

NEW ISSUE

NOT RATED

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

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS” herein. See “TAX MATTERS” herein for a discussion of Bond Counsel’s opinion, including a description of certain alternative minimum tax consequences for corporations. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

\$17,270,000*

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
(a political subdivision of the State of Texas located in the City of Heath, Texas)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)

Interest to Accrue from Date of Delivery**Due: September 1, as shown on the inside cover**

The Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project) (the “Bonds”) are being issued by the Club Municipal Management District No. 1 (the “District”). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 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, calculated on the basis of a 360-day year of twelve 30-day months, payable on each March 1 and September 1, commencing September 1, 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 Wilmington Trust, National Association, as trustee (the “Trustee”), to DTC as the registered owner thereof. See “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are being issued by the District pursuant to Chapter 3902, Texas Special District Laws Code (the “District Legislation”) and the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an order expected to be adopted by the Board of Directors of the District (the “Board of Directors”) on November 26, 2024, and an Indenture of Trust, dated as of December 1, 2024 (the “Indenture”), entered into by and between the District and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of the “Improvement Area #3 Improvements” which consist of (a) Improvement Area #3’s (as defined herein) proportionate share of the costs of certain public improvements that will benefit all assessed property in the District and (b) the costs of the local public improvements benefitting only the assessed parcels in Improvement Area #3 of the District, (ii) paying capitalized interest on the Bonds during the period of construction and acquisition of the Improvement Area #3 Improvements; (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) funding the Additional Interest Reserve Account of the Reserve Fund; (v) paying a portion of the costs incidental to the organization of the District, if any, and (vi) paying the costs of issuing the Bonds. The District is expected to be a mixed-use development, and is commonly known as the “Heath Golf & Yacht Club.” See “THE IMPROVEMENT AREA #3 IMPROVEMENTS” AND “APPENDIX A — Form of Indenture.” Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds, when issued and delivered, will constitute valid and binding special obligations of the District payable solely from and secured by the Pledged Revenues, consisting primarily of Assessments (as defined herein) levied against assessable properties in Improvement Area #3 of the District in accordance with a Service and Assessment Plan, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. See “SECURITY FOR THE BONDS.”

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

THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” AND “BONDHOLDERS’ RISKS” HEREIN. THE BONDS ARE OFFERED ONLY TO PERSONS WHO MEET THE DEFINITION OF “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT). Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT OR THE TAXING POWER OF THE CITY OF HEATH, TEXAS (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 ANY FUNDS OF THE DISTRICT OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY’S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE DISTRICT SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE PLEDGED REVENUES. THE DISTRICT HAS NO TAXING POWER. 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 District and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Winstead PC, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX C — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the Underwriter by its counsel, Locke Lord LLP and for the Developer by its counsel, Ferguson Braswell Fraser Kubasta PC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about December 19, 2024 (the “Date of Delivery”).

FMSBONDS, INC.

* Preliminary; subject to change.

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

CUSIP Prefix: _____ (a)

\$17,270,000*

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
(a political subdivision of the State of Texas located in the City of Heath, Texas)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)

\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield ____%; CUSIP Suffix: ____ (a) (c)
\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield ____%; CUSIP Suffix: ____ (a) (b) (c)
\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield ____%; CUSIP Suffix: ____ (a) (b) (c)
\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield ____%; CUSIP Suffix: ____ (a) (b) (c)

* *Preliminary; subject to change.*

- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. 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 District, the District's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- (b) The Bonds maturing on or after September 1, 20 __, are subject to redemption, in whole or in part, prior to stated maturity, at the option of the District, on any date on or after September 1, 20 __, at the redemption prices set forth herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- (c) The Bonds are also subject to mandatory sinking fund redemption, extraordinary optional redemption and extraordinary mandatory redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD OF DIRECTORS**

<u>Name</u>	<u>Office</u>	<u>Term Expires (May)</u>
Mark Kennedy	President	2026
Norm Grunsfeld	Vice President	2028
Leon Schieber	Secretary	2028
Alexis Lucas	Assistant Secretary	2026
James Sax	Assistant Secretary	2026

DISTRICT ADMINISTRATOR
MuniCap, Inc.

FINANCIAL ADVISOR
Hilltop Securities Inc.

BOND COUNSEL
Winstead PC

UNDERWRITER'S COUNSEL
Locke Lord LLP

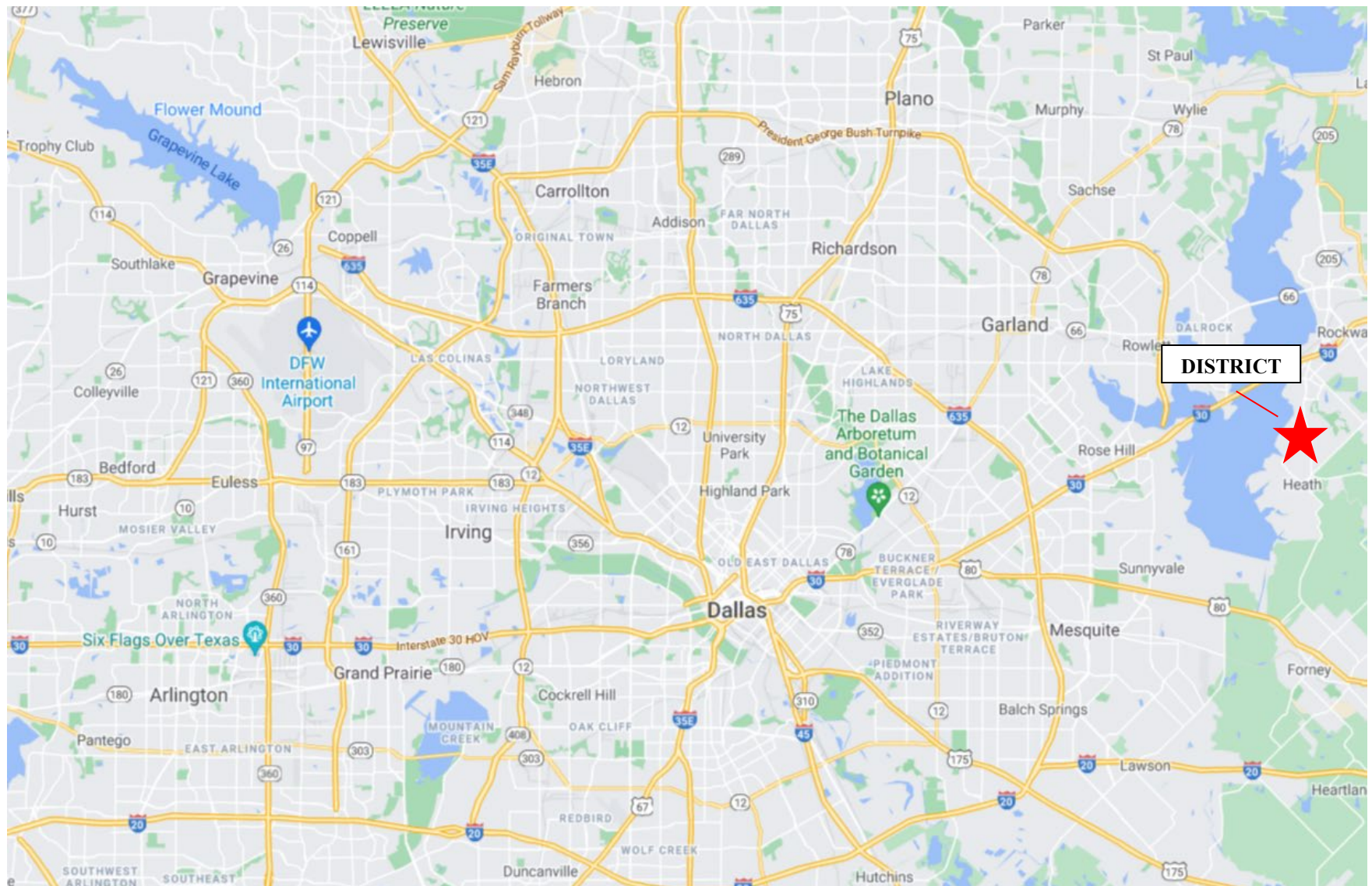
For additional information regarding the District, please contact:

Club Municipal Management District No. 1
500 Winstead Building
2728 N. Harwood Street
Dallas, Texas 75201
Attn: Ross S. Martin
(214) 743-5353
rmartin@winstead.com

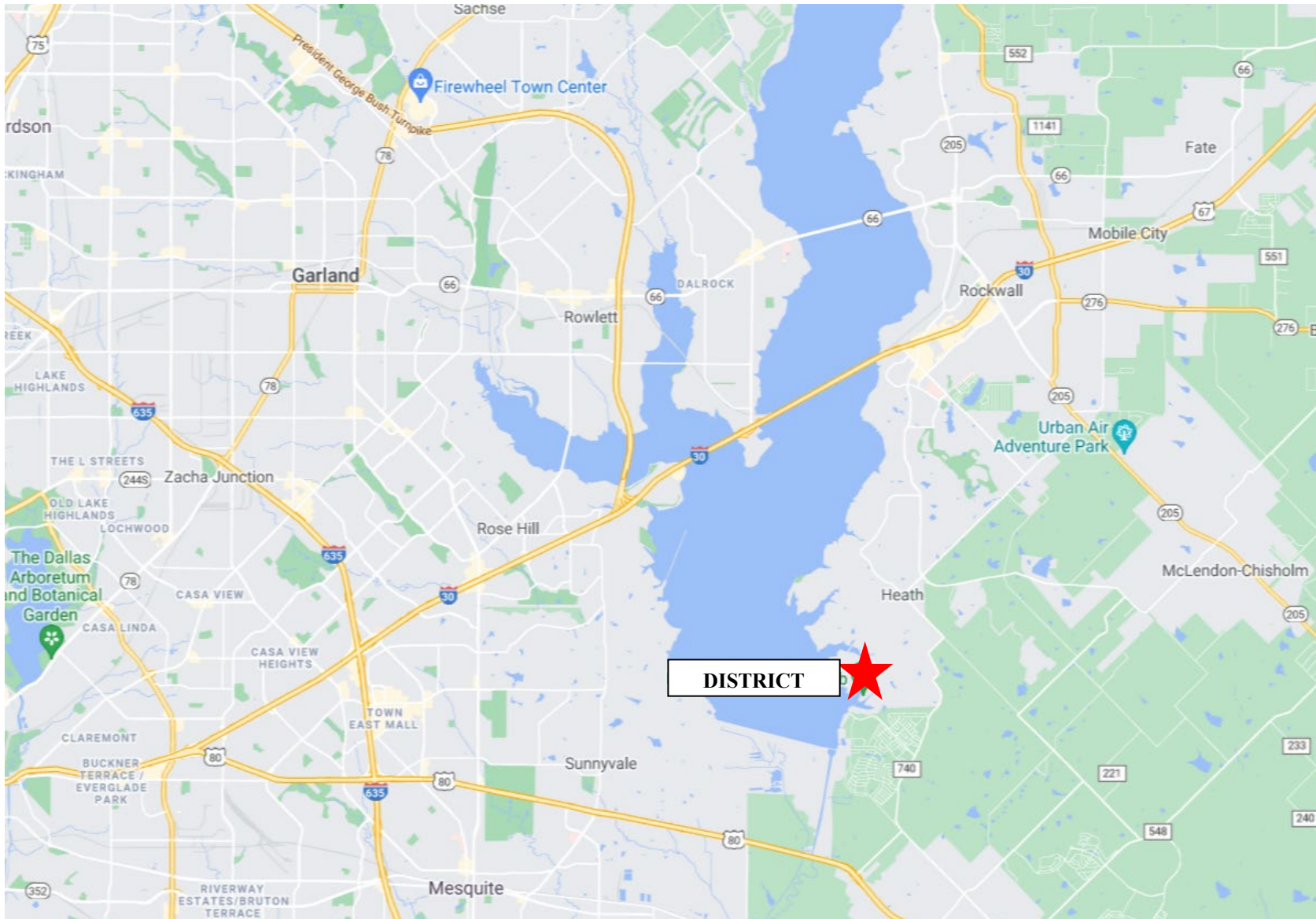
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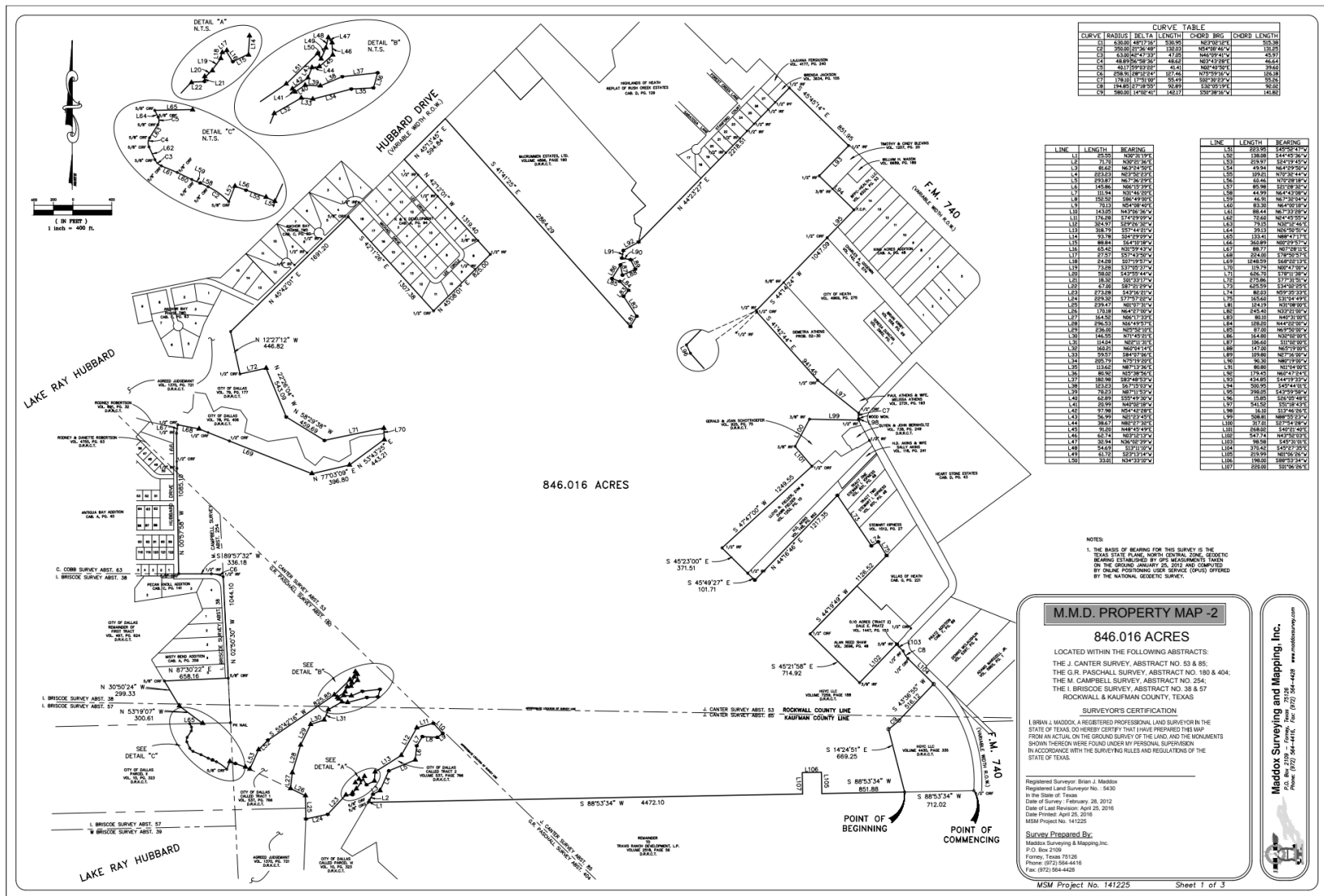
REGIONAL LOCATION MAP OF THE DISTRICT



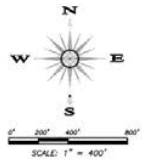
AREA LOCATION MAP OF THE DISTRICT



MAP SHOWING BOUNDARIES OF THE DISTRICT



MAP SHOWING BOUNDARIES OF IMPROVEMENT AREA #3



TRACT	LOT TYPE					TOTAL
	1300	700	800	1200	1300	
TRACT 10	18	33	21	14		75
TRACT 12			44	8		52
TRACT 13		38	4	1		43
TRACT 14				33		33
TRACT 15	34		11	73	1	118
TRACT 18		7	47	3	7	63
TRACT 19				26	17	43
						TOTAL 437



FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION ("RULE 15C2-12"), THIS DOCUMENT CONSTITUTES AN OFFICIAL STATEMENT OF THE DISTRICT WITH RESPECT TO THE BONDS THAT HAS BEEN DEEMED "FINAL" BY THE DISTRICT 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 DISTRICT, THE DEVELOPER, 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 ANY 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.

THIS LIMITED OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR AN OFFERING TO "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT WITHOUT GENERAL SOLICITATION OR ADVERTISING.

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 DISTRICT AND OBTAINED FROM SOURCES, INCLUDING THE DEVELOPER, WHICH ARE BELIEVED BY THE DISTRICT 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 DISTRICT OR THE DEVELOPER SINCE THE DATE HEREOF.

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

THE DISTRICT, THE DEVELOPER, THE DISTRICT'S FINANCIAL ADVISOR AND THE UNDERWRITER MAKE NO REPRESENTATIONS AS TO THE ACCURACY OF THE APPRAISAL REPORT OR THE SOUNDNESS OF ANY OF THE ASSUMPTIONS, THE VALUATION TECHNIQUES OR THE METHODOLOGY CONTAINED THEREIN. PROSPECTIVE INVESTORS SHOULD READ THE APPRAISAL REPORT IN ITS ENTIRETY, INCLUDING THE LIMITATIONS AND QUALIFICATIONS CONTAINED THEREIN, PRIOR TO MAKING A DECISION TO PURCHASE THE BONDS. SEE "APPRAISAL," "BONDHOLDERS' RISKS – USE OF APPRAISAL," AND "APPENDIX E – APPRAISAL."

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, 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. 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 DISTRICT 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.

THE CITY OF HEATH, TEXAS (THE “CITY”) HAS NOT UNDERTAKEN TO REVIEW THIS LIMITED OFFERING MEMORANDUM OR ASSUMED ANY RESPONSIBILITY FOR THE MATTERS CONTAINED HEREIN. ALL FINDINGS AND DETERMINATIONS BY THE CITY ARE AND HAVE BEEN MADE FOR ITS OWN INTERNAL USES AND PURPOSES IN PERFORMING ITS DUTIES AND OBLIGATIONS UNDER THE DISTRICT LEGISLATION AND THE MASTER DEVELOPMENT AGREEMENT (AS DEFINED HEREIN). THE CITY DOES NOT ENDORSE OR IN ANY MANNER, DIRECTLY OR INDIRECTLY, GUARANTEE OR PROMISE TO PAY THE BONDS FROM ANY TAXES OR OTHER SOURCE OF FUNDS OF THE CITY OR GUARANTEE, WARRANT OR ENDORSE THE CREDITWORTHINESS OR CREDIT STANDING OF THE DISTRICT OR IN ANY MANNER GUARANTEE, WARRANT OR ENDORSE THE INVESTMENT QUALITY OR VALUE OF THE BONDS. THE BONDS ARE PAYABLE SOLELY AS DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM AND ARE NOT IN ANY MANNER PAYABLE WHOLLY OR PARTIALLY FROM ANY FUNDS OR PROPERTIES OTHERWISE BELONGING TO THE CITY.

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

\$17,270,000*

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
(a political subdivision of the State of Texas located in the City of Heath, Texas)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the Club Municipal Management District No. 1 (the “District”), of its \$17,270,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project) (the “Bonds”).

THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” AND “BONDHOLDERS’ RISKS” HEREIN. THE BONDS ARE OFFERED ONLY TO PERSONS WHO MEET THE DEFINITION OF “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933 (THE “SECURITIES ACT”)) AND “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT). PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” AND “BONDHOLDERS’ RISKS.”

The Bonds are being issued by the District pursuant to Chapter 3902, Texas Special District Laws Code (the “District Legislation”) and the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an order authorizing the issuance of the Bonds expected to be adopted by the Board of Directors of the District (the “Board of Directors”) on November 26, 2024 (the “Bond Order”), and an Indenture of Trust, dated as of December 1, 2024 (the “Indenture”), entered into by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds will be secured by special assessments (the “Assessments”) levied against assessable property located within “Improvement Area #3” of the District (the “Assessed Property”) pursuant to an order (the “Assessment Order”) adopted by the Board of Directors on May 16, 2023.

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

Set forth herein are brief descriptions of the District, the Assessment Order, the Service and Assessment Plan, the Amended and Restated Capital Improvement Plan and Financial Plan (as defined herein), the Master Development Agreement (as defined herein), HGYC, LLC, a Texas limited liability company (the “Developer”), and the “District Administrator” (as defined herein), together with summaries of terms of the Bonds and the Indenture and certain provisions of the District Legislation and the PID Act. All references herein to such documents and the District Legislation or the PID Act are qualified in their entirety by reference to such documents or such legislation or act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas 75034, telephone number (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

* Preliminary; subject to change.

PLAN OF FINANCE

The District

The District was created by the acts of the 82nd Texas Legislature in 2011 with the primary purpose to facilitate the construction and continued maintenance of quality mixed-use residential and commercial development to benefit the residents of the City of Heath, Texas (the “City”). The District is located within the corporate boundaries of the City and in the Counties of Rockwall and Kaufman, Texas. The District is located on the eastern shores of Lake Ray Hubbard and approximately 25 miles east of Dallas and approximately five miles south of Interstate 30. Access to the District is provided from FM 740/Ridge Road. The District’s location as part of the growing Dallas-Fort Worth Metroplex has resulted in growth over the last several years. The boundaries of the District are shown on page v of this Limited offering Memorandum.

The District is authorized under the District Legislation to undertake the financing of certain public improvements benefitting the District, including the Improvement Area #3 Improvements (as defined herein).

Improvement Area #3 Development Plan and Status of Development

The Developer is developing the real property within the District as a master planned community commonly known as Heath Golf & Yacht Club (the “Development”) in phases, designated as “improvement areas.” See “THE DEVELOPMENT – Development Plan and Status of Development.”

The term “Improvement Area #3” is used herein to describe the property shown as Tract 10, Tract 12, Tract 13, Tract 14, Tract 15, Tract 18 and Tract 19 on the “MAP SHOWING BOUNDARIES OF IMPROVEMENT AREA #3” on page vi hereof. Improvement Area #3 of the District is expected to contain 427 single family lots.

Lot development in Improvement Area #3 consists of the internal improvements within Improvement Area #3 consisting of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements, that benefit only Improvement Area #3 of the District (such improvements, the “Improvement Area #3 Local Improvements”), as well as Improvement Area #3’s proportionate share of the Major Improvements (as defined herein) (collectively, the “Improvement Area #3 Improvements”).

The Developer began construction the Improvement Area #3 Improvements in Q1 2022. The Improvement Area #3 Local Improvements allocable to Tracts 12, 13, 18 and 19 (which collectively contain approximately 256 lots) have been completed and accepted by the City. The Developer has begun construction of the Improvement Area #3 Local Improvements allocable to Tracts 10, 14, and 15 (which collectively contain approximately 171 lots) and expects to complete the Improvement Area Local Improvements allocable to such tracts in December 2024. The Developer has completed a portion of the Major Improvements, and has begun construction of the remaining portion of the Major Improvements (consisting of certain offsite road, water and drainage improvements). Such remaining portion of the Major Improvements is expected to be completed by March 31, 2025. The total expected costs to construct the Improvement Area #3 Improvements (exclusive of costs of issuance of the Bonds) is approximately \$24,676,740. See “THE IMPROVEMENT AREA #3 IMPROVEMENTS.” As of October 15, 2024, the Developer has expended approximately \$17,574,306 on the Improvement Area #3 Improvements, which was financed with IA #3 Development Loan #1 (as defined herein) from City Bank and cash available to the Developer. See “THE DEVELOPER—History and Financing of the District.”

As of November 8, 2024, of the expected 427 single family lots within Improvement Area #3 of the District, approximately 359 lots were contracted to various homebuilders, and of such 359 lots, 86 lots had been taken down by such homebuilders pursuant to such contracts. See “THE DEVELOPMENT – Lot Contracts in Improvement Area #3.” As of November 1, 2024, 7 homes had been sold to end users, 45 homes were under construction, of which 24 homes were under contract with end users in Improvement Area #3. The average contract price for homes on a 90’ lot in Improvement Area #3 was \$855,000 and the average contract price for homes on a 100’ lot in Improvement Area #3 was \$950,000.

