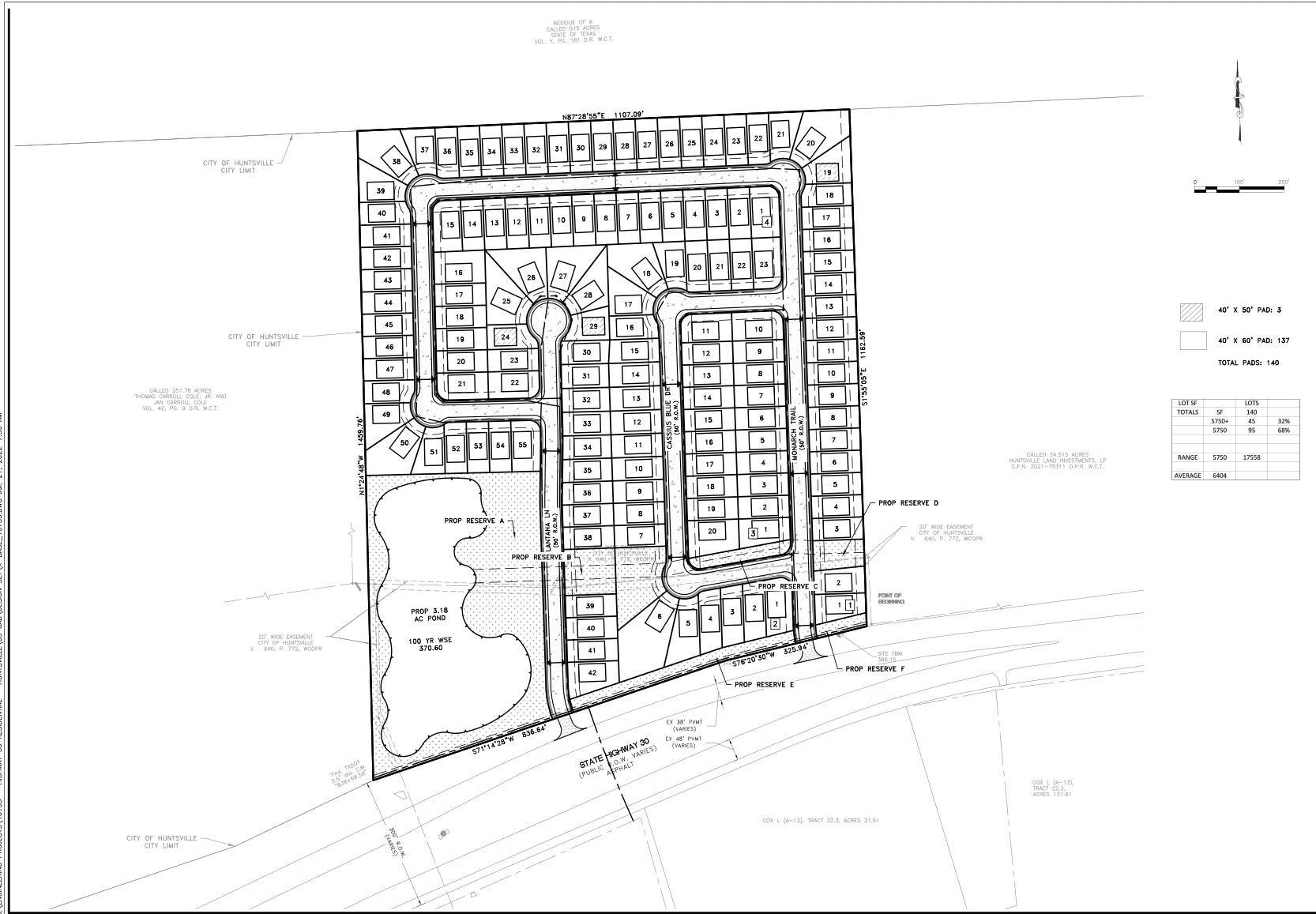
# **APPENDIX D**

City of Huntsville, Texas  
The Reserves Public Improvement District  
Preliminary Service and Assessment Plan



## **LOT TYPE MAP**

S:\ENGINEERING\PROJECTS\10755 - HIGHWAY 30 RESIDENTIAL - HUNTSVILLE\03 CAD\DESIGN SET\Y-BASE\_10755.DWG Job: 21\_2022-7-25 AM



RESERVE OF A  
CALLED 515 ACRES  
STATE OF TEXAS  
VOL. 7, PG. 185 D.R. W.C.T.

CALLED 251.78 ACRES  
THOMAS CARROLL COLE JR. AND  
JAN CARROLL COLE  
VOL. 42, PG. 9 D.R. W.C.T.

CALLED 34.515 ACRES  
HUNTSVILLE LAND INVESTMENTS, LP  
C.F.N. 2011-70311 D.R.P. W.C.T.



- 40' X 50' PAD: 3
  - 40' X 60' PAD: 137
- TOTAL PADS: 140

LOT #	LOT SF	LOTS	
TOTALS	SF	140	
	5750+	45	32%
	5750	95	68%
RANGE	5750	17558	
AVERAGE	6404		



CLIENT INFORMATION  
RTK ADVISORS, LLC  
PAUL GARZA  
2620 PARK VY LAKE  
KATY, TX 77494

PROJECT ADDRESS  
3400 SR 30  
HUNTSVILLE, TX 77340

# THE RESERVE AT HUNTSVILLE

## LOT FITMENT LAYOUT

#	DATE	BY	COMMENT
0	7/21/22	RHM	FOR REVIEW ONLY

DRAWING INFORMATION

PROJECT: 10755 TDR \*\*

DRAWN: RHM/DJT JP

SCALE: SHEET

1" = 100' (24x36)

1" = 200' (11x17)

THIS DOCUMENT IS RELEASED FOR THE PURPOSE OF INTERIM REVIEW UNDER THE AUTHORITY OF:

E. LEV LOPE, PE #99340  
OR  
JONATHAN WHITE, PE #127058

FOR REVIEW PURPOSES ONLY  
NOT FOR CONSTRUCTION

FILES NOT RELEASED FOR CONSTRUCTION UNLESS INDICATED ABOVE



[www.FinanceDTA.com](http://www.FinanceDTA.com)

8117 PRESTON ROAD, SUITE 300  
DALLAS, TX 75225  
PHONE: (800) 969-4DTA

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds

**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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*[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]*

**CITY OF HUNTSVILLE, TEXAS  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE  
PUBLIC IMPROVEMENT DISTRICT)  
DATED \_\_\_\_\_, 2024  
IN THE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

AS BOND COUNSEL for the City of Huntsville, in Walker County, Texas (the "Issuer"), we have examined into the legality and validity of the issue of the bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates stated on the face of the Bonds, all in accordance with the Ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") and the Trust Indenture (as defined below).

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and have examined and relied upon a transcript of certified proceedings of the Issuer and other pertinent instruments furnished by the Issuer relating to the authorization, issuance and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one executed Bond which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, and have been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to governmental immunity, bankruptcy, reorganization, and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, (i) the Bonds constitute valid and legally binding obligations of the Issuer which are payable as to principal and interest from the sources provided in the Bond Ordinance and the Indenture of Trust between the Issuer and BOKF, NA, dated as of \_\_\_\_\_, 2024, (the "Trust Indenture"), (ii) the covenants and agreements in the Trust Indenture constitute valid and binding obligations of the Issuer, (iii) the Bonds constitute valid and legally binding special obligations of the Issuer secured as Bonds under the Trust Indenture, and (iv) the Bonds are payable in accordance with the priorities established in the Trust Indenture from the sources provided therein.

THE ISSUER has reserved the right, subject to the restrictions stated in the Trust Indenture, to amend the Trust Indenture in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in principal amount of all outstanding bonds affected by such amendment and secured by the Trust Indenture.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Trust Indenture.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the

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Suite 2150  
Austin, Texas 78701  
T 512.478.3805  
F 512.472.0871

717 North Harwood  
Suite 900  
Dallas, Texas 75201  
T 214.754.9200  
F 214.754.9250

Two Allen Center  
1200 Smith Street, Suite 1550  
Houston, Texas 77002  
T 713.980.0500  
F 713.980.0510

112 E. Pecan Street  
Suite 1310  
San Antonio, Texas 78205  
T 210.225.2800  
F 210.225.2984

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statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed, and refinanced, therewith. In expressing the aforementioned opinions, we have relied on certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations such as the Bonds may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the



financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. Our role in connection with the Issuer's Limited Offering Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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**APPENDIX E-1**

**FORM OF DISCLOSURE AGREEMENT OF ISSUER**

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**CITY OF HUNTSVILLE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)**

**CONTINUING DISCLOSURE AGREEMENT OF ISSUER**

This Continuing Disclosure Agreement of Issuer, dated as of October 15, 2024 (this “Disclosure Agreement”), is executed and delivered by and among the City of Huntsville, Texas (the “Issuer”), David Taussig & Associates, Inc. dba DTA (the “Administrator”), and BOKF, NA, acting solely in its capacity as dissemination agent (the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District)” (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 October 15, 2024, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, the following capitalized terms shall have the following meanings:

“Administrator” shall have the meaning assigned to such term in the Indenture. The initial Administrator is David Taussig & Associates, Inc. dba DTA.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“Annual Collections Report” shall mean any Annual Collections Report provided by the Issuer pursuant to, and as described in, Section 5 of this Disclosure Agreement.

“Annual Collections Report Filing Date” shall mean, for each Fiscal Year succeeding the reporting Fiscal Year, the date that is three (3) months after the Final Assessment Payment Date, which Annual Collections Report Filing Date is currently April 30.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in subsection 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Issuer Report” shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Issuer Report Filing Date” shall mean, for each Fiscal Year, the date that is six (6) months after the end of the Issuer’s Fiscal Year, which Annual Issuer Report Filing Date is currently March 31.

“Annual Service Plan Update” 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” shall have the meaning assigned to such term in the Indenture.

“Collections Reporting Date” shall mean, for each Tax Year, the date that is one (1) month after the Delinquency Date, which Collections Reporting Date is currently March 1.

“Delinquency Date” shall mean February 1 of the year following the year in which the Assessments were billed or as may be otherwise defined in Section 31.02 of the Texas Tax Code, as amended.

“Developer” shall mean PHD – Huntsville 34, L.P., a Texas limited partnership, and its designated successors and assigns.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of Developer relating to the Bonds, dated as of October 15, 2024, executed and delivered by the Developer, the Administrator, and the Dissemination Agent.

“Disclosure Representative” shall mean the Finance Director or City 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 BOKF, NA, 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 The Reserves of Huntsville Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System currently available on the internet at <http://emma.msrb.org>.

“Final Assessment Payment Date” shall mean the calendar day preceding the Delinquency Date.

“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 defined in the Securities Exchange Act of 1934, as amended) 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 twelve-month period from October 1 through September 30.

“Listed Events” shall mean any of the events listed in subsection 6(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 reports pursuant to the Rule.

“Other Obligations” means any bonds, temporary notes, time warrants, or an obligation under an installment sale contract or reimbursement agreement secured in whole or in part by an assessment, other than the Assessments securing the Bonds, levied against property within the District in accordance with the PID Act.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

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

“Prepayment” shall have the meaning assigned to such term in the Indenture.

“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.

“Tax Year” means the calendar year, or as may be otherwise defined in Section 1.04 of the Texas Tax Code, as amended.

“Trust Estate” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall have the meaning assigned to such term in the Indenture.

### SECTION 3. Provision of Annual Issuer Reports.

(a) For each Fiscal Year, commencing with the Fiscal Year ending September 30, 2024, the Issuer shall cause, pursuant to written direction, and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, not later than the Annual Issuer Report Filing Date, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements of and within the time periods specified in Section 4 of this Disclosure Agreement. The Annual Issuer Report may, but is not required to, include the Audited Financial Statements and the failure to include the audited financial statements as a part of the Annual Issuer Report shall not violate the Issuer’s obligations under this Disclosure Agreement provided the Issuer provides its audited financial statements within twelve (12) months of the most recently ended Fiscal Year or, if the audited financial statements are not available within such twelve-month period, the Issuer provides unaudited financial statements within such twelve-month period, and provides audited financial statements when and if available. In each case, the Annual Issuer Report 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 Annual Issuer Report Filing Date. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Annual Issuer Report Filing Date, the Issuer shall provide the Annual Issuer Report to the Dissemination Agent together with written direction to file such Annual Issuer Report with the MSRB. The Dissemination Agent shall provide such Annual Issuer Report to the MSRB not later than ten (10) days from receipt of such Annual Issuer Report from the Issuer, but in no event later than the Annual Issuer Report Filing Date for such Fiscal Year.

If by the fifth (5<sup>th</sup>) day before the Annual Issuer Report Filing Date the Dissemination Agent has not received a copy of the Annual Issuer Report, the Dissemination Agent shall contact the Disclosure Representative in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Issuer Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Issuer Report no later than two (2) Business Days prior to the Annual Issuer Report Filing Date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Issuer Report by the Annual Issuer Report Filing Date, state the date by which the Annual Issuer Report for such year will be provided, and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Issuer Report or the notice of failure to file, as applicable, to the MSRB no later than the Annual Issuer Report Filing Date; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than the last Business Day prior to the Annual Issuer Report Filing Date; or the Issuer will notify the Dissemination Agent in writing that the Issuer will provide or cause to be provided the Annual Issuer Report to the MSRB through alternate means. If the Issuer so notifies the Dissemination Agent, the Issuer will provide the Dissemination Agent with a written report certifying that the Annual Issuer Report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB prior to the second (2<sup>nd</sup>) Business Day prior to the Annual Issuer Report Filing Date. In the event the Issuer fails to provide the Dissemination Agent with such a report, the Dissemination Agent shall file a notice of failure to file no later than the last Business Day prior to the applicable Annual Issuer Report Filing Date.

- (b) The Issuer shall or shall cause the Dissemination Agent pursuant to written direction to:
  - (i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Issuer Report; and
  - (ii) file the Annual Issuer Report 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 Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall provide written confirmation to the Issuer verifying that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB, which report shall include a filing receipt from the MSRB.

SECTION 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Annual Issuer Report Filing Date, the following:

(a) Annual Financial Information. The following Annual Financial Information (any or all of which may be unaudited):

(i) Tables setting forth the following information, as of the end of such Fiscal Year:

(A) For the Bonds, the maturity date(s), the interest rate(s), the original aggregate principal amount(s), the principal amount(s) remaining Outstanding, and the total interest amount due on the aggregate principal amount Outstanding;

(B) The amounts in the funds and accounts securing the Bonds and a description of the related investments;

(C) The assets and liabilities of the Trust Estate.

(ii) Financial information and operating data with respect to the Issuer of the general type and in substantially similar form to that shown in the tables provided under Sections 4(a)(ii) of Exhibit B attached hereto. Such information shall be provided as of the end of the reporting Fiscal Year;

(iii) Any updates to the Service and Assessment Plan, including the Annual Service Plan Update;

(iv) 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. The audited financial statements of the Issuer for the most recently ended Fiscal Year, 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, *but only if* available by the Annual Issuer Report Filing Date. If the audited financial statements of the Issuer are not available within twelve months after the end of the Fiscal Year, the Issuer shall provide notice that the audited financial statements are not available, file unaudited financial statements within such twelve-month period, and file audited financial statements when prepared and available.

(c) A form for submitting the information described in subsection 4(a) above is attached as Exhibit B hereto. 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.

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 Issuer Reports under this Section 4.

SECTION 5. Annual Collections Report.

(a) For each Fiscal Year succeeding the reporting Fiscal Year, the Issuer shall cause, pursuant to written direction, and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, not later than the Annual Collections Report Filing Date, an Annual Collections Report provided to the Dissemination Agent which complies with the requirements specified in this Section 5; provided that the Issuer may provide the Annual Collections Report as part of the Annual Issuer Report, if such Annual Collections Report is available when the Annual Issuer Report is provided to the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Annual Collections Report Filing Date, the Issuer shall provide the Annual Collections Report to the Dissemination Agent together with written direction to file such Annual Collections Report with the MSRB. The Dissemination Agent shall provide such Annual Collections Report to the MSRB not later than ten (10) days from receipt of such Annual Collections Report from the Issuer, but in no event later than the Annual Collections Report Filing Date.

If by the fifth (5<sup>th</sup>) day before the Annual Collections Report Filing Date the Dissemination Agent has not received a copy of the Annual Collections Report, the Dissemination Agent shall contact the Disclosure Representative in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Collections Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Collections Report no later than two (2) Business Days prior to the Annual Collections Report Filing Date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Collections Report by the Annual Collections Report Filing Date, state the date by which the Annual Collections Report for such year will be provided, and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A hereto; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Collections Report or the notice of failure to file, as applicable, to the MSRB no later than the Annual Collections Report Filing Date; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than the last Business Day prior to the Annual Collections Report Filing Date; or the Issuer will notify the Dissemination Agent in writing that the Issuer will provide or cause to be provided the Annual Collections Report to the MSRB through alternate means. If the Issuer so notifies the Dissemination Agent, the Issuer will provide the Dissemination Agent with a written report certifying that the Annual Collections Report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB prior to the second (2<sup>nd</sup>) Business Day prior to the Annual Collections Report Filing Date. In the event the Issuer fails to provide the Dissemination Agent with such a report, the Dissemination Agent shall file a notice of failure to file no later than the last Business Day prior to the applicable Annual Collections Report Filing Date.

(b) The Annual Collections Report for the Bonds shall contain, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Annual Collections Report Filing Date, certain financial information and operating data with respect to collection of the Assessments of the general type and in substantially similar form to that shown in the tables provided in Exhibit C attached hereto. Such information shall cover the period beginning the first (1<sup>st</sup>) day of the

Fiscal Year succeeding the reporting Fiscal Year through the Collections Reporting Date. If the State Legislature amends the definition of Delinquency Date or Tax Year, the City shall file notice of such change or changes with the MSRB prior to the next Annual Collections Report Filing Date. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Collections Report. In all cases, the Issuer shall have the sole responsibility for the content, design, and other elements comprising substantive contents of the Annual Collections Report under this Section 5.

SECTION 6. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 6, 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 the District 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 Other Obligations without the filing of a corresponding official statement with the MSRB will constitute the incurrence of a material Financial Obligation for which a notice of a Listed Event in accordance with this Section 6 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 to file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than three (3) Business Days 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; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance with this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB's ten (10) Business Day filing requirement.

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.

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made under this Section 6. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 6 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, promptly, and not more than five (5) 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 in writing 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 two (2) Business Days following the day on which it receives such written instructions. 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 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 Trustee, any Owner or beneficial owner of any interests in the Bonds, or any other party 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 the 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 7. 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 and the Administrator 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 Administrator and the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until they receive 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 and the Administrator 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 6(a).

SECTION 8. 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, with or without appointing a successor Dissemination Agent. If the Issuer discharges the Dissemination Agent without appointing a successor Dissemination Agent, the Issuer shall use best efforts to appoint a successor Dissemination Agent within 30 days of such discharge. The Dissemination Agent may resign at any time with 30 days’ written notice to the Issuer. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination appointed hereunder shall be BOKF,

NA. The Issuer will give prompt written notice to the Developer, or any other party responsible for providing quarterly information pursuant to the Continuing Disclosure Agreement of Developer, of any change in the identity of the Dissemination Agent under the Continuing Disclosure Agreement of Developer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer, the Administrator, and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested in writing by the Issuer or the 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 Sections 3(a), 4, 5, or 6(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, 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 6(a), and (ii) the Annual Financial Information for the 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 10. 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 Issuer Report, Annual Collections Report, 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 Issuer Report, Annual Collections Report, 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 Issuer Report, Annual Collections Report, or notice of occurrence of a Listed Event.

SECTION 11. 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 Dissemination Agent (at the written request of 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 shall not be deemed a default under the Disclosure Agreement of Developer and a default under the Disclosure Agreement of Developer shall not be deemed a default under this Disclosure Agreement.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. 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 indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, but only from Annual Collection Costs collected from the property owners in the District, 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 termination of this Disclosure Agreement, 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. If the Issuer does not provide the Dissemination Agent with the Annual Issuer Report in accordance with subsection 3(a) or the Annual Collections Report in accordance with subsection 5(a), the Dissemination Agent shall not be responsible for the failure to submit an Annual Issuer Report or an Annual Collections Report, as applicable, to the MSRB. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder.

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 its 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 from Annual Collection Costs collected from the property owners in the District, 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 its 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 ANY PARTY TO THIS DISCLOSURE AGREEMENT, 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 13. Assessment 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 D 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 14. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, 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 council members, officer, agent or employee of the Issuer, the Administrator, or the 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. 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 17. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent, 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 18. 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 the District, for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 19. Statutory Verifications. The Dissemination Agent and the Administrator, each individually, make the following representation and verifications to enable the Issuer to comply with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Disclosure Agreement. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator, as the case may be, within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification prior to the expiration or earlier termination of this Disclosure Agreement shall survive until barred by the applicable

statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Disclosure Agreement, notwithstanding anything in this Disclosure Agreement to the contrary.

(a) *Not a Sanctioned Company.* The Dissemination Agent and the Administrator, each individually, 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, Government Code. The foregoing representation excludes the Dissemination Agent and the Administrator 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.

(b) *No Boycott of Israel.* The Dissemination Agent and the Administrator, each individually, 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. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

(c) *No Discrimination Against Firearm Entities.* The Dissemination Agent and the Administrator, each individually, 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. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

(d) *No Boycott of Energy Companies.* The Dissemination Agent and the Administrator, each individually, 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. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

SECTION 20. *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. Submitted herewith is a completed Form 1295 in connection with the Administrator’s participation in the execution of this Disclosure Agreement generated by the Texas Ethics Commission’s (the “TEC”) electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the “Form 1295”). The Issuer hereby confirms receipt of the Form 1295 from the Administrator, and the Issuer agrees to acknowledge such form with the TEC through its electronic filing application not later than the thirtieth (30th) day after the receipt of such form. The Administrator and the Issuer understand and agree that, with the exception of information identifying the Issuer and the contract identification number, neither the Issuer nor its consultants are responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by the Administrator; and, neither the Issuer nor its consultants have verified such information.

SECTION 21. Governing Law and Venue. This Disclosure Agreement shall be governed by the laws of the State of Texas. Venue of any action to enforce the rights and privileges existing under this Disclosure Agreement shall be brought in the state district court of Walker County, Texas.

SECTION 22. 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 HUNTSVILLE, TEXAS

By: \_\_\_\_\_  
City Manager

BOKF, NA,  
(as Dissemination Agent)

By: \_\_\_\_\_  
Authorized Officer

David Taussig & Associates, Inc. dba DTA  
(as Administrator)

By: \_\_\_\_\_  
Authorized Officer



**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE  
[ANNUAL ISSUER REPORT][ANNUAL COLLECTIONS REPORT]  
[AUDITED/UNAUDITED FINANCIAL STATEMENTS]**

Name of Issuer: City of Huntsville, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024  
(The Reserves of Huntsville Public Improvement District) (the  
“Bonds”)  
CUSIP Nos. [insert CUSIP Nos.]  
Date of Delivery: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that the City of Huntsville Texas (the “Issuer”), has not provided [an Annual Issuer Report][an Annual Collections Report][audited/unaudited financial statements] with respect to the Bonds as required by the Continuing Disclosure Agreement of Issuer dated as of October 15, 2024, by and among the Issuer, David Taussig & Associates, Inc. dba DTA, as “Administrator,” and BOKF, NA, as “Dissemination Agent.” The Issuer anticipates that [the Annual Issuer Report][the Annual Collections Report][audited/unaudited financial statements] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

BOKF, NA, on behalf of the City of Huntsville,  
Texas  
(as Dissemination Agent)

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Huntsville, Texas

**EXHIBIT B**

**CITY OF HUNTSVILLE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)**

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**ANNUAL FINANCIAL INFORMATION\***

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Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP Nos: [insert CUSIP Nos.]

**DISSEMINATION AGENT**

Name: BOKF, NA  
Address: [\_\_\_\_\_] ]  
City: [ ]  
Telephone: ( ) \_\_\_\_ - \_\_\_\_  
Contact Person: Attn: \_\_\_\_\_

**Section 4(a)(i)(A)**

**BONDS OUTSTANDING**

Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount
				-
				-
<b>Total</b>				

**Section 4(a)(i)(B)**

**INVESTMENTS**

Fund/ Account Name	Investment Description	Par Value <sup>(1)</sup>	Book Value <sup>(1)</sup>	Market Value <sup>(1)</sup>

<sup>(1)</sup> According to account balance statement dated as of [insert date] as provided by the Trustee.

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\*Excluding audited financial statements of the Issuer

**Section 4(a)(i)(C)**

**ASSETS AND LIABILITIES OF TRUST ESTATE**

Cash Position of Trust Estate for statements dated September 30, 20[ ]		
[List of Funds/Accounts Held Under Indenture]	Amount In the Fund	
Total		A
Bond Principal Amount Outstanding		B
Outstanding Assessment Amount to be collected		C
<b>Net Position of Trust Estate and Outstanding Bonds and Assessments</b>		A-B+C

September 30, 20[ ] Trust Statements:     Audited                                     Unaudited

Accounting Type:                     Cash             Accrual             Modified Accrual

**Section 4(a)(ii)**

**FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AND IN SUBSTANTIALLY SIMILAR FORM PROVIDED IN THE FOLLOWING TABLES AS OF THE END OF THE FISCAL YEAR**

**Debt Service Requirements on the Bonds**

<u>Year Ending</u> <u>(September 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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**Top [Five] Assessment Payers in the District <sup>(1)</sup>**

<u>Property Owner</u>	<u>No. of Parcels/Lots</u>	<u>Percentage of</u> <u>Parcels/Lots</u>	<u>Outstanding</u> <u>Assessments</u>	<u>Percentage of Total</u> <u>Assessments</u>
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<sup>(1)</sup> Does not include those owing less than one percent (1%) of total Assessments; may be fewer than five.

**Assessed Value of the District**

The [YEAR] certified total assessed value for the Assessed Property in the District is approximately \$[AMOUNT] according to the Walker County Appraisal District.

**Foreclosure History Related to the Assessments for the Past Five Fiscal Years**

Fiscal Year Ended (9/30)	Delinquent Assessment Amount not in Foreclosure Proceedings	Parcels in Foreclosure Proceedings	Delinquent Assessment Amount in Foreclosure Proceedings	Foreclosure Sales	Foreclosure Proceeds Received
20__	\$		\$		\$
20__					
20__					
20__					
20__					

[insert any necessary footnotes]

**Collection and Delinquency History of Annual Installments for the Past Five Fiscal Years**

Fiscal Year Ended (9/30)	Total Annual Installment Billed	Parcels Levied <sup>(1)</sup>	Delinquent Amount as of 3/1	Delinquent % as of 3/1	Delinquent Amount as of [9/1]	Delinquent % as of [9/1]	Total Assessments Collected <sup>(2)</sup>
20__	\$		\$	%	\$	%	\$
20__							
20__							
20__							
20__							

<sup>(1)</sup> Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

<sup>(2)</sup> [Does/does not] include interest and penalties.

**Parcel Numbers for Delinquencies Equaling or Exceeding 10% of Annual Installments Due**

For the past five Fiscal Years, if the total amount of delinquencies as of September 1 equals or exceeds ten percent (10%) of the amount of Annual Installments due, a list of parcel numbers for which the Annual Installments are delinquent.