The Bonds

Proceeds of the Bonds will be used primarily to provide funds for (i) paying a portion of the Costs of the Improvement Area #3 Improvements; (ii) paying capitalized interest on the Bonds during the period of construction and acquisition of the Improvement Area #3 Improvements; (iii) funding a reserve fund for the payment of principal of and interest on the Bonds; (iv) paying a portion of the costs incidental to the organization of the District, if any; (v) funding the Additional Interest Reserve Account of the Reserve Fund; and (vi) paying the costs of issuing the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount may, at the option of the District, be transferred to another account or subaccount of the Project Fund (defined herein) or to the Principal and Interest Account of the Bond Fund to pay interest on the Bonds. See “THE IMPROVEMENT AREA #3 IMPROVEMENTS,” “APPENDIX A — Form of Indenture” and “SOURCES AND USES OF FUNDS.”

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments to be levied against the assessable parcels or lots within Improvement Area #3, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.” **The District does not have the power to tax. The Bonds shall never constitute an indebtedness or general obligation of the District, 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 District payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds.**

Prior Bond Financings

To finance a portion of the costs of the construction of internal improvements consisting of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefit only Improvement Area #1 of the District (the “Improvement Area #1 Improvements”) as well as Improvement Area #1’s proportionate share of the Major Improvements (together with the Improvement Area #1 Improvements, the “Improvement Area #1 Projects”), the District previously issued its Club Municipal Management District No. 1, Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project) (the “Improvement Area #1 Bonds”). The Improvement Area #1 Bonds are currently outstanding in the amount of \$7,460,000. The Improvement Area #1 Bonds were secured by a pledge of and a lien upon certain pledged revenues, consisting primarily of the assessments levied in Improvement Area #1 of the District (the “Improvement Area #1 Assessments”). To finance the costs of the Improvement Area #1 Projects not financed with the proceeds of the Improvement Area #1 Bonds, the District entered into a reimbursement agreement (the “Improvement Area #1 Reimbursement Agreement”) with the Developer and Heath Golf and Yacht Club, Inc., a Texas corporation (“Heath Golf and Yacht”). The District’s obligations under the Improvement Area #1 Reimbursement Agreement are payable from the Improvement Area #1 Assessments available after payment of debt service on the Improvement Area #1 Bonds. **The Improvement Area #1 Assessments are not pledged to and do not secure the Bonds.**

To finance a portion of the costs of the construction of internal improvements consisting of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefit only Improvement Area #2 of the District (the “Improvement Area #2 Improvements”) as well as Improvement Area #2’s proportionate share of the Major Improvements (together with the Improvement Area #2 Improvements, the “Improvement Area #2 Projects”), the District previously issued its Club Municipal Management District No. 1, Special Assessment Revenue Bonds, Series 2021 (Improvement Area #2 Project) (the “Improvement Area #2 Bonds”). The Improvement Area #2 Bonds were secured by a pledge of and a lien upon certain pledged revenues, consisting primarily of the assessments levied in Improvement Area #2 of the District (the “Improvement Area #2 Assessments”). The Improvement Area #2 Bonds are currently outstanding in the amount of \$8,461,000. To finance the costs of the Improvement Area #2 Projects not financed with the proceeds of the Improvement Area #2 Bonds, the District entered into a reimbursement agreement (the “Improvement Area #2 Reimbursement Agreement”) with the Developer. The District’s obligations under the Improvement Area #2 Reimbursement Agreement are payable from the Improvement Area #2 Assessments available after payment of debt service on the Improvement Area #2 Bonds. **The Improvement Area #2 Assessments are not pledged to and do not secure the Bonds.**

DESCRIPTION OF THE BONDS

General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2025 (each an “Interest Payment Date”), until maturity or prior redemption. Wilmington Trust, National Association is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 of principal and any integral multiple of \$1,000 in excess thereof (“Authorized Denominations”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

Redemption Provisions

Optional Redemption. The District reserves the right and option to redeem Bonds maturing on or after September 1, 20__ before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20__, such redemption date or dates to be fixed by the District, at a redemption price equal to par plus accrued interest to the date fixed for redemption (the “Redemption Price”).

Extraordinary Optional Redemption. The District reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any Date specified in a District Certificate, at 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as a result of a reduction in the Reserve Account Requirement due to such Prepayment as further described in the Indenture) and transfers to the Redemption Fund (i) from Foreclosure Proceeds, (ii) as a result of surplus amounts after satisfaction of the Reserve Account Requirement or the Additional Interest Reserve Requirement, (iii) as a result of excess funds in the Project Fund, and (iv) upon final maturity of the Bonds amounts on deposit in the Reserve Account, Additional Interest Reserve Account and the Prepayment Account, all as further described in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES – Prepayment of Assessments” for the definition and description of “Prepayments.”

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption before their respective scheduled maturity dates, in whole or in part, on any date specified in a District Certificate at a redemption price equal to 100% of the aggregate principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption to the extent that moneys are transferred to the Redemption Fund as a result of unexpended amounts in the Project Fund as provided in the Indenture.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, 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:

<u>\$ Term Bond, Maturing on September 1, 20__</u>	
<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 1, 20__	
September 1, 20__†	
<u>\$ Term Bond, Maturing on September 1, 20__</u>	
<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 1, 20__	
September 1, 20__†	

† Stated maturity.

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

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

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

Notice of Redemption. The Trustee shall give notice of any redemption of Bonds by sending notice by 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 or the amount of Bonds to be redeemed plus accrued interest to the date thereof, as applicable, the place at which the Bonds 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 District has the right to rescind any optional redemption or extraordinary optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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 that the District 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 District 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.

Additional Provisions with Respect to Redemption. If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral thereof. Each Bond shall be treated as representing the number of bonds that is obtained by dividing the principal amount of the Bonds by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time.

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

In selecting the Bonds to be redeemed pursuant to optional redemption, the Trustee may rely on the directions provided in a District Certificate. If less than all of the Bonds are called for extraordinary optional redemption, the Bonds or portion of a Bond, as applicable, to be redeemed shall be selected on a pro rata basis among all outstanding Bonds.

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

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 District and the Underwriter believe the source of such information to be reliable, but neither the District nor the Underwriter takes responsibility for the accuracy or completeness thereof.

The District 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"). Direct Participants and Indirect Participants are collectively referred to herein as "Participants." DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal, interest and all other payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District 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 District, 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 District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District 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 District 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 District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE DISTRICT, THE TRUSTEE, THE PAYING AGENT, THE 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 DISTRICT 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.

Use of Certain Terms in Other Sections of this Limited Offering Memorandum. In reading this Limited Offering Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Limited Offering Memorandum to registered owners should be read to include the person for which the participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (ii) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC.

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

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

- 1) The Investor has authority and is duly authorized to purchase the Bonds and to execute any instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.
- 2) The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act or a “qualified institutional buyer” under Rule 144A of the Securities Act, and therefore, has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
- 3) The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
- 4) The Investor understands that the Bonds are not registered under the Securities Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.
- 5) The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the District, the Improvement Area #3 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 District in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the District, its board of directors, 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 Underwriter is not deemed an officer or employee of the District.
- 6) The Investor acknowledges that the obligations of the District under the Indenture are special, limited obligations payable solely from amounts paid to the District pursuant to the terms of the Indenture and the District shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the District 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 District (which has no taxing power), the City, the State 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 District, 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 of and interest on the Bonds; and that the liability of the District and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

- 7) The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.
- 8) The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

SECURITY FOR THE BONDS

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

General

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE DISTRICT DOES NOT HAVE THE POWER TO TAX. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT OR 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 ANY FUNDS OF THE DISTRICT 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 DISTRICT SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE TRUST ESTATE. “SEE APPENDIX A — FORM OF INDENTURE.”

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the Pledged Revenues (as defined below), consisting primarily of Assessments levied against the Assessed Parcels and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, the District previously caused the preparation of a Service and Assessment Plan in connection with the levy of the Improvement Area #1 Assessments, and an updated Service and Assessment Plan in connection with the levy of the Improvement Area #2 Assessments and, in connection with the levy of the Assessments, adopted an update to the Service and Assessment Plan (as further amended and updated, the “Service and Assessment Plan”). The Service and Assessment Plan describes the special benefit received by the property within the District, including Improvement Area #3, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of assessments (including the Assessments) and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the District of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the Board of Directors of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX B — Form of Service and Assessment Plan.”

Pledged Revenues

Pursuant to the Indenture, “Pledged Revenues” are the sum of (i) the Assessment Revenue, less the Administrative Expenses and (ii) moneys held in any of the Pledged Funds. “Assessment Revenue” means monies collected by or on behalf of the District from any one or more of the following: (i) an Assessment levied against an Assessed Parcel, or Annual Installment payment thereof, including any interest on such Assessment or Annual Installment thereof during any period of delinquency, (ii) funds received by the District for the payment of a Prepayment, and (iii) Foreclosure Proceeds. The

Assessment Revenues include revenues from the Assessments. “Annual Installments” means, with respect to each Assessed Parcel, each annual payment of (i) the Assessment, as shown on the Assessment Roll attached as an appendix to the Service and Assessment Plan and related to the Bonds and the Improvement Area #3 Improvements and (ii) the Additional Interest, if collected, all as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update. The District will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously, 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 A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the property assessed, superior to all other liens or claims, except liens and claims by the State, county, school district, or municipality for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Order until the Assessments are paid (or otherwise discharged), and is enforceable by the Board of Directors in the same manner that an ad valorem property tax levied against real property may be enforced by the Board of Directors. See “ASSESSMENT PROCEDURES” herein. If homestead rights are properly claimed by a property owner prior to the attachment of the Assessment Lien, the Assessment Lien may not be foreclosed upon; however, any unpaid Assessment or Annual Installment will be an unsecured personal liability of such property owner. As of the date of adoption of the Assessment Order, no such homestead rights had been claimed on property within Improvement Area #3 of the District.

Collection and Deposit of Assessments

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

The Assessments, together with interest thereon, are payable in Annual Installments established by the Assessment Order and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds (except for the Additional Interest allocated for deposit to the Additional Interest Reserve Account of the Reserve Fund, if collected, as further described herein). An Assessment to pay debt service on the Bonds has been made payable in the Assessment Order in each fiscal year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay the principal of and interest on the Bonds. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Order.

A record of the Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds is shown on the Assessment Roll. Assessment Revenues (excluding the portion of the Assessments and Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan) shall be deposited into the Pledged Revenue Fund, except that as soon as practical (i) amounts received as Prepayments shall be deposited into the Redemption Fund and (ii) amounts received as Foreclosure Proceeds shall first be deposited to the Reserve Account of the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel to which the Foreclosure Proceeds relate and second to the Redemption Fund.

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

Unconditional Levy of Assessments

The District imposed Assessments on the property within Improvement Area #3 of the District to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments were effective on the date of, and strictly in accordance with the terms of, the Assessment Order. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Order, interest on the Assessments will be calculated at the rate of interest on the Bonds plus 0.50%, calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be 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. The initial Annual Installments of the Assessments will be due on October 1, 2025 and will be delinquent if not paid prior to February 1, 2026.

As authorized by Section 372.018(b) of the PID Act, the District will calculate and collect each year while the Bonds are Outstanding and unpaid an assessment to pay the annual costs incurred by the District in the administration and operation of Improvement Area #3 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 District 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 Administrative Expenses shall be due in the manner set forth in the Assessment Order on October 1 of each year and shall be delinquent if not paid by February 1 of the following year. Such assessments to pay expenses do not secure repayment of the Bonds.

There will be no split payment of Assessments or discount for the early payment of Assessments; provided, however, that in the event a property owner elects to prepay such property owner's assessments in full, such property owner will only be required to pay interest accrued on the Assessments to the date of such prepayment, in essence providing such property owner a discount on the interest portion of the Assessments (See "SECURITY FOR THE BONDS - Reserve Fund" and "SECURITY FOR THE BONDS – Additional Interest Reserve Account of the Reserve Fund").

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. The lien for Assessments and penalties and interest begins on the effective date of the Assessment Order and continues until the Assessments are paid.

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

Perfected Security Interest

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues and such pledge is valid, effective, and perfected from and after the Closing Date. The District will covenant in the Indenture that should Texas law be amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the District under the Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur. See "APPENDIX A — Form of Indenture."

Pledged Revenue Fund

The District has created under the Indenture a Pledged Revenue Fund to be held by the Trustee. Upon receipt thereof, while the Bonds are Outstanding and beginning with the first year in which Assessments are being collected, the District shall transfer to the Trustee the Pledged Revenues for deposit into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the District shall transfer or cause to be transferred Assessment Revenue with the Trustee as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service, including Sinking Fund Installments, on the Bonds 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 the Additional Interest Reserve Account, amounts equal to the Additional Interest, when and if collected, in an amount sufficient to allow the funds on deposit therein to equal to the Additional Interest Reserve Requirement, (iv) fourth, to pay other costs of the Improvement Area #3 Improvements to the applicable Improvement Area #3 Improvement Account of the Project Fund, and (v) fifth, to pay other costs permitted or authorized by the PID Act.

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

and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

If, after the foregoing transfers and any transfer from the Reserve Fund, there are insufficient funds to make the payments provided in the preceding paragraph, 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.

Notwithstanding the deposits in *first* through *fifth* above, the Trustee shall transfer Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such prepayments to the Redemption Fund.

Notwithstanding the deposits in *first* through *fifth* above, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account of the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Account of the Reserve Fund or the Additional Interest Reserve Account, the Trustee, at the written direction of the District, may apply any Pledged Revenues remaining for any lawful purpose for which Assessments may be used 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, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account, as provided below.

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

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

<u>Date</u>	<u>Amount</u>
September 1, 2025	

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Improvement Area #3 Improvement Account of the Project Fund, or if the Improvement Area #3 Improvement Account of the Project Fund has been closed as provided herein, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Project Fund

Money on deposit in the Project Fund shall be used for the purposes specified in the Indenture. 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 the instructions on the memorandum to be issued as of the Date of Delivery. Disbursements from the Improvement Area #3 Improvement Account of the Project Fund to pay Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Closing Disbursement Request or Certification for Payment. Each properly executed and completed Certification for Payment shall set forth the amount of the Costs to be paid from the Improvement Area #3 Improvement Account of the Project Fund.

If the District Representative determines in his or her sole discretion that amounts then on deposit in the Improvement Area #3 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 the Improvement Area #3 Improvements such that, in the opinion of the District Representative, it is unlikely that the amounts in the Improvement Area #3 Improvement Account of the Project Fund will ever be expended for the purposes of the Improvement Area #3 Improvement Account of the Project Fund, the District Representative shall file a District Order, approved in writing by the City, with the Trustee which identifies the amounts then on deposit in the Improvement Area #3 Improvement Account of the Project Fund that are not expected to be used for purposes of the Improvement Area #3 Improvement Account of the Project Fund. If such District Order is so filed, the amounts on deposit in the Improvement Area #3 Improvement Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

In making any determination pursuant to the Indenture, the District Representative may conclusively rely upon a certificate of an Independent Financial Consultant. Upon the filing of a District Order stating that all Improvement Area #3 Improvements have been completed and that all Costs allocable to the Assessed Parcels have been paid, or that any such Costs are not required to be paid from the Improvement Area #3 Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Project Fund to the Bond Fund or the Redemption Fund, as directed by a District Order filed with the Trustee, and the Project Fund shall be closed.

Upon a determination by the District Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Improvement Area #3 Improvement Account of the Project Fund and used to pay Costs or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the District in a District Order filed with the Trustee, and the Costs of Issuance Account shall be closed.

The aggregate amount of funds that the Trustee may disburse from the Improvement Area #3 Improvement Account of the Project Fund shall not exceed \$_____ (the "Unrestricted Amount") except and until the Release Restriction (as defined below) has been satisfied. The Trustee may make disbursements from the Improvement Area #3 Improvement Account of the Project Fund that exceed the Unrestricted Amount only when the Developer provides written certification to the Trustee, the Administrator, and the District in a Certification for Payment in the form attached to the Indenture that the Release Restriction has been satisfied. The first Certification for Payment that requests funds in excess of the Unrestricted Amount from the Improvement Area #3 Improvement Account of the Project Fund and which evidences satisfaction of the Release Restriction shall be submitted to the District, the Trustee, and the District Administrator for review and confirmation. Moneys may be disbursed from the Improvement Area #3 Improvement Account of the Project Fund in excess of the Unrestricted Amount only if the improvements identified on Exhibit D and Exhibit E to the Master Development Agreement have been completed and accepted by the City (the "Release Restriction"). The District may not approve a Certification for Payment from the Improvement Area #3 Improvement Account of the Project Fund for any amounts that exceed the Unrestricted Amount until the Release Restriction has been satisfied.

Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds shall be an amount equal to \$_____, which is less or equivalent to than (i) the Maximum Annual Debt Service on the Bonds as of their date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of their date of issuance, and (iii) 10% of the proceeds of the Bonds; provided, however, that such amount shall be reduced by the amount of any transfers made in connection with an extraordinary optional redemption as described in the next following paragraph. Also, as a result of an optional redemption of the Bonds, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata amount of Bonds redeemed by such optional redemption divided by the total amount of the Outstanding Bonds prior to such redemption.

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

Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to the Indenture, a proportionate amount in the Reserve Account of the Reserve Fund, as directed by the District Representative, shall be transferred on the

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

Whenever, on any Interest Payment Date, or on any other date at the written request of a District Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the District 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 on the next Interest Payment Date, unless within thirty (30) days of such notice to the District Representative, the Trustee receives a District Order instructing the Trustee to apply such excess: (i) to pay amounts due relating to arbitrage rebate (if any) hereof or (ii) to the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date of the Indenture if the excess is proceeds of the Bonds.

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

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

A committee of not less than 51% of the Owners may request a meeting with the District Administrator to discuss the District's actions in pursuing the payment of any Assessment delinquencies in the event that (i) on or after March 1 in any year, based on Assessment revenues collected on such date and the available money on deposit in the various funds and accounts under the Indenture, money in the Reserve Account will be required to be used to pay all or a portion of the principal or interest payments to be made on the Bonds during such year, or (ii) in any year, the aggregate amount of delinquent payments of Assessments is more than five percent (5%) of aggregate amount of Assessments due in such year.

Additional Interest Reserve Account of the Reserve Fund

Pursuant to the Indenture, an Additional Interest Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Additional Interest Reserve Account shall initially be funded from proceeds of the Bonds in an amount equal to the Additional Interest Reserve Requirement. "Additional Interest Reserve Requirement" means an amount equal to 15%* of the Average Annual Debt Service. When the amount in the Additional Interest Reserve Account is less than 50% of the Additional Interest Reserve Requirement, Additional Interest shall be again collected and deposited to the Additional Interest Reserve Account until such time that the amount on deposit in the Additional Interest Reserve Account is equal to the Additional Interest Reserve Requirement. When and if the Additional Interest is collected, the Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 of each year, commencing on the first March 1 after such Additional Interest is collected or collection of Additional Interest has resumed, an amount equal to the Additional Interest. See "APPENDIX A – Form of Indenture" and "APPENDIX B – Form of Service and Assessment Plan."

Whenever, on any Interest Payment Date, or on any other date, at the written request of the District Representative, the amount in the Additional Interest Reserve Account exceeds the Additional Interest Reserve Requirement, the Trustee shall provide written notice to the District of the amount of the excess. The amount of such excess on deposit in the Additional Interest Reserve Account shall be transferred by the Trustee to the Redemption Fund to redeem Bonds as provided in the Indenture. The Trustee shall determine the value of cash and investments on deposit in the Additional Interest Reserve Account

* Preliminary; subject to change.

as of September 30 of each year. So long as no Event of Default under the Indenture shall have occurred and be continuing, if as of the date of such determination the value of cash and investments on deposit in the Additional Interest Reserve Account exceeds the Additional Interest Reserve Requirement for the Bonds, the Trustee shall transfer such excess at the written direction of the District.

Whenever, on any principal payment date or Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer first from the Additional Interest 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.

At final maturity of the Bonds, the amount on deposit in the Reserve Account and the Additional Interest Reserve Account shall be transferred to the Redemption Fund and applied to the payment of the principal of and interest due on the Bonds.

Redemption Fund

The Trustee shall cause to be deposited to the Redemption Fund from the Bond Pledged Revenue Account of the Pledged Revenue Fund an amount sufficient to redeem Bonds on the dates specified for redemptions 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.

Administrative Fund

The District has created under the Indenture an Administrative Fund held by the Trustee. Upon receipt, the District shall transfer to the Trustee, for deposit to the Administrative Fund the amounts collected each year to pay the Administrative Expenses and the Delinquent Collection Costs as set forth in the Service and Assessment Plan. See "APPENDIX B — Form of Service and Assessment Plan."

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

Defeasance

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

"Defeasance Securities" means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. "Investment Securities" means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; and provided further investments and are, at the time

made, included in and authorized by the District's official investment policy as approved by the Board of Directors 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 District 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 District 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 shall be and is hereby declared to be an "Event of Default," under the Indenture:

1. The failure of the District to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;
2. The failure of the District to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
3. The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable, and such failure is not remedied within thirty (30) days thereafter; and
4. Default in the performance or observance of any covenant, agreement or obligation of the District under the Indenture and the continuation thereof for a period of sixty (60) days after written notice to the District by the Trustee, or by the Owners of at least 51% of the aggregate Outstanding principal of the Bonds with a copy to the Trustee, specifying such default by the Owners of at least 51% of the Bonds at the time Outstanding requesting that the failure be remedied.

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

Remedies in Event of Default

Upon the happening and continuance of any of the Events of Default described above, the Trustee, upon the direction of Owners of at least 51% of the aggregate Outstanding principal amount of the Bonds then Outstanding, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the District may be sought or shall be permitted.

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

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

Whenever moneys are to be applied pursuant to an 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. 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 District 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 District shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

Restriction on Owner's Actions

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

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

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

Application of Revenues and Other Moneys After Event of Default

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including the Trustee's

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, the Trustee, on behalf of the District, notwithstanding anything to the contrary in the Indenture, be applied by the Trustee to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

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

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

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

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

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

Investment or Deposit of Funds

Money in any fund or account established pursuant to the Indenture shall be invested by the Trustee as directed by the District pursuant to a District Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of September 30. In the absence of a District Order filed with the Trustee, the Trustee shall have no responsibility to invest or reinvest money in any Fund established pursuant to the Indenture. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investments 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 are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default. In the absence of investment instructions from the District, the Trustee shall hold monies held by it uninvested and shall have no obligation to invest or reinvest such monies.

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

Other Obligations or Other Liens; Additional Obligations

The District reserves the right, subject to the provisions contained in the Indenture, to issue Additional Obligations under other indentures, assessment orders, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

Other than Refunding Bonds issued to refund all or a portion of the Bonds, the District will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and, will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority thereof 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 Pledged Revenues or Pledged Funds; provided, however, that nothing in the Indenture shall require the District 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 Bond Counsel or counsel to the Trustee, the same would endanger the security for the Bonds.

Notwithstanding any contrary provisions of the Indenture, the District shall not issue additional bonds, notes, or obligations under the Indenture secured by any pledge of or other lien or charges on the Pledged Revenues or other property of the Trust Estate pledged under the Indenture other than Refunding Bonds. The District reserves the right to issue Refunding Bonds, the proceeds of which would be utilized to refund all or any portion of the Outstanding Bonds or Outstanding Refunding Bonds and to pay all costs incident to the Refunding Bonds, as authorized by the laws of the State.

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SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount	\$
Total Sources:	\$

Use of Funds:

Deposit to Improvement Area #3 Improvement Account of the Project Fund	\$
Deposit to Reserve Account of the Reserve Fund	
Deposit to Additional Interest Reserve Account of the Reserve Fund	
Deposit to Costs of Issuance Account of the Project Fund	
Deposit to Capitalized Interest Account of the Bond Fund	
Deposit to Administrative Fund	
Underwriter's Discount ⁽¹⁾	
Total Uses:	\$

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

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DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending (September 30)	<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			
Total	\$	\$	\$

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OVERLAPPING TAXES AND DEBT

The land within Improvement Area #3 of the District has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the District. Such taxes are payable in addition to the Assessments.

As described in the following tables, the City, Rockwall County and the Rockwall Independent School District may each levy ad valorem taxes or special assessments upon land in Improvement Area #3 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The District has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. The following table reflects the overlapping ad valorem tax rates currently levied on property located in Improvement Area #3 of the District.

OVERLAPPING TAX RATES

<u>Taxing Entity</u>	<u>Tax Year 2024 Ad Valorem Tax Rate⁽¹⁾</u>
The City	\$0.290311
Rockwall Independent School District	1.019200
Rockwall County	<u>0.254700</u>
Total Tax Rate	<u>\$1.564211</u>
Estimated Average Annual Installment in Improvement Area #3 of the District as tax rate equivalent^{(2),(3)}	
	<u>\$0.369588</u>
Estimated Total Tax Rate and Average Annual Installment in Improvement Area #3⁽³⁾	
	<u>\$1.933799</u>

⁽¹⁾ As reported by taxing entities. Per \$100 taxable appraised value.

⁽²⁾ Derived from information presented in the Service and Assessment Plan. See "APPENDIX B." Based on the projected average home value per Equivalent Unit (i.e., 120 Ft Lots).

⁽³⁾ Preliminary; subject to change.

Sources: Rockwall Central Appraisal District, the Municipal Advisory Council of Texas and the District Administrator

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As noted above, Improvement Area #3 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or special assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Improvement Area #3 of the District and District debt to be secured by the Assessments:

OVERLAPPING DEBT			
<u>Taxing or Assessing Entity</u>	Gross Outstanding Debt as of 11/1/2024	Estimated Percentage Applicable ⁽¹⁾	Direct and Estimated Overlapping Debt ⁽¹⁾
The District (Assessments - The Bonds) ⁽²⁾	\$17,270,000	100.000%	\$17,270,000
The City (Ad Valorem Taxes)	60,943,000	1.741%	1,060,970
Rockwall County	130,695,000	0.254%	331,797
Rockwall Independent School District	<u>942,257,549</u>	0.348%	<u>3,276,841</u>
	<u>\$1,151,165,549</u>		<u>\$21,939,608⁽²⁾</u>

⁽¹⁾ Based on the Appraisal (defined herein) of Improvement Area #3 of the District and the Tax Year 2024 net taxable assessed valuations for the taxing entities as reported by Rockwall Central Appraisal District. See “APPRAISAL” and APPENDIX E herein.

⁽²⁾ Preliminary, subject to change.

Sources: Rockwall Central Appraisal District, Municipal Advisory Council of Texas and the District Administrator.

Homeowner’s Association

In addition to the Assessments, each lot owner in Improvement Area #3 of the District will pay a maintenance and operation fee and/or a \$60 per month property owner’s association fee to a homeowner’s association (the “HOA”), which has been formed by the Developer.

ASSESSMENT PROCEDURES

General

As authorized by the District Legislation and required by the PID Act, when the District determines to defray a portion of the costs of the Improvement Area #3 Improvements through Assessments, it must adopt an order generally describing the Improvement Area #3 Improvements and the land within Improvement Area #3 of the District to be subject to Assessments to pay the costs therefor.

The District has caused an assessment roll to be prepared for the Assessments (the “Assessment Roll”) which Assessment Roll shows the land within Improvement Area #3 of the District that was assessed, the amount of the benefit to and the respective Assessments against each lot or parcel of land and the number of Annual Installments in which the Assessments are divided.

The Assessment Roll was filed with the District Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area #3 Improvements and funding the same with Assessments. The District levied the Assessments and adopted the Assessment Order on May 16, 2023 and, after the adoption of the Assessment Order, the Assessments became legal, valid and binding liens upon the property against which the Assessments were made.

Under the PID Act, the costs of Improvement Area #3 Improvements may be assessed by the District against the assessable property in Improvement Area #3 of the District so long as the special benefit conferred upon the Assessed Property by the Improvement Area #3 Improvements equals or exceeds the Assessments. The costs of the Improvement Area #3 Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on each Assessed Property similarly benefited. The allocation of benefits and assessments to the benefitted land within Improvement Area #3 of the District is presented in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX B — Form of Service and Assessment Plan.”

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of assessable property as a result of the Improvement Area #3 Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the District allocates the special benefit of the Improvement Area #3 Improvements allocable to Improvement Area #3 of the District to parcels in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area #3 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment revenues. As set forth in the Service and Assessment Plan, the benefits received from the Improvement Area #3 Improvements are currently spread among the Assessed Parcels based on the ratio (or Equivalent Unit Factor) of the Equivalent Units of each parcel within Improvement Area #3 to the total Equivalent Units within Improvement Area #3. As the existing parcels are subsequently divided, the Assessments will be further apportioned pro rata based on the Equivalent Units of the newly created parcels. "Equivalent Units" means, as to any parcel, the number of dwelling units by lot type expected to be built on the parcel multiplied by the factors shown below.

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The following table reflects the Assessments levied and to be collected per Unit. See “APPENDIX B — Form of Service and Assessment Plan.”

ASSESSMENT FOR THE BONDS PER UNIT IN IMPROVEMENT AREA #3 OF THE DISTRICT*

Lot Type	Planned No. of Units	Estimated Finished Lot Value per Unit⁽¹⁾	Projected Average Home Value per Unit⁽²⁾	Assessment per Unit	Average Annual Installment per Unit	Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value)	Tax Rate Equivalent of Average Annual Installment (per \$100 Home Value)	Ratio of Assessment to Lot Value	Ratio of Assessment to Average Home Value
Lot Type 4 (120 Ft Lots)	49	\$228,000	\$1,150,000	\$54,574.64	\$4,250.26	\$1.86	\$0.37	4.18	21.07
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$855,000	\$45,478.86	\$3,541.89	\$1.86	\$0.41	4.18	18.80
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$767,500	\$40,930.98	\$3,187.70	\$1.86	\$0.42	4.18	18.75
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$680,000	\$36,383.09	\$2,833.51	\$1.86	\$0.42	4.18	18.69
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$582,500	\$31,835.20	\$2,479.32	\$1.86	\$0.43	4.18	18.30
Lot Type 11 (Detached Luxury Villas)	34	\$125,000	\$550,000	\$18,909.63	\$1,472.68	\$1.18	\$0.27	6.61	29.09
Total	427								

Source: The District Administrator.

⁽¹⁾ Based on Developer estimates.

⁽²⁾ Estimated average of home values provided by the Developer. See Tables D-20 and D-21 in “Appendix B – Form of Service and Assessment Plan.”

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* Preliminary; subject to change.

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

Collection and Enforcement of Assessment Amounts

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

The District will covenant in the Indenture to collect, or cause to be collected, Assessments as provided in the Assessment Order. No less frequently than annually, District staff or a designee of the District shall prepare, and the Board of Directors 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. Administrative Expenses shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

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

To the extent permitted by law, notice of the Annual Installments will be sent by, or on behalf of, the District, to the affected property owners on the same statement that is used by the City or other taxing unit with territory within the boundaries of the District to collect ad valorem taxes or such other mechanism that is used by the District, so that such Annual Installments are collected simultaneously with ad valorem taxes collected by the City 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 or other taxing unit with territory within the boundaries of the District.

The District will determine or cause to be determined, no later than March 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the District 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 District shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel.

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

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

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

Date Payment <u>Received</u>	Cumulative <u>Penalty</u>	Cumulative <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 prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In most cases, post-petition Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments 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 consisting of (i) the principal and interest allocable to the Bonds for each Parcel, (ii) up to 0.50% Additional Interest for the Additional Interest Reserve, if collected, and (iii) the component of the Annual Installment allocable to Administrative Expenses. The Annual Installments for Improvement Area #3 may not exceed the amounts shown on the Assessment Roll. The Assessments were levied against the parcels comprising the Assessed Property as indicated on the Assessment Roll. See "APPENDIX B — Form of Service and Assessment Plan."

The Annual Installments shown on the Assessment Roll will be adjusted to equal the actual costs of repaying the Bonds, including the up to 0.50% Additional Interest for the Additional Interest Reserve, if collected, and budgeted 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.

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the Board of Directors has determined that the Assessments shall be initially allocated to the Assessed Parcels in Improvement Area #3 based on the ratio (or Equivalent Unit Factor) of the Equivalent Units of each parcel within Improvement Area #3 to the total Equivalent Units within Improvement Area #3. As the existing parcels are subsequently divided, the Assessments will be further apportioned pro rata based on the Equivalent Units of the newly created parcels. See "APPENDIX B — Form of Service and Assessment Plan" and "ASSESSMENT PROCEDURES — Assessment Methodology."

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

Maximum Assessment Per Equivalent Unit. The Service and Assessment Plan establishes a Maximum Assessment Per Equivalent Unit of \$54,574.64 in Improvement Area #3. See "APPENDIX B — Form of Service and Assessment Plan."

Prepayment of Assessments

The Indenture and the Service and Assessment Plan provide for certain optional and mandatory prepayments as described below (each, a "Prepayment"). To the extent that any Assessment is prepaid, the lien on real property associated with such Assessment prepayment shall be released and any rights of the Trustee and the bond owners to request the District to proceed with foreclosure procedures for the purpose of protecting and enforcing the rights of the bond owners with respect to such property shall terminate.

Optional Prepayment. Pursuant to the PID Act and the Indenture, the owner of any property assessed may voluntarily prepay all or part of any Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a prepayment which represent a payment of principal, interest, or penalties on a delinquent

installment of an Assessment are not to be considered a prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

Mandatory Prepayment of Assessments—True-Up of Assessments if Maximum Assessment Per Equivalent Unit Exceeded at Parcel Subdivision. The Service and Assessment Plan establishes a “Maximum Assessment Per Equivalent Unit” for Improvement Area #3 as described above. See “APPENDIX B — Form of Service and Assessment Plan.” If at any time the Assessment per Equivalent Unit on a Parcel exceeds the Maximum Assessment Per Equivalent Unit calculated in the Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessments and initiated by the owner of the Parcel, then such owner shall pay to the District prior to the recordation of the document subdividing the Parcel a prepayment in the amount calculated by the District Administrator by which the Assessment per Equivalent Unit for the Parcel exceeds the Maximum Assessment Per Equivalent Unit calculated in the Service and Assessment Plan.

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 Order until the Assessment is paid, and may be enforced by the District in the same manner as an ad valorem tax levied against real property may be enforced under State law. The owner of any property assessed may pay the entire Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time.

Foreclosure Proceedings

In the event of delinquency in the payment of any Annual Installment, except for unpaid Assessments on homestead property (unless the lien associated with the assessment attached prior to the date the property became a homestead), the District 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 District of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. The District is not required under any circumstance to purchase or make payment for the purchase of the delinquent Assessment on the corresponding Assessed Parcel.

The District will covenant in the Indenture 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 District 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 funds received for the payment of Delinquent Collection Costs) do not constitute Pledged Revenues, will be deposited into the Pledged Revenue Fund upon receipt by the District, as soon as practical after such deposit, and will be distributed in accordance with the Indenture. See “APPENDIX A — Form of Indenture.” See also “APPENDIX D-1 — Form of District Disclosure Agreement” for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

The District will create the Additional Interest Reserve Account under the Indenture and will fund such account with proceeds of the Bonds and as further provided in the Indenture. The District will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If funds received for the payment of Delinquent Collection Costs are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “SECURITY FOR THE BONDS — Additional Interest Reserve Account of the Reserve Fund,” “APPENDIX A — Form of Indenture” and “APPENDIX B — Form Service and Assessment Plan.”

ASSESSMENT COLLECTION DATA FOR THE DISTRICT

Historical Third Party Collection of Assessments and Contract with Rockwall Central Appraisal District

The Improvement Area #1 Assessments for tax years 2019 and 2020 and Improvement Area #2 Assessments for tax year 2020 were collected by Utility Tax Service, LLC (“Utility Tax”). Because Utility Tax and the District Administrator are third party collectors, the Improvement Area #1 Assessments and Improvement Area #2 Assessments for tax years 2019 and 2020 were not included on the annual property tax bills provided to property owners in Improvement Area #1 and Improvement Area #2 of the District. In 2021, the District approached Rockwall Central Appraisal District to facilitate the inclusion of the assessments in the District (including the Improvement Area #1 Assessments, the Improvement Area #2 Assessments, and all future assessments) on the annual property tax bills provided to owners of property in the District beginning in tax year 2021 and, for tax years 2021 and later, Rockwall Central Appraisal District agreed to collect assessments levied in the District (including the Assessments) and entered into a contract with the District regarding the same.

Collection and Delinquency History in Improvement Area #1 of the District

On September 15, 2015, the District levied the Improvement Area #1 Assessments. The following table shows the collection and delinquency history of the Improvement Area #1 Assessments.

COLLECTION AND DELINQUENCY HISTORY OF IMPROVEMENT AREA #1 ASSESSMENTS

Collected in Fiscal Year Ending 9/30	Tax Year Billed	Assessment Billed	Delinquent Amount as of 3/1	Delinquent Percentage as of 3/1	Delinquent Amount as of 9/1	Delinquent Percentage as of 9/1	Assessments Collected ⁽¹⁾
2017	2016	\$875,320	\$44,286	5.10%	\$0	0.00%	\$831,034 ⁽²⁾
2018	2017	\$1,113,116	\$167,168	15.02%	\$0	0.00%	\$1,113,116 ⁽³⁾
2019	2018	\$1,039,166	\$64,223	6.18%	\$0	0.00%	\$1,039,166 ⁽⁴⁾
2020	2019	\$1,065,361	\$98,830 ⁽⁵⁾	9.28% ⁽⁵⁾	\$0	0.00%	\$1,065,361 ⁽⁵⁾
2021	2020	\$1,152,835	\$115,481 ⁽⁶⁾	10.02% ⁽⁶⁾	\$0	0.00%	\$1,152,835 ⁽⁶⁾
2022	2021	\$996,732	\$35,294 ⁽⁷⁾	3.54% ⁽⁷⁾	\$4,246	0.43%	\$996,732 ⁽⁷⁾
2023	2022	\$1,011,258	\$54,693 ⁽⁸⁾	5.41% ⁽⁸⁾	\$0	0.00%	\$1,011,258 ⁽⁹⁾
2024	2023	\$979,424	\$70,261 ⁽¹⁰⁾	7.17% ⁽¹⁰⁾	\$4,328	0.44%	\$975,096

⁽¹⁾ Does not include interest and penalties.

⁽²⁾ The Developer agreed to forego repayment of \$44,286 in Improvement Area #1 reimbursements due to non-payment of Annual Installments billed in 2016-2017.

⁽³⁾ Collected in full as of March 9, 2020.

⁽⁴⁾ Collected in full as of September 10, 2020.

⁽⁵⁾ Excludes \$3,872 quarterly annual installment payments which were outstanding as of 3/1 but not yet delinquent. Collected in full as of April 26, 2022.

⁽⁶⁾ Excludes \$1,082 quarterly annual installment payments which were outstanding as of 3/1 but not yet delinquent. Collected in full as of August 8, 2022.

⁽⁷⁾ Excludes \$11,110 quarterly annual installment payments which were outstanding as of 3/1 but not yet delinquent. Collected as of January 20, 2023.

⁽⁸⁾ Excludes \$8,090 quarterly annual installment payments which were outstanding as of 3/1 but not yet delinquent.

⁽⁹⁾ A lawsuit was filed against property owner for delinquent amount but was dropped on April 4, 2024 due to clerical error at Rockwall Central Appraisal District.

⁽¹⁰⁾ Excludes \$15,024 quarterly annual installment payments which were outstanding as of 3/1 but not yet delinquent.

Source: Information from MuniCap, Inc. based upon Rockwall County Tax Assessor and Collectors' records.

THE COLLECTION AND DELINQUENCY HISTORY OF THE IMPROVEMENT AREA #1 ASSESSMENTS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY; NO ASSURANCE CAN BE GIVEN THAT THE FUTURE COLLECTION OF THE ASSESSMENTS WILL MIRROR THE COLLECTION HISTORY OF THE IMPROVEMENT AREA #1 ASSESSMENTS IN PAST YEARS. THE IMPROVEMENT AREA #1 ASSESSMENTS ARE NOT SECURITY FOR THE PAYMENT OF THE BONDS.

Delinquency and Foreclosure History of Improvement Area #1 Assessments

As of August 31, 2024, annual installment delinquencies in Improvement Area #1 of the District were as follows: (i) delinquent for greater than six months: \$4,328; (ii) delinquent for greater than one year: \$0; (iii) delinquent for greater than two years: \$0.

As of August 31, 2024 there has never been a foreclosure sale of any of the assessed property within Improvement Area #1 of the District.

Prepayment History of Improvement Area #1 Assessments

As of August 31, 2024, there have been 27 full prepayments of Improvement Area #1 Assessments and no partial prepayments of Improvement Area #1 Assessments totaling \$1,611,433.

Collection and Delinquency History in Improvement Area #2 of the District

On May 7, 2018, the District levied the Improvement Area #2 Assessments. The following table shows the collection and delinquency history of the Improvement Area #2 Assessments.

COLLECTION AND DELINQUENCY HISTORY OF IMPROVEMENT AREA #2 ASSESSMENTS

Collected in Fiscal Year Ending 9/30	Tax Year Billed	Assessment Billed	Delinquent Amount as of 3/1	Delinquent Percentage as of 3/1	Delinquent Amount as of 9/1	Delinquent Percentage as of 9/1	Assessments Collected ⁽¹⁾
2021	2020	\$746,250	\$16,220	2.17%	\$3,434	0.46%	\$746,250 ⁽²⁾
2022	2021	\$749,392	\$22,237	2.97%	\$17	0.00%	\$749,392 ⁽³⁾
2023	2022	\$726,039	\$30,858	4.25%	\$2,357	0.32%	\$726,039 ⁽⁴⁾
2024	2023	\$715,285	\$23,453 ⁽⁵⁾	3.28% ⁽⁵⁾	\$371	0.05%	\$714,914

⁽¹⁾ As of March 26, 2021, all assessments paid in full.

⁽²⁾ As of March 26, 2021, all assessments paid in full.

⁽³⁾ As of April 23, 2023, all assessments paid in full.

⁽⁴⁾ As of December 14, 2023, all assessments paid in full.

⁽⁵⁾ Does not include \$3,512 quarterly annual installment payments due and outstanding but not yet delinquent.

Source: Information from MuniCap, Inc. based upon Rockwall County Tax Assessor and Collectors' records.

THE COLLECTION AND DELINQUENCY HISTORY OF THE IMPROVEMENT AREA #2 ASSESSMENTS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY; NO ASSURANCE CAN BE GIVEN THAT THE FUTURE COLLECTION OF THE ASSESSMENTS WILL MIRROR THE COLLECTION HISTORY OF THE IMPROVEMENT AREA #2 ASSESSMENTS IN PAST YEARS. THE IMPROVEMENT AREA #2 ASSESSMENTS ARE NOT SECURITY FOR THE PAYMENT OF THE BONDS.

Delinquency and Foreclosure History of Improvement Area #2 Assessments

As of August 31, 2024, annual installment delinquencies in Improvement Area #2 of the District were as follows: (i) delinquent for greater than six months: \$371; (ii) delinquent for greater than one year: \$0; (iii) delinquent for greater than two years: \$0.

As of August 31, 2024, the lawsuit filed against the property owner in March 2024 in Improvement Area #2 has been dropped due to payment of the delinquent 2022-2023 and 2023-2024 Annual Installments.

As of August 31, 2024 there has never been a foreclosure sale of any of the assessed property within Improvement Area #2 of the District.

Prepayment History of Improvement Area #2 Assessments

As of August 31, 2024, there have been 12 full prepayments of Improvement Area #2 Assessments and no partial prepayments of Improvement Area #2 Assessments totaling \$345,735.

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Largest Assessment Payers in Improvement Area #3 of the District

Property Owner	Outstanding Assessments (as of November 15, 2024)	Percentage of Total Assessments
HGYC, LLC	\$13,718,100.71	79.43%
Partners	\$659,443.50	3.82%
Castlerock	\$827,715.33	4.79%
Stonefield	\$495,719.64	2.87%
Altura	\$409,309.80	2.37%
Grand Homes	\$804,975.90	4.66%
K. Hovnanian	\$68,218.29	0.40%
Beazer Homes	\$286,516.83	1.66%
Total⁽¹⁾	\$17,270,000.00	100.00%

⁽¹⁾ Totals may not sum due to rounding.

Source: Rockwall Central Appraisal District's online records as of November 15, 2024, and closings as provided by the Developer as of November 12, 2024.

THE CITY

Background

The District is located within the corporate boundaries of the City. The City is located in southwest Rockwall County, 18 miles east of Dallas and 4 miles south of the City of Rockwall. Access to the City is provided by Interstate Highway 30 and Farm to Market 205. The City covers approximately 10 square miles. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The City's 2020 census population was 9,769. The City's current population estimate is 10,623.

City Government

The City is a political subdivision and is a home rule municipality of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in 2002. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The term of office is two years with the terms of the Mayor and two of the Council members' terms expiring in even-numbered years and the terms of the four other Council members expiring in odd-numbered years. The City Manager is the chief administrative officer for the City.

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

<u>Name</u>	<u>Place</u>	<u>Term Expires (May)</u>
Jeremiah McClure	Mayor	2026
Rich Krause	Mayor Pro Tem	2025
Sharon Caldwell	Place 1	2025
Paul Ruffo	Mayor Pro Tem/Place 2	2026
Ryan Moorman	Place 3	2025
Brent Weaver	Place 4	2026
Scott Dodson	Place 5	2025

The principal administrators of the City include the following:

<u>Name</u>	<u>Position</u>
Aaron Adel	Interim City Manager
Norma Duncan	City Secretary
Jay Ayers	Finance Director

THE DISTRICT

Background

The District was created by the acts of the 82nd Texas Legislature in 2011 with the primary purpose to facilitate the construction and continued maintenance of quality mixed-use residential and commercial development to benefit the residents of the City. The District is located within the corporate boundaries of the City and partially in Rockwall County and partially in Kaufman County, Texas. The District is located on the eastern shores of Lake Ray Hubbard and approximately 25 miles east of Dallas and approximately five miles south of Interstate 30. Access to the District is provided from FM 740/Ridge Road. The District's location as part of the growing Dallas-Fort Worth Metroplex has resulted in growth over the last several years.

The District as created by the District Legislation contained approximately 848 acres. Approximately 61 acres in the District owned by Heath Golf and Yacht, which is subject to the Master Development Agreement, is not currently part of the Development.

The original boundaries of the District, as described in the District Legislation, were amended as a result of a land exchange between the City and the Developer. Pursuant to the Master Development Agreement, as amended, the City accepted an offer from the Developer to exchange approximately 16 acres of land located within the District (the "Developer Parcel") for approximately 15 acres of land owned by the City located adjacent to the District (the "City Parcel"), which was then included in the boundaries of the District. The City consented to the Developer's written petition requesting that the City Parcel be added to the boundaries of the District and that the Developer Parcel be excluded from the boundaries of the District on March 22, 2016. On March 23, 2016, the District called a public hearing on the exclusion of the Developer Parcel to be held on April 13, 2016. On April 13, 2016, the District took action at a public hearing to approve the Developer's written petition and thus excluded the Developer Parcel from, and added the City Parcel to, the District as of April 13, 2016. The City Parcel is the site of Lydia Lyons Elementary located in the District. The map showing the boundaries of the District appears on page v of this Limited offering Memorandum.

District Government

The District is a political subdivision created to accomplish the purposes of Sections 52 and 52-a, Article III, and Section 59, Article XVI, of the Texas Constitution. The District is governed by a board of five directors appointed by the City Council of the City (the "City Council") who serve staggered terms of four years. Before 500 residential units in the District are sold to homeowners, the owner or owners of a majority of the assessed real property in the District may submit a petition to the City Council requesting the City Council appoint as directors three persons from the persons named in the petition. After 500 residential units in the District are sold to homeowners, (i) a majority of the homeowners in the District may submit a petition to the City Council requesting that the City Council appoint as directors two persons from the persons named in the petition and (ii) the owner or owners of a majority of the assessed real property in the District may submit a petition to the City Council requesting the City Council appoint as a director one person from the persons named in the petition. The City Council of the City may appoint one or more of the persons named in the petitions; however, the City Council is not required to do so.

The current members of the Board of Directors and their respective expiration of terms of office are shown on page ii hereof.

The District Administrator has been retained by the Board of Directors to assist the Board of Directors with the administration of the District. See "THE DISTRICT ADMINISTRATOR" herein.

Powers and Authority

The District Legislation provides that the District may provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service using money available to the District, or contract with a governmental or private entity to provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service authorized under the District Legislation or Chapter 375, Local Government Code (the "MMD Act"). The District Legislation further authorizes the District to undertake an improvement project or service and impose a special assessment on benefited property in accordance with the MMD Act or the PID Act. Pursuant to the District Legislation, at the time of issuance, the total principal amount of bonds or other obligations issued or incurred to finance road projects may not exceed one-fourth (25%) of the assessed value of the real property in the District. See "THE IMPROVEMENT AREA #3 IMPROVEMENTS" herein.