Fiscal Year Ended (9/30)	Delinquent % as of 9/1	Parcel Numbers
20__	%	
20__		
20__		
20__		
20__		

**History of Prepayment of Assessments for the Past Five Fiscal Years**

Fiscal Year Ended (9/30)	Number of Prepayments	Amount of Prepayments	Bond Call Date	Amount of Bonds Redeemed
20__		\$		\$
20__				
20__				
20__				
20__				

[insert any necessary footnotes]

**ITEMS REQUIRED BY SECTION 4(a)(iii) - (iv)**

[Insert a line item for each applicable listing]

**EXHIBIT C**

**CITY OF HUNTSVILLE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)**

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**ANNUAL COLLECTIONS REPORT**

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Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP Nos: [insert CUSIP Nos.]

**DISSEMINATION AGENT**

Name: BOKF, NA  
Address: [\_\_\_\_\_] \_\_\_\_\_  
City: [\_\_\_\_\_, Texas \_\_\_\_\_]  
Telephone: (\_\_\_\_) \_\_\_\_-\_\_\_\_  
Contact Person: Attn: \_\_\_\_\_

---

**SELECT FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO  
THE COLLECTION OF ASSESSMENTS COVERING THE PERIOD BEGINNING WITH  
THE FIRST DAY OF THE FISCAL YEAR SUCCEEDING THE REPORTING FISCAL  
YEAR THROUGH THE COLLECTIONS REPORTING DATE PROVIDED IN  
COMPLIANCE WITH SUBSECTION 5(A) OF THE ISSUER'S DISCLOSURE  
AGREEMENT**

**Foreclosure History Related To The Annual Installments<sup>(1)</sup>**

<u>Succeeding Fiscal Year</u>	<u>Delinquent Annual Installment Amount not in Foreclosure Proceedings</u>	<u>Parcels in Foreclosure Proceedings</u>	<u>Delinquent Annual Installment Amount in Foreclosure Proceedings</u>	<u>Foreclosure Sales</u>	<u>Foreclosure Proceeds Received</u>
20__	\$ _____		\$ _____		\$ _____

(i) Period covered includes October 1, 20\_\_ through March 1, 20\_\_.

**Collection and Delinquency of Annual Installments** <sup>(1)</sup>

<u>Succeeding Fiscal Year</u> 20__	<u>Total Annual Installments Levied</u> \$	<u>Parcels Levied</u> <sup>(2)</sup>	<u>Delinquent Amount as of 3/1</u> \$	<u>Delinquent % as of 3/1</u> %	<u>Total Annual Installments Collected</u> <sup>(3)</sup> \$
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<sup>(1)</sup> Period covered includes October 1, 20\_\_ through March 1, 20\_\_.

<sup>(2)</sup> Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

<sup>(3)</sup> [Does/does not] include interest and penalties.

**Prepayment of Assessments** <sup>(1)</sup>

<u>Succeeding Fiscal Year</u>	<u>Number of Prepayments</u>	<u>Amount of Prepayments</u> \$	<u>Bond Call Date</u>	<u>Amount of Bonds Redeemed</u> \$
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<sup>(1)</sup> Period covered includes October 1, 20\_\_ through March 1, 20\_\_.

## EXHIBIT D

### BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES<sup>1</sup>

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Assessments are due.
February 1	1	Assessments delinquent if not received.
February 15	15	Upon receipt, but no later than February 15, Issuer forwards payment to Trustee for all collections received, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.  Issuer and/or Administrator should be aware of actual and specific delinquencies.  Administrator should be aware if Reserve Fund needs to be utilized for debt service payments during the corresponding Fiscal Year.  Issuer and Administrator should determine if previously collected surplus funds, if any, plus actual Annual Installment collections will be fully adequate for debt service in the corresponding March and September.
March 15	43/44	Trustee pays bond interest payments to Owners.
April 1	59/60	At this point, if total delinquencies are under 5% and if there is adequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account for full September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency.  Issuer, or the Trustee on behalf of the Issuer, to notify Dissemination Agent in writing of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw on the Reserve Fund.
<b>July 1</b>	<b>152/153</b>	<b>If there are over 5% delinquencies or if there is insufficient funding in the Pledged Revenue Fund for</b>

<sup>1</sup> Illustrates anticipated dates and procedures for pursuing the collection of delinquent Annual Installments of 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 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, an amendment to the Code, or otherwise, such modifications shall control.

**transfer to the Principal and Interest Account of such amounts as shall be required for the full September payment, Issuer and/or Administrator to notify Dissemination Agent in writing for inclusion in the next Annual Report.**

**Preliminary Foreclosure activity commences in accordance with Tax Assessor/Collector's procedures.**

If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.

If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.

August 15

197/198

The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent and the Trustee. The goal for the foreclosure actions is a filing by no later than August 15 (day 197/198).

**Foreclosure action to be filed with the court as soon as practicable, in accordance with the Tax Assessor/Collector's procedures.**

**Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status in writing for inclusion in next Annual Report.**

A committee of not less than twenty-five percent (25%) of the Owners may request a meeting with the Issuer to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day thirty (30) if it is apparent that a Reserve Fund draw is required. Further, if delinquencies exceed five percent (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.



**APPENDIX E-2**

**FORM OF DISCLOSURE AGREEMENT OF DEVELOPER**

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**CITY OF HUNTSVILLE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)**

**CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER**

This Continuing Disclosure Agreement of Developer dated as of October 15, 2024 (this “Disclosure Agreement”), is executed and delivered by and among PHD – Huntsville 34, L.P., a Texas limited partnership (the “Developer”), David Taussig & Associates, Inc. dba DTA (the “Administrator”), and BOKF, NA, acting solely in its capacity as dissemination agent (the “Dissemination Agent”) with respect to the captioned bonds (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 October 15, 2024, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, the following capitalized terms shall have the following meanings:

“Administrator” shall have the meaning assigned to such term in the Indenture. The Issuer has selected David Taussig & Associates, Inc. dba DTA, as the initial Administrator.

“Affiliate” shall mean an entity that is controlled by, controls, or is under common control with another entity. A Homebuilder may be an Affiliate 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.

“Authorized Improvements” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall have the meaning assigned to such term in the Indenture.

“Certification Letter” shall mean a certification letter provided by a Reporting Party pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean PHD – Huntsville 34, L.P., a Texas limited partnership, its successors and assigns, including any Affiliate of the Developer.

“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 with respect to the Bonds dated as of even date herewith executed and delivered by the Issuer, the Administrator, and the Dissemination Agent.

“Dissemination Agent” shall mean BOKF, NA, 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 The Reserves of Huntsville Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Homebuilder” shall mean any merchant homebuilder who enters into a Lot Purchase Agreement with the Developer, and the successors and assigns of such homebuilder under such Lot Purchase Agreement.

“Issuer” shall mean the City of Huntsville, Texas.

“Listed Events” shall mean, collectively, Developer Listed Events and Significant Homebuilder Listed Events.

“Lot Purchase Agreement” shall mean, with respect to lots or land within the District, any 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 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.

“Parcel” shall have the meaning assigned to such term in the Indenture.

“Participating Underwriter” shall mean FMSbonds, Inc., and its successors and assigns.

“Person” shall have the meaning assigned to such term in the Indenture.

“Private Improvements” shall mean the following: an outdoor pavilion, a playground, a pond and communal green space, to be constructed by the Developer within the District and to be owned and/or operated by a homeowners’ association.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning December 31, 2024.

“Quarterly Filing Date” shall mean for each Quarterly Ending Date, the fifteenth calendar day of the second month following such Quarterly Ending Date being February 15, May 15, August 15, and November 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, collectively, the Developer and any Significant Homebuilder who has acknowledged and assumed reporting obligations in accordance with Section 6 of this Disclosure Agreement.

“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 14 or more of the single family residential lots within the District.

“Significant Homebuilder Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Trustee” shall have the meaning assigned to such term in the Indenture.

### SECTION 3. Quarterly Reports.

(a) The Developer and any Significant Homebuilder that is a Reporting Party, 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, the information in the Quarterly Report required to be provided by such Reporting Party pursuant to Section 3(d) (with respect to each Reporting Party, the “Quarterly Information”). The Reporting Party shall provide, or cause to be provided, such Quarterly Information until such party’s obligations terminate pursuant to Section 7 of this Disclosure Agreement. For the avoidance of doubt, (i) if the Developer elects, the Developer may, but shall not be obligated to, provide any Quarterly Information on behalf of any Significant Homebuilder, and (ii) 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 the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred.

(b) The Administrator shall (i) review each Quarterly Report containing the Quarterly Information provided by each Reporting Party pursuant to subsection (a) above and (ii) no later than twenty (20) days after each Quarterly Ending Date, either (1) advise the applicable Reporting Party as

to any necessary changes to the applicable Quarterly Information, or (2) provide to the Dissemination Agent the Quarterly Report in accordance with subsection (c) below. If the Administrator advises a Reporting Party as to any necessary changes to their respective Quarterly Information, such Reporting Party shall provide, or cause to be provided, to the Administrator, not more than thirty (30) days after each Quarterly Ending Date, the revised Quarterly Information. The Administrator shall review the revised Quarterly Information within the Quarterly Report and provide the Quarterly Report to the Dissemination Agent in accordance with subsection (c) below.

If Reporting Parties provide the Quarterly Information in more than one report to the Administrator, the Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by the Reporting Parties pursuant to subsection (a) above, and (ii) provide the Quarterly Report to the Reporting Parties for review no later than twenty (20) days after each Quarterly Ending Date. The Reporting Parties shall review and revise, as necessary, the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide the Quarterly Report and Certification Letter(s) to the Administrator and authorize the Administrator to provide such Quarterly Report and Certification Letter(s) to the Issuer and the 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 Reporting Party contained in the Quarterly Report. The Developer agrees that each Lot Purchase Agreement that is executed with a Homebuilder after the date hereof will contain a provision obligating the applicable Homebuilder to provide the Developer the information required by Section 3(d) as and when required for the Developer to comply with its obligations hereunder.

(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 Section 3(d), the Certification Letter(s), if applicable, and written direction to the Dissemination Agent to file such report with the MSRB. The Dissemination Agent shall file the Quarterly Report and the Certification Letter(s), if applicable, 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 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 3, 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, upon written direction from the applicable Reporting Party 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 or no Quarterly Information is provided by any Reporting Party, the Dissemination Agent and any other Reporting Party who provided complete Quarterly Information shall not be responsible for the failure to submit a complete Quarterly Report to the MSRB. 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 Quarterly Report to the Dissemination Agent, or the failure of the Dissemination Agent to provide such report to the Participating Underwriter in a timely manner, shall not be deemed a default by the Reporting Parties under this Disclosure Agreement.

(d) Each Quarterly Report shall consist of the Quarterly Information listed in Exhibit A attached hereof.

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 the District on a Parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within the District 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 nor a breach or default of this Disclosure Agreement;

(ii) Material damage to or destruction of any development or improvements within the District, including the Authorized Improvements, and the Private Improvements;

(iii) Material default by the Developer or any of the Developer's Affiliates on any loan with respect to the acquisition, development, or permanent financing of the District 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 the District owned by the Developer or any of the Developer's Affiliates;

(v) The 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 the District, or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's Affiliates;

(viii) Any material 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 hereof; and

(x) Early termination of or material default by a Homebuilder under a Lot Purchase Agreement.

(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 the District 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 the District 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 nor a breach or default of this Disclosure Agreement;

(ii) The 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 material 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 Purchase Agreement; and

(vi) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 6 herein.

(c) Whenever a Reporting Party obtains knowledge of the occurrence of a Listed Event applicable to such Reporting Party, such Reporting Party shall promptly, and not more than five (5) Business Days after such Reporting Party obtains such knowledge, notify the Issuer, the Administrator and the Dissemination Agent in writing and the Reporting Party 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 Reporting Party becomes aware of the occurrence of such Listed Event. If the Reporting Party timely notifies the Dissemination Agent of the occurrence of a 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 such Reporting Party under this Disclosure Agreement.

The Developer and each other Reporting Party, 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 of if such Reporting Party is providing Quarterly Information on behalf of any other Reporting Party.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the applicable Reporting Party desires to make, the written authorization of such Reporting Party for the Dissemination Agent to disseminate such information as provided herein, and the date the Reporting Party desires for the Dissemination Agent to disseminate the information.

In all cases, the applicable Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the applicable Reporting Party 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 such Reporting Party becomes aware of the Listed Event applicable to such Reporting Party.

(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 in writing the Administrator and the applicable Reporting Party 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 applicable Reporting Party 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 Reporting Party 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 applicable Reporting Party 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 Administrator, the Issuer, any Reporting Party 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 a Reporting Party 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 promptly after its receipt of such written instructions from such Reporting Party; 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.

#### SECTION 5. Assumption of Reporting Obligations of Developer.

The Developer shall cause each Person who, through assignment, assumes the obligations, requirements, or covenants to construct one or more of the Authorized Improvements, or the Private Improvements to assume and comply with the disclosure obligations of the Developer under this Disclosure Agreement. The Developer shall deliver to the Dissemination Agent, the Administrator, and the Issuer a written acknowledgement from each Person who assumes the obligations, requirements, or covenants to construct one or more of the Authorized Improvements or Private Improvements in substantially the form attached as Exhibit E (the “Developer Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Section 4(a)(ix) above, the Developer shall direct the Dissemination Agent to file a copy of each Developer Acknowledgment with the MSRB, in accordance with Sections 4(c) and 4(e) above. Upon any such transfer to a Person, and

such Person's delivery of written acknowledgement of assumption of Developer's obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Person arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall require that any Person comply with obligations of this Section 5 with respect to any subsequent transfers by such Person to any individual or entity meeting the definition of a "Developer" in the future.

SECTION 6. Assumption of Reporting Obligations by Significant Homebuilder.

(a) If a Homebuilder acquires ownership of real property in the District resulting in such Homebuilder becoming a Significant Homebuilder, the Developer may (i) cause such Significant Homebuilder to comply with the Developer's disclosure obligations under Section 3 and Section 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 or (ii) elect to provide any or all Quarterly Information on behalf of such Significant Homebuilder; provided, however, that if the Developer initially elects to provide any or all Quarterly Information on behalf of such Significant Homebuilder, the Developer may elect in the future to cause such Significant Homebuilder to comply with the Developer's disclosure obligations, as described in (i) above.

(b) If the Developer elects to cause a Significant Homebuilder to comply with the Developer's disclosure obligations, as described in (i) 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 Section 4(a)(ix) above, the Developer shall direct the Dissemination Agent to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with Sections 4(c) above. Upon any such transfer to a Significant Homebuilder, and such Significant Homebuilder's delivery of written acknowledgement of assumption of the 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. 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 to the Dissemination Agent, Administrator, the Issuer and the MSRB, in accordance with this Section 6(b).

(c) 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. Additionally, for the avoidance of doubt, the Developer shall use commercially reasonable efforts to require that any Significant Homebuilder comply with obligations of this Section 6 with respect to any subsequent transfers by such Significant Homebuilder to any individual or entity meeting the definition of a "Significant Homebuilder" in the future, including the requirement, pursuant to Section 4(b)(vi) above, to direct the Dissemination Agent to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with Section 4(c) and Section 4(e) above.

SECTION 7. Termination of Reporting Obligations.

(a) The reporting obligations of the Developer or any Significant Homebuilder under this Disclosure Agreement shall terminate upon the earliest of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer or such Significant Homebuilder, including their respective Affiliates and/or successors and assigns, no longer owns 14 or more single family residential lots within the District, as of each Quarterly Ending Date, or (iii) the Issuer's issuance of the certificate of occupancy for the last single family residential lot or Parcel owned by the Developer or such Significant Homebuilder, including their respective Affiliates and/or successors and assigns, respectively; provided, however, if the Developer elects to provide any or all Quarterly Information on behalf of a Significant Homebuilder in accordance with Section 6(a) above, the reporting obligations of the Developer under this Disclosure Agreement shall terminate upon the earliest of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer and such Significant Homebuilder(s) (on behalf of whom the Developer is reporting), including their respective Affiliates and/or successors and assigns, collectively no longer own 14 or more single family residential lots within the District, as of each Quarterly Ending Date, or (iii) the Issuer's issuance of the certificate of occupancy for the last single family residential lot or Parcel owned by the Developer and such Significant Homebuilder(s) (on behalf of whom the Developer is reporting), including their respective Affiliates and/or successors and assigns.

(b) 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) 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 for filing, the Issuer, the Trustee, the applicable Reporting Party and the Participating Underwriter on or before the next succeeding Quarterly Filing Date.

(c) 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) of this Section 7 and any Termination Notice required by subsection (b) 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 Issuer may, from time to time, appoint or engage a Dissemination Agent or 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 thirty (30) 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 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. The initial Dissemination Agent appointed hereunder shall be BOKF, NA.

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 in writing by the Developer or the 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 Sections 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).

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 in accordance with 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 provided hereunder.

SECTION 12. Default. In the event of a failure of any Reporting Party or the Administrator to comply with any provision of this Disclosure Agreement, (i) the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and (ii) 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, the Dissemination Agent shall, take such actions as may be necessary and appropriate to cause the applicable Reporting Party 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 a Reporting Party 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 a Reporting Party 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 any Reporting Party or the Administrator. Additionally, a default by any Reporting Party of its obligations under this Disclosure Agreement shall not be deemed a default by any other Reporting Party and no Reporting Party shall have any obligation to take any action to mitigate or cure the default of any other Reporting Party.

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 any Reporting Party 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 indemnify and 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 termination of this Disclosure Agreement, 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) Except as otherwise provided herein, 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 indemnify and 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 termination of this Disclosure Agreement, 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.

(d) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, 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, EXCEPT AS DESCRIBED IN SECTION 12 WITH RESPECT TO THE DISSEMINATION AGENT.

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 the 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 Reporting Parties, 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 the District, 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 the District, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

SECTION 19. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 20. Notice. Any written notice required to be given or made hereunder among or between any of the Parties and/or Participating Underwriter, shall be given or made by e-mail, facsimile, hand delivery, overnight courier, or by United States mail, certified or registered mail, return receipt requested, postage prepaid, at the addresses listed below or at such other addresses as any be specified in writing by any party hereto to the other parties hereto. If the required notice is provided or delivered by e-mail, the sender must request a read or delivery receipt from the recipient confirming that the recipient received the e-mail or the e-mail was delivered with such notice. Failure of any party to this Disclosure Agreement or Significant Homebuilder to provide proof of an e-mail read receipt or delivery receipt does not constitute a breach or default by such party or Significant Homebuilder under this Disclosure Agreement.

If to Developer: PHD – Huntsville 34, L.P.  
Attn: Mr. Paul Garza  
26207 Park Ivy Lane  
Katy, Texas 77365  
E-mail: [paul@paulhaydenddevelopments.com](mailto:paul@paulhaydenddevelopments.com)

With a copy to: Timothy G. Green  
Coats Rose, P.C.  
9 Greenway Plaza, Suite 1000  
Houston, Texas 77046  
E-mail: [tgreen@coatsrose.com](mailto:tgreen@coatsrose.com)

If to the Dissemination Agent or Trustee: BOKF, NA  
Attn: Rachel Roy  
5956 Sherry Lane  
Dallas, Texas 75225  
Email: [rachel.roy@bankoftexas.com](mailto:rachel.roy@bankoftexas.com)

If to Administrator: David Taussig & Associates, Inc. dba DTA  
8117 Preston Road, Suite 300  
Dallas, Texas 75225  
E-mail: [hector@financedta.com](mailto:hector@financedta.com)

If to the Issuer: City of Huntsville, Texas  
Attn: City Manager  
1212 Avenue M  
Huntsville, Texas 77340  
E-mail: [akulhavy@huntsvilletx.gov](mailto:akulhavy@huntsvilletx.gov)

If to Participating Underwriter: FMSbonds, Inc.  
5 Cowboys Way, Suite 300-25  
Frisco, Texas 75034  
E-mail: [Tdavenport@fmsbonds.com](mailto:Tdavenport@fmsbonds.com)

SECTION 21. Term of Disclosure Agreement. Except for surviving indemnities of the parties to this Disclosure Agreement, this Disclosure Agreement terminates on the earlier of (i) the first date on which none of the Bonds remain Outstanding, and (ii) the first date on which the reporting obligations of all Reporting Parties have terminated in accordance with the terms of this Disclosure Agreement.



SECTION 22. 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 Developer, the Administrator, and the Dissemination Agent agree that electronic signatures to this Disclosure Agreement may be regarded as original signatures.

*Signature pages follow.*

BOKF, NA,  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

DEVELOPER:

PHD – Huntsville 34, L.P., a Texas limited partnership

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

David Taussig & Associates, Inc. dba DTA,  
Administrator

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

**EXHIBIT A**

**CITY OF HUNTSVILLE, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024  
(THE RESERVES OF HUNTSVILLE PUBLIC IMPROVEMENT DISTRICT)**

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**DEVELOPER QUARTERLY REPORT  
[INSERT QUARTERLY ENDING DATE]**

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Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP Numbers: [Insert CUSIP Numbers]

**DISSEMINATION AGENT**

Name: BOKF, NA  
Address: \_\_\_\_\_  
Email: \_\_\_\_\_  
City: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Contact Person: Attn: \_\_\_\_\_

**I. Expenditures Paid from Accounts under Indenture**

Total budgeted costs for Authorized Improvements: \$ \_\_\_\_\_

Total budgeted costs for Authorized Improvements payable from proceeds of the Bonds:  
\$ \_\_\_\_\_

Of the total budgeted costs for Authorized Improvements payable from proceeds of the Bonds,  
actual costs drawn from the Improvement Account: \$ \_\_\_\_\_

**II. Status of Authorized Improvements**

Projected/actual completion date of the Authorized Improvements

1. Actual/Expected date of completion of the Authorized Improvements:  
\_\_\_\_\_
2. If applicable, explanation of any delay/change in projected completion date since last  
Quarterly Report was filed: \_\_\_\_\_

**III. Unit Mix in the District**

<b><u>Product Type</u></b>	<b><u>Number of Units</u></b>
50'	

**IV. Lot Status in the District**

Of the 140 lots in the District, what is the status:

1. Planned lots as of the date of issuance of the Bonds: 140
2. Planned lots as of the date of this Quarterly Report: \_\_\_\_\_
3. Lots developed: \_\_\_\_\_
4. Expected completion date of all lots in the District (if incomplete): \_\_\_\_\_

**V. Ownership of Lots/Units in the District**

PLANNED LOTS IN THE DISTRICT: 140

Of the 140 lots in the District:

1. Number of lots owned by the Developer: \_\_\_\_\_
2. Number of lots under contract but not closed to Homebuilder(s): \_\_\_\_\_
3. Number of lots owned by all Homebuilder(s): \_\_\_\_\_<sup>1</sup>
  - a. Number of lots owned by [*insert name of Homebuilder*]: \_\_\_\_\_<sup>2</sup>
  - b. Number of lots owned by [*insert name of Homebuilder*]: \_\_\_\_\_
4. Number of units owned by homeowners: \_\_\_\_\_

**VI. Home Sales Information in the District**

PLANNED HOMES IN THE DISTRICT: 140

Of the 140 homes planned for the District:

1. How many total building permits were issued **during the current quarter?** \_\_\_\_\_
  - a. Number of building permits issued during the current quarter for [*insert name of Homebuilder*]: \_\_\_\_\_<sup>2</sup>
  - b. Number of building permits issued during the current quarter for [*insert name of Homebuilder*]: \_\_\_\_\_<sup>2</sup>
2. How many total homes have closed with homebuyers **during the current quarter?** \_\_\_\_\_
  - a. Number of homes closed with homebuyers during the current quarter for [*insert name of Homebuilder*]: \_\_\_\_\_<sup>2</sup>

<sup>1</sup> If Developer is using EMMA filing assistance software, a chart containing the Quarterly Information provided under this item will be generated. If Developer is not using EMMA filing assistance software, Developer shall prepare a chart containing such Quarterly Information.

<sup>2</sup> Include a line item for each individual Homebuilder.

- b. Number of homes closed with homebuyers during the current quarter for [insert name of Homebuilder]: \_\_\_\_\_<sup>3</sup>
- 3. How many total homes have closed with homebuyers **cumulatively**? \_\_\_\_\_
  - a. Number of homes closed with homebuyers cumulatively for [insert name of Homebuilder]: \_\_\_\_\_<sup>3</sup>
  - b. Number of homes closed with homebuyers cumulatively for [insert name of Homebuilder]: \_\_\_\_\_<sup>3</sup>

**VII. Private Improvements**

TOTAL [EXPECTED/ACTUAL] COSTS OF PRIVATE IMPROVEMENTS:  
\$ \_\_\_\_\_

Of the \$ \_\_\_\_\_ [expected/actual] costs of the Private Improvements:

- 1. Amount spent as of Quarterly Ending Date: \$ \_\_\_\_\_
- 2. [Actual/Expected] completion date of Private Improvements: \_\_\_\_\_

**VIII. Material Changes**

Describe any material changes, if applicable:

- 1. **Permits and Approvals** - Since the issuance of the Bonds, have there been any material changes to permits or development approvals (including any zoning) impacting the development of the land subject to the Assessments securing the Bonds, which were not disclosed in a previously filed Quarterly Report? If so, describe the material changes.
- 2. **Mortgage Loans** - Since the issuance of the Bonds, have there been any material changes to mortgage loans (whether changes to an existing loan or incurrence of a new mortgage loan), if applicable, for the land subject to the Assessments securing the Bonds, which were not disclosed in a previously filed Quarterly Report? If so, describe the material changes.
- 3. **Builder Contracts** - Since the issuance of the Bonds, have there been any material changes to builder contracts (including but not limited to changes to price, substantial completion dates, number of lots, or other terms) with respect to the land subject to the Assessments securing the Bonds, which were not disclosed in a previously filed Quarterly Report? If so, describe the material changes.
- 4. **Ownership** - Since the issuance of the Bonds, other than a sale to a homebuilder pursuant to a Lot Purchase Agreement, has there been any sale, assignment or transfer of ownership of lands subject to the Assessments securing the Bonds by the Developer to any third-party developer/land bank, which was not disclosed in a previously filed Quarterly Report? If so, provide the name of the third-party and indicate whether this third-party developer/land bank has executed a Developer Acknowledgement pursuant to the Disclosure Agreement?

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<sup>3</sup> Include a line item for each individual Homebuilder.

5. **Reserved.**
6. **Amendments** – Since the issuance of the Bonds and except as otherwise disclosed in a previously filed Quarterly Report, (i) describe any amendments or waivers to any provision of the Disclosure Agreement, including 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 Reporting Parties and (ii) include a copy of the amendment, as applicable.
7. **Other** – Provide any other material information that should be disclosed.



**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO  
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of Huntsville, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District) (the “Bonds”)  
CUSIP Numbers: [insert CUSIP Numbers]  
Date of Delivery: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that \_\_\_\_\_, a \_\_\_\_\_ (the [“Developer<sup>4</sup>”] [“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 related to such Bonds, by and among PHD – Huntsville 34, L.P., a Texas limited partnership (the “Developer”), David Taussig & Associates, Inc. dba DTA, as Administrator, and BOKF, NA, as Dissemination Agent. The [Developer][Significant Homebuilder] anticipates that the [Quarterly Information][Quarterly Report] will be [provided][filed] by \_\_\_\_\_.