Pursuant to the District Legislation, prior to undertaking an improvement project, the District must prepare and the City Council of the City must approve a development agreement and a capital improvement plan and finance plan. Additionally, the District may not undertake an improvement project unless the Board of Directors (i) determines the project is necessary to accomplish the public purpose of the District and (ii) complies the District's development agreement with the City.

The City, the District, the Developer and Heath Golf and Yacht entered into a Master Development Agreement effective August 30, 2013, as ratified and amended by the First Amendment to Master Development Agreement effective April 15, 2015, and by the Second Amendment to Master Development Agreement effective September 25, 2015 (collectively, the "Master Development Agreement"). On April 18, 2023, the Board of Directors by resolution made the finding that it was advisable to proceed with the financing of the Improvement Area #3 Improvements, and that the Improvement Area #3 Improvements are necessary to accomplish a public purpose of the District and comply with the Master Development Agreement and on May 16, 2023 levied the Assessments and approved an update to the Service and Assessment Plan. The District has prepared a capital improvement plan and finance plan, and has amended and restated the same in connection with the construction of the Improvement Area #3 Improvements (as so amended and restated, the "Amended and Restated Capital Improvement Plan and Financial Plan").

Pursuant to the District Legislation and the PID Act, the District may undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within or outside of the District. The PID Act provides that the District may levy and collect Assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost. Pursuant to the authority granted by the PID Act and the District Legislation, the District has determined to undertake the construction, acquisition or purchase of the Improvement Area #3 Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. See "THE IMPROVEMENT AREA #3 IMPROVEMENTS." The District has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See "ASSESSMENT PROCEDURES" herein and "APPENDIX B — Form of Service and Assessment Plan."

General Economic Information Regarding Rockwall County and the Surrounding Area

The area surrounding and including the Development (the area between IH-30 and IH-20, east of the Dallas-Fort Worth Metroplex) has recently experienced residential growth. Area developments have included subdivisions in municipal utility districts, small ranchettes and large ranches. The District is surrounded by many large acreage residential and recreational retreats. These properties will typically range in prices from \$150,000 to over \$5,000,000.

Major Employers

The primary employers in Rockwall County are set forth in the table below.

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Rockwall Independent School District	Education	1,944
Royce City ISD	Education	976
Baylor Scott & White – Lake Pointe	Hospital	750
L3Harris Technologies	Technology	700
Texas Health Presbyterian Hospital	Hospital	700
Channell Commercial	Manufacturing	696
Pegasus Foods	Food	480
Wal-Mart Superstore	Retail	450
County of Rockwall	Government	383
City of Rockwall	Government	353
Lollicup USA	Manufacturing	306
Texas Star Express/Epes Transport	Logistics	275
SPR Packaging	Manufacturing	253
Whitmore Mfr	Manufacturing	215
Bimbo Bakeries	Food	200

Source: Municipal Advisory Council of Texas

Historical Employment in Rockwall County

	Average Annual ⁽¹⁾				
	2024 ⁽²⁾	2023	2022	2021	2020
Civilian Labor Force	62,975	61,012	59,266	56,784	54,536
Total Employed	60,616	58,820	57,275	54,313	51,302
Total Unemployed	2,359	2,192	1,991	2,471	3,234
Unemployment Rate	3.7%	3.6%	3.4%	4.4%	5.9%

⁽¹⁾ Source: Texas Workforce Commission.

⁽²⁾ Data through September 2024.

Surrounding Economic Activity

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

City of Richardson		City of Garland		City of Rockwall	
Approximately 16 miles from the City		Approximately 10 miles from the City		Approximately 6 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
State Farm Insurance	8,000	Kraft Foods	796	Rockwall ISD	1,885
Blue Cross Blue Shield of Texas	3,100	US Food Service	520	Texas Health Presbyterian Hospital	600
University of Texas at Dallas	2,674	Atlas Copco	460	Texas Star Express	484
Richardson ISD	2,500	SilverLine Window	425	Wal-Mart Superstore	450
RealPage	2,100	Hatco (Resistol)	390	Rockwall County	315
Cisco	2,000	L3 Communications	350	City of Rockwall	280
GEICO	1,900	Arrow Fabricated Tubing	340	Special Products	168
Raytheon	170	Valspar	300	L-3 Communications	150
United Healthcare	1,700	KARLEE, Inc.	290	Home Depot	140
Fujitsu Network	1,500	General Dynamics	275	Bimbo Bakeries	134

City of Mesquite	
Approximately 8 miles from the City	
Employer	Employees
Mesquite ISD	4,000
Town East Mall	2,750
United Parcel Service, Inc.	2,300
Dallas Regional Medical Center	1,500
City of Mesquite	1,200
Eastfield College	900
Wal-Mart Supercenter	850
Pepsi Beverage Co.	750
Baker Brothers	450
Onora Visual	420

City of Dallas	
Approximately 16 miles from the City	
Employer	Employees
Dallas ISD	22,674
City of Dallas	13,000
AT&T Inc.	10,876
Medical City Dallas	10,836
Parkland Health System	10,462
Children's Medical Center Dallas	7,781
Dallas Co. Community College	6,971
Dallas County	6,500
Texas Instruments Inc.	6,239
Walmart Store	6,086

THE IMPROVEMENT AREA #3 IMPROVEMENTS

General

The Improvement Area #3 Improvements consist of (a) Improvement Area #3's proportionate share of the costs of the Major Improvements that will benefit the entire District and (b) the costs of the Improvement Area #3 Local Improvements. See "THE DEVELOPMENT — Status of Development in Improvement Area #3." The Developer is responsible for the completion of the construction, acquisition or purchase of the Improvement Area #3 Improvements, and the Developer will act as construction manager. Pursuant to the Master Development Agreement, the Improvement Area #3 Improvements will be dedicated to and maintained and operated by the City. See "— Ownership and Maintenance of Improvements" below. "

The total cost of the Improvement Area #3 Improvements, including costs of issuance of the Bonds, is expected to be approximately \$27,981,370.* A portion of the costs of the Improvement Area #3 Improvements in the amount of \$17,270,000* is expected to be paid with proceeds of the Bonds. The balance of such costs has been paid or will be paid by the Developer from funds available under the IA #3 Development Loans (as defined herein) and cash available to the Developer.

Improvement Area #3 Improvements Description

Major Improvements. The Major Improvements include road improvements (the "Major Road Improvements") and water distribution, system, sanitary sewer collection, and drainage collection system improvements (collectively, the "Major Utility Improvements" and together with the Major Road Improvements, the "Major Improvements") that benefit the entire District, as described below:

Major Road Improvements. The Major Road Improvements include both onsite and offsite improvements as described below:

Governor's Boulevard (Onsite) – This project consists of 10,000 linear feet of a 37' wide, 3,600-psi concrete curb and gutter pavement. The roadway construction consists of grading, lime stabilization, striping, signage and erosion control measures during construction. This project was constructed to City standard sand specifications and was conveyed to the City.

TxDOT Turn Lane at Roadway A (Offsite) – The roadway portion of the project consists of construction of approximately 410 linear feet of a south bound right turn deceleration lane, and the addition of 410 linear feet of a north bound left turn deceleration lane within the Texas Department of Transportation ("TXDOT") FM 740 right of way (ROW). This provides entrance improvements off of FM 740 into the development via Governor's Boulevard.

Hubbard Drive Roadway Improvements (Offsite) – Roadway improvements along Hubbard Drive to the south where the concrete terminates near the southern entrance of Scenic Dr. and Hubbard Drive, to the southern limits of the Property (an approximately 1625-foot road section). Improvements to be consistent with the width and design of the existing Hubbard Drive section that is being replaced and include a Class "C" concrete pavement section with no curb and gutter, a cul-de-sac, and replacement of two existing corrugated metal culvert pipes along this improved roadway section with 33" reinforced concrete pipes at each location with appropriate headwalls. This project is to be completed during Phase I and to be disconnected from the HGYC and HGYC Lakes developments by September 25, 2017 (i.e. within two years of the effective date of the Second Amendment).

Hubbard Drive Improvement North of Scenic Drive (Offsite) – Project shall consist of the construction of approximately 3,280 linear feet of a 37' wide, 3,600-psi concrete street to replace the existing street section. This section is generally located between the northernmost entrance of the Antigua Bay Subdivision and the northern most property line of the development where it fronts Hubbard Drive. The roadway construction will consist of grading, lime stabilization and erosion control measures during construction. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City.

TxDOT Turn Lane at Trophy Drive (Roadway B) and FM 740 Roadway B (Offsite) – The roadway portion of the project shall consist of construction of approximately 410 linear feet of a north bound left turn deceleration lane

* Preliminary; subject to change.

within the TxDOT FM 740 right of way (ROW). This will provide the entrance improvements off of FM 740 into the development via Trophy Drive.

Major Utility Improvements.

Water Improvements - Major Utility Improvements constituting water improvements include both onsite and offsite improvements as described below:

Governor's Boulevard Waterline (Onsite) – This project consists of approximately 10,000 linear feet of 12" diameter PVC water transmission main from the north entrance along Governor's Boulevard road down to the proposed clubhouse site. The waterline was constructed within the proposed right-of way of Governor's Boulevard. This section includes a connection to the 18" water-main at FM740, installation of twenty-eight 12" valves, twenty-three fire hydrants, and 4 tons of ductile iron fittings.

Land Dedication (Onsite) – This project consists of the dedication to the City of a one-acre tract of land located at the south end of the property for a future water storage tank.

FM 740 Offsite Waterline – Governor's Boulevard to Towne Center Park Driveway (Offsite) – This project consists of approximately 1180 linear feet of an 18" PVC waterline from the intersection of FM 740 and the first (northern most) entrance of Governor's Boulevard (Heath Golf and Yacht Club Project (HGYC) entrance) along FM 740 to Towne Center Park Driveway.

Water Tower Connection (Offsite) - This project consists of approximately 1300 linear feet of 18" PVC waterline from the existing 500,000 gallon elevated tank at City Hall generally along Towne Center Park Driveway across the City park to connect to the aforementioned 18" waterline in FM 740.

FM 740 Offsite Waterline – Towne Center Driveway to Hubbard Drive (Offsite) – This project consists of approximately 1,450 linear feet of 18" PVC waterline from the intersection of Town Center Park Driveway to Hubbard Drive. This Section of the 18-inch waterline has not been constructed at this time, but will be completed along with the construction of waterlines in Hubbard Drive and Improvement Area #3 Improvements.

Hubbard Drive Waterline (Offsite) – This project consists of approximately 4,730 linear feet of 12" PVC waterline along Ray Hubbard Drive from the entrance of the northernmost entrance of the Antigua Bay Subdivision to the south property line of McCrummen Estates. The Hubbard Drive Waterline (Offsite) projects are estimated to be completed by March 31, 2025.

FM 740 Offsite Waterline – Eagle Parkway to Whittle Blvd (Offsite) – This project consists of approximately 7,645 linear feet of 12" PVC waterline from the intersection of Governor's Parkway along FM 740 to Trophy Drive.

All of the above listed major waterline improvements have been or will be constructed with the appropriate erosion control, trench safety and waterline testing. The line will be designed and constructed in accordance with City standards and specifications and will be dedicated to and operated by the City.

Sanitary Sewer Improvements - Major Utility Improvements constituting sanitary sewer improvements include both onsite and offsite improvements. Onsite sanitary sewer improvements include Governor's Boulevard Wastewater Lines as they are located within the District boundaries. Offsite sanitary sewer lines include the Offsite Rush Creek Wastewater Lines and each are described below:

Governor's Boulevard Wastewater Lines (Onsite) - This project consists of constructing approximately 960 linear feet of 8" and 5,950 linear feet of 12" PVC sanitary sewer gravity line generally along Governor's Boulevard and 835 linear feet of 12" PVC sanitary gravity line through Tract 3 to the City's south side lift station. The south side lift station is located adjacent to the property at Rush Creek. The existing lift station, wet-well and pumps are sized appropriately to accept and pump waste for Improvement Area #1. The wastewater will be lifted and forced through the existing force-main system and transmitted to the NTMWD's Buffalo Creek Interceptor. The line will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City.

Offsite Rush Creek Wastewater Line (Offsite) - This project consists of approximately 2050 linear feet of 15” diameter PVC sanitary sewer line installed generally parallel to the City’s existing Antigua Bay force main. This is a deep sewer line that will be constructed of SDR 26 PVC material and will allow service by gravity for the vast majority of the development. This line also ties Tract 6 and the Lakes addition into the wastewater sewer system and this line gravity flows into the City’s south side lift station.

Storm Drainage Improvements - Major Utility Improvements constituting drainage improvements include both onsite and offsite major drainage improvements as described below:

Governor’s Boulevard Drainage (Onsite) – This project consists of drainage improvements to support the installation of Governor’s Boulevard and collection and conveyance of stormwater throughout the drainage basins associated with Improvement Area #1. The system will include a series of storm sewer curb inlets connected to underground reinforced concrete pipe (RCP) with associated headwalls, safety end treatments, manholes and storm sewer energy dissipaters at the points of discharge. All of the drainage areas within Improvement Area #1 flow to the Lake Ray Hubbard reservoir. Due to this fact, no storm water detention is required. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City.

Hubbard Drive Drainage (Offsite) - This project consists of drainage improvements to support the improvements of Hubbard Drive and collection and conveyance of stormwater throughout the drainage areas that flow to Hubbard Drive. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City. The Hubbard Drive Drainage (Offsite) projects are estimated to be completed by March 31, 2025.

Improvement Area #3 Local Improvements. The Improvement Area #3 Local Improvements include roadway improvements benefitting only Improvement Area #3 of the District (the “Improvement Area #3 Road Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements benefitting only Improvement Area #3 of the District (collectively, the “Improvement Area #3 Utility Improvements”) as described below:

Improvement Area #3 Roadway Improvements

Roadway Improvements. The roadway portion of the Improvement Area #3 Improvements consists of constructing concrete pavement with curb and gutter, excavation, lime stabilization and compacting, intersections, signage, lighting and re-vegetation of all disturbed areas within the right of way. This project was designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City.

Improvement Area #3 Utility Improvements

Water Improvements. The water portion of the Improvement Area #3 Improvements consist of construction and installation of water lines, mains, pipes, valves and appurtenances necessary for the water distribution system, as well as related testing, trench safety and erosion protection, necessary to service the Improvement Area #3 Assessed Property. The water distribution system improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Sanitary Sewer Improvements. The wastewater portion of the Improvement Area #3 Improvements consist of construction and installation of pipes, service lines, manholes, encasements and appurtenances necessary to provide sanitary sewer service to the Improvement Area #3 Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Storm Drainage Improvements. The drainage of the Improvement Area #3 Improvements shall consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage collection system improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

The following table reflects the total expected costs of the Improvement Area #3 Improvements and costs of issuance relating to the Bonds. See “APPENDIX B — Form of Service and Assessment Plan.”

Improvement Area #3 Improvements*	
Roadway Improvements	\$10,254,605
Share of Major Roadway Improvements	\$1,849,131
Utility Improvements	\$9,514,889
Share of Major Utility Improvements	\$3,058,115
<i>Subtotal Improvement Area #3 Improvements</i>	<i>\$24,676,740</i>
Bond Issuance Costs	
Debt Service Reserve Fund	\$864,842
Capitalized Interest	\$700,788
Cost of Issuance	\$1,130,900
Underwriter's Discount	\$518,100
Administrative Fund	\$90,000
<i>Subtotal Bond Issuance Costs</i>	<i>\$3,304,630</i>
Total	\$27,981,370

The District contains a clubhouse and golf course that are located within the boundaries of the District that are not being financed through the Bonds and are, therefore, excluded from the levy of Assessments. However, these projects and tracts of land will receive a benefit from certain of the Major Improvements. As a result, the Developer will be required to finance the estimated costs of Major Improvements allocable to these tracts and projects for the portion of the benefits these projects and tracts of land receive from Major Improvements. See “APPENDIX B — Form of Service and Assessment Plan.”

Ownership and Maintenance of Improvements

The Improvement Area #3 Improvements will be dedicated to and accepted by the City and will constitute a portion of the City’s infrastructure improvements. The City will provide for the ongoing operation, maintenance and repair of the Improvement Area #3 Improvements constructed and conveyed to the City, except that the District will be responsible for non-routine maintenance thereof for a period of two years after the City accepts such Improvement Area #3 Improvements, as outlined in the Master Development Agreement.

THE DEVELOPMENT

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

Overview

The Development, commonly known as the “Heath Golf & Yacht Club”, is an approximately 786-acre, lakefront master-planned resort/residential community located on the eastern shore of Lake Ray Hubbard and within the city limits of the City. The Development is planned to eventually consist of 1,236 homes, a 27-hole private golf course, and private country club, and the Developer may also develop and construct a hotel and retail properties. An elementary school has been constructed in the District as part of the Developer’s master plan for the Development, and such master plan additionally includes trails, parks, tennis courts, playgrounds, and greenbelts. The Development is served by the Rockwall Independent School District. See “— Community Amenities” and “—Education” below. The District, located in the eastern region of the Dallas-Fort Worth-Arlington TX Metropolitan Statistical Area (the “DFW MSA”), is poised for growth as the overall DFW MSA continues its growth trajectory.

The Development site is located approximately 5 miles south of I-30. Residents can access the Development by traveling south on FM 740/Ridge Road or south on FM 3097/Horizon to FM 549 and then to FM 740 (a slightly longer route, approximately 6.3 miles). Drive time from the proposed main entrance of the site to I-30 is approximately 10 to 12 minutes. An alternate route to access the Development is to come from Highway 80 heading north on FM 740. Drive time to the proposed

* Preliminary; subject to change.

main entrance of the site from Highway 80 is 4.5 miles, approximately 6 to 8 minutes. FM 740 has been widened from FM 3097 to FM 1140. FM 740 has been widened from FM 1140 to the intersection of FM 549 and FM 550.

Residents of the Development can access most of the major highways throughout the greater Dallas area via I-30. Employment centers including Garland, Richardson, and Downtown Dallas are accessible via I-30 or I-635. In addition to the existing roadways, the George Bush Turnpike extends from SH 78 in the Sachse area south to I-30. The George Bush Turnpike shortens commute times from Rockwall into areas of North Dallas significantly. Rockwall area residents are able to travel via SH 190/George Bush Turnpike across the northern side of the Dallas area, providing an alternative route to I-635/LBJ. The Development and the Rockwall community in general benefit from the SH 190 extension to I-30. This roadway allows residents an expeditious commute to employment centers in the Northeast Dallas area.

Development Plan and Status of Development

The Developer expects to complete development of single family lots in the District in Q4 2024 and continue commercial, hotel or retail development in the Development as market conditions warrant. Development in the District began with the construction of the Improvement Area #1 Projects which were completed in Q3 2017. The development of the Development proceeded with the construction of the Improvement Area #2 Projects which were completed in Q2 2021. The Developer continued development of the Development with the Improvement Area #3 Improvements. The Improvement Area #3 Local Improvements portion of the Improvement Area #3 Improvements is expected to be completed in Q4 2024. The remaining portion of the Major Improvements is expected to be completed by March 31, 2025.

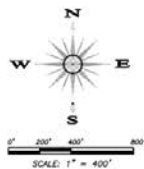
Hotel. The Developer may develop and construct a 120-room upscale boutique, waterfront hotel, but applicable zoning laws and rules allow for up to a 300-room hotel. The Developer does not have current plans for such development.

Retail. The Developer has contemplated the future development and construction of approximately 20,000 square feet of retail and commercial space, but the Developer does not have current plans for such development.

Master Development Plan

The following map depicts the initial master development plan for the Development. It is noted that the master development plan below excludes nine lots added to the Development (outside of Improvement Area #3) after the original master development plan was drafted.

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APPROVED CONCEPT PLAN LOT SUMMARY (PD070118)		
SIZE	CONCEPT PLAN QUANTITY	
70'S	344	
80'S	239	
90'S	34	
100'S	148	
120'S	52	
TOTAL	777	
LUXURY VILLAS	450	
TOTAL	1227	

LOT COUNT SUMMARY		
LOT ID	LOT TYPE	TOTAL
70'S		228
80'S		237
90'S		30
100'S		137
120'S		50
SINGLE FAMILY TOTAL		742
LV-ATT		234
LV-DET		348
LUXURY VILLA TOTAL		484
TOTAL		1227

REMAINING TRACTS LOT SUMMARY							
TRACT	LOT TYPE						TOTAL
	LV-DET	70'S	80'S	90'S	100'S	120'S	
TRACT 10		18	22		21	14	75
TRACT 12				44	8		52
TRACT 13			38		4	1	43
TRACT 14						33	33
TRACT 15	34			11	72	1	118
TRACT 18		7	47	2	7		63
TRACT 19				26	17		43
TOTAL							427

Lake Ray Hubbard

Lake Ray Hubbard

ROCKWALL COUNTY LINE
KAUFMAN COUNTY LINE



Update on Improvement Area #1

Improvement Area #1 consists of 332 single family lots. Development in Improvement Area #1 of the District consisted of the construction of the Improvement Area #1 Projects. The Developer was responsible for the construction of the Improvement Area #1 Projects and construction of such projects was completed in Q3 2017. All of the Improvement Area #1 Projects have been dedicated to the City.

In connection with the development of the 332 single family lots in Improvement Area #1, the developer entered into lot contracts with HHM Lifestyle, Dunhill Homes, Castlerock Communities, LP (“Castlerock”), Altura Builders DFW, LLC (“Altura”), Brightland Homes (formerly Gehan Homes, Ltd.) (“Brightland”), and Cavendish Homes. The following table summarizes the status of home sales, home construction and lot delivery in Improvement Area #1 of the District as of July 31, 2024 as provided by the Developer unless otherwise noted.

STATUS OF IMPROVEMENT AREA #1						
<u>Lot Type</u>	<u>Qty.</u>	<u>Average Lot Price</u>	<u>Average Home Value⁽¹⁾</u>	<u>Closed Lots⁽²⁾</u>	<u>Homes Under Construction/ Completed and Not Sold to End Users</u>	<u>Homes Closed to End-Users</u>
Lake Front	15	\$750,000	\$1,661,236	7	1	3
Channel Front	7	\$250,000	\$1,204,442	6	2	2
Water Feature	32	\$175,000	\$1,117,924	26	5	10
80 ft.	69	\$90,000	\$753,333	69	0	69
70 ft.	85	\$79,000	\$704,904	83	2	81
60 ft.	37	\$68,000	\$511,965	37	4	33
50 ft.	87	\$56,000	\$478,121	87	1	80
	332			327	29	288

(1) Average home values reflect an approximate average of publicly available appraised values for lots with completed homes shown in Rockwall Central Appraisal District and Kaufman Central Appraisal District as of November 15, 2024.

(2) The remaining 5 lots in Improvement Area #1 have been completed and are not under contract.

Update on Improvement Area #2

Improvement Area #2 consists of 477 single family lots. Development in Improvement Area #2 of the District consisted of the construction of the Improvement Area #2 Projects. The Developer was responsible for the construction of the Improvement Area #2 Projects and construction of such projects was completed in Q2 2021. All of the Improvement Area #2 Projects have been dedicated to the City.

In connection with the development of the 477 single family lots in Improvement Area #2, the developer entered into lot contracts with Brightland, Tri Pointe Homes, Inc. (“TriPointe”), Castlerock, Stonefield Homes (“Stonefield”), Trendmaker Homes DFW, LLC (now consolidated under the TriPointe brand), The Serrano Group, Whittle and Johnson, LLC (an entity owned and controlled by Rob Whittle, a Developer principal) and Whittle Highlands, LLC (an entity owned and controlled by Rob Whittle, a Developer principal). The following table summarizes the status of home sales, home construction, and lot delivery in Improvement Area #2 of the District as of November 15, 2024 as provided by the Developer unless otherwise noted.

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STATUS OF IMPROVEMENT AREA #2						
<u>Lot Type</u>	<u>Qty.</u>	<u>Average Lot Price</u>	<u>Average Home Value⁽¹⁾</u>	<u>Closed Lots⁽²⁾</u>	<u>Homes Under Construction/ Completed and Not Sold to End Users</u>	<u>Homes Closed to End-Users</u>
70 ft.	151	\$94,500	\$588,692	148	1	141
50 ft.	55	\$68,750	\$501,160	55	0	55
Detached Villa	35	\$55,000	\$524,330	35	0	35
Attached Villa	236	\$65,000	\$429,685	180	10	3
	<u>477</u>			<u>418</u>	<u>11</u>	<u>234</u>

(1) Average home values for 50 ft., 70 ft., and Detached Villa Lots reflect an approximate average of publicly available appraised values for lots with completed homes shown in Rockwall Central Appraisal District and Kaufman Central Appraisal District as of November 15, 2024. Average Home Price for Attached Villa Lots reflects estimated starting sale price of such lots by various builders as provided by the Developer.