Dated: \_\_\_\_\_

BOKF, NA, on behalf of the Developer,  
as Dissemination Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Huntsville, Texas

\_\_\_\_\_  
<sup>4</sup> If applicable, replace with applicable successor(s)/assign(s).

**EXHIBIT C**

**TERMINATION NOTICE**

[DATE]

Name of Issuer: City of Huntsville, Texas  
 Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District) (the “Bonds”)  
 CUSIP Numbers. [insert CUSIP Numbers]  
 Date of Delivery: \_\_\_\_\_, 20\_\_

FMSbonds, Inc. 5 Cowboys Way, Suite 300-25 Frisco, Texas 75034	BOKF, NA 5956 Sherry Lane, Suite 900 Dallas, Texas 75225
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City of Huntsville, Texas 1212 Avenue M Huntsville, Texas 77340	PHD – Huntsville 34, L.P. Attn: Mr. Paul Garza 26207 Park Ivy Lane Katy, Texas 77365 E-mail: <a href="mailto:paul@paulhaydendevdevelopments.com">paul@paulhaydendevdevelopments.com</a>
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[Significant Homebuilder]

NOTICE IS HEREBY GIVEN that \_\_\_\_\_, a \_\_\_\_\_ (the [“Developer<sup>1</sup>”] [“Significant Homebuilder”]) is no longer responsible for providing [any Quarterly Information][the Quarterly Report] with respect to the Bonds, thereby terminating such party’s reporting obligations under the Continuing Disclosure Agreement of Developer related to such Bonds, by and among PHD – Huntsville 34, L.P., a Texas limited partnership (the “Developer”), David Taussig & Associates, Inc. dba DTA, as Administrator, and BOKF, NA, as Dissemination Agent.

Dated: \_\_\_\_\_

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<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).

David Taussig & Associates, Inc. dba DTA on behalf of  
the [Developer] [Significant Homebuilder], as  
Administrator

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT D**

**CERTIFICATION LETTER**

[DATE]

Name of Issuer: City of Huntsville, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District) (the “Bonds”)  
CUSIP Numbers: [insert CUSIP Numbers]  
Quarterly Ending Date: \_\_\_\_\_, 20\_\_

Re: Quarterly Report for The Reserves of Huntsville Public Improvement District

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer related to the captioned Bonds by and among PHD – Huntsville 34, L.P., a Texas limited partnership<sup>1</sup> (the “Developer”), David Taussig & Associates, Inc. dba DTA, as Administrator, and BOKF, NA, as Dissemination Agent, this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer][\_\_\_\_\_, as a “Significant Homebuilder”], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer][Significant Homebuilder], constitutes the [portion of the] Quarterly Report required to be furnished by the [Developer][Significant Homebuilder]. Any and all Quarterly Information, provided by the [Developer][Significant Homebuilder], contained in this Quarterly Report for the three month period ending on [Insert Quarterly Ending Date], to the best of my knowledge, is true and correct, as of [insert date].

Please do not hesitate to contact our office if you have and questions or comments.

PHD – Huntsville 34, L.P., a Texas limited partnership

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[OR

SIGNIFICANT HOMEBUILDER  
(as Significant Homebuilder)

By: \_\_\_\_\_  
Title: \_\_\_\_\_]

<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).

**EXHIBIT E**

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT  
OF DEVELOPER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

**Re: The Reserves of Huntsville Public Improvement District – 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 Authorized Improvements or Private Improvements (as those terms are defined in the Disclosure Agreement of Developer (as defined herein) within The Reserves of Huntsville Public Improvement District (the “District”).

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer (the “Disclosure Agreement of Developer”) by and among PHD – Huntsville 34, L.P., a Texas limited partnership (the “Developer”), David Taussig & Associates, Inc. dba DTA (the “Administrator”), and BOKF, NA (the “Dissemination Agent”), with respect to the “City of Huntsville, Texas, Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District),” any person that, through assignment, assumes the obligations, requirements, or covenants to construct one or more of the Authorized Improvements or Private Improvements is defined as a Developer.

As a Developer, pursuant to Section 5 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations of the Disclosure Agreement of Developer for construction of the [Authorized Improvements/Private Improvements] as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

PHD – Huntsville 34, L.P., a Texas limited  
partnership

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT F**

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT  
OF SIGNIFICANT HOMEBUILDER REPORTING OBLIGATIONS**

[DATE]

[INSERT SIGNIFICANT HOMEBUILDER CONTACT INFORMATION]

**Re: The Reserves of Huntsville Public Improvement District – Continuing Disclosure Obligation**

Dear \_\_\_\_\_,

As of \_\_\_\_\_, 20\_\_\_\_, you own \_\_\_\_\_ lots within The Reserves of Huntsville Public Improvement District (the “District”). Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer related to the captioned Bonds (the “Disclosure Agreement of Developer”) by and among PHD – Huntsville 34, L.P., a Texas limited partnership (the “Developer”), David Taussig & Associates, Inc. dba DTA (the “Administrator”), and BOKF, NA (the “Dissemination Agent”), with respect to the “City of Huntsville, Texas, Special Assessment Revenue Bonds, Series 2024 (The Reserves of Huntsville Public Improvement District),” any entity that owns 14 or more of the single family residential lots within 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) and Exhibit A as it relates to a Significant Homebuilder 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,

PHD – Huntsville 34, L.P., a Texas limited partnership

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX F**  
**APPRAISAL**

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**AN APPRAISAL REPORT**

**OF**

**CITY OF HUNTSVILLE, TEXAS – THE RESERVES OF HUNTSVILLE  
PUBLIC IMPROVEMENT DISTRICT**

**BEING 140 PROPOSED SINGLE-FAMILY LOTS, OUT OF A 33.22-ACRE SECTION,  
LOCATED ALONG THE NORTH LINE OF S.H. 30, WEST OF I-45 AND EAST OF F.M. 1791,  
IN HUNTSVILLE, WALKER COUNTY, TEXAS 77340**

**FOR**

**MR. R.R. "TRIPP" DAVENPORT, III  
UNDERWRITER  
FMSBONDS, INC.  
5 COWBOYS WAY, SUITE 300-25  
FRISCO, TEXAS 75034**

**BY**

**BARLETTA & ASSOCIATES, INC.  
1313 CAMPBELL ROAD, BUILDING C  
HOUSTON, TEXAS 77055-6429**

**B&A FILE NUMBER: C8668-01**

**AS OF**

**DATE OF APPRAISAL TRANSMITTAL:**

**FEBRUARY 15, 2024**

**DATE OF SITE VISIT:**

**FEBRUARY 13, 2024**

**EFFECTIVE DATES OF "UPON COMPLETION" VALUE:**

**JULY 31, 2024**

# BARLETTA & ASSOCIATES, INC.

REAL ESTATE APPRAISERS • CONSULTANTS

February 15, 2024

Mr. R.R. "Tripp" Davenport, III  
Underwriter  
FMSbonds, Inc.  
5 Cowboy Way, Suite 300-25  
Frisco, Texas 75034

Phone: 877-899-2220

Email: tdavenport@fmsbonds.com

RE: **An Appraisal Report of The Reserves of Huntsville, being 140 proposed on 33.22 acres**, located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340. The proposed lots have a typical lot size of 50' x 115', or 5,750 SF.

## B&A File No. C8668-01

Dear Mr. Davenport:

At your request, we have personally visited and prepared an appraisal of the above-captioned lots, gathered comparable market data, and conducted a study of the market area for the purpose of providing our opinion of the **"Upon Completion" Bulk Market Value** of the subject lots in compliance with FMSbonds, Inc.'s Appraisal Instructions, the Uniform Standards of Professional Appraisal Practice and the Appraisal Institute's Code of Professional Ethics. This appraisal also complies with applicable fair lending and anti-defamation laws including the Equal Credit Opportunity Act (ECOA), and the Fair Housing Act (FHA), the Civil Rights Act of 1866, as well as other federal, state or local laws that prohibit discrimination.

**At the request of the client, the "As Is" Market Value of the subject site, has not been valued herein.**

To conclude, it is our opinion that the **"Upon Completion" Bulk Market Value** of the fee simple interest in the subject lots, as of the indicated date, is as follows:

The Reserves of Huntsville				
Description	No. of Lots	Avg. Lot FF	Bulk Value	Effective Date
"Upon Completion" Bulk Market Value	140	50'	<b>\$7,570,000</b>	7/31/2024

The Bulk Market Value above is derived from a Sum of Retail Revenue of **\$9,163,000**, or \$65,450 per lot.

The estimated prospective **Marketing Period** and historic **Exposure Time** for the 140 proposed subject lots at the above concluded "Upon Completion" Bulk Market Value is

estimated within 3-6 months, based upon discussions with area builders, and the marketing period for comparable properties that have recently sold.

***The use of extraordinary assumptions or hypothetical conditions might have affected assignment results.***

**Extraordinary Assumptions:**

- 1.) The 140-lot subdivision appraised herein is proposed, with a prospective completion date. In this Appraisal Report, we have projected market conditions at the prospective time of completion that would be anticipated by typical market participants. In a similar fashion, we have projected the retail valuation of the individual subject lots, absorption period and holding costs based on projected conditions that are anticipated by typical market participants. Further, unknown circumstances may change the anticipated date of completion to another date, which may have market conditions that are different from that which are expected on the anticipated dates of completion that are reflected in this report. Because actual future market conditions may deviate from that which are anticipated by typical market participants, this appraisal is subject to a review of market conditions and current sales data that will be available on the prospective date of completion.
- 2.) The valuation of the subject improvements "Upon Completion" require valuation of the various subject improvements as of the prospective date, when they are projected to be physically complete based upon the plans and specifications provided. Developing this opinion of value requires the use of an extraordinary assumption because the subject in the prospective value opinion is as it exists as of a future date when physically complete. Therefore, we have relied upon surveys, plats and specifications for the proposed improvements provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value estimate is subject to revision.
- 3.) This appraisal is subject to all proposed improvements being completed in a timely and professional workmanlike manner and that the proposed improvements do not deviate significantly from those described herein.
- 4.) This appraisal is subject to a final subdivision plat.
- 5.) This appraisal assumes that K. Hovnanian Homes and Adams Homes or comparable production builders, will build upon the proposed subject lots, detached single-family units with a projected price point of \$295,000+.
- 6.) If any of these assumptions and conditions prove to be false, it may have an effect

on the Market Values contained herein.

**Hypothetical Conditions: None**

As referenced herein, **Market Value** is defined by FIRREA, as follows:

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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby 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.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 80, 2010, page 77472)

It has been a pleasure serving you. Please call if we may be of further assistance.

Sincerely,

**BARLETTA & ASSOCIATES, INC.**



Phillip F. Barletta, MAI, SRA  
President  
State Certified, TX-1320197-G



David M. Baehr, MAI, SRA, AI-GRS  
State Certified, TX-1380372-G

## CERTIFICATION

We certify, to the best of our knowledge and belief, the following:

### USPAP Certifications

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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. We have provided no other real estate services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this Appraisal Report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. David M. Baehr, MAI, SRA, AI-GRS made an unaccompanied visit to the subject site on February 13, 2024. Phillip F. Barletta, MAI, SRA did inspect the property on a later date.
10. No one provided significant real property appraisal assistance to the signer of this appraisal report.
11. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
12. The appraisers have extensive experience in appraising subdivisions, subdivision lots, base master floor plans, and master-planned residential subdivisions, and are State General Certified; thus, they are well-qualified to appraise the subject property and fully satisfy the Competency Rule of the Uniform Standards of Professional Appraisal Practice.
13. Phillip F. Barletta, MAI, SRA and David M. Baehr, MAI, SRA, AI-GRS are State Certified General Real Estate Appraisers by the Texas Appraiser Licensing and Certification Board for the State of Texas.

## **AI Certifications**

1. The reported analyses, opinions and conclusions were developed, and this report has also been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
2. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
3. As of the date of this report, Phillip F. Barletta, MAI, SRA and David M. Baehr, MAI, SRA, AI-GRS have completed the continuing education program for Designated Members of the Appraisal Institute.

The appraisers hereby certify regulatory compliance, and after completing a detailed and thorough analysis of all the relevant market data, the concluded fee simple estate **“Upon Completion” Bulk Market Value**, as of the noted effective date, is as follows:

<b>The Reserves of Huntsville</b>				
<b>Description</b>	<b>No. of Lots</b>	<b>Avg. Lot FF</b>	<b>Bulk Value</b>	<b>Effective Date</b>
"Upon Completion" Bulk Market Value	140	50'	<b>\$7,570,000</b>	7/31/2024

The estimated prospective **Marketing Period** and historic **Exposure Time** for the 140 subject lots at the above concluded “Upon Completion” Bulk Market Value is estimated within 3-6 months, based upon discussions with area builders, and the marketing period for comparable properties that have recently sold.

***The use of extraordinary assumptions or hypothetical conditions might have affected assignment results.***

### **Extraordinary Assumptions:**

1.) The 140-lot subdivision appraised herein is proposed, with two prospective completion dates. In this Appraisal Report, we have projected market conditions at the prospective time of completion that would be anticipated by typical market participants. In a similar fashion, we have projected the retail valuation of the individual subject lots, absorption period and holding costs based on projected conditions that are anticipated by typical market participants. Further, unknown circumstances may change the anticipated date of completion to another date, which may have market conditions that are different from that which are expected on the anticipated dates of completion that are reflected in this report. Because actual future market conditions may deviate from that which are anticipated by typical market participants, this appraisal is subject to a review of market conditions and current sales data that will be available on the prospective date of completion.

2.) The valuation of the subject improvements “Upon Completion” require valuation of the various subject improvements as of the prospective date, when they are projected

to be physically complete based upon the plans and specifications provided. Developing this opinion of value requires the use of an extraordinary assumption because the subject in the prospective value opinion is as it exists as of a future date when physically complete. Therefore, we have relied upon surveys, plats and specifications for the proposed improvements provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value estimate is subject to revision.

3.) This appraisal is subject to all proposed improvements being completed in a timely and professional workmanlike manner and that the proposed improvements do not deviate significantly from those described herein.

4.) This appraisal is subject to a final subdivision plat.

5.) This appraisal assumes that K. Hovnanian Homes and Adams Homes or comparable production builders, will build upon the proposed subject lots, detached single-family units with a projected price point of \$295,000+.

6.) If any of these assumptions and conditions prove to be false, it may have an effect on the Market Values contained herein.

**Hypothetical Conditions: None**

**BARLETTA & ASSOCIATES, INC.**



Phillip F. Barletta, MAI, SRA  
President  
State Certified, TX-1320197-G



David M. Baehr, MAI, SRA, AI-GRS  
State Certified, TX-1380372-G

### **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal is subject to the following conditions:

1. This Appraisal Report is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice, Standards Rule 2-2 (a). As such, this report does, in fact, include narrative discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is included in this report. The appraisers are not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title consideration. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.



11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, lead contamination, or other potentially hazardous materials may affect the value of the property. The appraisers' value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans With Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may affect the property's value, marketability, or utility.
15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are

connected) shall be disseminated to the public through advertising, public relations, new sales, or other media without prior written consent and approval of the appraisers.

19. Texas is a non-disclosure state. It is important that the intended user of the appraisal understand that, in Texas, there is no legal requirement for grantors or grantees to disclose any information relative to a transfer of real property. In Texas, deeds typically do not contain information about the transaction other than the legal description, the parties involved in the transaction and minimum consideration of \$10.00. As a result, no data source provides absolute coverage of all transactions. It is possible that there are sales data in the market, of which the appraisers are unaware. Our sources provide the data typically available to appraisers in the ordinary course of business.

***The use of extraordinary assumptions or hypothetical conditions might have affected assignment results.***

**Extraordinary Assumptions:**

- 1.) The 140-lot subdivision appraised herein is proposed, with a prospective completion date. In this Appraisal Report, we have projected market conditions at the prospective time of completion that would be anticipated by typical market participants. In a similar fashion, we have projected the retail valuation of the individual subject lots, absorption period and holding costs based on projected conditions that are anticipated by typical market participants. Further, unknown circumstances may change the anticipated date of completion to another date, which may have market conditions that are different from that which are expected on the anticipated dates of completion that are reflected in this report. Because actual future market conditions may deviate from that which are anticipated by typical market participants, this appraisal is subject to a review of market conditions and current sales data that will be available on the prospective date of completion.
- 2.) The valuation of the subject improvements "Upon Completion" require valuation of the various subject improvements as of the prospective date, when they are projected to be physically complete based upon the plans and specifications provided. Developing this opinion of value requires the use of an extraordinary assumption because the subject in the prospective value opinion is as it exists as of a future date when physically complete. Therefore, we have relied upon surveys, plats and specifications for the proposed improvements provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value estimate is subject to revision.
- 3.) This appraisal is subject to all proposed improvements being completed in a timely and professional workmanlike manner and that the proposed improvements do not

deviate significantly from those described herein.

4.) This appraisal is subject to final subdivision plat.

5.) This appraisal assumes that K. Hovnanian Homes and Adams Homes or comparable production builders, will build upon the proposed subject lots, detached single-family units with a projected price point of \$295,000+.

6.) If any of these assumptions and conditions prove to be false, it may have an effect on the Market Values contained herein.

**Hypothetical Conditions: None**

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**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

Property Name:	<b>City of Huntsville – The Reserves of Huntsville Public Improvement District</b>			
Type of Property:	The subject consists of The Reserves of Huntsville, being 140 proposed lots on 33.22 acres, located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340. The proposed lots have a typical lot size of 50' x 115', or 5,750 SF.			
Key Map Reference:	Walker County			
Coordinates:	Latitude: 30.718725; Longitude: -95.583634			
Postal Address:	Huntsville, Texas 77340			
Location:	The subject subdivision is located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340.			
Tract Size:	33.22 acres (140 lots)			
Density:	4.21 lots per acre			
Subject Lot Mix:				
	<b><u>No. of Lots</u></b>	<b><u>Description</u></b>	<b><u>Avg. FF</u></b>	<b><u>Avg. Size</u></b>
	140	Proposed Lots	50'	5,750 SF
<b><u>Appraisal Dates:</u></b>				
- Date of Report Transmittal:	February 15, 2024			
- Upon Completion Dates of Value:	July 31, 2024			
Purpose of the Appraisal:	To provide an opinion of the "Upon Completion" Bulk Market Value per the U.S.P.A.P., FMSbonds, Inc.'s Appraisal Guidelines, and the Appraisal Institute's Code of Professional Ethics.			
Rights Appraised:	Fee Simple Estate			
Zoning/Restrictions:	MD (Management District) by the City of Huntsville; there is a development agreement between the City and the developer allowing the subject proposed residential subdivision/None adverse known.			

Utilities/Services:

Utilities/Services	
Electricity:	Entergy
Water/Sanitary Sewer:	City of Huntsville
Gas:	Center Point Energy
Phone:	AT&T & others
Police Protection:	Huntsville Police Department & Walker Co. Sheriff's Dept.
Fire Protection:	Huntsville Fire Department
School District:	Huntsville ISD

Floodplain:

FEMA Flood Map	
Flood Map No.:	48471C0355D
Flood Map Date:	8/16/2011
Flood Map Designation:	Zone X

Environmental: No adverse influences noted or known, such as endangered species, habitats, or wetlands.

Builders: K. Hovnanian Homes and Adams Homes

New Home Price Range: Per the developer, from \$295,000+.

**Highest & Best Use of Lots:** Construction of single-family residential homes, as demand and market conditions warrant in the \$295,000+ price range by K. Hovnanian Homes and Adams Homes or comparable builders.

**CONCLUSION:**

To conclude, it is our opinion that the fee simple estate **“Upon Completion” Bulk Market Value** of the fee simple interest in the subject lots, as of the indicated date, is as follows:

The Reserves of Huntsville				
Description	No. of Lots	Avg. Lot FF	Bulk Value	Effective Date
"Upon Completion" Bulk Market Value	140	50'	<b>\$7,570,000</b>	7/31/2024

**IDENTIFICATION OF THE SUBJECT PROPERTY**

The subject of this appraisal is The Reserves of Huntsville, being 140 proposed lots on 33.22 acres, located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340. The proposed lots have a typical lot size of 50' x 115', or 5,750 SF. Per Mr. Paul Garza with Paul Hayden Developments and BTR Advisors, LLC (the developer), the proposed subject lots are projected to be substantially complete by July 31, 2024.

The subject proposed lots have not been platted, thus the subject site can be legally identified as noted below:

**JAMES L. HALL TRUST, ET AL  
33.22 ACRE TRACT**

**CITY OF HUNTSVILLE  
LEWIS COX LEAGUE, A-13  
WALKER COUNTY, TEXAS**

**HISTORY OF THE SUBJECT PROPERTY**

Per the requirements of the Appraisal Institute's Standards of Professional Practice and the U.S.P.A.P., the following are comments pertaining to the three-year sales history of the subject.

The 33.22-acre site was reportedly purchased by the developer in February 2022 for \$1,245,750, or \$37,500 per acre. The proposed 140 lots are under contract to K. Hovnanian Homes and Adams Homes for \$63,750 per lot or \$1,275 per FF. Each builder is purchasing 70 lots on a takedown basis, subject to a 6% annual escalator and a \$450 per lot in fees due to the developer.

The appraisers are not aware of any other sales, listings for sale, contracts, or offers to purchase the subject vacant site or proposed lots in the three years prior to the effective date of this appraisal.

### **INTENDED USE/USER OF THE APPRAISAL**

This appraisal is intended to offer our opinion of the **“Upon Completion” Bulk Market Value of the subject 140 proposed lots**, to the client, FMSbonds, Inc., for the underwriting of the proposed City of Huntsville, Reserves of Huntsville Public Improvement District Bond transaction. The use of the appraisal by anyone other than Mr. Tripp Davenport, III and Mr. Robert Rivera (c/o FMSbonds, Inc.), or the City is prohibited, except as provided herein. Additionally, we confirm our permission to use the final Appraisal Report in the offer and sale of public securities, secured by the special assessments levied on property within the PID, and we confirm that we will execute, subject to our approval of the same, a certificate related to the use of the appraisal for such purpose, as provided by the client. Any other party is an unintended unauthorized user.

**At the request of the client, the “As Is” Market Value of the subject site has not been valued herein.**

### **SCOPE OF WORK OF THE APPRAISAL**

The scope of work of the appraisal is the process to support our opinion of the “Upon Completion” Bulk Market Value of the 140 proposed lots that comprise Reserves of Huntsville, employing all applicable approaches to value in a comprehensive appraisal process and presented in this Appraisal Report. In preparing this appraisal, the appraisers:

- visited the subject property and surrounding market area, unaccompanied;
- contacted Mr. Paul Garza (210-386-6265) with Paul Hayden Developments and BTR Advisors, LLC, who provided physical, financial and historical data for this valuation analysis;
- analyzed macro and micro market conditions of this region and market area;
- interviewed active market participants;
- gathered relevant available information on current comparable builder takedown lot sales and lot absorption data, referencing such publications as the Houston MLS, the CDS Lot Price Survey, the Zonda Houston Metrostudy and the appraisers’ extensive database;
- referenced other publications and services such as MapPro, Loop Net, Google Earth, Realty Rates.com, the Walker County Appraisal District, and the Walker County Clerk’s Office, among other services;



- confirmed and analyzed the data and applied the most applicable approaches to value; i.e. the Sales Comparison Approach-Retail Lot Sales; and the Income Approach-DCF analysis;
- the Cost Approach was not developed. At the request of the client, the “As Is” Market Value of the subject site has not been valued herein. The absence of the Cost Approach does not affect the credibility of the Market Value conclusion in this appraisal;
- concluded the Bulk Value of all 140 subject lots to a single purchaser and, as such, our report conforms to the reporting guidelines of the Appraisal Institute, the Texas Appraiser Licensing and Certification Board, the Appraisal Foundation’s U.S.P.A.P., and Regulation 12 CFR Part 564; and
- concluded the “Upon Completion” Bulk Market Value of the 140 proposed subject lots, as of the stated effective date for a reasonable exposure period.

### **PROPERTY RIGHTS APPRAISED**

The property rights appraised are the **Fee Simple Estate**. Fee Simple Estate is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, published in 2022, Page 73, as follows:

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.

### **DEFINITION OF MARKET VALUE**

As referred to herein, **Market Value** is defined by FIRREA, as follows:

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 each 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.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal

and Evaluation Guidelines, Federal Register, 75 FR 77449, December 80, 2010, page 77472)

### **DEFINITION OF “SUM OF THE RETAIL VALUES”**

As referred to herein, ***Sum of Retail Values*** is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, published in 2022, Page 185, as follows:

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the aggregate of the retail values or aggregate retail selling price.

### **DEFINITION OF “AS IS” MARKET VALUE ON APPRAISAL DATE**

As referred to herein, ***“As Is” Market Value*** is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, published in 2022, Page 10, as follows:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraised date.

### **DEFINITION OF “BULK VALUE”**

As referred to herein, ***“Bulk Value”*** is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, revised 2022, by the Appraisal Institute, Page 22, as follows:

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

### **DATES OF THE APPRAISAL**

The “Upon Completion” Bulk Market Value effective date of value of this appraisal is July 31, 2024. The date of transmittal of the report is February 15, 2024.

### **ZONING & RESTRICTIONS**

The Reserves of Huntsville subdivision is zoned MD (Management District) by the City of Huntsville. There is also a development agreement between the developer and the city

that allows development of the proposed subject subdivision. The proposed residential use is a legal conforming use. It is assumed the proposed subject subdivision will include typical deed restrictions, none of which are assumed to be detrimental to value.

### AD VALOREM TAX DATA

All properties in the State of Texas are taxed at 100% of their assessed value, which are determined for all taxing jurisdictions within a county by a central county appraisal district, in this case, the Walker County Appraisal District (WCAD). The proposed subject lots have not yet been assessed by WCAD and are considered a portion of the development site acreage Account Number 11372, with an assessed value of \$1,284,670.

In most cases, the taxing entities typically assess lots at around 15% to 100% of the retail value. Within the discounted cash flow section of this report, the appraisers will utilize an average **31%** assessment-to-retail value ratio, which was derived from tax comparables from the subject's market area. See table below:

<b>Property Tax Comps for the Reserves of Huntsville</b>				
<b>WCAD</b>		<b>2023</b>		<b>% Tax</b>
<b>Property ID</b>	<b>Street Address</b>	<b>Type</b>	<b>Lot Value</b>	<b>Assessment</b>
70815	117 Barton Creek Dr.	Interior	\$20,000	30.56%
70829	110 Barton Creek Dr.	Interior	\$20,000	30.56%
Average Tax Assessment-to-Total Value Ratio				30.56%
<b>Rounded</b>				<b>31%</b>

2023 Tax Rates: The 2023 property tax assessment and tax rates per \$100, applicable to the subject, are summarized in the following tables:

<b>Taxing Authorities and 2023 Rates per \$100</b>	
City of Huntsville	\$0.3074
Huntsville ISD	\$0.8571
Walker County	\$0.4127
The Reserves PID	\$1.3351
Walker County Hospital District	\$0.0977
<b>2023 Cumulative Tax Rate per \$100:</b>	<b>\$3.0100</b>

### **GREATER HOUSTON AREA DATA**

(Please refer to the Addenda of this appraisal for a Houston MSA summary analysis.)