(2) The remaining 59 lots in Improvement Area #2 have been completed and are not under contract.

Status of Development in Improvement Area #3

The Developer began construction the Improvement Area #3 Improvements in Q1 2022. The Improvement Area #3 Local Improvements allocable to Tracts 12, 13, 18 and 19 (which collectively contain approximately 256 lots) have been completed and accepted by the City. The Developer has begun construction of the Improvement Area #3 Local Improvements allocable to Tracts 10, 14, and 15 (which collectively contain approximately 171 lots) and expects to complete the Improvement Area Local Improvements allocable to such tracts in December 2024. The Developer has completed a portion of the Major Improvements, and has begun construction of the remaining portion of the Major Improvements (consisting of certain offsite road, water and drainage improvements). Such remaining portion of the Major Improvements is expected to be completed by March 31, 2025. The total expected cost of the Improvement Area #3 Improvements (exclusive of costs of issuance of the Bonds) is approximately \$24,676,740. As of October 15, 2024, the Developer has expended approximately \$17,574,306 on the Improvement Area #3 Improvements, which was financed with the IA #3 Development Loans from City Bank and cash available to the Developer.

As of November 8, 2024, of the expected 427 single family lots within Improvement Area #3 of the District, approximately 359 lots were contracted to various homebuilders, and of such 359 lots, 86 lots had been taken down by such homebuilders pursuant to such contracts. See “— Lot Contracts in Improvement Area #3” below. As of November 1, 2024, 7 homes had been sold to end users, 45 homes were under construction, of which 24 homes were under contract with end users in Improvement Area #3. The average contract price for homes on a 90’ lot in Improvement Area #3 was \$855,000 and the average contract price for homes on a 100’ lot in Improvement Area #3 was \$950,000.

Lot Contracts in Improvement Area #3

The Developer has entered into the following real estate purchase and sale agreements in Improvement Area #3 (collectively, the “Lot PSAs”):

- Real Estate Purchase and Sale Agreement (the “Beazer PSA”) with Beazer Homes Texas, L.P. (“Beazer”);
- Real Estate Purchase and Sale Agreement for lots in Tract 12 and 19 (the “Castlerock Tracts 12 and 19 PSA”) with Castlerock;
- Real Estate Purchase and Sale Agreement for lots in Tract 18 (the “Castlerock Tract 18 PSA”) with Castlerock;
- Real Estate Purchase and Sale Agreement for lots in Tract 10 (the “Castlerock Tract 10 PSA”) with Castlerock;
- Real Estate Purchase and Sale Agreement (the “Partners PSA”) with Partners in Building LP (“Partners”);
- Real Estate Purchase and Sale Agreement for lots in Tract 12 and 19 (the “Stonefield Tracts 12 and 19 PSA”) with Stonefield;
- Real Estate Purchase and Sale Agreement for lots in Tract 13 (the “Stonefield Tract 13 PSA”);

- Real Estate Purchase and Sale Agreement for lots in Tract 12 and 19 (the “Grand Tracts 12 and 19 PSA”) with Grand Acquisition, Inc. (“Grand”);
- Real Estate Purchase and Sale Agreement for lots in Tract 15 (the “Grand Tract 15 PSA”) with Grand;
- Real Estate Purchase and Sale Agreement (the “K. Hovnanian PSA”) with K. Hovnanian Homes – DFW, L.L.C. (“K. Hovnanian”);
- Real Estate Purchase and Sale Agreement (the “Altura PSA”) with Altura.

In addition to the Lot PSAs above, under the Partners PSA, Partners reserves the right of first offer to purchase additional lots in Tract 19 upon the termination of any lot purchase and sale agreement with another homebuilder for lots in Tract 19.

The following table summarizes the earnest money deposited under the Lot PSAs:

Builder	Earnest Money Required	Earnest Money Deposited	Earnest Money Application
Beazer PSA	\$1,445,520	\$1,445,520	Applied as a credit against the purchase price of each lot at closing
CastleRock PSA Tracts 12 and 19 PSA	\$247,000	\$247,000	Applied as a credit against the purchase price of each lot at closing
CastleRock Tract 18 PSA	\$152,000	\$152,000	Applied as a credit against the purchase price of each lot at closing
CastleRock Tract 10 PSA	\$141,000	\$141,000	Applied as a credit against the purchase price of each lot at closing
Partners PSA	\$570,000	\$570,000	Applied as a credit against the purchase price of each lot at closing
Stonefield Tract 13 PSA	\$410,400	\$410,400	\$136,800 will be applied as a credit against the 16th lot purchased, \$136,800 will be applied as a credit against the 17th lot purchased, and \$136,800 will be applied as a credit against the 18th lot purchased under the Stonefield Tract 13 PSA
Stonefield Tracts 12 and 19 PSA	\$75,000	\$75,000	Applied as a credit to the 12th lot purchased under the Stonefield Tracts 12 and 19 PSA
Grand Tracts 12 and 19 PSA	\$549,480	\$549,480	Applied as a credit against the purchase price of each lot at closing
Grand Tract 15 PSA	\$1,512,000	\$1,512,000	Applied as a credit against the purchase price of each lot at closing
Altura PSA	\$171,000	\$171,000	Applied as a credit against the purchase price of each lot at closing
K. Hovnanian PSA	\$1,313,850	\$1,313,850	Applied as a credit against the purchase price of each lot at closing
Total	<u>\$6,587,250</u>	<u>\$6,587,250</u>	

The following table summarizes certain terms of the Lot PSAs in Improvement Area #3.

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Builder/Lot PSA	Lot Type	Number of Lots	Price Per Lot*	Assessment Limitations, if any	Lot Takedown Information (lots per closing)	Lots Closed as of November 8, 2024
Beazer**	70'	5	\$133,000	Under the Beazer PSA if the Annual Installments of the Assessments exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value) by more than 20%, the Beazer PSA may be terminated by written notice from Beazer on or before 20 days after Beazer receives written notice of the Assessments from the Developer.	Initial closing – 8 lots and the model home lot Subsequent closings – 9 lots every quarter; provided that no lots in Tract 13 are required to be purchased until all lots in Tract 18 are purchased.	8
	80'	74	\$152,000			
CastleRock (Tracts 12 and 19)	90'	10	\$171,000	Under the Castlerock Tracts 12 and 19 PSA if the Annual Installments of the Assessments exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value) by more than 20%, the Castlerock Tracts 12 and 19 PSA may be terminated by written notice from Castlerock on or before 20 days after Castlerock receives written notice of the Assessments from the Developer.	Initial closing – 3 lots in Tract 19 at substantial completion Second closing – 5 lots on or before 183 days of initial closing Third closing – 6 lots 273 days after initial closing	14
	100'	4	\$190,000			
CastleRock (Tract 18)	80'	3	\$152,000	Under the Castlerock Tract 18 PSA if the Annual Installments of the Assessments exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value) by more than 20%, the Castlerock Tract 18 PSA may be terminated by written notice from Castlerock on or before 20 days after Castlerock receives written notice of the Assessments from the Developer.	Initial closing – 4 lots within 30 days of substantial completion Second closing – 4 lots on or before 120 days of initial closing Third closing – 4 lots 210 days after initial closing	6
	90'	2	\$171,000			
	100'	7	\$190,000			
CastleRock (Tract 10)	70'	10	\$141,000	Under the Castlerock Tract 10 PSA if the Annual Installments of the Assessments exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value) by more than 20%, the Castlerock Tract 10 PSA may be terminated by written notice from Castlerock on or before 20 days after Castlerock receives written notice of the Assessments from the Developer.	Initial closing – 4 lots within 30 days of substantial completion Second closing – 4 lots on or before 120 days of initial closing Subsequent closings – 2 lots every 90 days after the second closing, until all 10 lots have closed	0
Partners	90'	10	\$171,000	Under the Partners PSA if the Annual Installments of the Assessments exceed \$0.70 in tax equivalent rate (based on the estimated completed home value), then the Developer must indemnify Partners and its successors and assigns from such excess.	Initial closing – 5 lots within 20 days of substantial completion Second closing – 4 lots within 180 days of initial closing Third closing – 3 lots within 300 days of initial closing Fourth closing – 3 lots within 420 days of initial closing Fifth closing – 3 lots within 540 days of initial closing Sixth closing – 3 lots within 660 days of initial closing	15
	100'	11	\$190,000			
Stonefield (Tract 13)	80'	18	\$152,000	Under the Stonefield Tract 13 PSA if the Annual Installments of the Assessments exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value) by more than 20%, the Tract 13 PSA may be terminated by written notice from Stonefield on or before 20 days after Stonefield receives written notice of the Assessments from the Developer.	Initial closing – 6 lots within 30 days of substantial completion Second closing – 3 lots on or before 183 days after initial closing Subsequent closing – 3 lots every 90 days thereafter	0
Stonefield (Tracts 12 and 19)	90'	11	\$171,000	Under the Stonefield Tracts 12 and 19 PSA if the Annual Installments of the Assessments exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value) by more than 20%, the Stonefield Tracts 12 and 19 PSA may be terminated by written notice from Stonefield on or before 20 days after Stonefield receives written notice of the Assessments from the Developer.	Initial closing – 2 lots of any size Second closing – 2 lots within one month of initial closing Third closing – 4 lots within 6 months of initial closing	12
	100'	1	\$190,000			

					Fourth closing – 4 lots within 12 months of initial closing	
Grand (Tracts 12 and 19)	90'	19	\$171,000	The Grand Tracts 12 and 19 PSA provides that the Annual Installments of the Assessments shall not exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value).	Initial closing – 2 lots in Tract 19 within 20 days of substantial completion of Tract 19 Second closing – 3 lots in Tract 12 within 20 days of substantial completion of Tract 12 Third closing – 3 lots on or before 110 days of substantial completion of Tract 12 Fourth closing – 3 lots on or before 200 days of substantial completion of Tract 12 Fifth closing – 3 lots on or before 290 days of substantial completion of Tract 12 Sixth closing – 3 lots on or before 380 days of substantial completion of Tract 12 Seventh closing – 3 lots on or before 470 days of substantial completion of Tract 12 Eighth closing – 3 lots on or before 560 days of substantial completion of Tract 12 Ninth closing – 3 lots on or before 650 days of substantial completion of Tract 12	19
	100'	7	\$190,000			
Grand (Tract 15)	90'	11	\$171,000	The Grand Tract 15 PSA provides that the Annual Installments of the Assessments shall not exceed \$0.80/\$100 as a tax equivalent rate (based on the estimated completed home value).	Initial closing – 6 lots in Tract 15 within 20 days of substantial completion of Tract 15 Second closing – 6 lots within 90 days after initial closing Third closing – 6 lots within 180 days after initial closing Fourth closing – 6 lots within 270 days after initial closing Fifth closing – 6 lots within 360 days after initial closing Sixth closing – 6 lots within 450 days after initial closing Seventh closing – 6 lots within 540 days after initial closing Eighth closing – 6 lots within 630 days after initial closing Ninth closing – 6 lots within 720 after initial closing Tenth closing – 6 lots within 810 after initial closing Eleventh closing – 6 lots within 900 days after initial closing Twelfth closing – 6 lots within 990 days after initial closing Thirteenth closing – 6 lots within 1,080 days after initial closing Fourteenth closing – 6 lots within 1,170 days after initial closing	0
	100'	72	\$190,000			
	120'	1	\$228,000			
Altura	90'	20	\$171,000	The Altura PSA provides that the assessment for all lots is not expected to exceed \$0.80 in tax equivalent rate based on the finished lot value, and if the tax equivalent rate exceeds such rate by more than 20%, the contract may be terminated on or before 20 days after written notice from Altura.	Initial closing – 5 lots on or before May 20, 2024 Second closing – 5 lots on or before August 20, 2024 Third closing – 5 lots on or before November 20, 2024	10

					Fourth closing – 5 lots on or before February 20, 2025	
K. Hovnanian	40' detached villa	34	\$125,000	The K. Hovnanian PSA provides that the assessment for all lots is not expected to exceed \$0.80 in tax equivalent rate based on the finished lot value, and if the tax equivalent rate exceeds such rate by more than 20%, the K. Hovnanian PSA may be terminated on or before 20 days after written notice from K. Hovnanian.	Initial closing – 6 lots in Tracts 13 and 18 by July 1, 2024 Second closing – 4 lots in Tracts 13 and 18 by October 1, 2024 Third closing – 6 lots in Tract 10 within 30 days of substantial completion of Tract 10 Fourth closing – 6 lots in Tract 10 every 90 days after the third closing Fifth closing – all 34 lots in Tract 15 within 30 days after substantial completion of Tract 15	2***
	70'	9	\$141,000			
	80'	20	\$162,000			
Total		<u>359</u>				86

* Excludes annual escalator of 6%; provided that the annual escalator does not apply to lots purchased by K. Hovnanian in Tract 15.

** Excludes model home lot located in Improvement Area #1.

*** The K. Hovnanian PSA provides that in addition to the 2 contracted lots in Tract 18 which have been taken down by K. Hovnanian, an additional 8 lots were to have been taken down in Tract 13 by October 1, 2024. Substantial completion of Tract 13 was delayed until October 2024 due to the completion of electrical work and streetlights by subcontractors for the electricity provider. The Developer expects that the first closing in Tract 13 under the K. Hovnanian PSA will occur in December 2024.

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As shown above, the Lot PSAs contain certain limitations on the Annual Installments of the Assessments, and in some cases provide a termination right or indemnification of the applicable builder (and its assigns) if the Annual Installments exceed such amounts. As shown under “ASSESSMENT PROCEDURES – Assessment Methodology,” the Annual Installments of the Assessments are not expected to exceed the limitations set forth in the Lot PSAs.

Expected Build-Out of Single Family Lots in the Development

The Developer expects to complete the single family development in the Development in three phases with lot development concluding in 2024. The following tables provide the Developer’s expected build-out schedule of the Development, expected lot and home prices and absorption schedule by lot type for the District.

EXPECTED BUILDOUT OF THE DISTRICT			
<u>Improvement Area</u>	<u>Single-Family Lots</u>	<u>Actual/Expected Internal Infrastructure Completion Date</u>	<u>Actual/Expected Final Lot Sale Date</u>
1	332	Q3 2017	Q4 2025
2	477	Q2 2021	Q4 2025
3	427	Q4 2024	Q4 2030
Total	<u>1,236</u>		

The Developer’s current expectations regarding estimated home prices in Improvement Area #3 of the District are as follows:

ESTIMATED LOT AND HOME PRICES IN THE IMPROVEMENT AREA #3			
<u>Lot Type</u>	<u>Single Family Lots</u>	<u>Estimated Base Lot Price</u>	<u>Estimated Average Base Home Price*</u>
120 ft.	49	\$228,000	\$800,000 - \$1,500,000
100 ft.	129	\$190,000	\$760,000 - \$950,000
90 ft.	83	\$171,000	\$685,000 - \$850,000
80 ft.	107	\$152,000	\$600,000 - \$760,000
70 ft.	25	\$133,000	\$500,000 - \$665,000
Detached Villa	34	\$125,000	\$450,000 - \$650,000
Total	<u>427</u>		

*Developer estimates.

The actual absorption of lots and the Developer’s current expectations regarding absorption of the remaining lots in Improvement Area #3 of the District are as follows:

ACTUAL AND EXPECTED LOT ABSORPTION IN IMPROVEMENT AREA #3 ⁽¹⁾						
<u>Expected Final Sale Date</u>	<u>120 ft. Lots</u>	<u>100 ft. Lots</u>	<u>90 ft. Lots</u>	<u>80 ft. Lots</u>	<u>70 ft. Lots</u>	<u>Detached Villa Lots</u>
2023	0	6	8	0	0	0
2024	0	12	38	11	2	0
2025	5	16	8	8	0	34
2026	7	10	20	20	0	0
2027	7	8	9	12	23	0
2028	7	35	0	30	0	0
2029	7	42	0	26	0	0
2030	<u>16</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>49</u>	<u>129</u>	<u>83</u>	<u>107</u>	<u>25</u>	<u>34</u>

⁽¹⁾ Other than 2023-24, based on Developer estimates.

Community Amenities

Community amenities within the Development are expected to include a 27-hole private golf course and private country club, including a swimming pool and tennis courts, and additional trails, parks, tennis courts, playgrounds, and greenbelts. The Developer has completed construction of certain of the amenities including a portion of the golf course (as described below), maintenance building, equipment, and private club (as described below) within the District at an approximate cost of \$11,000,000. The cost of such amenities was paid entirely by the Developer without reimbursement by the District. The HOA will provide for the ongoing operation, maintenance and repair of such private improvements through the administration of a maintenance and operation fee and/or a property owner's association fee and private club dues and golf greens fees to be paid by each lot owner within the District.

Golf Course. A 27-hole championship course is anticipated to be built in two phases of construction. Construction of the first 18 holes was completed and opened in Q3 2020. The golf course initiation membership fees range from \$14,000 to \$30,000 per member with approximately \$600 monthly dues optional to the residents of the community. There are currently 221 members of the golf course. The Developer expects to begin construction of an additional nine holes (par 3) when the golf club reaches 400 members.

Private Country Club. The Country Club House was completed in 2019 consisting of 12,000 square feet. All residents of the Development are required to be social members of the Country Club with an initiation fee of \$2,000 and social dues of \$125/month. The Country Club currently includes a pool, seven tennis courts, fitness center, dining, sand volleyball court, boat slips, parking lot, and a children's playground on the grounds of the Country Club. Additional amenities are expected to be built as the Country Club expands and members are added.

Photographs of Development

Photographs of development within the District are attached hereto as APPENDIX F.

Zoning/Permitting

Upon application of the property owners, the property within the District was zoned by Ordinance No. 070118 (the "Planned Development District Ordinance") adopted by the City on January 18, 2007, and subsequently amended by Ordinance 120515A in May 2012 and the property that was zoned on November 26, 2013 by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition. The Planned Development District Ordinance designates the type of land uses that are permitted within the project and include development standards for each land use type. The Master Development Agreement provides certain rules and regulations for design and construction of the Improvement Area #3 Improvements and the process for the development of all property within the District.

Existing Mineral Rights, Easements and Other Third Party Property Rights

Third parties hold title to certain rights applicable to real property within and around the District, including reservations of mineral rights and royalty interests and easements (collectively, the "Third Party Property Rights") pursuant to various instruments in the chain of title for various tracts of land within and around the District.

Certain of the Third Party Property Rights provide mineral rights owners a right to enter onto the surface of the District and use the surface to explore, develop, drill, produce or extract minerals within the District. However, certain state and local laws, including rules and regulations of the Texas Railroad Commission, may substantially restrict the ability of such mineral rights owners to explore, develop or otherwise exercise their Third Party Property Rights. Additionally, the Developer is not aware of any mineral exploration or drilling activity currently occurring within the District, and the District is not located within a natural gas shale "play," such as the Barnett Shale overlying a portion of the Dallas-Fort Worth Metroplex, in which proven reserves of oil and natural gas have been subject to substantial development activity in the past decade due in part to advancements in drilling technology such as fracking.

Although the Developer does not expect the above-described Third Party Property Rights, or the exercise of such rights or any other third party real property rights in or around the District, to have a material adverse effect on the Development, the property within Improvement Area #3 of the District, or the ability of landowners within Improvement Area #3 to pay Assessments, the Developer makes no guarantee as to such expectation. See "BONDHOLDERS' RISKS — Exercise of Third Party Property Rights."

Education

Children in the District attend schools in the Rockwall Independent School District (“RISD”) which encompasses approximately 108.20 square miles. RISD serves all or parts of the cities of Rockwall, Heath, Fate, McLendon-Chisholm, Rowlett and Wylie. Rockwall ISD is the largest employer in the County and has approximately 1,944 employees. RISD enrolled approximately 18,920 students for the 2023-2024 school year in sixteen elementary schools, three middle schools, and three high schools. Students in the District will attend Linda Lyon Elementary School, which is located within the District, Maurine Cain Middle School (approximately 5 miles from the District) and Rockwall Heath High School (approximately 3 miles from the District). According to the Texas Education Agency (“TEA”), RISD and Rockwall Heath High School received a “District Accountability Rating” of “A” from the TEA, and Linda Lyon Elementary and Maurine Cain Middle School received a “District Accountability Rating” of “B” from the TEA for the 2021-2021 school year, the latest year for which ratings are available. Greatschools.org rates Linda Lyon Elementary School a 7/10, Maurine Cain Middle School a 7/10, and Rockwall Heath High School a 6/10.

Environmental

A Phase One Environmental Site Assessment (a “Phase One ESA”) of approximately 787.029 acres of the District was completed on May 29, 2013. 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, historical source review and testing identified in the Phase One ESA revealed no evidence of recognized environmental conditions involving the site.

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

Flood Designation

Approximately 9.47 acres in Improvement Area #3 of the District (the “100-Year Flood Plain Portion”), lies within an official Federal Emergency Management Agency (“FEMA”) 100-year flood plain, as shown on the current FEMA Insurance Rate Map No. 48397C0130L, dated September 26, 2008. The 100-Year Flood Plain Portion is expected to be used for open space and is not expected to contain residential development.

Utility Services

The City will provide both water and wastewater service to the District. The City purchases its water wholesale from the City of Rockwall, Texas. The City maintains its own water distribution system for delivery of water to the City. The City has purchased wastewater collection, discharge and treatment capacity for the entire District through an intergovernmental agreement with the Cities of Rockwall and Forney for a trunk line owned and operated by the North Texas Municipal Water District. The District’s water distribution system and wastewater collection, discharge system and treatment system will have sufficient capacity to provide water and wastewater service to Improvement Area #3 of the District.

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

THE DEVELOPER

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the District, the Financial Advisor and the Underwriter, and none of the District, the 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 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 develop the property which it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

Description of the Developer

The Developer of the Development is HGYC, LLC, a Texas limited liability company. Current member ownership interest in the Developer is as follows:

<u>Member Name</u>	<u>Percentage Ownership</u>
Randall Noe	51.000%
Robert Whittle	23.275%
Sara Whittle	23.275%
Michael Whittle	2.450%

Except as otherwise provided in the limited liability company agreement, decisions regarding the Developer's business, including without limitation, to (i) manage the affairs and business of the Developer, (ii) exercise the authority and powers granted to the Developer, and (iii) otherwise act in all other matters on behalf of the Developer, is made by the affirmative vote of the members holding more than 50 percent of the membership interests (the "Majority Interest"). Until such time as Robert Whittle and Sara Whittle elect to exercise their respective option to purchase 1% (½% each) from Noe Randall as further described below, management by a Majority Interest is vested in Randall Noe. No member may, directly or indirectly (i) sell, assign, transfer or otherwise dispose of all or any part of their respective interest in the Developer, without the prior written consent of a Majority Interest or (ii) pledge, hypothecate or collaterally assign all or any portion of their respective interests in the Developer without the prior written consent of the other members. Notwithstanding the foregoing, after Noe Randall has received distributions equal to all his capital contributions, a waterfront lot of his choosing, and an individual rate of return of 12%, Robert Whittle and Sara Whittle each have the option to purchase, and Randall Noe has the obligation to sell ½% of Randall Noe's membership interest (a full 1% when taken together) for a purchase price of \$5,000 (a total of \$10,000 for the full 1%). If Robert Whittle and Sara Whittle both exercise their option to purchase a total of 1% from Randall Noe, Majority Interest would be vested in Randall Noe and at least one other member. Robert Whittle is responsible for oversight of the Development as well as management of the Developer's day-to-day operations. For biographies and descriptions of Mr. Whittle's and Mr. Noe's prior business and real estate development experience, see "— *Whittle Development, Inc.*" and "— Executive Biography of Principal of the Developer and Development Engineer" below.

The Developer was created for the sole purpose of owning, managing, developing and ultimately conveying property in the District to third parties, as described under the caption "THE DEVELOPMENT." The Developer's primary asset is unsold property within the District. The Developer will have no source of funds with which to pay Assessments or taxes levied by the District or any other taxing entity other than funds resulting from the sale of property within the District, assessments from its equity partners and third party banking sources. The Developer's ability to make full and timely payments of Assessments or taxes will directly affect the District's ability to meet its obligation to make payments on the Bonds.

Executive Biography of Principal of the Developer and Development Engineer

Robert Whittle. Robert S. Whittle has been an active real estate developer for the past 43 years, with sales in excess of \$500 million during his career. He graduated from Ball State University with a Bachelor of Science Degree with a major in General Business Administration.

Whittle Development, Inc.

Mr. Robert Whittle has extensive real estate development experience through his role as President and sole owner of Whittle Development, Inc., a Texas corporation ("Whittle Development"). Whittle Development has been in business since 1981 in Rockwall County, Texas, and was formally incorporated in 1985. Whittle Development has extensive developments in the Rockwall and Heath areas as shown below. Additionally, Whittle development and its affiliated land holding company, Mariah Bay Development, Inc., a Texas corporation ("Mariah Bay Development"), have built and developed over 500,000 square feet of commercial space in Rockwall County. Commercial projects of Whittle Development in Rockwall County include the 231-room, full service Hilton Hotel, the Harbor waterfront specialty retail, restaurant and Cinemark project, Baylor

Medical Building, and many small office buildings and commercial sites. A sampling of Whittle Development projects is below.

NAME	LOCATION	DESCRIPTION
Buffalo Creek Country Club (Phase 1 through 11)	Heath, Texas	554-lot residential development surrounding Tom Weiskopf-Jay Morrish Championship Golf Course
Buffalo Creek Professional Center	Heath, Texas	6 office site complex
Cobblestone Commercial Center	Heath, Texas	28 office and medical sites (including Baylor Surgical Center & Solis Acute Care Facility)
Cobblestone Farms	Heath, Texas	45 estate size lot residential development
The Enclave at Buffalo Creek	Heath, Texas	62-lot patio home community along the 3rd Fairway of Buffalo Creek Golf Club
Lafayette Point	Heath, Texas	16 estate size lot residential development
Mariah Bay	Heath, Texas	83-lot residential development
Saddle Club Estates	Heath, Texas	40-lot rural subdivision
The Tennis Village at Buffalo Creek	Heath, Texas	68 patio home development
Greentree Country Club Patio Homes	Midland, Texas	22-unit luxury patio home development
Preston Oaks Townhomes	Midland, Texas	40-lot residential development
Alliance Business Park	Rockwall, Texas	Phase 1 consists of 5 office buildings
Caruth Lake	Rockwall, Texas	63-lot residential development
Chisholm Crossing	Rockwall, Texas	95-lot residential community
Chisholm East	Rockwall, Texas	10-lot residential community
Fox Chase (Phase 1 through Phase 7)	Rockwall, Texas	217-lot residential community
The Harbor	Rockwall, Texas	123,000 sq ft of retail, restaurant and office space on Lake Ray Hubbard
Hidden Creek Estates	Rockwall, Texas	446-lot residential community
The Hills at Buffalo Creek	Rockwall, Texas	28 estate size lot residential development
Hilton Hotel and Conference Center	Rockwall, Texas	231-room full service Hilton Hotel along Lake Ray Hubbard (with 35,000 sq ft of conference space & 12,000 sq ft ballroom)
Rainbow Lake Estates	Rockwall, Texas	66-lot custom home community along Rainbow Lake
Signal Ridge Condominiums (Phase 1 and 2)	Rockwall, Texas	92-unit condominium development (co-developer)
Sunset Cove, Chandler's Landing	Rockwall, Texas	40-unit townhome development on Lake Ray Hubbard
Ambrosia Place	Heath, Texas	19 estate lot residential development
The Highlands	Rockwall, Texas	36 lot residential development
Munson Road Estates	Royse City, Texas	9 lot residential development

With respect to the Whittle Development project The Harbor listed above, as a condition of the permanent financing the retail complex was transferred to a related affiliate company of Whittle Development, Mariah Bay Development Leasing Corporation, a Texas corporation ("Mariah Bay Leasing"). Whittle Development became the co-guarantor of the loan with Mariah Bay Development. In October 2010, Whittle Development and Mariah Bay Development filed for Chapter 11 bankruptcy protection. For a description of the Chapter 11 bankruptcy filing and conformation of the joint reorganization plan of Whittle Development and Mariah Bay Development, see "BONDHOLDERS' RISKS -- Dependence Upon Developer — Chapter 11 Reorganization of Mariah Bay Development Leasing Corporation."

In April 2013, Robert Whittle and Whittle Development agreed to an emergency cease and desist order from the Texas State Securities Board (the "State Securities Board") relating to its advertisements in two local publications, one of which described itself as serving senior citizens and their caregivers, soliciting potential investors for homebuilding interim construction loans, through the sale of promissory notes. The advertisement was unrelated to the Development. The advertisement was immediately canceled after one printing and no funds were received by Mr. Whittle. Mr. Whittle and Whittle Development entered into an agreed cease and desist order in July 2013 with no further action taken by the Texas State

Securities Board. For a description of the cease and desist order, see “BONDHOLDERS’ RISKS — Dependence Upon Developer — *Cease and Desist Order from Texas State Securities Board.*”

Additionally, in the past, Whittle Development, Mariah Bay Development and Robert Whittle (as guarantor) have been named in numerous state and federal litigation cases related to real estate development activities alleging such causes as breach of contract, deceptive trade practice and fraud.

Teague Nall & Perkins, Development Engineering Firm

Christopher Cuny, PE, Director Land Development, Associate Principal. Chris Cuny has over 25 years of senior level project management experience. As the Director of Land Development Services for TNP, Mr. Cuny is responsible for the management and oversight of design and plan production. Mr. Cuny’s experience includes project management (from design phase through construction) of projects ranging from local land development to international infrastructure rehabilitation and construction programs in developing countries. Additionally, Mr. Cuny utilizes his political experience in order to work with various governmental entities and agencies in connection with his projects, including his prior positions as Mayor of the City (1994 through 2004), Member of the City Council of the City (1990 through 1994), President of the Board of Trustees of Rockwall Independent School District (2013 through 2015), Member of the Board of Trustees of Rockwall Independent School District (term expired in May 2021), and Member of the Board of Directors of the Rockwall Chamber of Commerce. Mr. Cuny’s expertise also includes past experience as Vice President and Director of the Criminal Justice Department for the nation’s 19th largest criminal justice architect and Vice President of International Operations for a petro-chemical environmental remediation firm. Mr. Cuny received his Bachelor of Science in Civil Engineering from Texas A&M University.

Mr. Cuny’s private project management experience includes the following:

NAME	LOCATION	DESCRIPTION
Harbor Heights	Rockwall, Texas	7-story 120,000 square foot office building
Sonoma Verde	McLendon Chisholm, Texas	550-acre mixed development
Fontanna Ranch	Rockwall, Texas	100-acre single-family residential development
The Harbor	Rockwall, Texas	60-acre mixed use development
Kingsbridge Tennis Center	Rockwall, Texas	33.3 USTA tennis club and office park
Horizon Ridge professional center	Rockwall, Texas	20-acre commercial office
Falcon Point	Rockwall County, Texas	328-acre single family subdivision
Equestrian Estates	Heath, Texas	130-acre single family subdivision
Terrabella	Heath, Texas	12-acre single family lake front subdivision
Wyndemere	Heath, Texas	90-acre single family subdivision
Hillcrest Shores	Rockwall, Texas	60-acre single family lake front subdivision
Eldorado	McKinney, Texas	1,000-acre mixed use, 18 hole golf course development
Harrington Homeplace	Plano, Texas	250-acre, residential/retail/ development

Mr. Cuny’s public project management experience includes the following:

NAME	LOCATION	DESCRIPTION
City of Rockwall	Rockwall, Texas	Harbor Infrastructure and Parking Garage
Texas A&M International University	Laredo, Texas	100,000 sq. ft. Fine Arts Complex
Texas A&M International University	Laredo, Texas	120,000 sq. ft. Student Center
Fort Worth Transit Authority	Fort Worth, Texas	Intermodal Transportation Center

Matt Adkins, PE, Director Engineering Services. Matt Adkins currently facilitates management of development in the District. Mr. Adkins began his career in the engineering industry in 2000. Mr. Adkins received a degree in civil engineering from the University of Texas at Arlington and specializes in roadway reconstruction and land development. Mr. Adkins currently serves a team leader and has held various leadership roles in the engineering industry prior to joining Teague Nall & Perkins, including as vice president at J. Volk Consulting, Inc.

History and Financing of the District

Property Acquisition and Acquisition Financing. The Developer acquired the 786 acres comprising the Development and located within the District in two separate transactions. The Developer purchased approximately 582 acres on March 28, 2013 at a purchase price of \$10,200,000, which was funded with cash and an acquisition loan (“Acquisition Loan #1”) in the amount of \$9,750,000 provided by City Bank. The Developer purchased approximately 204 acres at a purchase price of \$2,870,170 on June 4, 2013, which was funded with cash and an acquisition loan (“Acquisition Loan #2”) in the amount of \$2,419,824.86 provided by City Bank. As of November 1, 2024, Acquisition Loan #1 is outstanding in the amount of \$2,198,738.80 and Acquisition Loan #2 has been paid in full.

Acquisition Loan #1 bears interest at the Wall Street Journal Prime Rate, with an interest rate floor of 6.50% and a ceiling of 9.0%. Interest is payable monthly. Acquisition Loan #1 matures on May 23, 2026 and principal is payable at maturity. Acquisition Loan #1 is secured by all property in the District except lots in Tracts 1, 2, 3, 4, 5, 6, 7, 8, 9 and lots that have been sold to builders in the District.

Development Financing. The Developer acquired a loan in a principal amount up to \$16,250,000 on May 23, 2023 for the development of Tracts 12, 13, 18, and 19 in Improvement Area #3 (“IA #3 Development Loan #1”). Payments under IA #3 Development Loan #1 are interest only and to be made monthly, followed by a balloon payment of the outstanding balance and interest due on the maturity date, May 23, 2026. IA #3 Development Loan #1 bears interest at a rate per annum equal to the lesser of (a) the maximum lawful rate or (b) the prime rate, with a floor of 6.5% and a ceiling of 9% per annum. As of November 14, 2024, IA #3 Development Loan #1 has an outstanding balance of \$5,325,021.90. IA #3 Development Loan #1 is secured by Tracts 12, 13, 18, and 19 in Improvement Area #3, as well as the golf course.

The Developer acquired a loan in a principal amount up to \$13,735,000 on August 8, 2024 for the development of Tracts 10, 14, 15 in Improvement Area #3 (“IA #3 Development Loan #2,” and collectively with IA #3 Development Loan #1, the “IA #3 Development Loans”). Payments under IA #3 Development Loan #2 are interest only and to be made monthly, followed by a balloon payment of the outstanding balance and interest on the maturity date, August 8, 2027. IA #3 Development Loan #2 bears interest at a rate per annum equal to the lesser of (a) the maximum lawful rate or (b) the prime rate, with a floor of 7% and a ceiling of 9% per annum. As of November 14, 2024, IA #3 Development Loan #2 has an outstanding balance of \$6,377,368.05. IA #3 Development Loan #2 is secured by Tracts 10, 14, 15 in Improvement Area #3, as well as the golf course.

Randall Noe and Robert Whittle have each executed guaranties and pledges of their respective ownership interest in the Developer in support of the IA #3 Development Loans and Acquisition Loan #1. Additionally, Acquisition Loan #1, the IA #3 Development Loans, and any other loans that may be provided to the Developer by City Bank with respect to financing improvements within the Development are together subject to a Cross Collateralization and Cross Default Agreement dated June 4, 2013 (the “Cross Collateral/Cross Default Agreement”). The Cross Collateral/Cross Default Agreement provides that the collateral for each loan subject to such agreement secures payment of all such loans and that a default by the Developer under one or more of such loans shall constitute a default by the Developer under each such loan.

The following table summarizes the currently outstanding Developer loans secured by property in Improvement Area #3 of the District:

<u>Borrower</u>	<u>Lender</u>	<u>Outstanding Principal (as of 11/14/2024)</u>	<u>Payment and Additional Terms</u>	<u>District Property Securing Loan</u>
District Acquisition Loans				
Developer	City Bank (Acquisition Loan #1)	\$2,198,738.80	Matures May 23, 2026; Bears interest at Wall Street Journal Prime Rate, with an interest rate floor of 6.50% and a ceiling of 9.0% Interest only payments monthly, with balloon at maturity	<ul style="list-style-type: none"> 787.027 acre tract of land in the District (Save and except lots in Tracts 1, 2, 3, 4, 5, 6, 7, 8, 9)

IA #3 Development Loans				
Developer (IA #3 Development Loan #1)	City Bank (Tracts 12, 13, 18, 19)	\$5,325,021.90 ⁽¹⁾	Matures October May 23, 2026; Bears floor interest at 6.5% and ceiling interest at 9% Interest only payments monthly, with balloon at maturity	• Tracts 12, 13, 18, 19, and golf course land
Developer (IA #3 Development Loan #2)	City Bank (Tracts 10, 14, 15)	\$6,377,368.05	Matures August 8, 2027; Bears floor interest at 7% and ceiling interest at 9% Interest only payments monthly, with balloon at maturity	• Tracts 10, 14, 15, and golf course land
		<u>\$13,901,128.75</u>		

⁽¹⁾ The Developer has drawn \$16,023,688.89 of the available \$16,250,000.00 principal of IA #3 Development Loan #1, and has made principal payments of \$10,698,666.99.

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within Improvement Area #3 of the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes. Additionally, at or prior to delivery of the Bonds, City Bank shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing IA #3 Development Loans to the assessment liens on property within Improvement Area #3 of the District securing payment of the Assessments. As a result, the lien on the property within Improvement Area #3 of the District securing the Assessments will have priority over the liens on the property within Improvement Area #3 of the District securing the IA #3 Development Loans.

THE DISTRICT ADMINISTRATOR

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

The District has entered into an agreement with MuniCap, Inc. (the “District Administrator”) as the District Administrator for the District to provide specialized services related to the administration of the District needed to support the administration of the District. The District Administrator is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. The District Administrator currently acts as the administrator for over 275 special assessment and taxing districts in 26 states.

The District Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The MuniCap Agreement includes seven general types of services provided by the District Administrator: (i) administrative support services related to the Assessments, (ii) delinquency management, (iii) prepayment of Assessments, (iv) arbitrage rebate services, (v) continuing disclosure services, (vi) accounting and audit coordination, and (vii) IRS compliance monitoring.

APPRAISAL

The Appraisal

General. Peyco Southwest Realty, Inc. (the “Appraiser”) prepared an appraisal report for Improvement Area #3 of the District based on a physical inspection of the property conducted on May 24, 2023 (the “Appraisal”). The Appraisal was prepared at the request of the District. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to Improvement Area #3 of the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX E — Appraisal.”

Value Estimates. The Appraisal provides the fee simple estate values for Improvement Area #3 of the District. The Appraisal does not reflect the value of Improvement Area #3 of the District as if sold to a single purchaser in a single transaction.

The value estimate for the assessable property within Improvement Area #3 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of January 1, 2024, is \$58,858,000. **It is noted that the Appraisal assumes substantial completion of all lots in Improvement Area #3 as of January 1, 2024, the “Effective Date” of the Appraisal; however, it is not expected that all lots in Improvement Area #3 will be completed until 4Q 2024.** See “APPENDIX E — Appraisal.”

Extraordinary Assumptions and Hypothetical Conditions. The Appraisal is based upon a number of hypothetical conditions (factors that are known to be false but are presumed to be true for purposes of the appraisal), extraordinary assumptions (defined as assumptions, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions), ordinary assumptions, and certain limiting conditions. Such conditions and assumptions are described in the Appraisal. See “APPENDIX E — Appraisal.”

As a general matter, if the information supplied to the Appraiser is significantly different than the Appraiser’s assumption, the Appraiser’s results might be affected.

Value to Assessment Burden Ratio

The primary security for the Bonds will consist of Pledged Revenues (which, in turn, primarily consist of the Annual Installments of the Assessments). Subject to the extraordinary assumptions and hypothetical conditions stated therein, the Appraisal sets forth the estimated market value of the property subject to assessment within Improvement Area #3 of the District to be \$58,858,000. As noted above, the estimated aggregate market value of the property within Improvement Area #3 of the District assumes (among other matters) completion of the Improvement Area #3 Improvements, a portion of which will be financed with the proceeds of the Bonds. See “THE DEVELOPMENT.” When compared to the estimated market value of the assessable property in Improvement Area #3 of the District (\$58,858,000), the principal amount of the Bonds has an estimated value to assessment burden ratio of 3.41 to 1¹.

BONDHOLDERS’ RISKS

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

General

THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE DISTRICT DOES NOT HAVE THE POWER TO TAX. 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 ANY FUNDS OF THE DISTRICT OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY’S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE DISTRICT SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

THE CITY HAS NOT UNDERTAKEN TO REVIEW THIS LIMITED OFFERING MEMORANDUM OR ASSUMED ANY RESPONSIBILITY FOR THE MATTERS CONTAINED HEREIN. ALL FINDINGS AND

¹ Preliminary; subject to change.

DETERMINATIONS BY THE CITY ARE AND HAVE BEEN MADE FOR ITS OWN INTERNAL USES AND PURPOSES IN PERFORMING ITS DUTIES AND OBLIGATIONS UNDER THE DISTRICT LEGISLATION AND THE MASTER DEVELOPMENT AGREEMENT. NOTWITHSTANDING ITS APPROVAL OF THE BONDS FOR PURPOSES OF THE DISTRICT LEGISLATION AND THE MASTER DEVELOPMENT AGREEMENT, THE CITY DOES NOT ENDORSE OR IN ANY MANNER, DIRECTLY OR INDIRECTLY, GUARANTEE OR PROMISE TO PAY THE BONDS FROM ANY TAXES OR OTHER SOURCE OF FUNDS OF THE CITY OR GUARANTEE, WARRANT OR ENDORSE THE CREDITWORTHINESS OR CREDIT STANDING OF THE DISTRICT OR IN ANY MANNER GUARANTEE, WARRANT OR ENDORSE THE INVESTMENT QUALITY OR VALUE OF THE BONDS. THE BONDS ARE PAYABLE SOLELY AS DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM AND ARE NOT IN ANY MANNER PAYABLE WHOLLY OR PARTIALLY FROM ANY FUNDS OR PROPERTIES OTHERWISE BELONGING TO THE CITY.

The ability of the District to pay debt service on the Bonds as due is subject to various factors that are beyond the District's control. These factors include, among others, (a) the ability or willingness of property owners within Improvement Area #3 of the District to pay Assessments levied by the District, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within Improvement Area #3 of the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within Improvement Area #3 the District, it being understood that poor economic conditions within the District, State and region may slow the assumed pace of sales of such lots.

The rate of development of the property in Improvement Area #3 of the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within Improvement Area #3 of the District should proceed more slowly than expected and the Developer is unable to pay the Assessments, only the value of the lands, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the lands within Improvement Area #3 of 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 District or the District'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 District has not applied for or received a rating on the Bonds. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so.

Deemed Representations and Acknowledgment by Investors

Each Investor will be deemed to have acknowledged and represented to the District 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), 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.

Assessment Limitations

Annual Installments of Assessments are billed to property owners in Improvement Area #3 of the District. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as described under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year, interest and the Administrative Expenses for such year. See "ASSESSMENT PROCEDURES" herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may

also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Assessment payments in the future.

In order to pay debt service on the Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in Improvement Area #3 of the District, the District has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy” herein.

Upon an ad valorem tax lien foreclosure event of a property within Improvement Area #3 of the District, any lien securing an Assessment that is delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

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

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

Under Texas law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Order, no such homestead rights had been claimed. Furthermore, the Developer is not eligible to claim homestead rights and the Developer has represented that it owned all property within Improvement Area #3 of the District as of the date of the Assessment Order. 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 District.

Failure by owners of the parcels to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or inability of the District 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 District to make full or punctual payments of debt service on the Bonds.

THE ASSESSMENTS WILL 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 WILL BE PERSONAL OBLIGATIONS OF AND CHARGES AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA #3 OF THE DISTRICT.

Exceedance of Maximum Assessment Could Trigger Assessment Prepayment and Optional Redemption

The Service and Assessment Plan establishes a “Maximum Assessment Per Equivalent Unit” for Improvement Area #3 of the District. See “APPENDIX B — Form of Service and Assessment Plan.” If at any time the Assessment per Equivalent Unit on a Parcel exceeds the Maximum Assessment Per Equivalent Unit calculated in the Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessments and initiated by the owner of

the Parcel, then such owner shall pay to the District prior to the recordation of the document subdividing the Parcel the amount calculated by the District Administrator by which the Assessment per Equivalent Unit for the Parcel exceeds the Maximum Assessment Per Equivalent Unit calculated in this Service and Assessment Plan. See “ASSESSMENT PROCEDURES – Assessment Amounts – Maximum Assessment Per Equivalent Unit.”

No plat has been filed for lots in Tracts 10, 14, and 15 in Improvement Area #3. In the event that of any changes in land use, subdivision, consolidation or reallocation of the Assessments and initiated by the owner of the Parcel, a mandatory prepayment of the Assessments could be triggered at the time of filing of the plat. Any mandatory prepayment of the Assessments related to the exceedance of the Maximum Assessment Per Equivalent Unit may trigger an optional redemption of the Bonds by the District. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

Competition

The housing industry in the Dallas-Fort Worth area is very competitive, and none of the Developer, the District, the District’s Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will be completed in accordance with the Developer’s expectations. The competitive position of the Developer in the sale of developed lots or of any other homebuilder in the construction and sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District. There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise be able to compete with the Development. A sample of competitive projects near the Development is below.

Recent Changes in State Law Regarding Public Improvement Districts; Failure of Developer to Deliver Required Notice Pursuant to Texas Property Code May Affect Absorption Schedule and Provide for Prepayments Causing Partial Redemptions of Bonds

The 87th Legislature passed HB 1543, which became effective September 1, 2021, and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the intended purchaser is entitled to terminate the contract or purchase and sale. If the Developer or homebuilders within Improvement Area #3 of the District do not provide the required notice and prospective purchasers of property within Improvement Area #3 of the District terminate a purchase and sale contract, the anticipated absorption schedule may be affected. In addition to the right to terminate the purchase contract, a property owner who did not receive the required notice is entitled, after sale, to sue for damages for (i) all costs relative to the purchase, plus interest and reasonable attorney’s fees, or (ii) an amount not to exceed \$5,000, plus reasonable attorney’s fees. In a suit filed pursuant to clause (i), any damages awarded must go first to pay any outstanding liens on the property. In such an event, the outstanding Assessments on such property may be prepaid. In the event of such prepayment, a partial redemption of the Bonds could occur. See “DESCRIPTION OF THE BONDS – Redemption Provisions.” On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further however, if the Developer or homebuilders within Improvement Area #3 of the District do not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The form of notice to be provided to homebuyers is attached to the Service and Assessment Plan. See “APPENDIX B – Form of Service and Assessment Plan.”

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” below. There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development. A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. THE TIMELY PAYMENT OF THE BONDS DEPENDS UPON THE WILLINGNESS AND ABILITY OF THE DEVELOPER, THE BUILDER OWNERS (AS DEFINED HEREIN), 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 homebuilders is uncertain and may be affected by changes in national, regional and local and economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes 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.

Absorption Rate

There can be no assurance that the Developer will be able to achieve its anticipated absorption rates. Failure to achieve the absorption rate estimates will adversely affect the estimated value of the Development, could impair the economic viability of the Development and could reduce the ability or desire of property owners in Improvement Area #3 of the District to pay the Assessments.

Risks Related to Current Increase in Costs of Building Materials

There have been substantial increases in the cost of materials, causing many homebuilders and general contractors to experience budget overruns. If the construction costs associated with completing homes in Improvement Area #3 of the District are substantially higher than the estimated costs or if the homebuilders within Improvement Area #3 of the District are unable to access building materials in a timely manner, it may affect the ability of such homebuilders in Improvement Area #3 of the District to complete the construction of homes or pay the Assessments when due. There is no way to predict whether such cost increases or low supply of building materials will continue or if such continuance will affect the development of Improvement Area #3 of the District.

Bankruptcy

The payment of Assessments and the ability of the District 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 Improvement Area #3 of 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 Improvement Area #3 of the District and will likely do so in the future. Such entities could also impose assessment liens on the property within Improvement Area #3 of the District. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Assessments. See "OVERLAPPING TAXES AND DEBT."

Depletion of Reserve Account of the Reserve Fund

Failure of the owners of property within Improvement Area #3 of the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount

in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS — Reserve Fund” herein.

Hazardous Substances

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well-known and widely applicable of these laws. It is likely that, should any of the parcels of land located in Improvement Area #3 of the District be affected by a hazardous substance, the marketability and value of such parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within Improvement Area #3 of the District does not take into account the possible liability of the Developer for the remediation of a hazardous substance condition on the property in Improvement Area #3 of the District. The District has not independently verified, and is not aware, that the Developer has such a current liability with respect to its property; however, it is possible that such liabilities do currently exist and that the District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within Improvement Area #3 of the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. The actual occurrence of any of these possibilities could significantly negatively affect the value of a parcel that is realizable upon a foreclosure.