As of February 2024, notable within the current and recent analyses are the following items primarily related to the Houston MSA:

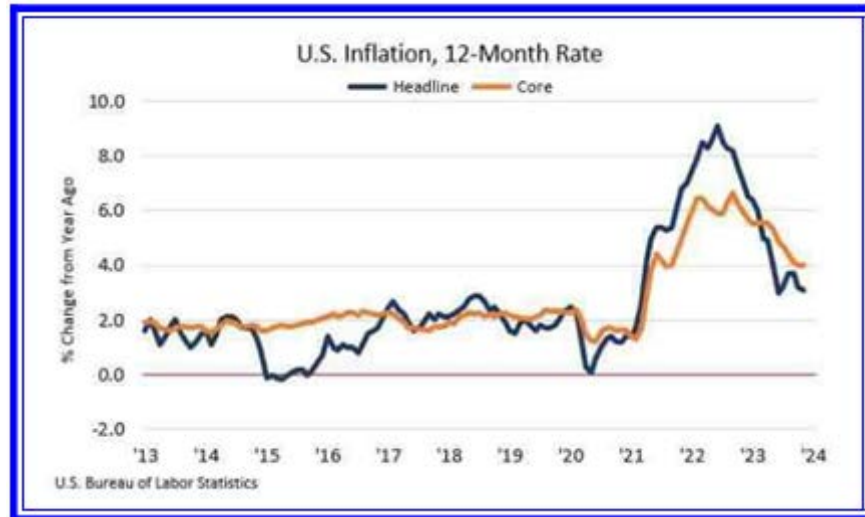
**Economic/Employment Update:** Metro Houston added 3,600 in December 2023, well under the typical range of 6,000 to 16,000 jobs. Over the prior 12 months, Houston added 70,100 jobs. The region's gross domestic product now tops \$633 billion and its population exceeds 7.3 million. Houston's employment gains for 2023 suggest the economy has returned to a normal, sustainable pace of growth.

**Purchasing Manager's Index (PMI):** The Houston PMI decreased 0.6 points to 51.4 in December 2023, after increasing 2.1 points to 52.0 in November 2023, up from 49.9 in October 2023. According to the Institute for Supply Management, readings above 50 indicate the local economy is expanding, below 50 indicate that it's contracting. Since rising above 50 in August 2020, the Houston PMI has indicated strong to moderate local growth for 36 consecutive months until September 2023, with a very moderate contraction, but remaining flat in October 2023. Nationally, the GDP increased a weak 1.1% in the 1<sup>st</sup> quarter of 2023 and modest 2.1% in the 2<sup>nd</sup> quarter of 2023; however, the national GDP rose a whopping 4.9% in the 3<sup>rd</sup> quarter 2023.

**Population Update:** The U.S. Census Bureau data indicates that metro Houston's population grew in the 12 months ending July 1, 2021. The region added just over 69,000 residents, enough for Houston to reach a new milestone. The nine-county metro area topped 7.216 million residents in 2022, and now exceeds that of 37 states and the District of Columbia.

**Inflation:** The Consumer Price Index for all Urban Consumers (CPI-U), rose 3.1% nationwide in the 12 months ending in November 2023, and has been declining from its peak of 9.1%, in June 2022. In Houston, inflation has tracked over the national average

since April 2022 and rose by 3.0% in October 2023, and has been declining from its peak of 10.1% in June 2022. In an attempt to fight inflation by slowing the economy, the U.S. Federal Reserve has rapidly raised rates from 0%, starting in February 2022 to the current level of 5.5%, from July 2023 to October 2023; however, the core inflation rate came in at 4.0%, in both October & November 2023.



**Unemployment:** The unemployment rates in Houston, the U.S. and Texas were flat in December 2023. The unemployment rate for metro Houston remained at 3.8%, down from 4.1% in October 2023. The Texas rate slipped from 3.8% in October to 3.5% in November 2023 and was unchanged in December 2023. The national rate declined slightly from 3.6% in October 2023 to 3.5% in November and December 2023. The rates are not seasonally adjusted.

City	Rate	City	Rate	City	Rate
Alvin	4.6	Friendswood	3.2	League City	3.2
Baytown	8.1	Fulshear	4.3	Missouri City	3.9
Beaumont	4.8	Galveston	3.5	Pasadena	4.8
Bryan	2.5	Houston	4.2	Pearland	3.5
College Station	2.6	Huntsville	4.4	Rosenberg	4.0
Conroe	3.5	Lake Jackson	5.0	Sugar Land	3.0
Deer Park	4.4	La Porte	4.5	Texas City	5.0

Source: Texas Workforce Commission \*Not seasonally adjusted

**Crude Oil:** The closing spot price for West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude averaged \$76.44 per barrel in December 2022, down from \$84.37 in November 2022, but up about 6.6% from \$71.71 in December 2021. WTI has consistently traded above \$90 per barrel since early February 2021 before declining in late 2022. The U.S. Energy Information Administration forecasts WTI to average \$77.17 per barrel in 2023, then decreasing to \$71.58 per barrel in 2024. The Baker Hughes count of active domestic rotary rigs averaged 780 in December 2022, a 34.7% increase from 579 in December 2021. This is well above the recent bottom of 250 in August 2020 and just below the pre-pandemic December 2019 average of 804 rigs.

**Houston Area Existing Home Sales:** New home sales totaled 102,788 in the 12-months ending in November 2023, which is the lowest level since October 2019. They are down 23.8% from the peak of 134,844 for the 12 months ending in March 2022. Slower sales has increased supply, which is up 30.8% from last November. Increasing supply, slower sales and higher interest rates continues to put downward pressure on prices. The median-priced SFR was \$326,000 in November 2023, down \$4,000 from November 2022 and down \$28,000 from the peak in June 2022.

**New Home & VDL Market** The appraisers referenced Zonda's Houston Residential Survey (4Q23), copyright Metrostudy, 4th Quarter 2023. The overall Houston Area had 8,645 closings and 7,966 starts in the 4th Quarter of 2023, down 23.06% from 10,354 starts in the 3rd Quarter of 2023, but up 36.66% from the 5,829 starts in the 4th Quarter

of 2022. The result is a stabilized new home inventory of 23,107 new homes, or 8.0 months for the overall Houston new home market.

In the 4th Quarter 2023, there was a total existing inventory of 52,948 vacant developed lots in the subject market area. This equates to a shortage supply level of 17.8 months, down from 18.7 months in the 3rd Quarter of 2023, but up from the severe shortage level of 16.3 months in the 4th Quarter of 2022. Housing starts continued at a steady pace in the 4th Quarter of 2023 and are approaching levels similar to that prior to the spike in inflation and prior to the current high, but declining mortgage interest rates. Historically, a 20 to 24 month supply of vacant developed lots indicated a stabilized condition.

Closings are lagging behind, primarily due to continued supply chain issues, with closings sometimes delayed due the lack of electrical or water/sewer service. Historical new home closings, starts, inventory and vacant lot inventory for the overall Houston Area, are summarized on the following chart.

Market Area		4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	Annual Rates/ Inventory Supply (Mos)
Houston Area	Starts	8,350	11,343	11,739	8,755	5,829	7,069	10,248	10,354	7,966	35,637
	Closings	8,492	9,450	10,609	9,868	8,975	8,599	8,373	9,015	8,645	34,632
	Housing Inv.	23,338	25,231	26,361	25,248	22,102	20,572	22,447	23,786	23,107	8.0 Mos.
	VDL Inv.	38,238	37,733	38,536	42,311	51,240	53,446	52,079	52,174	52,948	17.8 Mos.





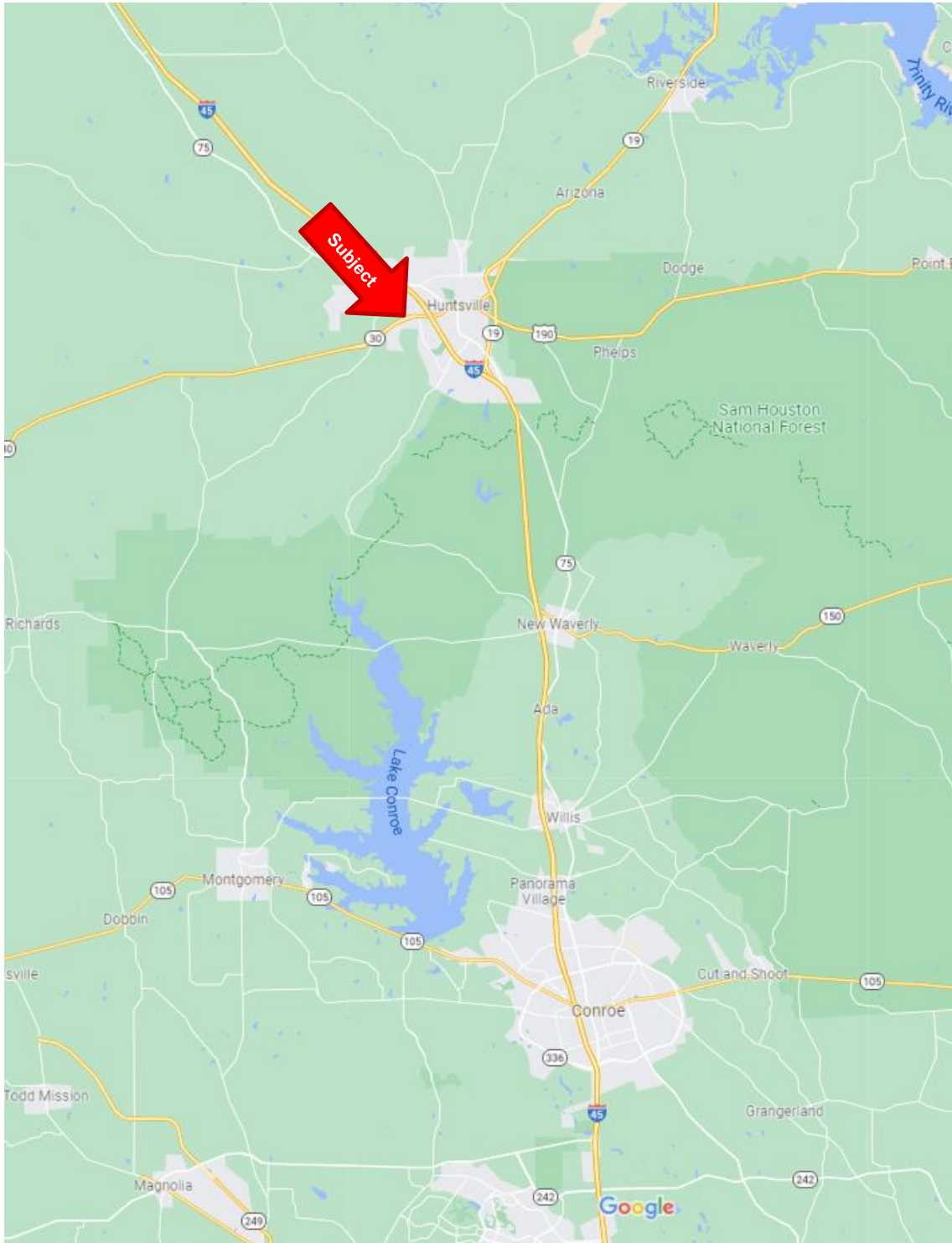
**Houston Commercial/Multifamily Real Estate, Per CoStar** : Overall rent and vacancy rates comparisons for end of year 2022, 2023, and year-to-date 2024 were as shown in the following chart:

Property Type	Rent					Vacancy				
	2022	2023	% Change	YTD 2024	% Change	2022	2023	% Change	YTD 2023	% Change
Retail	\$21.38	\$23.59	10.3%	\$23.63	0.2%	5.5%	4.9%	-0.6%	4.9%	0.0%
Office	\$28.50	\$29.63	4.0%	\$29.74	0.4%	18.9%	18.9%	0.0%	18.9%	0.0%
Industrial	\$8.00	\$8.93	11.6%	\$8.98	0.6%	6.7%	6.9%	0.2%	7.0%	0.1%
Multifamily	\$1,240	\$1,316	6.1%	\$1,319	0.2%	7.3%	10.9%	3.6%	11.0%	0.1%
Hospitality	\$106.47	\$113.22	6.3%	\$113.10	-0.1%	43.4%	40.2%	-3.2%	40.1%	-0.1%

Source: CoStar 2-1-2024



**HOUSTON AREA MAP**



## MARKET AREA ANALYSIS

**Market Area Defined:** According to The Dictionary of Real Estate Appraisal, Sixth Edition, by the Appraisal Institute, 2015, page 139, a **market area** is defined as: “The geographic region from which a majority demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area.”

**Boundaries:** The subject, known as the New Waverly/Huntsville/Madisonville market area, is located approximately 65 to 100 radial miles north of Houston's Central Business District and about 40 miles northeast of Bryan/College Station. The market area boundaries may be generally defined as follows:

North: U.S. 190

West: F.M. 2620 / S.H. 90.

East: S.H. 19 / Trinity River

South: F.M. 1325 / S.H. 150

**Access:** The area is accessible via State Highway 21, U.S. Highway 90, State Highway 30 and Interstate 45. State Highway 21 and State Highway 30 traverse the area in a northeasterly/southwesterly direction and provide access to the Bryan/College Station area to the west. Interstate 45 traverses the area in a north/south direction. I-45 serves as the primary roadway connection to Houston to the south and Dallas/Fort Worth to the north. Proposed Interstate 14, the Central Texas Corridor is planned to pass through Bryan/College Station, Huntsville and Livingston. Additional access is provided by numerous farm to-market roads, which are asphalt-paved, with open ditch drainage. Within the subject market area, Interstate 45 features two controlled access lanes in each direction, with overpasses at major intersections. One lane of frontage road serve local traffic along its route in the vicinity of Madisonville and Huntsville. Residential and commercial development has been active along this major corridor, in or near these municipalities.

**Education:** Huntsville ISD and Madisonville ISD are in a semi-rural/agricultural region that is currently undergoing initial stages of residential and commercial development. Higher education in the area is provided by Sam Houston State University in Huntsville, while Texas A&M University and Blinn Community College are to the west of the subject market area, in College Station.

**Services/Utilities:** Within the municipalities, water and sanitary sewer service is provided by the cities of New Waverly, Madisonville, Huntsville and other local municipalities or municipal utility districts. Outlying properties are serviced by private wells and septic tanks. Natural gas is provided by CenterPoint Energy, while electricity is provided by Entergy or Mid South Electric. Police protection is provided by local municipal police departments, county Sheriff's departments and local county constables.

**Recreation:** The Sam Houston National Forest in southern Walker County and beyond and is home to various wildlife species and is available for many outdoor recreational opportunities.

**Employment Centers:** Huntsville and Madisonville are the primary employment centers within the market area. Sam Houston State University, the Huntsville and Madisonville ISD's and the Texas Department of Criminal Justice are the primary employers. Conroe and The Woodlands are employment centers to the south of the market area, while Bryan/College Station is the primary employment center to the west of the market area.

**Land Uses:** The subject market area is primarily residential and agricultural in nature. The majority of residential development has occurred in single-family residential subdivisions, ranging in age from new to 60+ years. Garden apartment complexes are primarily distributed in or near Huntsville and Madisonville. Adequate schools, and community facilities are located throughout the market area. Major retail development exists in the form of regional malls, located along the major traffic corridors. The market area also has scattered light industrial and small office development. It is estimated that approximately 20% of the immediate subject market area is developed with predominantly residential uses, with supportive commercial properties along the major thoroughfares. The subject market area is in the very early growth stage of development, being a rural-

suburban locale in the initial stage of transition from vacant and rural agricultural land to residential and supportive commercial development.

**Single-Family Residential:** The appraisers have referenced the Zonda Houston Metrostudy, 4th Quarter 2023. The subject property is outside the boundaries of this study, but is adjacent to the Far North Market Area and the Conroe Submarket. The following chart summarizes the vital statistics for Conroe Submarket, the Far North Market Area, and the overall Houston region.

Zonda Houston Metrostudy 4Q 2023								% Change
Submarket/ Market Area		4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	Yrly. Rates/ Supply	12 Month
Conroe Submarket	Starts	488	700	1,057	1,140	745	3,642	52.66%
	Closings	859	799	966	1,048	892	3,705	3.84%
	Housing Inv.	2,436	2,337	2,428	2,520	2,373	7.1 mos.	-2.59%
	VDL Inv.	6,644	6,832	7,661	7,909	8,348	27.5 mos.	25.65%
Far North Market Area	Starts	690	1,068	1,534	1,687	1,229	5,518	78.12%
	Closings	1,434	1,390	1,403	1,482	1,328	5,603	-7.39%
	Housing Inv.	3,742	3,420	3,551	3,756	3,657	7.8 mos.	-2.27%
	VDL Inv.	9,337	9,699	10,450	10,655	11,246	24.5 mos.	20.45%
Houston Total	Starts	5,829	7,069	10,248	10,354	7,966	35,637	36.66%
	Closings	8,975	8,599	8,373	9,015	8,645	34,632	-3.68%
	Housing Inv.	22,102	20,572	22,447	23,786	23,107	8.0 mos.	4.55%
	VDL Inv.	51,240	53,446	52,079	52,174	52,949	17.8 mos.	3.34%

For the 4th Quarter 2023, the Conroe Submarket had 745 housing starts (a 52.66% increase since 4th Quarter 2022), and 892 closings, (a 3.84% increase since 4th quarter 2022). The Conroe Submarket ended the quarter with a new home inventory of 2,373 units or a 7.1-month supply, which is superior to the 7.8-month supply for the Far North Market Area new home market. The Conroe Submarket concluded the 4th Quarter 2023 with 8,348 vacant developed lots in inventory. This lot inventory equates to a 27.5-month **oversupply**, which is inferior to the 24.5-month moderate VDL oversupply for Far North Market Area. A 20-to-24-month supply of lots is considered to be a market in equilibrium.

For the 4th Quarter 2023, the overall Far North Market Area had 1,229 starts (a 78.12% increase since 4th quarter 2022) and 1,328 closings (a 7.39% decrease since 4th quarter 2022). The result is new home inventory of 3,657 units, or a 7.8-month supply, which is

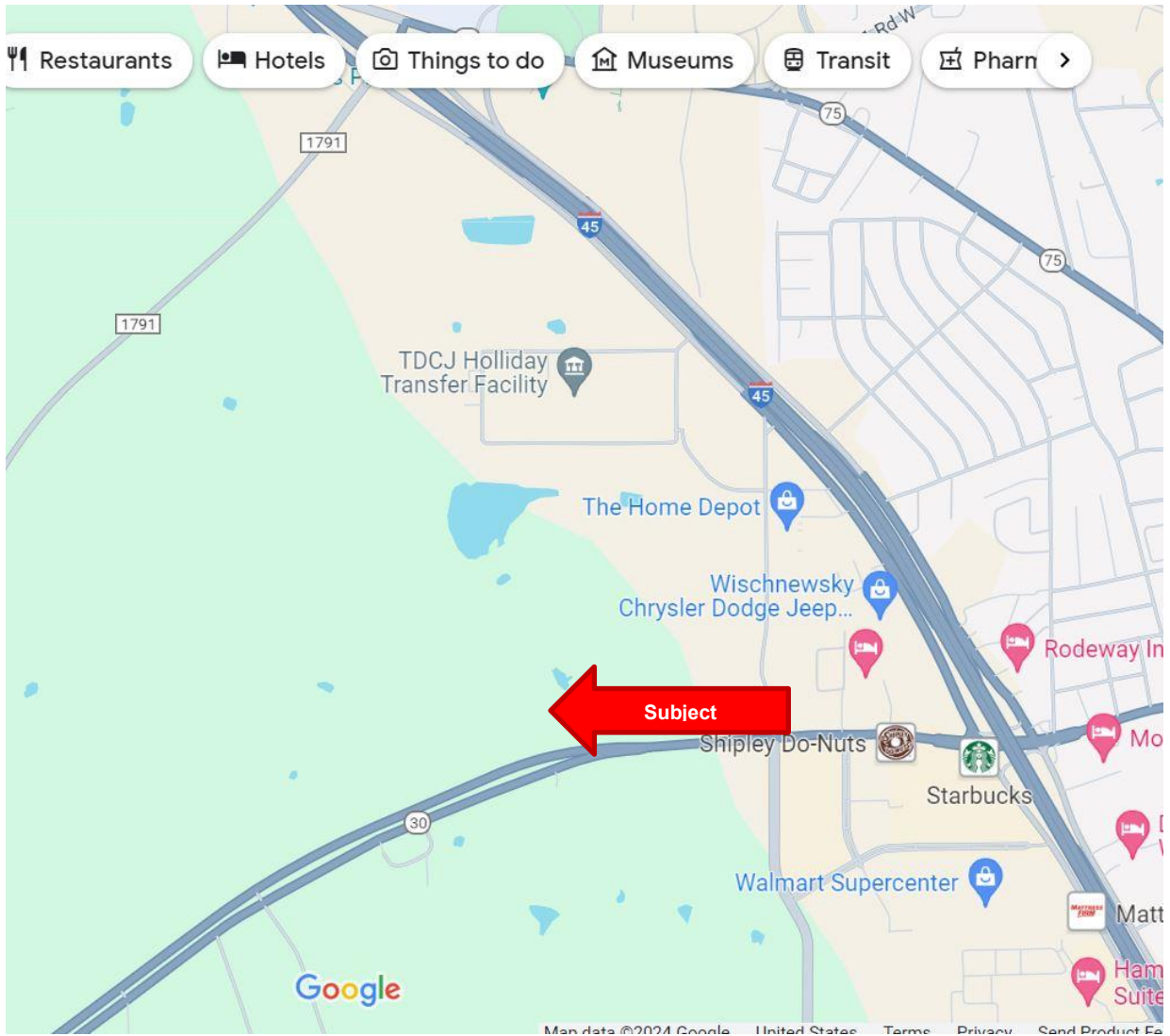
similar to the 8.0-month supply for the overall Houston new home market. At the time of this Zonda Houston Metrostudy report, there was a total inventory of 8,645 vacant developed lots in the Far North Market Area. This equates to a 24.5-month **moderate oversupply**, which is inferior to the 17.8-month moderate shortage supply for the overall Houston region. Again, a 20-to-24-month supply of lots is considered to be a market in equilibrium.

**CONCLUSION:** The New Waverly/Huntsville/Madisonville market area remains predominantly rural in nature, with an abundance of large tracts of vacant land. It is an outlying suburban growth locale in the direct path of Houston's/The Woodlands/Conroe northerly expansion along Interstate 45. The market area is in a growth stage of its life cycle, and is expected to continue as such into the foreseeable future, albeit likely at a steady rate of growth. Amenities and services, i.e., transportation, utilities, recreational, education, shopping, etc., are plentiful in the local municipalities. As the area grows, these amenities and services are expected to become more expansive. Availability of these supportive amenities is considered to be a major factor promoting future development. No adverse or detrimental influences were noted. No zoning or other restrictions are present that would have an adverse effect on area development.

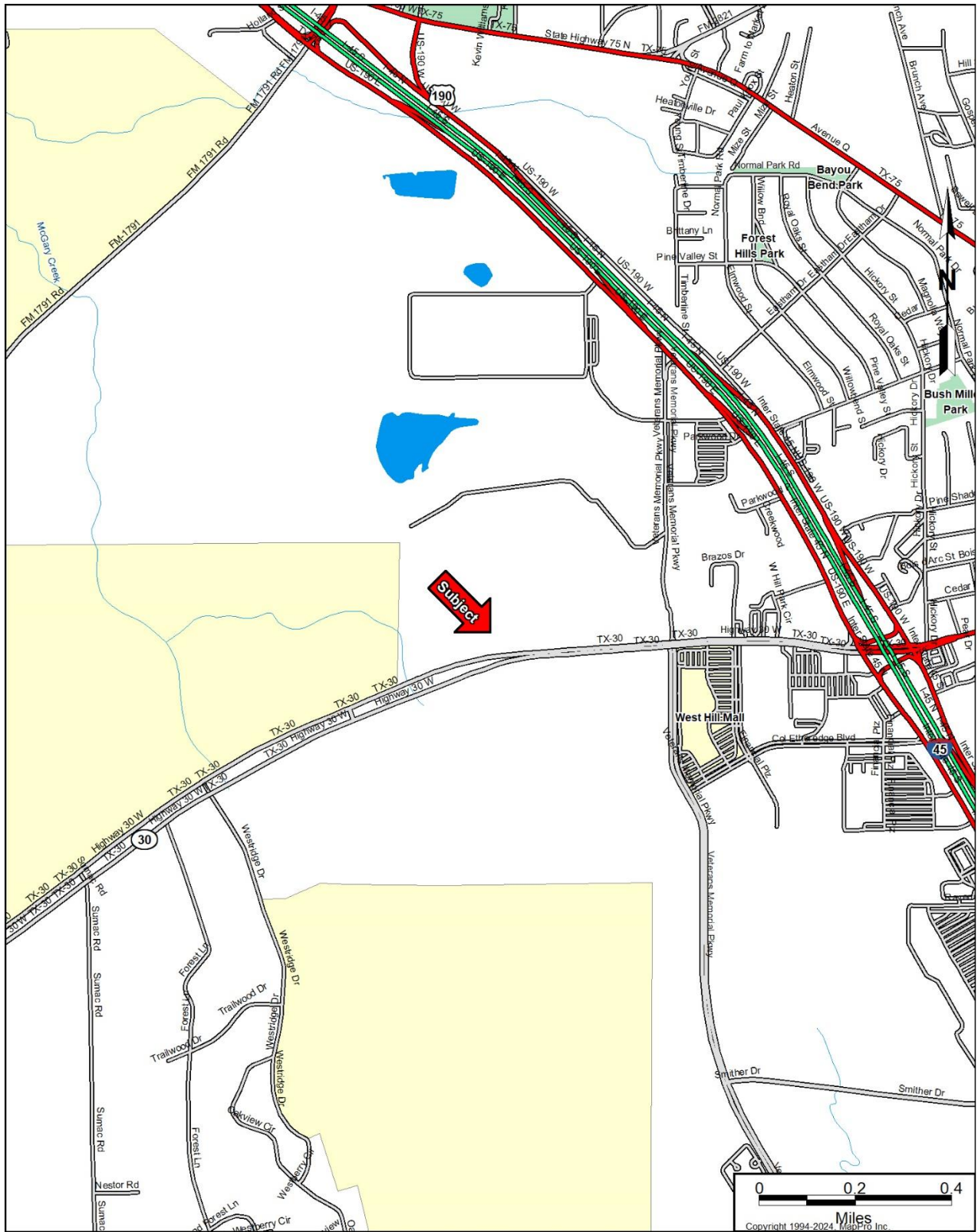
The overall economic outlook of the market area has recently improved from the effects of the Coronavirus pandemic with the economy continuing to open up, along with recovering \$70 - \$90+/- per barrel oil. New home sales activity are expected to continue at a steady pace in this market area, as well as the greater Houston MSA during early 2024, due to softening in the high mortgage interest rates since December 2023.

Inflation has been at its highest level since 1982, but has receded to 3.0% in June 2023, but jumped to 3.7% in August 2023, causing the Federal Reserve to rapidly increase interest rates during May 2022 through July 2023. As of January 2024, the inflation rate dropped to 3.1%, which indicates a slowing overall. The overall impact to the local residential market is the anticipation of improving activity in 2024 in comparison to 2023, as interest rates are expected to further recede during 2024.

**MARKET AREA MAP**



### LOCATION MAP



**CAUTION:** The location of property arrows shown on this map are approximate only. Inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.

**SITE ANALYSES**

The subject consists of The Reserves of Huntsville, being 140 proposed on 33.22 acres, located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340. The proposed lots have a typical lot size of 50' x 115', or 5,750 SF. Per Mr. Paul Garza with Paul Hayden Developments and BTR Advisors, LLC (the developer), the proposed subject lots are projected to be substantially complete by July 31, 2024. Per WCAD, there that is an 1,809 SF SFR that was constructed in 1965 on the subject property that will be razed to make for the proposed residential subdivision.

Key Map Reference: Walker County

Postal Address: Huntsville, Texas 77340

Location: The subject subdivision is located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340.

Tract Sizes: 33.22 acres (140 lots)

Density: 4.21 lots per acre

Subject Lot Mix:

<u>No. of Lots</u>	<u>Description</u>	<u>Avg. FF</u>	<u>Avg. Size</u>
140	Proposed Lots	50'	5,750 SF

Zoning/Restrictions: MD (Management District) by the City of Huntsville; there is a development agreement between the City and the developer allowing the subject proposed residential subdivision/None adverse known.

Utilities/Services:

<b>Utilities/Services</b>	
Electricity:	Entergy
Water/Sanitary Sewer:	City of Huntsville
Gas:	Center Point Energy
Phone:	AT&T & others
Police Protection:	Huntsville Police Department & Walker Co. Sheriff's Dept.
Fire Protection:	Huntsville Fire Department
School District:	Huntsville ISD



Floodplain:

<b>FEMA Flood Map</b>	
Flood Map No.:	48471C0355D
Flood Map Date:	8/16/2011
Flood Map Designation:	Zone X

Builders:

K. Hovnanian Homes and Adams Homes

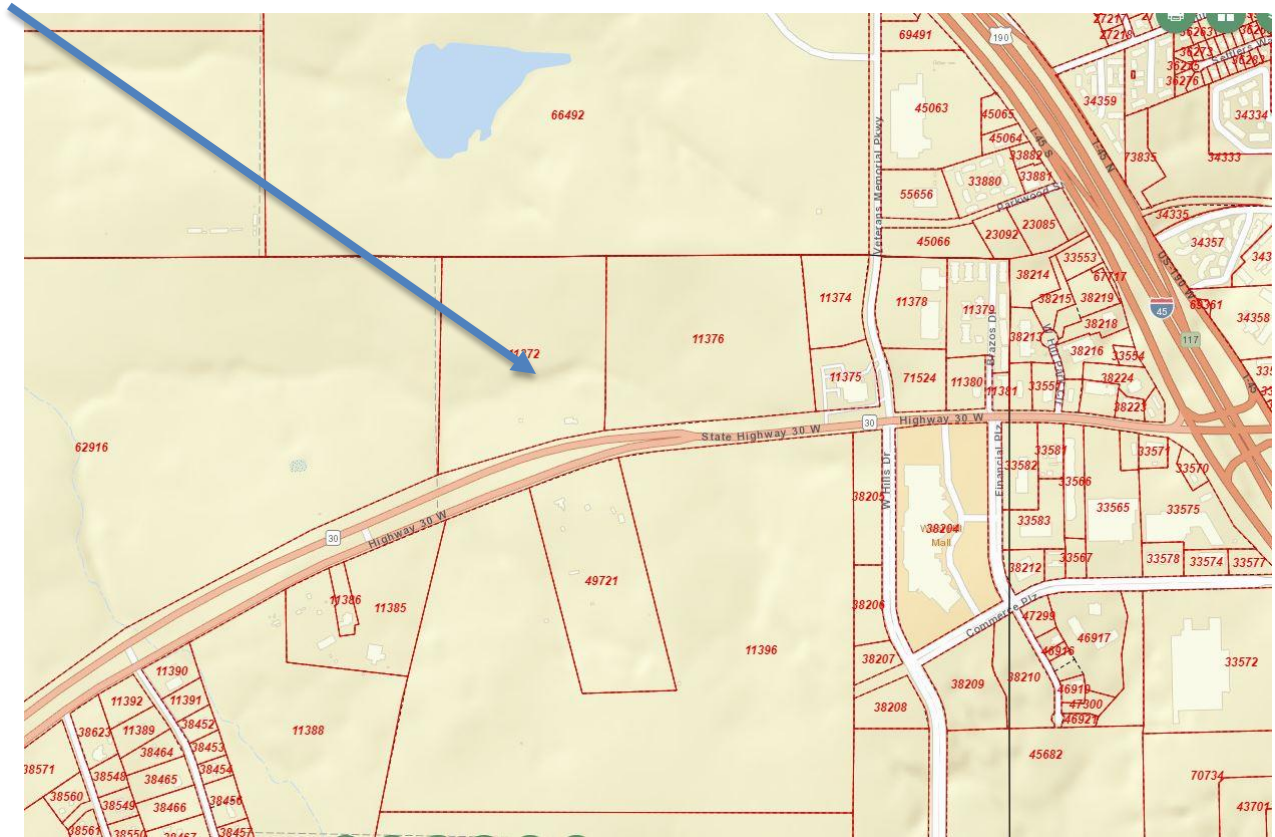
New Home Price Range:

Per the developer, from \$295,000+.

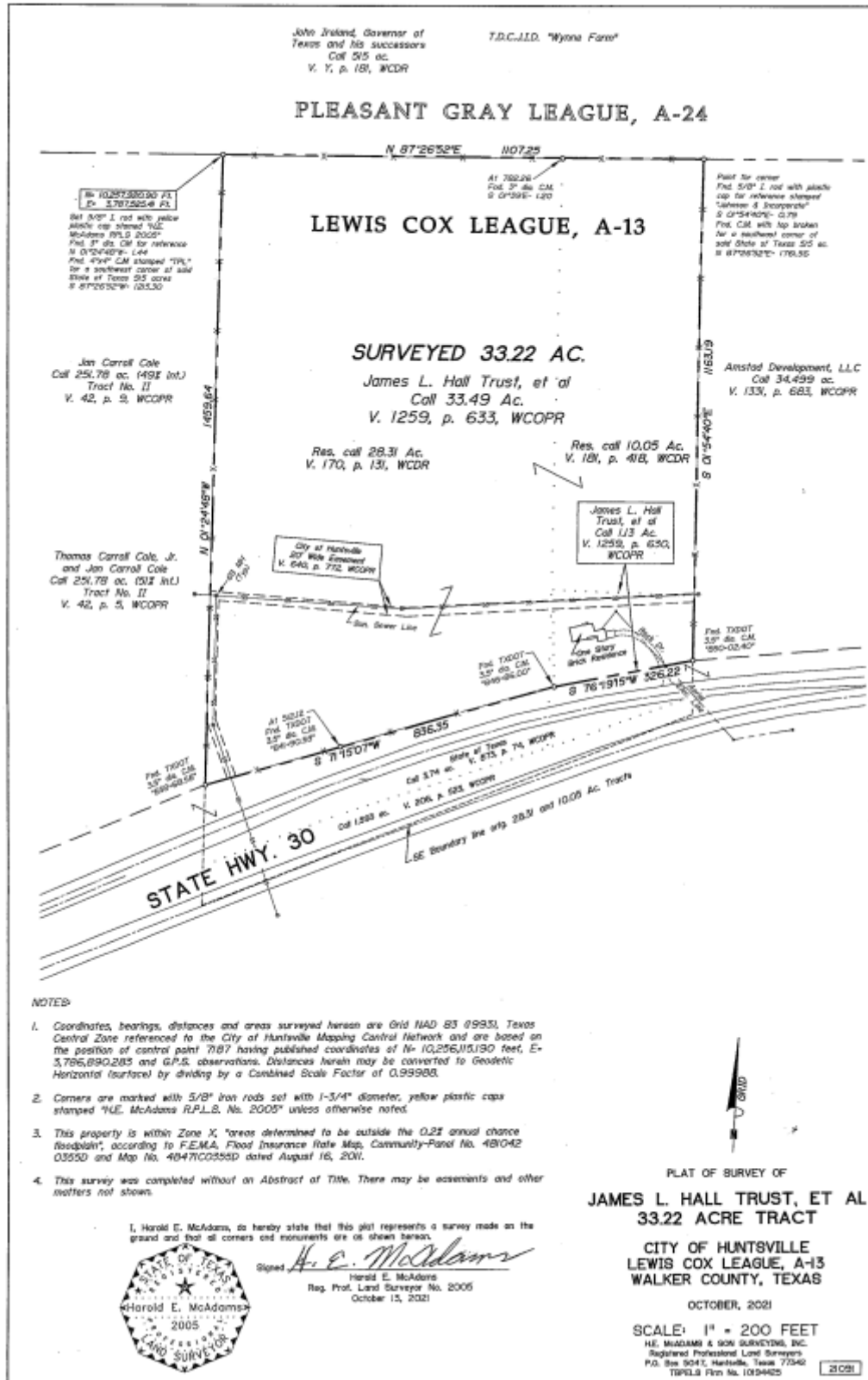
**Highest & Best Use of Lots:**

Construction of single-family residential homes, as demand and market conditions warrant in the \$295,000+ price range by K. Hovnanian Homes and Adams Homes or comparable builders.

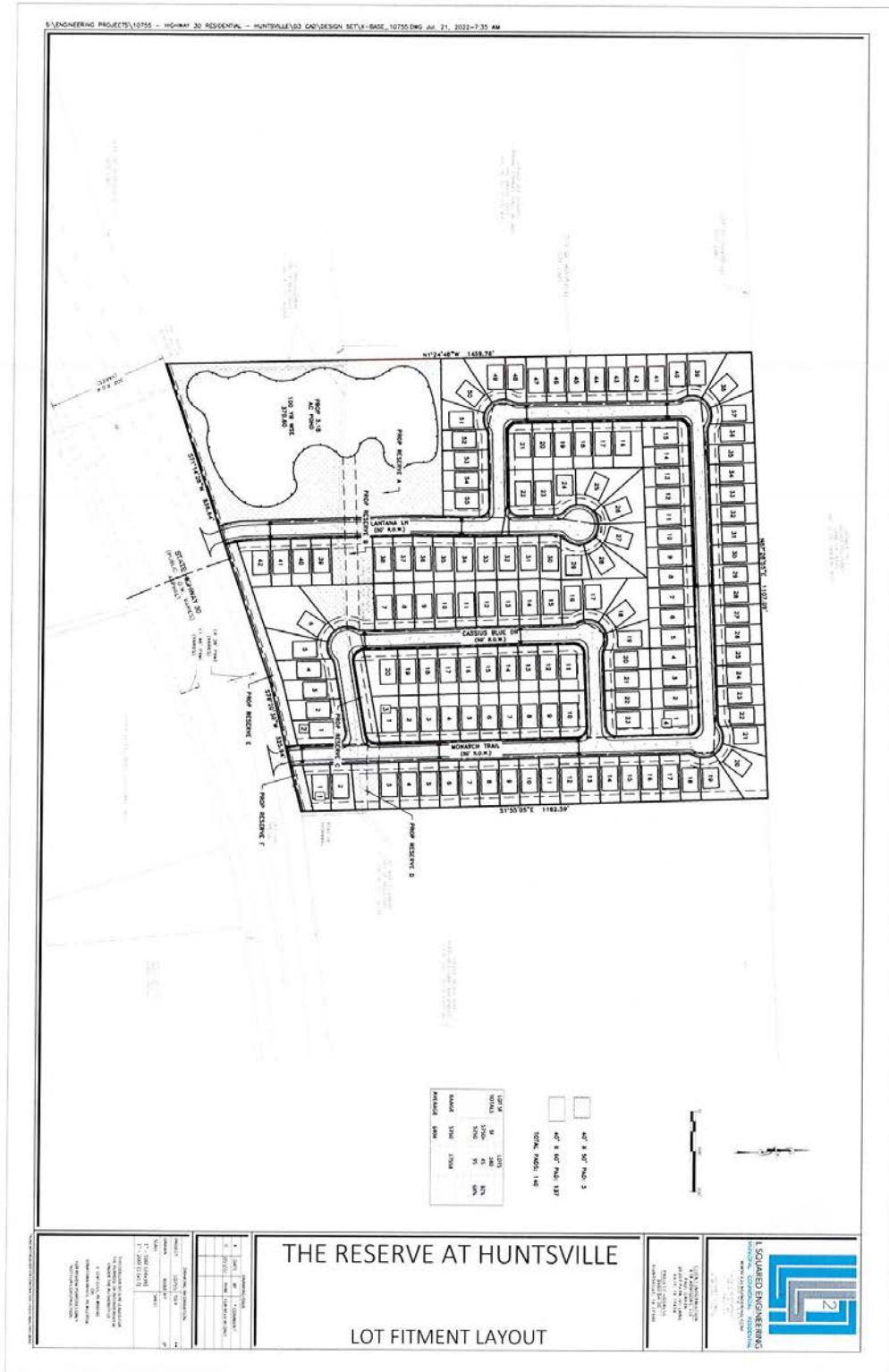
**WCAD MAP**



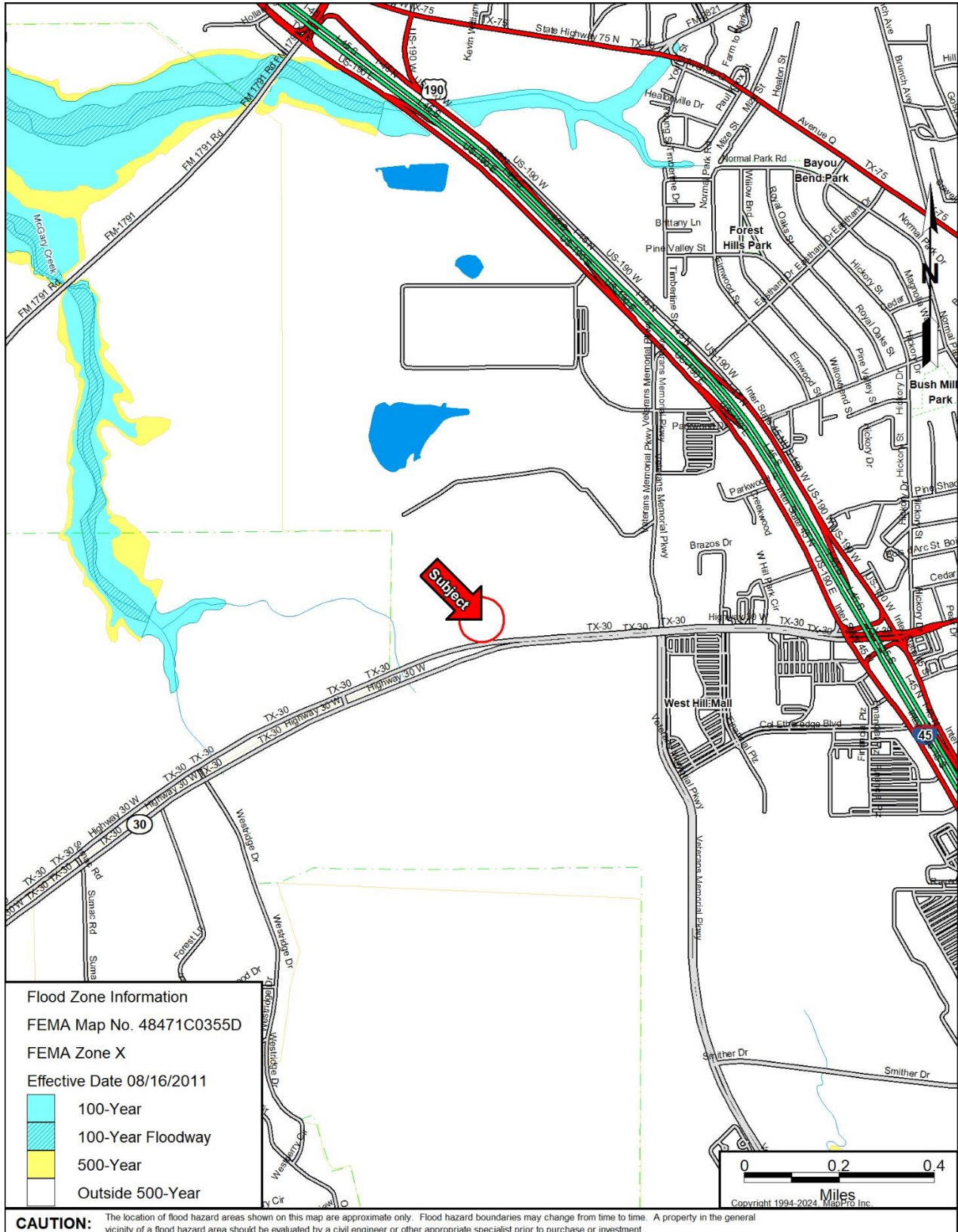
**SURVEY**



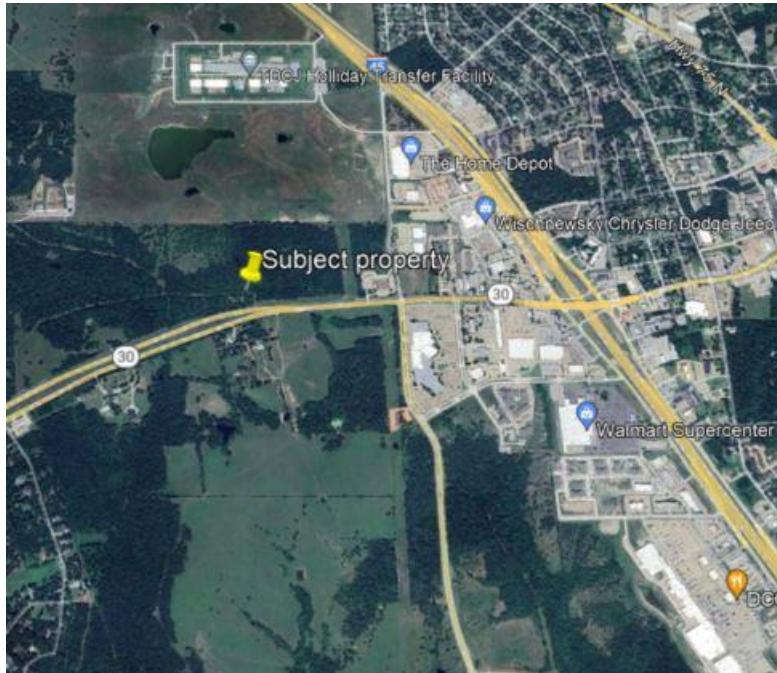
# LAND PLAN



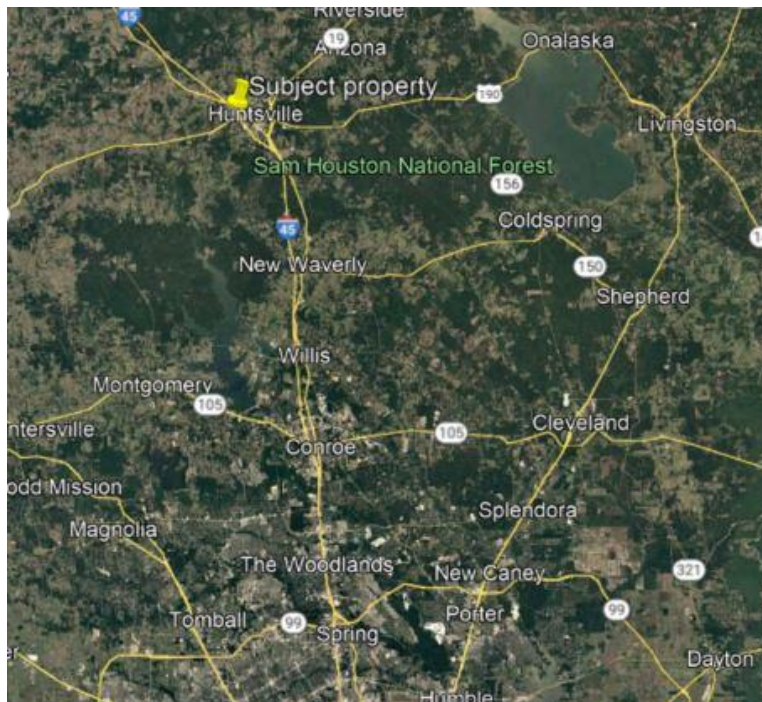
# FLOOD PLAIN MAP



**AERIAL PHOTOS**



Micro Aerial



Macro Aerial

**SUBJECT PROPERTY PHOTOGRAPHS**



S.H. 30 facing east



S.H. 30 facing west



Subject property



Subject property



Subject property



Subject property



### HIGHEST AND BEST USE

The "**Highest and Best Use**" is defined as:

The reasonably probable use of property, that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (The Dictionary of Real Estate Appraisal, Sixth Edition, 2015, page 109, Appraisal Institute).

**Highest and Best Use of Land or a Site As Though Vacant:** Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, page 93, Appraisal Institute).

**Highest and Best Use of Property As Improved:** The use that should be made of a property as it exists. A near-complete property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the near-complete building and constructing a new one. (The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, page 94, Appraisal Institute).

The definition immediately above applies specifically to the highest and best use of land. In cases where a site has near-complete improvements, the highest and best use may be different from the near-complete use. The near-complete use will continue, however, unless or until land value in its highest and best use exceeds the total value of the property in its near-complete use.

Contribution of that specific use to community environment or to community development goals is implied within these definitions, in addition to wealth maximization. Also implied is that determination of the highest and best use is formulation of an opinion, not a fact, resulting from the appraiser's judgment and analysis. In appraisal practice, the concept of highest and best use is the premise on which value is based. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be "most probable use." In the current context of investment value, an alternative term would be "most profitable use".

In order to reasonably determine the highest and best use, “as is – vacant”, of the subject 33.22 acres for the 140 proposed single-family lots, the legally permissible uses, physically possible uses, financial feasible uses and the maximally productive use are considered.

### **LEGALLY PERMISSIBLE**

**Zoning/Restrictions:** Zoning regulations, deed restrictions, adverse easements, historical districts, building codes, and environmental regulations often limit the potential uses of a property. Located in Huntsville in Walker County, The Reserves of Huntsville subdivision is zoned MD (Management District) by the City of Huntsville. There is also a development agreement between the developer and the city that allows development of the proposed subdivision. The current residential use is a legal conforming use. It is assumed the proposed subdivision will include typical deed restrictions, none of which are assumed to be detrimental to value.

### **PHYSICALLY POSSIBLE**

Site size, shape, topography, location, and the availability of utilities are generally held as the most important factors in determining uses by which land may be developed. The development potential of the subject land is not considered to be adversely affected by easements, utility availability, adjacent land uses, floodplain, or other physical characteristics. The subject site has water and sanitary sewer available from the City of Huntsville, reportedly in sufficient capacity for the proposed 140-lot development. Further, the suburban Huntsville market area, Walker County location and the Huntsville ISD, lend this site well to a low-density starter-priced residential use.

Given the subject site location in the Huntsville market area, the subject proposed lots are designed and engineered for the construction of starter-priced production SFR's on 50' lots. The starter-priced production residential usage is considered to be the most physically possible for the subject 33.22-acre tract of land.

## FINANCIALLY FEASIBLE

Any use which produces a positive rate of return, is regarded as feasible from a financial point of view. Other important factors than the legally permissible and physically possible uses, include the most financially feasible uses. The general character of the market area and adjacent land uses also provide indications of feasible use. This data along with other market data form the basis for analysis of various alternate investment returns.

The appraisers have referenced the Zonda Houston Metrostudy, 4th Quarter 2023. The subject property is outside the boundaries of this study, but is adjacent to the Far North Market Area and the Conroe Submarket. The following chart summarizes the vital statistics for Conroe Submarket, the Far North Market Area, and the overall Houston region.

Zonda Houston Metrostudy 4Q 2023								% Change
Submarket/ Market Area		4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	Yrly. Rates/ Supply	12 Month
Conroe Submarket	Starts	488	700	1,057	1,140	745	3,642	52.66%
	Closings	859	799	966	1,048	892	3,705	3.84%
	Housing Inv.	2,436	2,337	2,428	2,520	2,373	7.1 mos.	-2.59%
	VDL Inv.	6,644	6,832	7,661	7,909	8,348	27.5 mos.	25.65%
Far North Market Area	Starts	690	1,068	1,534	1,687	1,229	5,518	78.12%
	Closings	1,434	1,390	1,403	1,482	1,328	5,603	-7.39%
	Housing Inv.	3,742	3,420	3,551	3,756	3,657	7.8 mos.	-2.27%
	VDL Inv.	9,337	9,699	10,450	10,655	11,246	24.5 mos.	20.45%
Houston Total	Starts	5,829	7,069	10,248	10,354	7,966	35,637	36.66%
	Closings	8,975	8,599	8,373	9,015	8,645	34,632	-3.68%
	Housing Inv.	22,102	20,572	22,447	23,786	23,107	8.0 mos.	4.55%
	VDL Inv.	51,240	53,446	52,079	52,174	52,949	17.8 mos.	3.34%

For the 4th Quarter 2023, the Conroe Submarket had 745 housing starts (a 52.66% increase since 4th Quarter 2022), and 892 closings, (a 3.84% increase since 4th quarter 2022). The Conroe Submarket ended the quarter with a new home inventory of 2,373 units or a 7.1-month supply, which is superior to the 7.8-month supply for the Far North Market Area new home market. The Conroe Submarket concluded the 4th Quarter 2023 with 8,348 vacant developed lots in inventory. This lot inventory equates to a 27.5-month **oversupply**, which is inferior to the 24.5-month moderate VDL oversupply for Far North Market Area. A 20-to-24-month supply of lots is considered to be a market in equilibrium.

For the 4th Quarter 2023, the overall Far North Market Area had 1,229 starts (a 78.12% increase since 4th quarter 2022) and 1,328 closings (a 7.39% decrease since 4th quarter 2022). The result is new home inventory of 3,657 units, or a 7.8-month supply, which is similar to the 8.0-month supply for the overall Houston new home market. At the time of this Zonda Houston Metrostudy report, there was a total inventory of 8,645 vacant developed lots in the Far North Market Area. This equates to a 24.5-month **moderate oversupply**, which is inferior to the 17.8-month moderate shortage supply for the overall Houston region. Again, a 20-to-24-month supply of lots is considered to be a market in equilibrium.

#### **MAXIMALLY PRODUCTIVE HIGHEST & BEST USE CONCLUSION**

The usage that produces the highest value is the maximally productive use, which is the highest and best use for the subject site. The 140 proposed subject lots will be acquired and built-out by K. Hovnanian Homes and Adams Homes, and the most physically possible, legally permissible and financially feasible use of the proposed lots strongly supports a starter-home residential use. Thus, the maximally productive use of the 140 proposed lots are for a single-phase lot development, as proposed, and as economic conditions and demand warrant.

### **SALES COMPARISON APPROACH – RETAIL LOT VALUATION**

The Sales Comparison Approach is “The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.” (The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, 2022, p. 170).

The rationale for this approach, based on the principle of substitution, is that a probable purchaser would not be justified in paying more for an individual retail lot than the cost of acquiring a substitute property of similar utility and characteristics, as that of the typical subject lot.