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

Exercise of Third Party Property Rights

As described herein under “THE DEVELOPMENT – Existing Mineral Rights, Easements and Other Third Party Property Rights,” there are certain Third Party Property Rights reservations located within the District and not owned by the Developer. There may also be additional mineral rights and related real property rights reflected in the chain of title for the real property within the District recorded in the real property records of Rockwall County.

The Developer does not expect the existence or exercise of any Third Party Property Rights, mineral rights or related real property rights in or around Improvement Area #3 of the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within Improvement Area #3 of the District to pay Assessments. However, none of the District, the Financial Advisor, or the Underwriter, provide any assurances as to such Developer expectations.

Regulation

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

Bondholders’ Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, the Trustee may, and upon the written request of at least 25% of the owners of the Bonds then Outstanding, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer

having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the District's obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on property within Improvement Area #3 of the District or sell property within Improvement Area #3 of 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 District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "BONDHOLDERS' RISKS — Bankruptcy Limitation to Bondholders' Rights" herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within Improvement Area #3 of the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the District 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.

The District 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 District's sovereign immunity from a suit for money damages in the absence of District action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the District 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 District 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).

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.

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 District. The District is authorized under Texas law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The District 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 District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District 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 District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under Texas law are obtained and (6) the plan is in the best interests of creditors and is feasible. The rights and remedies of the owners of the Bonds would be adjusted in accordance with the confirmed plan of adjustment of the District's debt. The District cannot predict a Bankruptcy Court's treatment of the Bondholders' creditor claim and whether a Bondholder would be repaid in full.

Loss of Tax Exemption

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

Tax-Exempt Status of the Bonds

As further described in "TAX MATTERS" below, failure of the District to comply with the requirements of the Internal Revenue Code of 1986 (the "Code") and the related legal authorities, or changes in the federal tax law or its application, could cause interest on the Bonds to be included in the gross income of owners of the Bonds for federal income tax purposes, possibly from the date of original issuance of the Bonds. Further, the opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. The IRS has an ongoing program of auditing obligations that are issued and sold as bearing tax-exempt interest to determine whether, in the view of the IRS, interest on such obligations is included in the gross income of the owners thereof for federal income tax purposes. The IRS has announced that its audit efforts will focus in part on "developer-driven bond transactions," including certain tax increment financings and certain assessment bond transactions. In recent audits, the IRS has asserted that interest on such "developer-driven" obligations can be taxable, in certain circumstances, even when those transactions otherwise meet all applicable tax law requirements. It cannot be predicted if this IRS focus could lead to an audit of the Bonds or what the result would be of any such audit. If an audit of the Bonds is commenced, under current procedures parties other than the District 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 District 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 District 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.

Management and Ownership

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

General Risks of Real Estate Investment and Development

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and

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

Furthermore, the operating revenues of the Developer may be materially adversely affected if specific conditions in the lot purchase contracts are not met. Contracts that the Developer may have with individual homebuilders are subject to a myriad of contractual conditions and contingencies, all or some of which if not complied with, could precipitate a termination or winding up of such contractual arrangement for the sale of lots, causing the Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the Development. As described herein, the Assessments are an imposition against the land only. Neither the Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein. Failure to meet any lot purchase contract's conditions may allow the applicable lot purchaser to terminate its obligation to purchase lots from the Developer and obtain its earnest money deposit back. See "THE DEVELOPMENT – Expected Build-Out of Single Family Lots in the Development" herein.

The Developer has the right to modify or change their 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 District and Developer, nor is there a requirement that future developers enter into such an agreement. There can be no assurance, in the event the Developer or subsequent developers modify or change plans 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 and homebuilders to develop lots and sell single-family residential homes within the District may be affected by unforeseen changes in the general economic conditions, fluctuations in the real estate market and other factors beyond the control of the owner of the single-family residential lots. In the event that a large number of single-family projects are constructed outside of the District, and compete with the Development, the demand for residential housing within the District could be reduced, thereby adversely affecting the continued development of the Development, or its attraction to businesses and residents.

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

A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. The timely payment of the Bonds depends on the willingness and ability of the Developer, its homebuilding affiliates 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 Improvement Area #3 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.

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 — Utility Services.”

Dependence Upon Developer and Builder Owners

Initial Dependence on the Developer and Builder Owners. The Developer, as the owner of land encompassing approximately 34 lots in Improvement Area #3, has the obligation for payment of 79.43% the Assessments, Beazer, as the owner of 8 lots, has the responsibility for 1.66% of the Assessments, Grand Homes, as the owner of 19 lots, has the responsibility for 4.66% of the Assessments, Partners in Building, as the owner of 15 lots, has the responsibility for 3.82% of the Assessments, Castlerock, as the owner of 20 lots, has the responsibility for 4.79% of the Assessments, K. Hovnanian, as the owner of 2 lots, has the responsibility for 0.40% of the Assessments, Altura, as the owner of 10 lots, has the responsibility for 2.37% of the Assessments, and Stonefield, as the owner of 12 lots, has the responsibility for 2.87% of the Assessments (Beazer, Grand, Partners, Castlerock, Altura, K. Hovnanian and Stonefield, the “Builder Owners”). The ability of the Developer and the Builder Owners to make full and timely payment of the Assessments will directly affect the ability of the District to meet its debt service obligations with respect to the Bonds. The only assets of the Developer are land within the District, related permits and development rights, and minor operating accounts. The source of funding for future land development activities and infrastructure construction to develop the lots proposed for the District also consists of proceeds of the Bonds and proceeds of lot sales, as well as possible bank financing and equity contributions by the Developer. There can be no assurances given as to the financial ability of the Developer to advance any funds to the District to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

Moreover, the District will pay the Developer, or the Developer’s designee, from proceeds of the Bonds for project costs actually incurred in developing and constructing the Improvement Area #3 Improvements within Improvement Area #3 of the District. See “THE IMPROVEMENT AREA #3 IMPROVEMENTS – General” and “THE DEVELOPMENT – Status of Development in Improvement Area #3.” There can be no assurances given as to the financial ability of the Developer to complete such improvements.

Neither the Developer nor the Builder Owners will guarantee or otherwise be obligated to pay debt service on the Bonds.

Chapter 11 Reorganization of Whittle Development and Mariah Bay Development. Whittle Development completed the retail portion of The Harbor in November of 2006 and consolidated the various construction loans in December of 2006 with one lender, Texans Commercial Capital, LLC (“Texans Commercial Capital”). As a condition of the loan, Whittle Development transferred the retail complex to Mariah Bay Leasing, a separate single asset corporation, and became the co-guarantor of the loan with Mariah Bay Development. By 2009, Texans Commercial Capital was failing and accelerated several of its commercial loans across the country, including the loan to Mariah Bay Leasing, citing a low appraised value. Because Whittle Development and Mariah Bay Development were guarantors of the Mariah Bay Leasing debt, Whittle Development and Mariah Bay Development jointly filed for Chapter 11 bankruptcy protection in October 2010 to avoid the threat of a “deficiency” by Mariah Bay Leasing. Upon filing, the only major creditor of Mariah Bay Leasing was Texans Commercial Capital. The plan of reorganization was filed jointly by Whittle Development and Mariah Bay Development, the federal receiver of the failing Texans Commercial Capital testified in favor of such reorganization plan, and the reorganization plan was confirmed by the bankruptcy court in August 2011. Both Whittle Development and Mariah Bay Development continue to operate and are active. There was no bankruptcy court oversight required after confirmation.

Cease and Desist Order from Texas State Securities Board. In April 2013, Robert Whittle, acting on behalf of the Whittle Development and Texas Investment & Trust Co. (collectively, the “Respondents”) placed a small (approximately 2 inch by 3 inch) advertisement soliciting potential investors for homebuilding interim construction loans, through the sale of promissory notes, in the two local publications, one of which was a free seniors activities publication in the City. No investments were actually received by Mr. Whittle in response to the advertisement, and, upon agreeing to an Emergency Cease and Desist Order from the State Securities Board notifying Mr. Whittle that the advertisement constituted a potential violation of state securities laws, Mr. Whittle immediately cancelled the advertisement after one printing thereof. The State Securities Board found that (i) the promissory notes were public securities and not registered and no permit had been granted for their sale in Texas, (ii) the Respondents were not registered with the Securities Commissioner as dealers or agents, and (iii) Respondents’ offer contained statements that were materially misleading by using the name Texas Investment & Trust Co. when such entity was not registered to conduct business in Texas, and did not disclose that Whittle Development was subject to an ongoing bankruptcy case. The Respondents entered into an Agreed Cease and Desist Order in July 2013. Neither the State Securities

Board nor any other entity or individual has taken any further legal action related to this matter, and the Developer does not expect this matter to have an adverse effect on the Development. The advertisement did not relate to the Development.

Potential Future Changes in State Law Regarding Public Improvement Districts

During 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. The 88th Legislative Session of the State (the “88th Regular Session”) concluded on May 29, 2023. When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor’s direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Upon conclusion of the 88th Regular Session, the Governor called four special sessions all of which have ended without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. It is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

Use of Appraisal

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

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

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.

Risk from Weather Events

All of the State, including the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, flooding, heavy rains, extreme heat 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 District, including land within the District.

100-Year Flood Plain

The 100-Year Flood Plain Portion (approximately 9.47 acres in Improvement Area #3 of the District) lies within an official FEMA 100-year flood plain, as shown on the current FEMA Insurance Rate Map No. 48397C0130L, dated September 26, 2008. The 100-Year Flood Plain Portion is expected to be used for open space and is not expected to contain residential development.

FEMA will from time to time revise its Flood Insurance Rate Maps. None of the District, 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 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may occur more often than assumed in creating the 100-year flood plain.

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the District will covenant (subject to provisions set forth in the Indenture) to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the District 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 District must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within Improvement Area #3 of the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See “OVERLAPPING TAXES AND DEBT.” Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

No Credit Rating

The District has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limited Secondary Market for the Bonds

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event an Owner thereof determines to solicit purchasers for the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Owners of the Bonds, depending on the progress of development of Improvement Area #3 of the District subject to the Assessments, existing real estate and financial market conditions and other factors.

TAX MATTERS

Opinion

Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes that for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. (See APPENDIX D – Form of Bond Counsel’s Opinion.)

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the District.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate dated the Date of Delivery pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel’s knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Original Issue Discount

Certain of the Bonds (the “Discount Bonds”) may be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity (“Bond Premium”). In general, under section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences Summary

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by section 884 of the Code.

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

Under section 6012 of the Code, owners 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 owner 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 of 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.

Changes in Law

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 or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

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 to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State, payable from the proceeds of the Pledged Revenues 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.

Winstead PC, Dallas, Texas, serves as Bond Counsel to the District. Locke Lord LLP serves as Underwriter's Counsel. The legal fees paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Legal Opinions

The District 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 District. The District 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 District under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS." A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX C — Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of this Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in this Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds" (except for the last paragraph thereof), "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the last paragraph under the subcaption "General" and the last sentence under the subcaption "Pledged Revenues"), "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT" (except for the captions – General Economic Information Regarding Rockwall County" and "- Historical Employment in Rockwall County"), "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings" (except for the last paragraph thereof), "LEGAL MATTERS — Legal Opinions," "CONTINUING DISCLOSURE— The District" (first paragraph only), "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "INVESTMENTS," and APPENDIX A and such firm is of the opinion that the information relating to the Bonds, the Bond Order, the Assessment Order 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 Assessment Order, the Bond Order, 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 District

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

Litigation — The Developer

At the time of delivery and payment for the Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Order, the Service and Assessment Plan, the Amended and Restated Capital Improvement Plan and Financial Plan, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”). Additionally, principals of the Developer and their affiliated entities have been and are parties to pending and threatened litigation related to their commercial and real estate development activities. Such litigation occurs in the ordinary course of business and is not expected to have a Material Adverse Effect.

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 District 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 District 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

While the Bonds are not subject to registration under the Securities Act, the District has determined that the Bonds are not suitable for investment by persons other than Approved Investors. Prospective investors should have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Bonds and should have the ability to bear the economic risks of such prospective investment, including a complete loss of such investment.

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

NO RATING

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

CONTINUING DISCLOSURE

The District

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

The District has agreed to update information and to provide notices of certain specified events only as provided in the District Disclosure Agreement. The District 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 District Disclosure Agreement. The District 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 District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the District Disclosure Agreement or from any statement made pursuant to the District Disclosure Agreement.

The District’s Compliance With Prior Undertakings Pursuant to the Rule

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

In connection with the Improvement Area #1 Bonds, while the District’s unaudited financial statements were filed as required by the District’s continuing disclosure undertaking, the District did not file final, audited financial statements of the District for Fiscal Year 2016 and Fiscal Year 2017 and did not file a notice of failure to file. Additionally, due to an administrative oversight, in its annual filings for Fiscal Year 2017 relating to the Improvement Area #1 Bonds, the District’s filings did not include certain complete information relating to the number of new homes completed in Improvement Area #1 during such Fiscal Year and the aggregate number of new homes completed within Improvement Area #1.

On November 16, 2021, the District filed the final, audited financial statements for Fiscal Year 2016 and Fiscal Year 2017 along with a notice of failure to timely file such information on EMMA.

In addition, in connection with the District’s continuing disclosure undertaking with respect to the Improvement Area #2 Bonds, the District was required to file unaudited financial statements by 12 months after the end of the District’s fiscal year if the District audited financial statements had not been filed by that time. For the Fiscal Year ended September 30, 2024, the District failed to file unaudited financial statements by the required September 30, 2024 deadline. The District filed a notice of failure to file such unaudited financial statements and the unaudited financial statements on October 24, 2024.

The Developer

The Developer, the District Administrator, and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the “Developer Disclosure Agreement”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Developer Disclosure Agreement, certain information regarding the Development and the Improvement Area #3 Improvements (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Developer Reports is set forth in “APPENDIX D-2 — FORM OF DEVELOPER DISCLOSURE AGREEMENT.” Under certain circumstances, the failure of the Developer or the District Administrator to comply with their respective obligations under the Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

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

The Developer's Compliance With Prior Undertakings

During the last five years, the Developer has complied in all material respects with their prior continuing disclosure undertakings except that certain quarterly reports filed with respect to the Improvement Area #2 Bonds failed to include information relating to average home sales prices of homes in Improvement Area #2 after such homes had been sold. On November 19, 2024, the Developer revised its previously filed quarterly report for Q3 2024 to include such information and is establishing procedures with the District Administrator and Dissemination Agent to ensure such information is included in future quarterly reports for Improvement Area #2.

UNDERWRITING

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act, 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 District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provide that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "NO RATING" above. In addition, the PID Act and various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits to the extent of their market value. No review by the District 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 District 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 District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors. Both Texas law and the District's investment policies are subject to change.

Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the District; (b) the broker or the depository institution selected by the District 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 District; (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 District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third-party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third-party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934

or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District 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 District 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 District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District 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 District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

INFORMATION RELATING TO THE TRUSTEE

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

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the District 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 District. 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.

INFORMATION RELATING TO THE FINANCIAL ADVISOR

Hilltop Securities Inc. is acting as Financial Advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not been engaged by the District to compile, create or interpret any information in this Limited Offering Memorandum. Any information contained in this Limited Offering Memorandum concerning the District, the City, the Developer, the Development, the Service and Assessment Plan, any other information and any information about outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not, be construed as a representation by Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the District or the District to review or audit any information in this Limited Offering Memorandum in accordance with accounting standards. No person is permitted to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to such completeness and accuracy. The Financial Advisor does not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial body. The participation of the Financial Advisor should not be seen as a recommendation to buy or sell the Bonds, and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

SOURCES OF INFORMATION

General

The information contained in this Limited Offering Memorandum has been obtained primarily from the District'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 District or the Developer described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Source of Certain Information

The information contained in this Limited Offering Memorandum relating to the description of the Improvement Area #3 Improvements generally and, in particular, the information included in the sections captioned "PLAN OF FINANCE — Improvement Area #3 Development Plan and Status of Development," "THE IMPROVEMENT AREA #3 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Developer, Whittle Development, Mariah Bay Development, Mariah Bay Leasing, the Improvement Area #3 Improvements and the Development), "LEGAL MATTERS — Litigation — The Developer" and "CONTINUING DISCLOSURE — The Developer" has been provided by the Developer. The Developer has reviewed this Limited Offering Memorandum and warrants and represents that such information does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the District and the Underwriter.

Experts

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

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by 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.

Updating of Limited Offering Memorandum

If, subsequent to the date of this Limited Offering Memorandum, the District 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 this Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to this Limited Offering Memorandum satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement this Limited Offering Memorandum will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers; in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District 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 DISTRICT 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 Board of Directors expects to authorize a Bond Order approving the form and content of this Preliminary Limited Offering Memorandum and authorize this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds.

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APPENDIX A

FORM OF INDENTURE

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INDENTURE OF TRUST

by and between

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1 (the “DISTRICT”)

AND

WILMINGTON TRUST, NATIONAL ASSOCIATION (the “TRUSTEE”)

Dated as of December 1, 2024

Securing

\$(PAR AMOUNT)

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)

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Exhibits

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INDENTURE OF TRUST

THIS INDENTURE, dated as of December 1, 2024, is by and between CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1 (the “District”), located in the corporate limits of the City of Heath, Texas (the “City”), and WILMINGTON TRUST, NATIONAL ASSOCIATION, duly organized, existing and authorized to accept and execute trusts of the character set forth herein, with an administrative office in Dallas, Texas, as trustee (together with its successors, the “Trustee”). Capitalized terms used in the preambles and recitals and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, the District was authorized in 2011 by the Texas Legislature pursuant to Chapter 3902, Texas Special District Local Laws Code (the “District Legislation”), pursuant to the authority provided in Sections 52 and 52-a, Article III, Texas Constitution, and Section 59, Article XVI, Texas Constitution; and

WHEREAS, the District was created as a municipal management district, and pursuant to Section 3902.106, Texas Special District Local Laws Code, the District has the powers provided by Chapter 372, Texas Local Government Code (the “PID Act”) to a municipality or county, including the ability to impose an assessment on property to pay for certain obligations related thereto pursuant to Sections 3902.158 and 3902.256 of the District Legislation; and

WHEREAS, on September 14, 2011, pursuant to Resolution No. 110914, the City appointed the initial directors to the Board of Directors of the District (the “Board of Directors”); and

WHEREAS, on August 30, 2013, after due notice, the Board of Directors approved the Master Development Agreement (as defined herein), which approval was ratified by the District on April 15, 2015 and subsequently approved a First Amendment to the Master Development Agreement on April 15, 2015 and a Second Amendment to the Master Development Agreement on September 25, 2015; and

WHEREAS, on April 15, 2015, the Board of Directors acknowledged receipt of a Request, in the form and manner required for a petition under Section 372.005 of the PID Act, from the owner of more than fifty percent of the appraised value of taxable real property liable for assessment within the District, to consider the advisability of the improvement projects and services described in the Request, and by resolution called a public hearing on the advisability of the improvement projects and services described in the Request and required by Section 372.009 of the PID Act; and

WHEREAS, on May 4, 2015, after due notice, the Board of Directors held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the Request as required by Section 372.009 of the PID Act, and the Board of Directors made the findings required by Section 372.009(b) of the PID Act, and by Resolution dated May 4, 2015, authorized, in accordance with its findings, the advisability of the improvement projects and services to be provided by the District; and

WHEREAS, on May 8, 2015, the District published notice of the findings by the Board of Directors of the advisability of the improvements and the levy of assessments, in the Rockwall County Herald-Banner, a newspaper of general circulation in the District; and

WHEREAS, no written protests of the advisability of the improvements, the nature of the improvements, the estimated costs of the improvements, and the method of assessment and apportionment of cost from any owners of record of property within the District were filed with the District within 20 days after May 8, 2015; and

WHEREAS, the District, after obtaining City approval, approved a Capital Improvement Plan and Financial Plan for the improvements, which provided that improvements would be financed and constructed in phases as development proceeded in the District; and

WHEREAS, the District subsequently (i) approved a Service and Assessment Plan; (ii) levied assessments on certain parcels within the District to finance the improvements that would serve Improvement Area #1 of development within the District, and (iii) after obtaining City approval, issued revenue bonds payable from such assessments to finance such Improvement Area #1 Improvements, all in conformity with the requirements of the PID Act and the District Legislation; and

WHEREAS, on April 23, 2018, the Board of Directors determined it was advisable to proceed with the financing of improvements to serve Improvement Area #2 of development within the District, and that the Improvement Area #2 Improvements are necessary to accomplish a public purpose of the District and comply with the Master Development Agreement; and

WHEREAS, on April 23, 2018, the Board of Directors adopted a resolution determining the total costs of the Improvement Area #2 Improvements, directing the filing of a proposed Improvement Area #2 Assessment Roll, authorizing the publication of notice of a public hearing to consider the levying of the Improvement Area #2 Assessments against the property within the District in a newspaper of general circulation in the District, and directing related action; and

WHEREAS, the Board of Directors, pursuant to Section 372.016(c) of the PID Act, mailed notice of the public hearing to consider the proposed Improvement Area #2 Assessment Roll and the Service and Assessment Plan and the levy of the Improvement Area #2 Assessments on such property in the District to the last known address of the owners of the property liable for the Improvement Area #2 Assessments; and

WHEREAS, pursuant to Section 372.016(b) of the PID Act, on April 25, 2018, notice of the public hearing was published in a newspaper of general circulation in the District to consider the proposed Improvement Area #2 Assessment Roll and the Service and Assessment Plan, and the levy of the Improvement Area #2 Assessments on property in the District that would be served by the Improvement Area #2 Improvements; and

WHEREAS, the Board of Directors convened the public hearing on May 7, 2018, and at such public hearing all persons who appeared, or requested to appear, in person, or by their attorney, were given the opportunity to comment on or contest the proposed Improvement Area #2 Assessment Roll and the Improvement Area #2 Assessments, and to offer testimony pertinent to any issue presented on the amount of the Improvement Area #2 Assessments, the allocation of

Costs, the purposes of the Improvement Area #2 Assessments, the special benefits of the Improvement Area #2 Assessments, and the penalties and interest on annual installments and on delinquent annual installments of the Improvement Area #2 Assessments; and

WHEREAS, at the public hearing referenced above, there were no written objections or evidence submitted to the District in opposition to the Service and Assessment Plan, the allocation of Costs of the Improvement Area #2 Improvements, the Improvement Area #2 Assessment Roll and the levy of the Improvement Area #2 Assessments; and

WHEREAS, on April 18, 2023, the Board of Directors determined it was advisable to proceed with the financing of improvements to serve Improvement Area #3 of development within the District, and that the Improvement Area #3 Improvements are necessary to accomplish a public purpose of the District and comply with the Master Development Agreement; and

WHEREAS, on April 18, 2023, the Board of Directors adopted a resolution determining the total costs of the Improvement Area #3 Improvements, directing the filing of a proposed Improvement Area #3 Assessment Roll, authorizing the publication of notice of a public hearing to consider the levying of the Improvement Area #3 Assessments against the property within the District in a newspaper of general circulation in the District, and directing related action; and

WHEREAS, the Board of Directors, pursuant to Section 372.016(c) of the PID Act, mailed notice of the public hearing to consider the proposed Improvement Area #3 Assessment Roll and the Service and Assessment Plan and the levy of the Improvement Area #3 Assessments on such property in the District to the last known address of the owners of the property liable for the Improvement Area #3 Assessments; and

WHEREAS, pursuant to Section 372.016(b) of the PID Act, on April 27, 2023 and April 28, 2023, notice of the public hearing was published in newspapers of general circulation in the District to consider the proposed Improvement Area #3 Assessment Roll and the Service and Assessment Plan, and the levy of the Improvement Area #3 Assessments on property in the District that would be served by the Improvement Area #3 Improvements; and

WHEREAS, the Board of Directors convened the public hearing on May 16, 2023, and at such public hearing all persons who appeared, or requested to appear, in person, or by their attorney, were given the opportunity to comment on or contest the proposed Improvement Area #3 Assessment Roll and the Improvement Area #3 Assessments, and to offer testimony pertinent to any issue presented on the amount of the Improvement Area #3 Assessments, the allocation of Costs, the purposes of the Improvement Area #3 Assessments, the special benefits of the Improvement Area #3 Assessments, and the penalties and interest on annual installments and on delinquent annual installments of the Improvement Area #3 Assessments; and

WHEREAS, at the public hearing referenced above, there were no written objections or evidence submitted to the District in opposition to the Service and Assessment Plan, the allocation of Costs of the Improvement Area #3 Improvements, the Improvement Area #3 Assessment Roll and the levy of the Improvement Area #3 Assessments; and

WHEREAS, the Board of Directors is authorized by the PID Act and the District Legislation to issue its revenue bonds payable from the Improvement Area #3 Assessments for

the purpose of (i) paying a portion of the Costs of the Improvement Area #3 Improvements, (ii) paying capitalized interest on the Bonds during the period of construction and acquisition of the Improvement Area #3 Improvements, (iii) funding a reserve fund for payment of principal and interest on such Bonds, (iv) funding the Additional Interest Reserve Account of the Reserve Fund, (v) paying a portion of the costs incidental to the organization of the District, if any, and (vi) paying costs of issuance; and

WHEREAS, on November 12, 2024 , after due notice, the City approved an Amended and Restated Capital Improvement Plan for the District as required by the Master Development Agreement; and

WHEREAS, the Board of Directors now desires to issue revenue bonds, in accordance with the PID Act, the District Legislation and the Master Development Agreement, such bonds to be entitled “Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project)” (the “Bonds”), such Bonds being payable solely from the Assessment Revenue 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; and

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds 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 District 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 as follows:

ARTICLE I DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.1 Definitions

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

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

“Additional Interest” means the up to 0.50% additional interest on the Assessments, if charged and collected, pursuant to this Indenture, Section 372.018 of the PID Act and the Service and Assessment Plan.