Again, knowledgeable individuals active in the area, which include real estate brokers, appraisers, developers, and builders, were consulted for information that would aid in the investigation. All of the data presented was confirmed for accuracy. On the following pages are details concerning the comparable lot takedown sales that have been used for the establishment of the subject's base Retail Lot Value conclusion.

**BUILDER LOT SALE NUMBER ONE**

Subdivision: Sterling Ridge, Section 4  
 Key Map: Walker County  
 Location: Along the west line of S.H. 19, east of I-45, in Huntsville, Walker County, Texas 77320.

## Lot Sales Data:

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Total Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
1	50'	\$65,500	\$65,500	\$1,310	12/20/2023

Developer: Ranier & Sons Development Company, LLC  
 Builder: Stylecraft Homes  
 New Home Price Range: \$284,900 - \$353,900  
 Financing: Cash to seller  
 Utilities: All available  
 School District: Huntsville I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: No  
 Subdivision Amenities: Minimal  
 Confirmation: Confidential  
 Clerk's #: 2023-94842

Comments: This is the purchase of 1 lot by Stylecraft Homes in a single closing.

**BUILDER LOT SALE NUMBER TWO**

Subdivision: Chambers Creek, Sec. 4  
 Key Map: 96-V/Z  
 Location: South side of Calvary Road at Chambers Oaks Drive, about 0.8 mile west of Interstate 45 North, northwest of Willis, in Willis, Montgomery County, Texas 77318.

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Esc. Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
5	50'	\$67,500	\$72,225	\$1,445	6/30/2023

New Home Price Range: \$309,990 - \$416,990  
 Developer/Seller: Chambers Telge, LLC (Caldwell Communities)  
 Builder: Del Webb (Pulte)  
 Financing: Cash to seller  
 Utilities: All available  
 School District: Willis I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: None  
 Subdivision Amenities: Gated, golf, marina, amenity center, clubhouse, fitness center, movement studio, lifestyle director, trails, lakes and greenspace.  
 Confirmation: Developer/B&A C8648  
 Recording Information: 2023-023232 & 023236

**BUILDER LOT SALE NUMBER THREE**

Subdivision: Chambers Creek, Sec. 5  
 Key Map: 96-V  
 Location: South side of Calvary Road at Chambers Oaks Drive, about 0.8 mile west of Interstate 45 North, northwest of Willis, in Willis, Montgomery County, Texas 77318.

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Esc. Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
6	60'	\$81,000	\$87,298	\$1,455	12/15/2023

New Home Price Range: \$435,000 - \$530,000  
 Developer/Seller: Chambers Telge, LLC (Caldwell Communities)  
 Builder: Caldwell Homes  
 Financing: Cash to seller  
 Utilities: All available  
 School District: Willis I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: None  
 Subdivision Amenities: Gated, golf, marina, amenity center, clubhouse, fitness center, movement studio, lifestyle director, trails, lakes and greenspace.  
 Confirmation: Developer/B&A C8600  
 Recording Information: 2023-120074  
 Comments: The developer and builder are related entities; however, the lots are priced at market rates.



**BUILDER LOT SALE NUMBER FOUR**

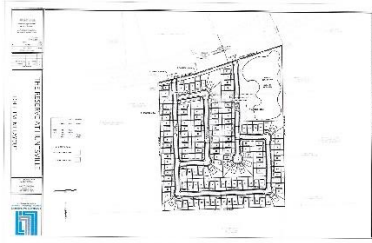
Subdivision: Enclave at Willis  
 Key Map: 127-E  
 Location: Southwest side of F.M. 1097 at the northern end of Canyon Falls Boulevard, about 1/3 mile west of Interstate 45, in the Conroe market area of Montgomery County, Texas 77318.

## Lot Sales Data:

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Total Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
15	40'	\$58,000	\$58,000	\$1,450	Pending
5	50'	\$72,500	\$72,500	\$1,450	Pending
20					

Developer: Enclave at Willis, Ltd.  
 Builder: Colonia/NuWay Homes  
 New Home Price Range: \$275,000 - \$350,000  
 Financing: Cash to seller  
 Utilities: All available  
 School District: Willis I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: No  
 Subdivision Amenities: Lake, walking trails  
 Confirmation: Contract/Developer/B&A C8648  
 Clerk's #: Pending

Comments: The contracts are takedown contracts, selling 150 lots to each builder in Sections 1 - 3, with a base price based on \$1,450 PFF of the typical lot. This sale represents the initial takedown of 20 lots per builder, to be followed by 10 lots per builder within 120 days and 10 lots per builder, per quarter, thereafter.

**PENDING BUILDER LOT SALE NUMBER FIVE**

Subdivision: The Reserves of Huntsville

Key Map: Walker County

Location: Located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340.

**Lot Sales Data:**

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
9	50'	\$63,750	\$1,275	Pending

Developer: PHC Huntsville 34, LP (Paul Hayden Developments)

Builder: K. Hovnanian Homes

New Home Price Range: From \$295,000+

Financing: Cash to seller

Utilities: All available

School District: Huntsville I.S.D.

Zoning: MD (Management District) by the City of Huntsville; there is a development agreement between the City and the developer allowing the subject proposed residential subdivision.

Restrictions: None adverse known/Typical Deed Restrictions

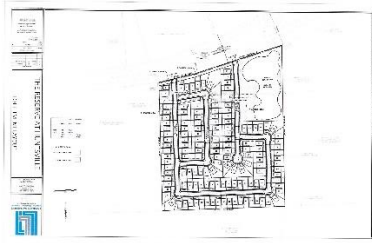
Floodplain: No

Subdivision Amenities: Minimal

Confirmation: Developer

Clerk's #: Pending

Comments: This is the initial takedown of 9 lots out of the 70 lots the builder is committed to in the subject subdivision. The lots are subject to a 6% annual escalator, and \$450 per lot in fees. Adams Homes is the competing builder in the development, with identical terms.

**BUILDER LOT SALE NUMBER SIX**

Subdivision: The Reserves of Huntsville

Key Map: Walker County

Location: Located along the north line of S.H. 30, west of I-45 and east of F.M. 1791, in Huntsville, Walker County, Texas 77340.

**Lot Sales Data:**

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
9	50'	\$63,750	\$1,275	Pending

Developer: PHC Huntsville 34, LP (Paul Hayden Developments)

Builder: Adams Homes

New Home Price Range: From \$295,000+

Financing: Cash to seller

Utilities: All available

School District: Huntsville I.S.D.

Zoning: MD (Management District) by the City of Huntsville; there is a development agreement between the City and the developer allowing the subject proposed residential subdivision.

Restrictions: None adverse known/Typical Deed Restrictions

Floodplain: No

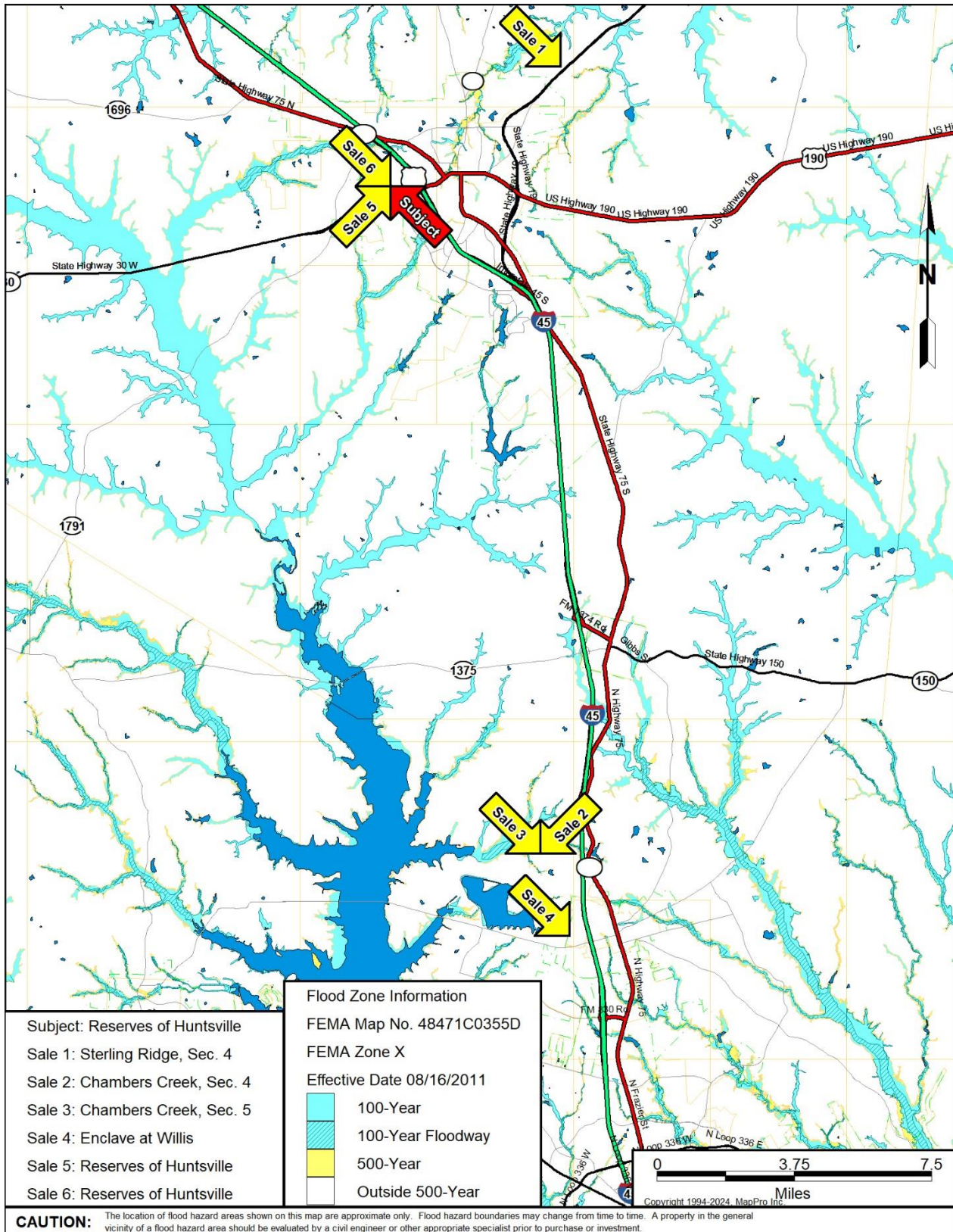
Subdivision Amenities: Minimal

Confirmation: Developer

Clerk's #: Pending

Comments: This is the initial takedown of 9 lots out of the 70 lots the builder is committed to in the subject subdivision. The lots are subject to a 6% annual escalator, and \$450 per lot in fees. K. Hovnanian Homes is the competing builder in the development, with identical terms

### LOCATION MAP OF SALES COMPARABLES



### BUILDER LOT SALES ANALYSES

The Builder Lot Sales illustrated on the preceding pages are considered to be representative of the best available data for comparison to the subject lots, and are summarized on the following chart:

Builder Lot Sales Summary							
Lot Sale	Sale Date	Subdivision	Sale Type	Description	Lot Size	Price PFF	Lot Price
1	12/20/2023	Sterling Ridge, Sec. 4	Takedown	1 Lot	50'	\$1,310	\$65,500
2	6/30/2023	Chambers Creek, Sec. 4	Takedown	5 Lots	50'	\$1,445	\$72,225
3	12/15/2023	Chambers Creek, Sec. 5	Takedown	6 Lots	60'	\$1,455	\$87,298
4	Pending	Enclave at Willis	Takedown	20 Lots	40' & 50'	\$1,450	\$58,000 & \$72,500
5	Pending	The Reserves of Huntsville	Takedown	9 Lots	50'	\$1,275	\$63,750
6	Pending	The Reserves of Huntsville	Takedown	9 Lots	50'	\$1,275	\$63,750

The market data was first analyzed to determine the best unit of comparison, and the features inherent to a given property causing a property's sale price to vary relative to another property. Sales comparison was then used to estimate representative and reasonable measures for adjustment factors or differences between the comparable sales and subject residential lots. The best units of comparison for the lot sales are the total sales price per lot, the price per square foot, or the price per front foot. Of these various units of comparison, it was determined that the price per front foot was the most applicable, because in this market segment, the prices per front foot were considered most reflective of the various differences associated with such lot sales. The categories found to be prevalent for analysis were cumulative adjustments such as Financing (cash equivalent consideration), Conditions of Sale (motivation), and Time (sale date); and additive market related conditions adjustments such as Location, Lot Size, and Other Property Characteristics (physical). Adjustments are made on a cumulative basis for the first three categories listed, and then on an additive basis on the remaining categories.

#### CUMULATIVE ADJUSTMENTS

**Market Conditions:** Lot prices have been increasing in the subject market area at 5% to 15% per annum. As such, the appraisers assumed a **6.0% per annum** adjustment, which is reasonable for the subject locale, which is newer growth corridor.

**Financing/Cash Equivalent Considerations:** Prior to adjusting for various categories applicable in the adjustment grid, each sale was reviewed with respect to financing terms and supplemental acquisition costs. When favorable financing occurred, the sale was adjusted to reflect the cash equivalent price in terms of U.S. dollars that the seller actually received. Generally cash equivalency is arrived at by applying present value factors to the stream of income generated by the seller offering favorable financing. All monies are brought back to the present value if the seller were to sell for cash or cash equivalency. No considerations for financing were required in this analysis.

**Conditions of Sale:** This category, as well as the previous two categories, is related to motivation of the parties in the transaction to agree on the sales price at the date of sale. The conditions and reasons for a sale are factors, which can have a direct impact on the sales price. Buyers and sellers motivation for acquisition or disposition of a property can cause large differences in the actual sales price versus market value. Extraction of an appropriate adjustment for special sales conditions is generally difficult to ascertain. Pairing of sales is typically the best method in establishing an adjustment. However, when sales are scarce and/or significant differences in the properties are evident, additional considerations must be reviewed. Such considerations typically relate to additional information provided by the buyer and/or seller, which may be difficult to measure, but must be considered, analyzed, and reasonably adjusted. Due to holding costs, bulk lot acquisitions, which are significantly larger in lot totals will typically reflect discounted lot sale prices. Takedown Lot Sales 1 thru 6 have not been adjusted for this element of comparison.

### **ADDITIVE ADJUSTMENTS**

**Location:** Lot Sales 1, 5 and 6 are considered generally similar to the subject and have not been adjusted for this element of comparison. Lot Sales 2 thru 4 are located in Willis and have been adjusted downward -10% each, respectively, for this element of comparison.

**Lot Size:** Based upon the per front foot methodology utilized, only significant differences in lot frontages will typically warrant an adjustment. The subject and the lot sales have

similar lot frontages of 40' to 60' and no adjustments were given on a PFF analysis.

**Amenities:** Lot Sales 1 and 4 thru 6 have not been adjusted for this element of comparison. Lot Sales 2 and 3 have superior amenities and has been adjusted downward -5% for this element of comparison.

### **LOT SALES ADJUSTMENT GRID (50' BASE LOT)**

The following Lot Sales Adjustment Grid illustrates the adjustments that were extracted and applied in the analysis of the subject lots.

Lot Sales Adjustment Grid							
Market Data	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sale Price/FF	-	\$1,310	\$1,445	\$1,455	\$1,450	\$1,275	\$1,275
Sales Date	7/31/2024	12/20/2023	6/30/2023	12/15/2023	Pending	Pending	Pending
Adjustment	-	3.8%	7.0%	3.8%	0.0%	0.0%	0.0%
Adjusted Sales Price/FF	-	\$1,360	\$1,546	\$1,510	\$1,450	\$1,275	\$1,275
Financing	-	CTS	CTS	CTS	CTS	CTS	CTS
Adjustment	-	0%	0%	0%	0%	0%	0%
Adjusted Sales Price/FF	-	\$1,360	\$1,546	\$1,510	\$1,450	\$1,275	\$1,275
Conditions of Sale	Typical	1 Lot	5 Lots	6 Lots	20 Lots	9 Lots	9 Lots
Adjustment	-	0%	0%	0%	0%	0%	0%
<b>Adjusted Sale Price/FF</b>	<b>-</b>	<b>\$1,360</b>	<b>\$1,546</b>	<b>\$1,510</b>	<b>\$1,450</b>	<b>\$1,275</b>	<b>\$1,275</b>
Builder	-	Stylecraft Homes	Del Webb (Pulte)	Caldwell Homes	Colina/Nuway Homes	K. Hovnanian	Adams Homes
Location	The Reserves of Huntsville	Sterling Ridge, Sec. 4	Chambers Creek, Sec. 4	Chambers Creek, Sec. 5	Enclave at Willis	The Reserves of Huntsville	The Reserves of Huntsville
Adjustment	-	0%	-10%	-10%	-10%	0%	0%
Lot Size	50'	50'	50'	60'	40' & 50'	50'	50'
Adjustment	-	0%	0%	0%	0%	0%	0%
Amenities	Typical	Similar	Superior	Superior	Similar	Similar	Similar
Adjustment	-	0%	-5%	-5%	0%	0%	0%
<b>Net Adjustment</b>	<b>-</b>	<b>0%</b>	<b>-15%</b>	<b>-15%</b>	<b>-10%</b>	<b>0%</b>	<b>0%</b>
<b>Adjusted Sale Price/FF</b>	<b>-</b>	<b>\$1,360</b>	<b>\$1,314</b>	<b>\$1,284</b>	<b>\$1,305</b>	<b>\$1,275</b>	<b>\$1,275</b>
Indicated Mean:		\$1,302					
Indicated Median:		\$1,294					
Concluded Value/FF:		\$1,300					

### **CONCLUSION OF BASE RETAIL LOT VALUE**

The lot sales used in this analysis are of typical base lot sales to which lot adjustments, due to lot premiums (if applicable) and applicable fees, will be applied to conclude an adjusted value per lot. Accordingly, the appraisers derive the following statistical parameters and the Base Retail Lot Value:

Statistical Benchmarks	
Lowest	\$1,275
Mean	\$1,302
Median	\$1,294
Highest	\$1,360
<b>Concluded Value/FF:</b>	<b>\$1,300</b>

The builder lot sales used in this analysis exhibit an adjusted price per front foot of \$1,275 to \$1,360 PFF, with a mean of \$1,302 PFF and a median of \$1,294 PFF. Based on the preceding analysis, and with consideration given to each sale, the statistical benchmarks noted above, the highest and best use of the subject and the comparable sales, a typical subject lot is concluded to have an individual Builder Base Retail Market Value of **\$1,300 PFF, or \$65,000 per 50' lot, as of July 31, 2024.**

**Lot Fees:** As noted earlier in the report, the proposed lots are subject to a \$450 per lot HOA Capitalization Fee, this equates to \$63,000 in total lot fee revenue.

Thus, the Sum of the Retail Values – “Upon Completion” can be summarized as follows

Sum of the Retail Lot Values - "Upon Completion"							
The Reserves of Huntsville							
No. Lots	Average Lot FF	Concluded PFF	Base Lot Price	Base Lot Revenue	Lot Fees Revenue	Sum of the Lot Revenues	
						\$ Total	\$ / Lot
140	50'	\$1,300	\$65,000	\$9,100,000	\$63,000	<b>\$9,163,000</b>	<b>\$65,450</b>



### **INCOME APPROACH - DISCOUNTED BULK MARKET VALUE ANALYSIS – “UPON COMPLETION”**

The Bulk Market Value for the subject lots, or sold collectively to a single purchaser, is determined by discounting the net sales proceeds of the aggregate gross builder retail lot revenue arrived at previously. The discounting is necessary to reflect the absorption period, required yield, and related expenses incurred during the sell-out term. The following is a discussion of each of these categories and the assumptions applicable thereto:

#### **ABSORPTION ANALYSIS**

To determine the rates at which the proposed subject single-family lots will be absorbed into the market, we have analyzed the recent absorption of lots in the following competing subdivisions in the vicinity of the subject.

Sterling Ridge Subdivision in Huntsville, Texas: In the past 4 quarters Stylecraft Homes reported 20 closings, or **5.0 closings per quarter**.

Rockbridge Subdivision in Huntsville, Texas: In the past 4 quarters DR Horton reported 54 closings, or **13.50 closings per quarter**.

Hunters Creek Subdivision in Huntsville, Texas: In the past 4 quarters Legend Homes reported 34 closings, or **8.50 closings per quarter**.

Crown Point Subdivision in Huntsville, Texas: In the past 4 quarters Century Land Holdings reported 42 closings, or **10.5 closings per quarter**.

The absorption comparables noted above indicate quarterly absorption of 5.0 to 13.5, with an average of 9.38 closings per quarter per builder. The comparable projects include a variety of builders and offer lot sizes which are generally similar to those of the subject lots, and new home pricing ranging from \$224,000 - \$355,000+. All of the absorption comparables noted above are good indicators of absorption given their location and price point compared to the subject property.

Based on the absorption comparables noted above, and given current market conditions, **an absorption rate of 7 per quarter per builder (14 total) is supported**

### YIELD RATE / IRR ANALYSIS

We referenced the developer's survey conducted by RealtyRates.com for the 4th Quarter 2023 (3rd quarter 2023 data).

RealtyRates.com DEVELOPER SURVEY - 4th Quarter 2023*						
Texas - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
<b>Site-Built Residential</b>	15.39%	33.27%	22.58%	14.77%	31.94%	21.68%
-100 Units	15.39%	28.68%	21.59%	14.77%	27.53%	20.73%
100-500 Units	15.77%	31.55%	22.71%	15.14%	30.28%	21.80%
500+ Units	16.16%	32.98%	23.09%	15.51%	31.66%	22.17%
Mixed Use	16.54%	33.27%	22.91%	15.88%	31.94%	22.00%
<b>Manufactured Housing</b>	15.71%	36.37%	24.16%	15.08%	34.92%	23.19%
-100 Units	15.71%	31.63%	23.20%	15.08%	30.36%	22.27%
100-500 Units	16.10%	34.79%	24.43%	15.46%	33.40%	23.45%
500+ Units	16.49%	36.37%	24.85%	15.83%	34.92%	23.85%
<b>Business Parks</b>	15.69%	33.78%	22.98%	15.06%	32.43%	22.06%
-100 Acres	15.69%	29.37%	22.08%	15.06%	28.20%	21.20%
100-500 Acres	16.08%	32.31%	23.23%	15.44%	31.02%	22.30%
500+ Acres	16.48%	33.78%	23.62%	15.82%	32.43%	22.67%
<b>Industrial Parks</b>	15.76%	29.31%	20.99%	15.13%	28.14%	20.15%
-100 Acres	15.76%	25.49%	20.21%	15.13%	24.47%	19.40%
100-500 Acres	16.16%	28.04%	21.21%	15.51%	26.91%	20.36%
500+ Acres	16.55%	29.31%	21.56%	15.89%	28.14%	20.69%

\*3rd Quarter 2023 Data

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Within the RealtyRates.com survey, developers and builders reported modeling pro-forma internal rates of return ranging from 14.77% to 31.94%, with an average of 21.68% for site-built residential less than 100 units. The developers and builders reported actual rates ranging from 15.39% to 28.68%, with an average of 21.59%. The above chart reflects surveyed rates for complete subdivision developments – from vacant land to lot development, to home construction, to home sellout. Based on the availability of alternative investment yields and considering the relative risk of the subject residential development investment; it is the appraiser's opinion that an overall **IRR of 17.0%**, inclusive of profit, is appropriate for the subject lots.

## **DISCOUNTED CASH FLOW ASSUMPTIONS**

**Sum of the Retail Values:** The Sum of the Builder Retail Values for the cash flows are predicated on a beginning lot value, previously concluded as follows:

Sum of the Retail Lot Values - "Upon Completion" The Reserves of Huntsville							
No. Lots	Average Lot FF	Concluded PFF	Base Lot Price	Base Lot Revenue	Lot Fees Revenue	Sum of the Lot Revenues	
						\$ Total	\$ / Lot
140	50'	\$1,300	\$65,000	\$9,100,000	\$63,000	<b>\$9,163,000</b>	<b>\$65,450</b>

**Absorption Period:** The absorption period projected for the subject sell-out is based on the vacant lot inventory and absorption projection, previously concluded at 14 lots per quarter (7 per quarter per builder).

**Sales Price Escalation:** Per current market trends and market participants active in the subject's market area and great Houston MSA, the subject lot prices are projected to escalate at an annual rate equal to 6% per year, **or 1.5% per quarter**, beginning in the 1st period.

**Beginning Lot Inventory:** The Beginning Lot Inventory is the total number of lots in inventory on the first day of each quarterly period.

**Lot Sales Per Period:** The Lots Sales per Period is the total number of lots sold or absorbed during each quarterly period.

**Ending Lot Inventory:** The Ending Inventory is the total number of lots in inventory on the last day of each quarterly period.

**Average Lots Held Per Period:** The Average Lots Held per Period is the average of Beginning Lot Inventory and Ending Lot Inventory.

**Starting Inventory (Dollars):** The Starting Inventory is expressed in terms of dollars by multiplying the Average Lot Value by the Beginning Lot Inventory and is a carry-over of the Ending Inventory balance.

**Average Inventory Held (Dollars):** The Average Inventory Held in Dollars is the average of the Starting Inventory (dollars) and the Ending Inventory (dollars).

**Ending Inventory (Dollars):** The Ending Inventory is expressed in terms of dollars by subtracting the periodic Sales (dollars) from the Starting Lot Inventory (dollars).

**Lot Sales Income:** The Total Quarterly Sales are the revenue generated during the period, before sales expense deductions.

### **SALES EXPENSES**

**Marketing/Closing Costs:** The marketing expense is typically carried by the lot developer; however, in submarkets in which the lot supply is at shortage levels and in quality developments, the marketing expense can and is occasionally passed through to the builders. In the case of the subject, the marketing expense is based on **1.0%** of lot sales, beginning in Period "1". Please note that the marketing expense is combined with commissions and closing costs expenses below.

Typical lot takedown contracts call for the developer to pay commissions and part or all of the closing costs. Thus, real estate commissions and closing costs are typical carrying expenses. The commissions/closing costs expense is based on **4.0% of the periodic sales**. This item is considered to be sufficient to cover broker commissions at 3.0%, plus 1.0% closing costs. Brokerage fees for this type of transaction typically range from 2% to 4%, due to the repetitive nature of lot takedown contracts. Closing costs also vary, but typically total 0.5% to 1.5% of the sales price of the lots. Again, the marketing expense of 1.0% is combined with the commissions and closing costs category. Thus, **total marketing/closing costs equate to 5.0% of periodic sales**, beginning in Period 0.

**Taxes:** We utilized a property tax rate of **\$3.01** per \$100 in the cash flow. Estimated property taxes are based upon the average lot inventory (retail value) held per period, multiplied by **31%**, multiplied by the projected current tax rate noted above, and divided by 4 to reflect quarterly taxes, beginning in the 1st period.

**Administrative Expense:** This category reflects incidental expenses including bank charges, accounting and legal fees, office expenses, etc., which are typically incurred by

the developer throughout the holding period. These expenses are often relatively minor; thus, we have projected this expense at **0.5% of periodic sales**, beginning in Period 0.

**Homeowner's Association Fees**: The HOA expense is calculated based on the average inventory held (Lots) by the developer multiplied by the quarterly HOA fee to reflect quarterly HOA fees. HOA fees within the Reserves of Huntsville are projected to be \$900. While the builder is responsible for subsidizing the development HOA for inventory lots, the builder is typically only responsible for about 50% of the standard homeowner HOA fee. For the purposes of this analysis, we assume that the builder will be responsible for an HOA fee of \$450 per lot per year on inventory lots, or **\$112.50 per lot held per quarter**.

#### **DISCOUNTED CASH FLOW ANALYSES**

The discounted cash flow analysis is presented as follows:

<b>Discounted Cash Flow Analysis</b>										
<b>Bulk Market Value "Upon Completion"</b>										
<b>The Reserves of Huntsville - 50' Lots</b>										
TOTAL NO. OF LOTS:	140	<b>July 31, 2024</b> Date of Value								
AVERAGE INDIVIDUAL LOT VALUE:	\$65,450									
GROSS RETAIL VALUE:	\$9,163,000									
ABSORPTION PERIOD:	9 QUARTERS									
ANNUAL YIELD/IRR:	17.0%									
EFFECTIVE TAX RATE/\$100:	\$3.0100	\$3.0100	\$3.0100	\$3.0100	\$3.0100	\$3.0100	\$3.0100	\$3.0100	\$3.0100	\$3.0100
AVG. HOA DUES per LOT (\$450.00/Yr.)	\$112.50	\$112.50	\$112.50	\$112.50	\$112.50	\$112.50	\$112.50	\$112.50	\$112.50	\$112.50
<b>QUARTERLY PERIOD:</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
STARTING LOT INVENTORY:	140.0	126.0	112.0	98.0	84.0	70.0	56.0	42.0	28.0	14.0
LOT SALES/PERIOD:	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
ENDING LOT INVENTORY:	126.0	112.0	98.0	84.0	70.0	56.0	42.0	28.0	14.0	0.0
AVG. LOTS HELD/PERIOD:	133.0	119.0	105.0	91.0	77.0	63.0	49.0	35.0	21.0	7.0
SALES APPRECIATION:	0.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
STARTING INVENTORY (Dollars):	\$9,163,000	\$8,370,401	\$7,551,961	\$6,707,086	\$5,835,165	\$4,935,577	\$4,007,688	\$3,050,853	\$2,064,410	\$1,047,688
AVG. LOT VALUE:	\$65,450	\$66,432	\$67,428	\$68,440	\$69,466	\$70,508	\$71,566	\$72,639	\$73,729	\$74,835
AVG. INVENTORY HELD:	\$8,704,850	\$7,905,378	\$7,079,964	\$6,228,008	\$5,348,901	\$4,442,019	\$3,506,727	\$2,542,377	\$1,548,308	\$523,844
ENDING INVENTORY:	\$8,246,700	\$7,440,356	\$6,607,966	\$5,748,931	\$4,862,637	\$3,948,461	\$3,005,766	\$2,033,902	\$1,032,205	\$0
<b>QUARTERLY SALES:</b>	\$916,300	\$930,045	\$943,995	\$958,155	\$972,527	\$987,115	\$1,001,922	\$1,016,951	\$1,032,205	\$1,047,688
<b>LESS EXPENSES:</b>										
a) MARKETING/CLOSING (5.0%)	\$45,815	\$46,502	\$47,200	\$47,908	\$48,626	\$49,356	\$50,096	\$50,848	\$51,610	\$52,384
b) TAXES/AVG. INV. HELD (@ 31%)	\$0	\$18,441	\$16,516	\$14,528	\$12,478	\$10,362	\$8,180	\$5,931	\$3,612	\$1,222
c) ADMINISTRATIVE @ 0.5%:	\$4,582	\$4,650	\$4,720	\$4,791	\$4,863	\$4,936	\$5,010	\$5,085	\$5,161	\$5,238
d) HOA DUES per QUARTER:	\$0	\$13,388	\$11,813	\$10,238	\$8,663	\$7,088	\$5,513	\$3,938	\$2,363	\$788
<b>TOTAL EXPENSES:</b>	<b>\$50,397</b>	<b>\$82,981</b>	<b>\$80,248</b>	<b>\$77,465</b>	<b>\$74,629</b>	<b>\$71,741</b>	<b>\$68,799</b>	<b>\$65,801</b>	<b>\$62,746</b>	<b>\$59,632</b>
<b>NET SALES INCOME:</b>	<b>\$865,904</b>	<b>\$847,063</b>	<b>\$863,747</b>	<b>\$880,691</b>	<b>\$897,898</b>	<b>\$915,374</b>	<b>\$933,123</b>	<b>\$951,150</b>	<b>\$969,460</b>	<b>\$988,056</b>
QUARTERLY YIELD/IRR:										
FACTOR @ 17.0%	1.000000	0.959233	0.920127	0.882616	0.846634	0.812119	0.779011	0.747253	0.716789	0.687568
<b>DISCOUNTED SALES:</b>	\$865,904	\$812,531	\$794,757	\$777,312	\$760,191	\$743,393	\$726,913	\$710,750	\$694,898	\$679,355
	\$7,566,004									
<b>ROUNDED TO:</b>	<b>\$7,570,000</b>	-17.4% Discount Margin								
<b>VALUE PER LOT:</b>	<b>\$54,071</b>									

### RECONCILIATION AND FINAL MARKET VALUE CONCLUSIONS

The Sales Comparison Approach was used to conclude the “Upon Completion” retail revenues of the subject residential lots. An Income Approach retail sell-out technique was then employed to derive the indicated “Upon Completion” Bulk Market Value of the subject 140 proposed lots in the Reserves of Huntsville. The cumulative builder retail revenue of the subject lots were discounted for their projected absorption period. A discounted cash flow analysis was used to present value the projected income stream of the subject proposed lots over their projected absorption period per section. The Income Approach procedure is generally considered to be the most valid method of estimating the bulk value of multiple builder retail lots to one individual buyer, especially if the parcels/lots involve a holding period or sell-out term and carrying costs.

**While considered, the Cost Approach was not developed. Further, at the request of the client, the “As Is” Market Value of the subject site was not valued herein. The absence of the Cost Approach does not affect the credibility of the Market Value conclusion in this appraisal.**

To conclude, it is our opinion that the **“Upon Completion” Bulk Market Value** of the 140 proposed subject lots, subject to the conditions stated herein, as of the indicated effective date, is as follows:

The Reserves of Huntsville				
Description	No. of Lots	Avg. Lot FF	Bulk Value	Effective Date
"Upon Completion" Bulk Market Value	140	50'	<b>\$7,570,000</b>	7/31/2024

### MARKETING & EXPOSURE PERIODS

According to participants in the regional and local residential lot market and others who have experience handling and marketing of such properties in the subject area, marketing times for properties such as the subject have been reasonable in this active submarket. Based upon our market analysis, we have projected a prospective marketing period for the 140 proposed single-family lots “Upon Completion” to be within 3-6 months. The subject property should market well at the reasonable and competitive concluded Bulk

Market Value. As a result, we further estimate a historic exposure period of approximately 3-6 months for the subject, based upon the market data presented herein and the reported exposure times of the comparable sales.

***The use of extraordinary assumptions or hypothetical conditions might have affected assignment results.***

**Extraordinary Assumptions:**

- 1.) The 140-lot subdivision appraised herein is proposed, with a prospective completion date. In this Appraisal Report, we have projected market conditions at the prospective time of completion that would be anticipated by typical market participants. In a similar fashion, we have projected the retail valuation of the individual subject lots, absorption period and holding costs based on projected conditions that are anticipated by typical market participants. Further, unknown circumstances may change the anticipated date of completion to another date, which may have market conditions that are different from that which are expected on the anticipated dates of completion that are reflected in this report. Because actual future market conditions may deviate from that which are anticipated by typical market participants, this appraisal is subject to a review of market conditions and current sales data that will be available on the prospective date of completion.
- 2.) The valuation of the subject improvements "Upon Completion" require valuation of the various subject improvements as of the prospective date, when they are projected to be physically complete based upon the plans and specifications provided. Developing this opinion of value requires the use of an extraordinary assumption because the subject in the prospective value opinion is as it exists as of a future date when physically complete. Therefore, we have relied upon surveys, plats and specifications for the proposed improvements provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value estimate is subject to revision.
- 3.) This appraisal is subject to all proposed improvements being completed in a timely and professional workmanlike manner and that the proposed improvements do not deviate significantly from those described herein.
- 4.) This appraisal is subject to a final subdivision plat.
- 5.) This appraisal assumes that K. Hovnanian Homes and Adams Homes or comparable production builders, will build upon the nearly-complete and proposed subject lots, detached single-family units with a projected price point of \$295,000+.
- 6.) If any of these assumptions and conditions prove to be false, it may have an effect



on the Market Values contained herein.

**Hypothetical Conditions: None**

# **ADDENDA**

# LETTER OF ENGAGEMENT

**BARLETTA & ASSOCIATES, INC.**  
 REAL ESTATE APPRAISERS & CONSULTANTS

8668

February 12, 2024

Mr. R.R. "Tripp" Davenport, III  
 Underwriter  
 FMSbonds, Inc.  
 5 Cowboys Way, Suite 300-25  
 Frisco, Texas 75034

Direct: 877/899-2220  
 Cell: 214/418-1588  
 Email: tdavenport@fmsbonds.com

**RE: Proposal/Authorization for Valuation and Consulting Services for Reserves at Huntsville, aka The Reserves Villages Public Improvement District, a 140-lot residential subdivision "Upon Completion," in the city of Huntsville, Walker County, Texas (the "Subject Property").**

Dear Mr. Davenport:

We look forward to preparing for you an Appraisal Report of the fee simple "Upon Completion" Market Value of the above-described Subject Property in conformance with and subject to the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP) as developed by the Appraisal Standards Board of the Appraisal Foundation.

As a matter of disclosure and in accordance with the Ethics Rule of USPAP, I have not previously performed an appraisal or any other services regarding the Subject Property within a three-year period immediately preceding the acceptance of this assignment, either as an appraiser or in any other capacity.

The intended use of the appraisal is to provide an opinion of value for the underwriting of a proposed Public Improvement District Bond Transaction. The use of the appraisal by anyone other than you, Mr. Tripp Davenport, III c/o FMSbonds, Inc., is prohibited, except as provided herein. Additionally, we confirm our permission to use the final Appraisal Report in the offer and sale of public securities, secured by the special assessments levied on property within the PID and we confirm that we will execute, subject to our approval of the same, a certificate related to the use of the appraisal for such purpose, as provided by the client.

In determining these opinions of value, the appraiser will make certain assumptions which will be clearly detailed within the Appraisal Report. These will include, but are not limited to the assumption, that the City of Huntsville will, or has approved the proposed development, and that all development entitlements are in place for such development to

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proceed, and that all public infrastructure will be financed, in whole or in part, with special assessments levied on property within the **Reserves Public Improvement District**, relating to the development.

**The total fee for this Appraisal Report is \$7,000, and we require full receipt of these funds prior to the commencement of this appraisal assignment.** The delivery date will be within two (2) weeks from your signed acceptance of this engagement letter agreement, receipt of the fee and receipt of requested documents from the developer. Any delay in receipt of requested documents, will potentially delay the delivery date. If you or any of your assigns (including FMSbonds, Inc. or the developer) cancel the assignment, prior to completion, you agree to pay us for all our expenses and our time to date, based on prorata of work completed, with the remainder to be returned to the payor of such fee.

Upon completion of the Appraisal Report, an electronic version of the report will be provided to [tdavenport@fmsbonds.com](mailto:tdavenport@fmsbonds.com), while up to two hard copies of the appraisal will be provided upon request.

In the event we receive a subpoena to testify in any litigation, arbitration, or administrative hearing of any nature whatsoever, or as a result of this engagement or the related report to which we are or are not a party, you agree to pay our then current hourly rates for such preparation and presentation of testimony. Regarding data collected by us or provided by you in this assignment, you agree that it will remain the property of Barletta & Associates, Inc. and that we may utilize and include such data (either in the aggregate or individually), in our database. Finally, you agree that all data already in the public domain may be utilized on an unrestricted basis.

If the above terms are acceptable, please execute, date below and fax or e-mail to [phillip@barlettainc.com](mailto:phillip@barlettainc.com). If you should have any further questions, please do not hesitate to contact me.

AGREED TO AND ACKNOWLEDGED THIS 12 DAY OF February, 2024.

BARLETTA & ASSOCIATES, INC.



Phillip F. Barletta, MAI, SRA  
President  
State Certified, TX-1320197-G

ACCEPTED BY:

FMSbonds, Inc.



Mr. R.R. "Tripp" Davenport, III  
Underwriter

Date

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## HOUSTON REGIONAL DATA

# THE ECONOMY AT A GLANCE

## HOUSTON

A publication of the Greater Houston Partnership Volume 32 Number 1 – January 2024



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**2024 HOUSTON FORECAST**

*Editor’s Note: The following summarizes the Partnership’s ‘24 employment forecast released December 7, 2023. The summary includes several economic indicators that have been updated since the forecast was first released. The updates did not change the outlook. The full forecast can be found at [www.houston.org/economy](http://www.houston.org/economy).*

Growth will be slower in ‘24 than ‘23. Higher interest rates, ongoing labor shortages, reductions in government spending, tighter lending standards, and turmoil in commercial real estate will weigh on the economy. If the U.S. slows, so will Houston.

Signs of a local slowdown have already emerged:

- Through November of ‘23, metro Houston created 57,300 private sector jobs. That’s down from 121,100 over the comparable period in ‘22.
- The Baker Hughes U.S. rig count slipped to 622 the last week of December ‘23, down from 779 the same week in ‘22.
- Adjusted for inflation, sales tax collections in the region’s twelve most populous cities were up 2.0 percent through October. At the same time in ‘22, they were up 5.1 percent.
- Construction activity peaked in ‘22 and has trended down since. City of Houston building permits through October are down 8.9 percent compared to ‘22, after adjusting for inflation. Initial reports from Dodge Data & Analytics suggest activity outside the city is down by as much as 20 percent.

A recession might still occur, but it would be triggered by events beyond the Fed’s control, like a global trade war, an extreme weather event, direct conflict between China and Taiwan, a prolonged U.S. government shutdown, an oil price spike, the Israel-Hamas war spreading to other countries, and the Ukraine-Russia war spiraling into a global conflict. The Partnership assigns no probabilities to these events but acknowledges any one of them could dramatically alter this forecast.

Three factors will temper growth in ‘24—a tight labor market, persistent high interest rates, and turmoil in commercial real estate.

**Tight Labor Market**

The U.S. labor force will continue to grow but not fast enough to keep pace with the demand for workers. The Bureau of Labor Statistics estimates 3.7 million Americans joined the labor force between November ‘22 and November ‘23. In November, there were 8.8 million job openings.



Source: U.S. Bureau of Labor Statistics

Employers always have open positions. Some workers quit, others retire, or the firm needs the extra hands to expand operations. The current level of openings, however, is 37 percent above the average number of openings in the five years prior to the pandemic. Unless more workers come off the sidelines or the U.S. allows more legal immigration, chronic worker shortages will prevail.

**Interest Rates and Inflation**

The annual inflation rate was 3.1 percent in November. The core rate, which excludes volatile food and energy, was 4.0 percent. Most forecasts call for core inflation to track 2.5 percent or better for most of '24. As long as the inflation rate tracks above the Fed's preferred 2.0 percent target, the bank is unlikely to lower interest rates despite what the financial markets suggest.

**% CORE INFLATION, ANNUAL RATE, DEC '22 – NOV '23**



Source: U.S. Bureau of Labor Statistics

**Commercial Real Estate Woes**

Turmoil in commercial real estate will also impede growth. A recent study by Newmark Group, a real estate firm, determined that \$1.2 trillion of U.S. commercial real estate debt is highly leveraged while property values are falling. Office buildings account for more than half of the at-risk debt set to mature within the next two years.

Banks are setting aside reserves to cover potential losses. They have also reduced lending. Half of all respondents to the Fed's Senior Loan Officer Opinion Survey indicated they tightened lending standards to small, medium-sized, and large firms in Q2/23 and a third did so in Q3/23.

**PERCENTAGE OF BANKS BY QUARTER TIGHTENING LENDING STANDARDS FOR COMMERCIAL & INDUSTRIAL LOANS**



Source: System Senior Loan Officer Opinion Survey on Bank Lending Practices, Board of Governors Federal Reserve

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Pension funds, private equity groups, and insurance companies have also become more careful with their lending and acquisitions. Across the board, access to capital will be limited and impede growth.

**Forecast Assumptions**

The forecast for '24 is based on the following assumptions:

- Real U.S. GDP growth averages 1.5 percent or higher.
- Job growth averages 150,000 or better per month.
- Consumers continue to spend at their current pace.
- Inflation tracks above 3.0 percent early in '24 but falls to 2.5 percent by December.
- The Fed maintains interest rates at their current levels through mid-year, then initiates its first cuts to spur growth in the latter half of '24.

Those assumptions align with *Bloomberg*, the National Association for Business Economics, *Wall Street Journal*, and Survey of Professional Forecasters expectations. The forecast is also based on the following assumptions about the local economy:

- Oil averages \$80 per barrel all year, spurring a marginal increase in drilling.
- Houston sees no reduction in purchases of the goods and services it exports to its major trading partners.
- Overall inventory drawdowns bottom out and demand for manufactured goods picks up mid-year.
- The region welcomes another 120,000 residents, half arriving via the moving van, half by the maternity ward.
- Demand for new single- and multi-family housing slips only slightly from current levels.
- Houstonians remain confident about the future and there's no pullback in local spending.

If only one or two assumptions prove wrong, the Partnership's forecast should still hold. But if three or more prove wrong, the forecast would need to be revised.

What can Houstonians expect in '24? Job growth below the current pace. More vehicles on the freeways. Record passenger volumes at the region's airports. Fewer housing starts, but at a still healthy level. Energy prices high enough to spur an uptick in drilling. Minor reductions in inflation. No relief on interest rates until mid-year. And a slump in commercial construction.

The Partnership's forecast calls for growth in administrative services, arts, entertainment, and recreation, energy, government, health care, hotels, manufacturing, other services, private education, professional services, restaurants and bars, retail, transportation, and wholesale trade. Job losses will occur in construction, finance and



insurance, information, and real estate. A detailed explanation of the factors driving job losses or gains can be found in the [forecast](#) document.

The region is projected to add 57,600 jobs in '24, a subpar performance compared to recent years but still a healthy gain. Houston should finish the year with total employment surpassing 3.4 million, a new record for the region.

**METRO HOUSTON '24 EMPLOYMENT FORECAST**

Industry/Sectors	Job Gains/Losses
Health Care	10,000
Government	7,800
Restaurants & Bars	7,200
Professional Services	6,800
Retail	6,500
Manufacturing	6,300
Wholesale Trade	4,300
Administrative Services	4,200
Transportation	4,100
Energy	3,000
Private Education	1,800
Arts, Entertainment, Rec	1,100
Other Services	1,100
Hotels	1,000
Information	-300
Real Estate	-1,000
Finance & Insurance	-1,500
Construction	-4,800
<b>Total</b>	<b>57,600</b>

Source: Greater Houston Partnership Research

The past two years have seen records set for job growth, home sales, construction starts, sales tax collections, and port traffic. The region couldn't maintain that pace indefinitely. A slowdown was inevitable—but not a recession. Houston will see subpar growth in '24, but the region should return to its long-term trend in '25.

**NOVEMBER EMPLOYMENT UPDATE**

Houston added 13,300 jobs in November, according to the Texas Workforce Commission (TWC). Employment is now 212,600 jobs above where it stood prior to the pandemic.

Houston has witnessed several booms and busts over the past 20-plus years.

- The collapse of Enron and the uncertainty brought on by 911 resulted in nominal job losses early in the decade ('02-'04).
- Post Enron, when oil prices surged to near \$150 a barrel, job gains averaged 95,000 per year mid-decade ('05-'07).

- The worst year of the Global Financial Crisis ('09), the region lost over 100,000 jobs.
- During the Fracking Boom ('11-'14), job gains averaged 100,000 per year.
- The ensuing Fracking Bust ('15-'16) saw annual losses, albeit small ones.
- Job gains were tepid (roughly 60,000 a year) after the bust and prior to COVID.
- Houston lost 360,00 jobs in the first two months (Mar-Apr '20) of the pandemic.
- Coming out of the pandemic, growth surged, and the region saw its two best years on record—172,100 jobs in '21 and 145,700 in '22.

**ANNUAL JOB GAINS AND LOSSES, METRO HOUSTON**

Year	Jobs	Year	Jobs
'03	-11,400	'13	89,900
'04	39,400	'14	116,600
'05	91,700	'15	-2,500
'06	106,700	'16	-2,300
'07	91,000	'17	54,400
'08	21,500	'18	82,800
'09	-110,600	'19	54,500
'10	50,700	'20	-183,900
'11	83,000	'21	172,100
'12	117,400	'22	145,700

Source: Partnership calculations based on Texas Workforce Commission data

Given the swings in Houston's fortunes, it's difficult to know what's normal and sustainable for the region. One can attempt to define both by removing the outliers, i.e., the region's five best and five worst years over the past two decades. This produces a range of roughly 50,000 to 90,000 jobs per year, which is a more realistic assessment of what the region should expect when high oil prices aren't driving growth, or a national recession isn't dragging it down. The mid-point of the range, 70,000 jobs, should be considered normal and sustainable for Houston.

December's exact job count won't be known until TWC releases its estimates later this month. The region typically adds 5,000 to 15,000 jobs every December. Again, that's after removing the outliers of the past 20 years.

Through November, Houston has added 68,800 payroll jobs. The region will likely finish '23 with a net gain of roughly 74,000 to 84,000 jobs. The Partnership's forecast (released in December '22) called for the region to add approximately 79,000 jobs in '23.

**SOLID GDP GROWTH**

Houston’s gross domestic product (GDP), the broadest measure of economic activity, hit \$633.2 billion in ‘22, according to recent estimates by the U.S. Bureau for Economic Analysis. That ranks metro Houston as having the seventh largest economy in the U.S., ahead of Boston but behind Washington, D.C.

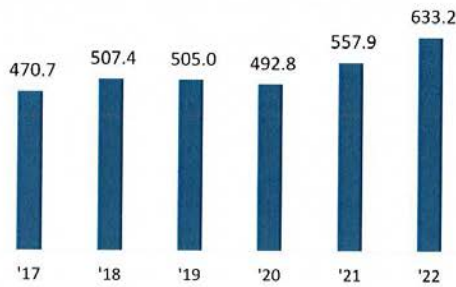
**GROSS DOMESTIC PRODUCT, TOP 20 METROS, ‘22**

Rank	Metro	GDP*	Rank	Metro	GDP*
1	New York	2,163.20	11	Seattle	517.8
2	Los Angeles	1,227.5	12	Miami	483.8
3	Chicago	832.9	13	San Jose	403.5
4	San Francisco	729.1	14	Phoenix	362.1
5	Dallas-Ft Worth	688.9	15	Minneapolis	324.0
6	Washington	660.6	16	Detroit	305.4
7	Houston	633.2	17	San Diego	295.6
8	Boston	571.7	18	Denver	288.8
9	Atlanta	525.9	19	Baltimore	241.4
10	Philadelphia	518.5	20	Riverside	237.9

\*Billion dollars  
Source: U.S. Bureau for Economic Analysis

In nominal dollars, Houston’s GDP has grown 34.5 percent since ‘17. Adjusted for inflation, the region’s GDP has grown 9.1 percent over the period.

**METRO HOUSTON GDP, \$ BILLIONS**



Source: U.S. Bureau of Economic Analysis

Readers should note the data reflect BEA’s *estimates* of regional GDP, not an actual measure of economic activity. As such, the data is also subject to frequent revision. BEA revised its ‘21 estimate for Houston GDP from \$537.1 billion to \$557.8 billion. BEA also declined to publish data reflecting the contribution of Houston’s key industries to GDP. For example, BEA did not disclose its estimates for the size of Houston’s energy, wholesale trade, real estate, and health care sectors.

Though the data has flaws, it does help put in perspective the enormous size of Houston’s economy. If Houston were

an independent nation, it would have had the 23rd largest economy in the world in ‘22, ahead of Argentina and just behind Poland.

**NATION/METRO GDP, ‘22**

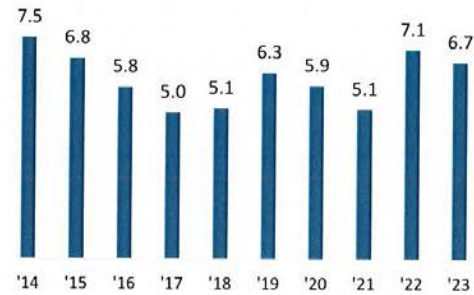
Rank	Country/Region	\$ Billions
20	Switzerland	818.5
21	Taiwan Province of China	760.5
22	Poland	690.7
23	<b>Metro Houston</b>	633.2
24	Argentina	630.6
25	Sweden	591.2
26	Norway	579.4

Source: International Monetary Fund and U.S. Bureau of Economic Analysis

**BUILDING WOES**

Construction activity in the region continues to slow. The City of Houston issued \$6.7 billion in building permits through the first ten months of ‘23, down 6.0 percent from \$7.1 billion over the comparable period in ‘22. Adjusted for inflation, nonresidential permits are down 49.6 percent, residential permits are up 7.2 percent, and alterations and additions are up 6.0 percent compared to last year.

**CITY OF HOUSTON BUILDING PERMITS, \$ BILLIONS**



Source: City of Houston \* Nominal Dollars

Project awards (which reflect construction activity in the near future) are down significantly. Dodge Data & Analytics reports contracts totaling \$28.022 billion were issued in the first ten months of ‘23, a 20.1 percent decrease from \$35.061 billion over the comparable period in ‘22. If not for an increase in non-building (i.e., infrastructure projects), awards would have fallen even further.

Construction employment never fully recovered from the losses incurred in the early stages of the pandemic. As of November ‘23, the sector had 19,000 fewer jobs than it did in February ‘20. Given the ongoing drop in permits and awards, the sector will likely continue to lose jobs in ‘24.

## Key Economic Indicators

Clicking on the hyperlinks below will provide additional details on that indicator.



**Aviation** — The Houston Airport System (HAS) handled 59.7 million passengers in the 12 months ending November '23, up 11.0 percent from 53.8 million handled over the comparable period in '22.



**Foreign Trade** — Trade through the Houston seaports—Freeport, Galveston, Houston, and Texas City—was valued at \$218.5 billion through October of '23, a 7.9 percent drop from \$237.3 billion over the comparable period in '22. Exports are down \$15.1 billion (11.1 percent). Imports are down \$3.7 billion (3.6 percent).



**Energy** — The Energy Information Administration (EIA) forecasts U.S. crude output to grow from 12.9 to 13.1 million barrels per day in '24. EIA expects the spot price for Brent, the global crude benchmark, to average \$82.57 per barrel in '24, essentially unchanged from \$82.40 in '23. West Texas Intermediate (WTI) typically trades \$3-4 per barrel below Brent.



**Home Sales** — Houston realtors closed on 102,788 homes (single-family, duplexes, condos, and townhomes) in the 12 months ending November '23, the slowest annual rate since October '19. Home sales have fallen 23.8 percent from their peak of 134,844 during the 12 months ending March '22. November data suggests the market may be stabilizing. Monthly, sales and listings were up in November while prices slipped marginally. Local inventory expanded to a 3.5-month supply, up from 2.8 months a year ago.



**Inflation** — Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), rose 3.1 percent nationwide in the 12 months ending November '23. That's down from November '22 when prices were rising at a 7.1 percent annual rate. On a monthly basis, U.S. consumer prices rose 0.1 percent this November compared to 0.2 percent last November.



**Purchasing Managers Index** — Economic activity in Houston showed mixed results in November with nonmanufacturing activity expanding at a faster pace and manufacturing continuing to report weakness, according to the Houston Purchasing Managers Index (PMI). The overall PMI rose 2.1 points to 52.0 in November, up from 49.9 in October. Readings

above 50 indicate overall expansion of the economy, below 50, contraction. Regarding the two major sub-components:

- The manufacturing PMI rose 0.9 points to 46.8, providing a modestly weaker signal for contraction in this sector.
- The nonmanufacturing PMI rose 2.3 points to 53.1, showing a stronger indication of expansion for the industries in this sector.



**Sales Tax** — Sales and use tax collections in the 12 most populous Houston-area cities totaled \$1.056 billion through October of '23, up 4.7 percent from \$1.009 billion in the comparable period in '22. Adjusted for inflation, year-to-date collections are up only 2.0 percent over last year.



**Unemployment** — The unemployment rates for metro Houston, Texas, and the U.S. fell in November. Houston's unemployment rate slipped from 4.1 percent in October to 3.8 percent in November, Texas' rate from 3.8 to 3.5 percent, and the U.S. rate from 3.6 to 3.5 percent. The rates are not seasonally adjusted.



**Vehicle Sales** — Houston-area auto dealers sold 331,695 cars, trucks, and SUVs through the first 11 months of '23, a 15.9 percent increase over the 286,309 sold during the comparable period in '22. Sales have surpassed pre-COVID levels but remain short of the Fracking Boom peak.

Patrick Jankowski, Clara Richardson, and Leta Wauson contributed to this issue of *Houston: The Economy at a Glance*.

### STAY UP TO DATE

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The Partnership sends updates for the most important economic indicators each month. If you would like to opt-in to receive these updates, please click [here](#).

The Partnership also posts short videos updating viewers on the latest U.S. and local economic trends. You can find those videos on the Partnership's [LinkedIn](#) page.

## HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	November 23	October 23	November 22	Change from		% Change from	
				October 23	November 22	October 23	November 22
Total Nonfarm Payroll Jobs	3,404.4	3,391.1	3,326.6	13.3	77.8	0.4	2.3
<i>Total Private</i>	<i>2,946.7</i>	<i>2,937.7</i>	<i>2,878.2</i>	<i>9.0</i>	<i>68.5</i>	<i>0.3</i>	<i>2.4</i>
<i>Goods Producing</i>	<i>522.4</i>	<i>523.4</i>	<i>518.6</i>	<i>-1.0</i>	<i>3.8</i>	<i>-0.2</i>	<i>0.7</i>
<i>Service Providing</i>	<i>2,882.0</i>	<i>2,866.6</i>	<i>2,808.0</i>	<i>15.4</i>	<i>74.0</i>	<i>0.5</i>	<i>2.6</i>
<i>Private Service Providing</i>	<i>2,424.3</i>	<i>2,414.3</i>	<i>2,359.6</i>	<i>10.0</i>	<i>64.7</i>	<i>0.4</i>	<i>2.7</i>
Mining and Logging	69.8	70.2	67.3	-0.4	2.5	-0.6	3.7
Oil & Gas Extraction	29.7	29.8	29.1	-0.1	0.6	-0.3	2.1
Support Activities for Mining	38.5	38.7	36.7	-0.2	1.8	-0.5	4.9
Construction	218.4	218.0	223.3	0.4	-4.9	0.2	-2.2
Manufacturing	234.2	235.2	228.0	-1.0	6.2	-0.4	2.7
Durable Goods Manufacturing	145.4	146.2	139.2	-0.8	6.2	-0.5	4.5
Nondurable Goods Manufacturing	88.8	89.0	88.8	-0.2	0.0	-0.2	0.0
Wholesale Trade	179.4	179.6	175.0	-0.2	4.4	-0.1	2.5
Retail Trade	328.7	323.1	323.1	5.6	5.6	1.7	1.7
Transportation, Warehousing and Utilities	202.1	199.6	193.8	2.5	8.3	1.3	4.3
Utilities	21.1	20.8	20.1	0.3	1.0	1.4	5.0
Air Transportation	20.9	20.8	19.8	0.1	1.1	0.5	5.6
Truck Transportation	31.6	31.5	30.8	0.1	0.8	0.3	2.6
Pipeline Transportation	13.3	13.1	12.7	0.2	0.6	1.5	4.7
Information	33.0	33.0	33.0	0.0	0.0	0.0	0.0
Telecommunications	11.8	11.9	11.9	-0.1	-0.1	-0.8	-0.8
Finance & Insurance	116.7	117.0	114.9	-0.3	1.8	-0.3	1.6
Real Estate & Rental and Leasing	72.1	72.4	67.0	-0.3	5.1	-0.4	7.6
Professional & Business Services	564.8	562.6	554.3	2.2	10.5	0.4	1.9
Professional, Scientific & Technical Services	280.8	279.6	270.0	1.2	10.8	0.4	4.0
Legal Services	33.5	33.5	31.5	0.0	2.0	0.0	6.3
Accounting, Tax Preparation, Bookkeeping	29.2	29.0	27.9	0.2	1.3	0.7	4.7
Architectural, Engineering & Related Services	80.4	79.3	73.0	1.1	7.4	1.4	10.1
Computer Systems Design & Related Services	44.7	44.6	42.6	0.1	2.1	0.2	4.9
Admin & Support/Waste Mgt & Remediation	237.2	236.3	238.5	0.9	-1.3	0.4	-0.5
Administrative & Support Services	223.0	222.2	225.5	0.8	-2.5	0.4	-1.1
Employment Services	85.5	84.9	89.8	0.6	-4.3	0.7	-4.8
Private Educational Services	73.8	73.8	73.2	0.0	0.6	0.0	0.8
Health Care & Social Assistance	388.0	386.0	365.2	2.0	22.8	0.5	6.2
Arts, Entertainment & Recreation	40.4	40.6	36.4	-0.2	4.0	-0.5	11.0
Accommodation & Food Services	306.8	307.1	306.5	-0.3	0.3	-0.1	0.1
Other Services	118.5	119.5	117.2	-1.0	1.3	-0.8	1.1
Government	457.7	453.4	448.4	4.3	9.3	0.9	2.1
Federal Government	34.3	33.6	32.9	0.7	1.4	2.1	4.3
State Government	96.8	96.3	95.1	0.5	1.7	0.5	1.8
State Government Educational Services	55.2	54.7	54.3	0.5	0.9	0.9	1.7
Local Government	326.6	323.5	320.4	3.1	6.2	1.0	1.9
Local Government Educational Services	228.0	225.6	223.7	2.4	4.3	1.1	1.9

SOURCE: Texas Workforce Commission

**QUALIFICATIONS  
OF THE  
APPRAISERS**

**QUALIFICATIONS OF PHILLIP F. BARLETTA, MAI, SRA**

**PROFESSIONAL AFFILIATIONS**

Member Appraisal Institute, MAI Number: 7644

Texas State Certified General Real Estate Appraiser  
 Certificate Number: TX-1320197-G  
 Date of Expiration: 03/31/2025

Texas Real Estate Broker, License Number: 0235500

Mr. Barletta is a designated Realtor Member of the Houston Association of Realtors and the Texas Association of Realtors. He has served as a member on the Appraisal Institute's Houston Chapter Number 33 Admissions Committee and Candidate's Guidance Committee. He has also been elected to the Houston Chapter Number 33 Board of Directors for Years 2000, 2001 and 2002, and served on the Officer's Nominating Committee for 2003, 2004, 2011, 2014, 2017 and 2019. In 2020, he was again elected to the Houston Chapter Board of Directors in 2020 for 2021.

**EDUCATIONAL BACKGROUND**

Mr. Barletta graduated from Sam Houston State University in Huntsville, Texas on May 21, 1977. He received a Bachelor of Business Administration degree with primary emphasis on finance, management, and real estate related courses. In addition he has successfully passed the following Appraisal Institute Courses and attended the following Seminars:

- 1) Course 1-A: Basic Appraisal Principles, Methods and Techniques (1979)
- 2) Course 8: Single-Family Residential Appraisal (1979)
- 3) Course 1B-A: Capitalization Theory and Techniques, Part A (1984)
- 4) Course 1B-B: Capitalization Theory and Techniques, Part B (1985)
- 5) Course 2-1: Case Studies and Real Estate Valuation (1985)
- 6) Course 2-2: Valuation Analysis and Report Writing (1985)
- 7) Course 2-3: Standards of Professional Practice (1985)
- 8) Seminar: Subdivision Analysis, by A.I.R.E.A., Houston, TX (1986)
- 9) Seminar: R41-b and the Appraiser, by S.R.E.A., Dallas, TX (1987)
- 10) Course 1B-B: Audited Capitalization, Part B (1987)
- 11) Seminar: FNMA Underwriting Guidelines, by S.R.E.A., Houston, TX (1987)
- 12) Seminar: FNMA Appraisal Guidelines & Condo/PUD Acceptance (2 days), by S.R.E.A., Houston, TX (1988)
- 13) Seminar: FNMA Appraisal Guidelines, by S.R.E.A., Houston, TX (1989)
- 14) Seminar: Standards of Professional Practice Update by A.I.R.E.A., Houston, TX (1989)
- 15) Seminar: Comprehensive Appraisal Workshop by Ted Whitmer, MAI, Houston, TX (Jan. 15-18, 1990)
- 16) Seminar: Affordable Housing Disposition Program by RTC, Houston, TX (Sept. 21, 1990)
- 17) Seminar: Appraising Troubled Income Properties by A.I.R.E.A., Houston, TX (Oct. 25, 1990)
- 18) Seminar: Discounted Cash Flow Analysis by A.I.R.E.A., Houston, TX (Nov. 16, 1990)
- 19) Seminar: FNMA Underwriting Guidelines by Appraisal Institute, Houston, TX (July 19, 1991)
- 20) Seminar: Valuation of Leased Fees by Appraisal Institute, Houston, TX (July 20, 1991)
- 21) Course: Standards of Professional Practice - Parts A & B by Appraisal Institute, Houston, TX (March 26-29, 1992)
- 22) Seminar: Americans with Disabilities Act (ADA) Seminar by Appraisal Institute, Houston, TX (Nov. 4, 1992)
- 23) Seminar: ARGUS Version 3.0 Training Seminar by ARGUS Financial Software, Houston, TX (Nov. 12, 1993)
- 24) Seminar: The New URAR Report, by Appraisal Institute, Houston, TX (Feb. 17, 1994)
- 25) Seminar: Fair Lending and the Appraiser, by Appraisal Institute, Houston, TX (April 8, 1994)
- 26) Seminar: Understanding Limited Appraisals & Reporting Options - General, Houston, TX (July 7, 1994)
- 27) Seminar: How to Appraise FHA Insured Property, by H.U.D., Houston, TX (Dec. 1, 1994)
- 28) Seminar: Real Estate Evaluations & The Appraisal Industry, by Appraisal Institute, Houston, TX (April 20, 1995)
- 29) Seminar: Appraisal Practices for Litigation, by Appraisal Institute, Houston, TX (May 19-20, 1995)
- 30) Seminar: The High-Tech Appraisal Office, by Appraisal Institute, Kansas City, MO (6/14/96)
- 31) Seminar: The Internet and Appraising, by Appraisal Institute, Kansas City, MO (6/15/96)
- 32) Seminar: Litigation Skills for the Appraiser: An Overview, by Appraisal Institute, Houston, TX (10/25/96)
- 33) Seminar: Understanding Limited Appraisals & Appraisal Reporting Options, by Appraisal Institute, Houston, TX (June 12, 1997)
- 34) Seminar: Affordable Housing Valuation, by Appraisal Institute, Houston, TX (June 13, 1997)
- 35) Course 430: Standards of Professional Practice, Part C, by Appraisal Institute, Houston, TX (Dec. 4-5, 1997)
- 36) Seminar: R4580 Fannie Mae Seminar, by Appraisal Institute, Houston, TX (July 17, 1998)

- 37) Seminar: The Appraisal of Local Retail Properties, by Appraisal Institute, Houston, TX (September 28, 1998)
- 38) Seminar: Attacking & Defending an Appraisal in Litigation, by Ted Whitmer, MAI, CCIM, Houston, Texas (April 15-16, 1999)
- 39) Seminar: Fannie Mae – Mortgage Lending, by Appraisal Institute, Houston, TX (November 10, 1999)
- 40) Seminar: 10<sup>th</sup> Annual Outlook for Texas Rural Land Markets, by Texas A&M University, College Station, TX (March 24, 2000)
- 41) Seminar: Subdivision Analysis, by Appraisal Institute, Houston, TX (June 20, 2000)
- 42) Seminar: HUD Multifamily Accelerated Processing (MAP), by HUD, Fort Worth, TX (September 27, 2000)
- 43) Seminar: U.S.P.A.P. 2001 Update, by Appraisal Institute, Houston, TX (February 17, 2001)
- 44) Seminar: 11<sup>th</sup> Annual Outlook for Texas Rural Land Markets, by Texas A&M University, College Station, TX (May 4, 2001)
- 45) Seminar: 2002 Commercial Real Estate Forecast, by CCIM, Houston, TX (February 14, 2002)
- 46) Seminar: Texas USPAP Update, by Appraisal Institute, Houston, TX (March 23, 2002)
- 47) Seminar: 12<sup>th</sup> Annual Outlook for Texas Rural Land Markets, by Texas A&M University, College Station, TX (May 3, 2002)
- 48) Course 430: Standards of Professional Practice, Part C, by Appraisal Institute, Houston, TX (December 12-13, 2002)
- 49) Seminar: 13<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, College Station, TX (April 10, 2003)
- 50) Course 400: U.S.P.A.P. 2004 Update, by Appraisal Institute, Houston, TX (January 24, 2004)
- 51) Course 400: U.S.P.A.P. 2005 Update, by Appraisal Institute, Houston, TX (April 14, 2005)
- 52) Seminar: 15<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, College Station, TX (April 28, 2005)
- 53) Seminar: Professional Guide to the URAR, by Appraisal Institute, Houston, TX (June 23, 2005)
- 54) Seminar: 16<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, College Station, TX (April 27, 2006)
- 55) Seminar: Subdivision Valuation, by Appraisal Institute, Houston, TX (November 9, 2006)
- 56) Seminar: Scope of Work, by Appraisal Institute, Houston, TX (January 18, 2007)
- 57) Course 400: U.S.P.A.P. 2008-09 Update, by Appraisal Institute, Houston, TX (Jan. 19, 2008)
- 58) Seminar: Analyzing Distressed Real Estate, by Appraisal Institute, Houston, TX (Dec. 11, 2008)
- 59) Seminar: Mortgage Fraud, by Champions School of R.E., Houston, TX (Jan. 16, 2009)
- 60) Seminar: 19<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 6-7, 2009)
- 61) Seminar: U.S.P.A.P. 2010 – 2011 Update, by Appraisal Institute, Houston, TX (Feb. 24, 2010)
- 62) Seminar: 20<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (May 6-7, 2010)
- 63) Seminar: Business Practices & Ethics, by Appraisal Institute, Houston, TX (Dec. 9, 2010)
- 64) Seminar: Staying out of Trouble in Appraisal Practice & A Lender's Perspective, by Appraisal Institute, Houston, TX (Feb. 26, 2011)
- 65) Seminar: Appraising Distressed Commercial Real Estate, by Appraisal Institute, Houston, TX (April 15, 2011)
- 66) Seminar: Appraisal Curriculum Overview (2-Day General), by Appraisal Institute, Austin, TX (May 10-11, 2011)
- 67) Course: Fundamentals of Separating Real & Personal Property from Intangible Business Assets, by Appraisal Institute, Chicago, IL (Dec. 15-16, 2011)
- 68) Seminar: U.S.P.A.P. 2012-2013 Update, by Appraisal Institute, Houston, TX (Feb 22, 2012)
- 69) Seminar: Complex Litigation Appraisal Case Studies, by Appraisal Institute, Houston, TX (Jan. 14, 2013)
- 70) Seminar: 23<sup>rd</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 25-26, 2013)
- 71) Seminar: Business Practices & Ethics, by Appraisal Institute, Houston, TX (July 31, 2013)
- 72) Seminar: U.S.P.A.P. 2014-2015 Update, by Appraisal Institute, Houston, TX (December 6, 2013)
- 73) Seminar: 24<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 17-18, 2014)
- 74) Course: Texas Appraiser Trainee/Sponsor Course, Houston, TX (April 16, 2015)
- 75) Seminar: 25<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 23-24, 2015)
- 76) Seminar: U.S.P.A.P. 2016 – 2017 Update, by Appraisal Institute, Houston, TX (December 11, 2015)
- 77) Seminar: 26<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 28 – 29, 2016)
- 78) Seminar: Eminent Domain, by CLE International, Austin, TX (Feb 9-10, 2017)
- 79) Seminar: 27<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 20-21, 2017)
- 80) Symposium: 2017 Real Estate Symposium/TALCB Course #32884, by Appraisal Institute, Houston, TX (August 18, 2017)
- 81) Seminar: Business Practices & Ethics, by Appraisal Institute, Houston, TX (Oct. 13, 2017)
- 82) Course: U.S.P.A.P. 2018-2019, 7-Hour Update, by Appraisal Institute, Houston, TX (Dec. 7, 2017)
- 83) Seminar: 28<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 26-27, 2018)
- 84) Symposium: 2018 Real Estate Symposium, by Appraisal Institute, Houston, TX (September 28, 2018)

- 85) Seminar: 29<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 25-26, 2019)
- 86) Symposium: 2019 Real Estate Symposium, TALCB Course #37477, By Appraisal Institute, Houston, TX (Sept. 26, 2019)
- 87) Seminar: U.S.P.A.P. 2020-2021, 7-Hour Update, by Appraisal Institute, Houston, TX (Dec. 13, 2019)
- 88) Course: Eminent Domain & Condemnation by Appraisal Institute Online, (Sept. 10, 2020)
- 89) Seminar: Business Practice and Ethics, by Appraisal Institute, Live Online-Synchronous (July 27, 2021)
- 90) Course: U.S.P.A.P. 2022-2023, 7-Hour Update by Appraisal Institute, Austin, TX (Dec. 17, 2021)
- 91) Seminar: 31<sup>st</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 28-29, 2022)
- 92) Symposium: 2022 Real Estate Symposium, by Appraisal Institute, Houston, TX (Oct. 25, 2022)
- 93) Course: Supervisory Appraiser Course, by Appraisal Institute, Synchronous, Houston, TX (Dec. 2, 2022)
- 94) Seminar: 32<sup>nd</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio (April 13-14, 2023)
- 95) Symposium: 2023 Houston Real Estate Symposium – Riding the Waves of Market Volatility, Houston, TX (Sept. 19, 2023)
- 96) Course: U.S.P.A.P. 2024, 7-Hour Update, by Appraisal Institute, Houston, TX (Dec. 15, 2023)

### **APPRAISAL BACKGROUND**

Mr. Barletta began appraising in January, 1977. He has had extensive experience in appraising all types of commercial and residential properties (listed below) in the Houston, Dallas/Ft. Worth, Austin and San Antonio regions, plus numerous other cities throughout Texas. In August, 1987, Mr. Barletta became a partner in an appraisal company in which he held the title President. In 1991, he formed a new company, BARLETTA & ASSOCIATES, INC., where he also holds the title of President, with offices at 1313 Campbell Road, Suite C, Houston, Texas 77055-6429.

Some of the various types of appraisals performed by Mr. Barletta would include: high-end single-family residences, two-to-four unit residential income properties, raw land, mixed-use developed commercial sites, master-planned residential subdivisions, condominium/PUD projects, conventional and HUD apartment projects, office buildings, shopping centers, office/warehouses, special-purpose properties, motels/hotels, golf courses, marinas, restaurants, various commercial/retail facilities, all types of industrial properties and eminent domain/condemnation properties. Mr. Barletta has also been qualified as an expert witness in various court matters for real property valuation by numerous attorneys, and he has arbitrated and reviewed a number of legal issues.

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E-Mail:	<a href="mailto:phillip@barlettainc.com">phillip@barlettainc.com</a>



	<b>Certified General Real Estate Appraiser</b>
Appraiser: <b>Phillip Frank Barletta</b>	License Expires: <b>03/31/2025</b>
License #: <b>TX 1320197 G</b>	
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 <a href="http://www.talcb.texas.gov">www.talcb.texas.gov</a> .	 Chelsea Buchholtz Commissioner

## DAVID BAEHR, MAI, SRA, AI-GRS

(713) 884-7813  
david.baehr@barlettainc.com

### REAL ESTATE APPRAISER

– 16 years in real estate appraisals, asset management, acquisitions, and portfolio management –

Accomplished real estate appraiser, a high performer excelling in performing and reviewing appraisals for compliance with USPAP, FIRREA and the OCC. Has experience with various proposed/existing property types, including: A & D (subdivision development), 5+ lots/units, single-family, multi-family, office and other property types throughout the U.S. This includes REO/distressed properties. Consults with account officers, fee appraisers and brokers giving guidance regarding any issues that may arise. Research markets and perform due diligence to complete risk analyses and determine credibility of appraisal under review. *General Certified Real Estate Appraiser and a Designated Member of the Appraisal Institute.*

### PROVEN COMPETENCIES

- Appraisal review
- Data/Market Analysis
- Client inquiries/Investigations
- Due Dilligence
- Market trend analysis
- Forward looking projections
- Market forecasting
- Risk management

### PROFESSIONAL EXPERIENCE

Barletta & Associates, Houston, TX 5/2021-Present  
**COMMERCIAL REAL ESTATE APPRAISER** – Appraising a variety of commercial properties specializing in residential subdivision valuation.

U.S. Bancorp, Houston, TX 7/2013-4/2021  
*The fifth largest financial institution in the United States, with \$429 billion in assets.*

### VICE PRESIDENT / SENIOR REVIEW APPRAISER

Review appraisals of proposed and existing collateral, ensuring that the appraisal reports are in compliance with USPAP, FIRREA, the OCC and U.S. Banks policy and procedures. Depending on the complexity of the property type, discounted cash flow analysis, expense/revenue projections may be utilized to ensure the reports are in line with market trends. Analyze and review residential appraisal reports, A & D subdivision development appraisals, 5+ lot/units appraisals, commercial land, medical offices, industrial, multifamily and other property types throughout the U.S each month for the purpose of collateral monitoring and loan underwriting. Communicate issues, concerns and results with loan officers.

- Manage the ordering and review of appraisals of portfolios with borrowing bases and revolvers and other credit facilities of borrowers with loan amounts totaling over \$500MM.
- Properly order appraisals with appropriate scope of work and value scenarios from qualified and competent appraisers (based on the property type and vendor's experience) on the approved vendor panel.
- Monitor appraisal process from engagement to review completion and facilitate report delivery and response to issues as appropriate.
- In reviewing the appraisal reports, discuss any USPAP, FIRREA or OCC deficiencies with the vendors in order to ensure compliance with federal regulations and RETECHS Internal Procedures.

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- Effectively communicate valuation/appraisal issues with the business lines and answer any questions from the loan production staff and risk management group as well as respond to reconsideration requests from business lines in a timely manner.

APPRAISAL MC, Houston, TX

4/2013-7/2013

*A rapidly growing appraisal management company that provides the nation's premier lenders with the capability to maintain compliance standards throughout the appraisal ordering process. We pride ourselves on customer service as well as extensive industry knowledge and experience.*

**VP APPRAISAL REVIEW**

- Assess risks associated with the real estate appraisal and evaluation for residential lending channels.
- Protect the financial interests of company by adhering to appraisal standards for accuracy and quality and proactively identify appraisal risk in real estate markets.
- Maintain knowledge of the real estate industry and follow all state and federal laws and regulation pertaining to the Real Estate Industry.

PNC BANK, N.A., Houston, TX

3/2012-4/2013

(PNC BANK, N.A., purchased RBC BANK USA in March 2012)  
*A \$13 billion financial services organization with 57,000 employees.*

**REVIEW APPRAISER**

3/2012-4/2013

Analyze and review residential and commercial appraisals throughout the U.S each month for the purpose of collateral monitoring, loan underwriting and foreclosure proceedings. Communicate issues, concerns and results with relationship managers.

- Join with fee appraisers and attain compliance with USPAP and federal regulations.
- Engage third party appraisers to perform appraisals for the bank.

ROYAL BANK OF CANADA (RBC Builder Finance division), Houston, TX

6/2005-3/2012

*A full-scale banking institution with 74,000 global employees and \$27 billion in annual revenue.*

**STAFF APPRAISER**

9/2005-3/2012

Produced property and land appraisals, completing due diligence for up to 620 appraisals per month. Evaluated collateral, creating forecasts for short and long-term revenue and expense projections. Executed valuations for vacant lots and single-family residences (1-4 family and 5+ lots and units), aggregating retail proceeds and discounted cash flow analysis. Partnered with national account officers and asset management departments to analyze contracts, budgets, absorption rates, and economic housing data. Coordinated and completed form appraisals and evaluation reports, assessing distressed collateral.

- Became proficient in the sales comparison, cost, and income approaches to market value and liquidation/disposition value on various property types as a certified appraiser.
- Engaged in sophisticated cash flow modeling for complex collateral, creating bulk valuations.
- Conducted in depth market research on new homebuilders and developers.

**INSPECTOR ANALYST**

6/2005-9/2005

Operated within a broad international customer base in the builder finance division, focusing on construction lending to premier clients throughout the US. Completed cost effective, reliable collateral draw inspections for the Houston-based office. Served customers by coordinating inspections with builders.

- Fulfilled up to 500 inspections per week for four months; saved customers \$180,000 by personally completing inspections, alleviating the need for builders to hire outside inspectors.
- Ensured customers received draws according to schedule; observed builder progress and authorized access to additional credit extensions.
- Joined with a colleague to complete 600+ inspections in two days.

## EDUCATION & TRAINING

### DEGREES

- **Bachelor of Business Administration – Finance**, University of St. Thomas, 2005
- **Associate of Arts in General Studies**, Houston Community College, 2002

### CERTIFICATIONS

- General Certified Real Estate Appraiser, TX-1380372-G
- MAI designation through the Appraisal Institute
- SRA designation through the Appraisal Institute
- AI-GRS designation through the Appraisal Institute

### PROFESSIONAL DEVELOPMENT

- Real estate appraisal coursework in Advanced Highest and Best Use and Market Analysis, Quantitative Analysis, Sales Comparison and Income Approaches, Advanced Residential Applications, Site Valuations, Cost Approach, Real Estate Finance, Statistics and Valuation Modeling, Residential Report Writing, USPAP, and Appraisal Procedures and Principles, *The Appraisal Institute & McKissock*
- Advanced accounting coursework, *University of Houston – Downtown, Houston Community College, & Lone Star College System*

### COMPUTER SKILLS

- Proficient in Microsoft Office Suite, Zonda Metrostudy, Costar, RIMS, LINKS and Argus.

## AFFILIATION

Member, Appraisal Institute



**Certified General  
Real Estate Appraiser**

Appraiser: **David Matthew Baehr**  
License #: **TX 1380372 G** License Expires: **10/31/2024**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).



**Chelsea Buchholtz  
Commissioner**

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