“Additional Interest Reserve Requirement” means an amount equal to [15]% of the Average Annual Debt Service. .

“Additional Obligations” means any bonds or obligations, including specifically any installment contracts, reimbursement agreements, temporary note or time warrants 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.

“Administrative Expenses” mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the District, (iii) computing, levying, billing and collecting Assessments or the installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the Creation Legislation, the PID Act and codes with respect to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (x) administering the construction of the Improvement Area #3 Improvements, and (xi) all of the types of costs described in (i) through (x) owed to the City that were incurred fulfilling obligations under the Creation Legislation, City ordinance, contractual agreements with the City or Developer or other applicable law. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of Administrative Expenses.

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

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

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

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of (i) the Assessment as shown on the Assessment Roll attached to the Service and Assessment Plan as Appendix H and related to the Bonds and the Improvement Area #3 Improvements; and (ii) the Additional Interest all as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update.

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

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

“Assessed Parcel” means each respective parcel of land located within Improvement Area #3 against which an Assessment is levied by the Assessment Order in accordance with the Service and Assessment Plan.

“Assessment Order” means, the assessment order passed and approved by the Board of Directors on May 16, 2023 that levied the Improvement Area #3 Assessments on the Improvement Area #3 Assessed Property.

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

“Assessment Roll” means the Improvement Area #3 Assessment Roll, attached as Appendix H to the Service and Assessment Plan or any other assessment roll for Improvement Area #3 in an amendment or supplement to the Service and Assessment Plan or in an Annual Service Plan Update, and related to the Bonds and the Improvement Area #3 Improvements, as updated, modified, or amended from time to time in accordance with the terms of the Service and Assessment Plan and the PID Act.

“Assessments” means the aggregate assessments shown on the Assessment Roll. The singular of such term means the assessment levied against an Assessed Parcel as shown on the Assessment Roll, subject to reallocation upon the subdivision of an Assessed Parcel or reduction according to the provisions of the Service and Assessment Plan and the PID Act.

“Authorized Denomination” means \$25,000 and any integral multiple of \$1,000 in excess thereof.

“Authorized Improvements” means those public improvements described in Appendix B of the Service and Assessment Plan and Section 372.003 of the PID Act, and Section 3902.151 of the District Legislation, constructed and installed in accordance with the Service and Assessment Plan or an Annual Service Plan Update.

“Average Annual Debt Service” means the average of the Annual Debt Service due on the Bonds through the final maturity date of any Outstanding Bonds, calculated as: total principal and interest due on the Bonds divided by the number of Bond Years Outstanding.

“Board of Directors” means the Board of Directors of the District.

“Bond” means any of the Bonds.

“Bond Counsel” means Winstead PC, Dallas, Texas or any other attorney or firm of attorneys designated by the District 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 Documents” means this Indenture, the Bond Order, the Bonds, and all other documents executed by the District relating to the Bonds.

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

“Bond Order” means an Order passed and approved by the Board of Directors on November 26, 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 District’s bonds authorized to be issued by Section 3.1 of this Indenture entitled “Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project)”.

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

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

“Certification for Payment” means a certificate, substantially in the form attached hereto as Exhibit C, executed by an engineer, construction manager or other person or entity acceptable to the District, as evidenced by the signature of a District Representative, specifying the amount of work performed and the cost thereof, presented to the Trustee to request funding for Costs from money on deposit in the Project Fund.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Closing Disbursement Request” means the certificate, substantially in the form attached hereto as Exhibit B or otherwise agreed to by the Developer, the Administrator, and the District Representative, as evidenced by the signature of a District Representative specifying the amounts to be disbursed for the costs of the Previously Constructed Improvements, the costs of creation of the District, if any, and the costs of issuance of the Bonds.

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

“Costs” means the costs of the Improvement Area #3 Improvements.

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

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

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

“Developer” means HGYC, LLC, a Texas limited liability company.

“Development” means that portion of the property in the District that has been or will be developed and subject to the levy of the Assessments.

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

“District Legislation” means Chapter 3902, Texas Special District Local Laws Code.

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

“District Representative” means the President or Vice President of the Board of Directors or any official or agent of the District authorized by the Board of Directors to undertake the action referenced herein.

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

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

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

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

“Improvement Area” has the meaning given to such term in the Service and Assessment Plan.

“Improvement Area #3” means Improvement Area #3 as depicted and described in Appendix A to the Service and Assessment Plan.

“Improvement Area #3 Assessed Property” means all Parcels within Improvement Area #3 other than Non-Benefitted Property.

“Improvement Area #3 Improvements” means the Authorized Improvements which only benefit Improvement Area #3 Assessed Property described in Section III.E of the Service and Assessment Plan, which includes a portion of Major Improvements benefitting and allocated to Improvement Area #3.

“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 District who, or each of whom: (i) is judged by the District, 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 District; (iii) does not have any substantial interest, direct or indirect, with or in the District, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Initial Bond” means the Initial Bond as set forth in Exhibit A to 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 1 and September 1 of each year, commencing September 1, 2025.

“Investment Securities” means those authorized investments described in the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended; and provided that investments are, at the time made, included in and authorized by the District's official investment policy as approved by the Board of Directors from time to time.

“Major Improvements” means the Authorized Improvements which will benefit all Assessed Parcels in the District as more particularly described in Section III.B of the Service and Assessment Plan.

“Master Development Agreement” means an agreement by and between the Developer, Heath Golf and Yacht Club, Inc., the City and the District effective August 30, 2013, as amended and supplemented to-date and as may be amended and supplemented pursuant to its terms 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.

“Non-Benefitted Property” means Parcels within the boundaries of the District that accrue no special benefit from the Improvement Area #3 Improvements. Property identified as Non-Benefitted Property at the time the Assessments (i) are imposed, or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Improvement Area #3 Assessed Property converted to Non-Benefitted Property, if the Assessments may not be reallocated pursuant to Section VI-B of the Service Assessment Plan, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI-C of the Service and Assessment Plan.

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

“Owner” 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 and Bonds are in book-entry-only form and held by DTC as securities depository in accordance with Section 3.11 herein.

“Parcel” means a property identified by either a tax map identification number assigned by the Rockwall Central Appraisal District or the Kaufman Central Appraisal District, as applicable, for real property tax purposes, by metes and bounds description, by lot and block number in a final subdivision plat recorded in the Official Public Records of Rockwall County or Kaufman County, or by any other means determined by the District.

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

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

“PID Act” means Texas Local Government Code, Chapter 372, Improvement Districts in Municipalities and Counties, Subchapter A, Public Improvement Districts, as amended.

“Pledged Funds” means 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 herein.

“Pledged Revenues” means the sum of (i) Assessment Revenue less the Administrative Expenses, and (ii) the moneys held in any of the Pledged Funds.

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

“Previously Constructed Improvements” means Improvement Area #3 Improvements whose commensurate construction costs have been paid by the Developer, and which have been completed at the closing of the Bonds.

“Project Fund” means the fund established pursuant to Section 6.1 and administered pursuant to Section 6.5 herein.

“Purchaser” means the initial purchaser of the Bonds.

“Qualified Institutional Buyer” has the meaning given to such term under Rule 144A promulgated by the SEC under the Securities Act.

“Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the Regulations (as such term is defined in Article VII of this Indenture).

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

“Record Date” means the close of business on the fifteenth calendar (whether or not a Business Day) 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 herein.

“Redemption Prices” means, when used with respect to any Bond or portion thereof, the redemption prices shown in Section 4.3 of this Indenture.

“Refunding Bonds” means Additional Obligations issued to refund any Bonds.

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

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

“Reserve Account Requirement” means \$[_____] which is less than or equivalent to: (i) the Maximum Annual Debt Service on the Bonds as of the date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of the date of issuance, or (iii) 10% of the proceeds (per section 148 of the Code) of the Bonds; provided, however, that such amount shall be reduced by the amount of any transfers made pursuant to subsection (c) of Section 6.7; and provided further that as a result of an optional redemption pursuant to Section 4.3, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds redeemed by such optional redemption divided by the total principal amount of the Outstanding Bonds prior to such redemption.

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

“Revenues” means the revenues received by the District from the collection of Assessments and Annual Installments for the Assessed Parcels.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Service and Assessment Plan” means the Amended and Restated Service and Assessment Plan, including the Assessment Roll, approved by the Board of Directors of the District on November 26, 2024, as updated and amended from time to time.

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

“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.

“Supplemental Indenture” means an indenture which has been duly executed by the District Representative pursuant to a resolution passed and approved by the Board of Directors and which indenture amends or supplements this Indenture, but only if and to the extent that such indenture is specifically authorized hereunder.

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

“Trust Estate” means the Trust Estate described in Section 2.1 of this Indenture.

“Trustee” means Wilmington Trust, National Association, duly organized, existing and authorized to accept and execute trusts of the character set forth herein, with an administrative office in 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.

“Unrestricted Amount” means \$[_____].

Section 1.2 Findings.

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

Section 1.3 Table of Contents, Titles and Headings.

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

Section 1.4 Interpretation.

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

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

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

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

ARTICLE II THE BONDS

Section 2.1 Granting Clauses.

(a) In order to secure the payment of debt service on all Bonds, and the performance and observance by the District of all the covenants expressed or implied herein, the District does hereby grant to the Trustee, as good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, a security interest in, mortgage, create a first lien on, and pledge to the Trustee, all of its right, title, and interest, whether now owned or hereafter acquired, in, to, and under the following (the "Trust Estate"):

(i) All Pledged Revenues and all moneys and investments held in the Pledged Funds, including any contract or any evidence of indebtedness related thereto or other rights of the District to receive any of such moneys or investments, whether now existing or hereafter coming into existence, and whether now or hereafter acquired; and

(ii) 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 District 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.

(b) The Trustee shall have and hold the Trust Estate, whether now owned or hereafter acquired or received by the Trustee and its successors or assigns, in trust upon the terms and trusts herein set forth for the benefit of all present and future Owners of the Bonds from time to time issued under and secured by this Indenture, and for enforcement of the payment of the Bonds 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 District or its assigns shall well and truly pay, or cause to be paid, the principal or redemption price of and the interest on all the Bonds at the times and in the manner stated in the Bonds, 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 shall remain in full force and effect.

(c) Except as otherwise provided in the remaining provisions of this Indenture, nothing in this Section 2.1 shall prohibit the Trustee from bringing any actions or proceedings for the enforcement of the obligation of the District hereunder except that nothing in this Section shall prejudice the rights of the Trustee under Articles IX and XI hereof; provided further that the priority of payment and the source for the repayment of the debt service on the Bonds shall be subject to the terms as set forth herein, including without limitation Article VI herein; provided further that the right to direct remedies following an Event of Default shall be limited to the Owners of the Bonds to the extent provided as set forth in Articles XI and XV herein.

(d) The Bonds are to be issued, registered, authenticated, and delivered, and the Trust Estate is to be held, dealt with and disposed of by the Trustee, upon and subject to the terms, covenants, conditions, uses, agreements and trusts set forth in this Indenture.

Section 2.2 Security for the Bonds.

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

The lien on and pledge of the Pledged Revenues 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 Pledged Revenues, the filing of this Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the District under this Indenture, and such pledge is therefore valid, effective and perfected from and after the Closing Date. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the District under this Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 2.3 Limited Obligations.

The Bonds are special and limited obligations of the District, 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 District.

Section 2.4 Authorization for Indenture.

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

Section 2.5 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 and to prescribe the rights of the Owners, and the rights and duties of the District and the Trustee.

(b) In consideration of the purchase and acceptance of any or all of the Bonds 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 District with the Owners, and shall be deemed to be and shall constitute a contract among the District, 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 of Texas, including particularly the PID Act and the District Legislation, as amended. The Bonds shall be issued in the aggregate principal amount of \$[PAR AMOUNT] for the purpose of (i) paying a portion of the Costs of the Improvement Area #3 Improvements, (ii) paying capitalized interest on the Bonds during the period of construction and acquisition of the Improvement Area #3 Improvements, (iii) funding a reserve fund for payment of principal of and interest on Bonds, (iv) funding the Additional Interest Reserve Account of the Reserve Fund, (v) paying the costs incidental to the organization and creation of the District, if any, and (vi) paying certain costs of issuance of the Bonds.

Section 3.2 Date, Denomination, Maturities, Interest.

(a) The Bonds shall be dated December 1, 2024 (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 Closing 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 1 and September 1 of each year, commencing September 1, 2025, and computed on the basis of a 360-day year of twelve 30-day months.

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

- \$ _____ % Term Bond, Due on September 1, 20__
- \$ _____ % Term Bond, Due on September 1, 20__
- \$ _____ % Term Bond, Due on September 1, 20__
- \$ _____ % Term Bond, Due on September 1, 20__

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

Section 3.3 Conditions Precedent to Delivery of Bonds.

The Bonds shall be executed by the District 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 District, but only upon delivery to the Trustee of:

- (a) a certified copy of the Assessment Order;
- (b) a certified copy of the Bond Order;
- (c) a copy of this Indenture executed by the Trustee and the District; and
- (d) a District 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 District.

Section 3.4 Medium, Method and Place of Payment.

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

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

(c) Interest on the Bonds 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 Owner as such appears in the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

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

(e) If the date for the payment of the principal of or interest on the Bonds is other than a Business Day, the date for such payment shall be the next succeeding Business Day, 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 to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for two (2) years after the applicable payment or redemption date shall be applied to the next payment or payments on such Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the District to be used for any lawful purpose. Thereafter, none of the District, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any Owners 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 of Texas.

Section 3.5 Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the District by the President or Vice President of the Board of Directors and attested to by the Secretary or any Assistant Secretary of the District, each by their manual or facsimile signatures, and the official seal of the District 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 District had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the District 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 of Public Accounts of the State of Texas, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas, is a valid and binding obligation of the District, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(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 President or Vice President of the Board of Directors and attested by the Secretary or Assistant Secretary of the Board of Directors, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Trustee shall cancel the Initial Bond and deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.6 Ownership.

(a) The District, 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 relevant Record Date) and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Trustee, nor the Paying Agent/Registrar, shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of any Bond shall be valid and effectual and shall discharge the liability of the District, 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 District 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 file and maintain a copy of the Register with the District, 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.

(d) The Trustee is hereby authorized to authenticate and deliver Bonds transferred or exchanged for other Bonds 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 District 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 District 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 District 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 Paying Agent/Registrar

shall dispose of cancelled Bonds 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 District may execute and, upon the District's request, the Trustee shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized 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 District 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 District, 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 therefore a Bond or Bonds of the same maturity and series, in definitive form, in an 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 District 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 of Texas 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 District 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 District 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 District 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 District, 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 District 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.

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 District 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.

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

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

In the event that the District determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the District to DTC, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities 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 District 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 are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI, on the dates and in the respective sinking fund installments as set forth in the following schedule:

\$ _____ Term Bond, Maturing on September 1, 20__

Redemption Dates (September 1)	Sinking Fund Installments
20__	\$ _____
20__	
20__	

\$ _____ Term Bond, Maturing on September 1, 20__

Redemption Dates (September 1)	Sinking Fund Installments
20__	\$ _____
20__	
20__	

At least forty-five (45) days prior to each sinking fund redemption date, the Trustee shall select a principal amount of Bonds of such maturity equal to the Sinking Fund Installment amount of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.6.

(b) The principal amount of Bonds of a Stated Maturity 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 District, by the principal amount of any Bonds of such Stated Maturity which, at least 45 days prior to the sinking fund redemption date shall have been acquired by the District at a price not exceeding the principal amount of such Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

(c) The principal amount of Bonds of a Stated Maturity 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 Bonds of such Stated Maturity which, at least 45 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the optional redemption, extraordinary optional redemption or extraordinary mandatory redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3 Optional Redemption.

The District reserves the right and option to redeem Bonds maturing on or after September 1, 20__ before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20__, such redemption date or dates to be fixed by the District, at a redemption price equal to par plus accrued interest to the date fixed for redemption (the "Redemption Price").

Section 4.4 Extraordinary Redemption.

(a) Extraordinary Optional Redemption. The District reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date specified in a District Certificate, at 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments transferred to the Redemption Fund pursuant to Section 6.3(d) (including related transfers to the Redemption Fund as provided in Section 6.7(c)) and transfers to the Redemption Fund made pursuant to Article VI hereof.

(b) Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption before their respective scheduled maturity dates, in whole or in part, on any date specified in a District Certificate at a redemption price equal to 100% of the aggregate principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption to the extent that moneys are transferred to the Redemption Fund as a result of unexpended amounts in the Project Fund as provided in Section 6.5(d) hereof.

Section 4.5 Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.2, Section 4.3, or Section 4.4, Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral thereof. Each Bond shall be treated as representing the number of bonds that is obtained by dividing the principal amount of the Bonds by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time.

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

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

(d) If less than all of the Bonds are called for extraordinary optional redemption pursuant to Section 4.4 hereof, the Bonds or portion of a Bond, as applicable, to be redeemed shall be selected on a pro rata basis among all Outstanding Bonds.

(e) 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 and in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

Section 4.6 Notice of Redemption to Owners.

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

(b) The notice shall state the redemption date, the Redemption Price or the amount of Bonds to be redeemed plus accrued interest to the date thereof, as applicable, 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 hereof, 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 District 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.

(e) 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 District 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 District 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.

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 District and shall use such funds solely for the purpose of paying (i) the Redemption Price on the Bonds being optionally redeemed or (ii) the principal amount plus accrued interest thereon of the Bonds being extraordinarily 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 or principal amount plus accrued interest thereon, as applicable, 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 and premium, if any, 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 Exhibit A to this Indenture with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Indenture, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the District 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 of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 5.2 CUSIP Registration.

The District may secure identification numbers through CUSIP Global Services, managed by S&P Global Market Intelligence, on behalf of the American Bankers Association, 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 neither the District, nor the Trustee, nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 5.3 Legal Opinion.

The approving legal opinion of Winstead PC, Bond Counsel, may be printed on or attached to each Bond over the certification of the President or Vice President of the District, 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; and
- (vii) Administrative Fund.

(b) Creation of Accounts.

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

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

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

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

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

- (A) Improvement Area #3 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 and Account created within such Fund shall be maintained by the Trustee separate and apart from all other funds and accounts of the District. 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.

(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 Capitalized Interest Account of the Bond Fund: \$_____;
- (ii) to the Reserve Account of the Reserve Fund: \$_____;
- (iii) to the Additional Interest Reserve Account of the Reserve Fund: \$_____;
- (iv) to the Costs of Issuance Account of the Project Fund: \$_____;
- (v) to the Improvement Area #3 Improvement Account of the Project Fund: \$_____; and
- (vi) to the Administrative Fund: \$_____.

Section 6.3 Pledged Revenue Fund.

(a) Upon receipt thereof, while the Bonds are Outstanding and beginning with the first year in which Assessments are being collected, the District shall transfer to the Trustee the Pledged Revenues for deposit into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the District shall transfer or cause to be transferred Assessment Revenue with the Trustee as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service, including Sinking Fund Installments, on the Bonds 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 the Additional Interest Reserve Account, amounts equal to the Additional Interest, when and if collected, in an amount sufficient to allow the funds on deposit therein to equal to the Additional Interest Reserve Requirement, (iv) fourth, to pay other costs of the Improvement

Area #3 Improvements to the applicable Improvement Area #3 Improvement Account of the Project Fund, and (v) fifth, to pay other costs permitted or authorized by the PID Act.

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

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

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

(e) Notwithstanding Section 6.3(a) hereof, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account of the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second to the Redemption Fund.

(f) After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Account of the Reserve Fund or the Additional Interest Reserve Account, the Trustee, at the written direction of the District, may apply any Pledged Revenues remaining for any lawful purpose for which Assessments may be used 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, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account, as provided below.

(b) If amounts in the Principal and Interest Account are insufficient for the purposes set forth in paragraph (a) above, the Trustee shall withdraw from the Reserve Fund, as provided in Section 6.7(f) herein, 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) Moneys in the Capitalized Interest Account shall be used for the payment of interest on the Bonds on the following dates and in the following amounts:

Date	Amount (\$)
September 1, 2025	

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Improvement Area #3 Improvement Account of the Project Fund, or if the Improvement Area #3 Improvement Account of the Project Fund has been closed as provided herein, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Section 6.5 Project Fund.

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

(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 the instructions on the memorandum to be issued (the "Closing Memorandum") as of the Closing Date. Disbursements from the Improvement Area #3 Improvement Account of the Project Fund to pay Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Closing Disbursement Request (attached hereto as Exhibit B) or Certification for Payment (attached hereto as Exhibit C). Each properly executed and completed Certification for Payment shall set forth the amount of the Costs to be paid from the Improvement Area #3 Improvement Account of the Project Fund.

(c) If the District Representative determines in his or her sole discretion that amounts then on deposit in the Improvement Area #3 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 the Improvement Area #3 Improvements such that, in the opinion of the District Representative, it is unlikely that the amounts in the Improvement Area #3 Improvement Account of the Project Fund will ever be expended for the purposes of the Improvement Area #3 Improvement Account of the Project Fund, the District Representative shall file a District Order, approved in writing by the City, with the Trustee which identifies the amounts then on deposit in the Improvement Area #3 Improvement Account of the Project Fund that are not expected to be used for purposes of the Improvement Area #3 Improvement Account of the Project Fund. If such District Order is so filed, the amounts on deposit in the Improvement Area #3 Improvement Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with this Indenture.

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

(e) Upon the filing of a District Order stating that all Improvement Area #3 Improvements have been completed and that all Costs allocable to the Assessed Parcels have been paid, or that any such Costs are not required to be paid from the Improvement Area #3 Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Project Fund to the Bond Fund or the Redemption Fund, as directed by a District Order filed with the Trustee, and the Project Fund shall be closed.

(f) Upon a determination by the District Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Improvement Area #3 Improvement Account of the Project Fund and used to pay Costs or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the District in a District Order filed with the Trustee, and the Costs of Issuance Account shall be closed.

(g) The aggregate amount of funds that the Trustee may disburse from the Improvement Area #3 Improvement Account of the Project Fund shall not exceed the Unrestricted Amount except and until the Release Restriction (as defined below) has been satisfied. The Trustee may make disbursements from the Improvement Area #3 Improvement Account of the Project Fund that exceed the Unrestricted Amount only when the Developer provides written certification to the Trustee, the Administrator, and the District in a Certification for Payment in the form attached hereto that the Release Restriction has been satisfied. The first Certification for Payment that requests funds in excess of the Unrestricted Amount from the Improvement Area #3 Improvement Account of the Project Fund and which evidences satisfaction of the Release Restriction shall be submitted to the District, the Trustee, and the Administrator for review and confirmation. Moneys may be disbursed from the Improvement Area #3 Improvement Account of the Project Fund in excess of the Unrestricted Amount only if the improvements identified on Exhibit D and Exhibit E to the Master Development Agreement have been completed and accepted by the City (the "*Release Restriction*"). The District may not approve a Certification for Payment from the Improvement Area #3 Improvement Account of the Project Fund for any amounts that exceed the Unrestricted Amount until the Release Restriction has been satisfied.

Section 6.6 Redemption Fund.

The Trustee shall cause to be deposited to the Redemption Fund from the Bond Pledged Revenue Account of the Pledged Revenue Fund an amount sufficient to redeem Bonds 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 District agrees with the Owners of the Bonds, to accumulate, and when accumulated, maintain in the Reserve Account of the Reserve Fund an amount equal to not less than the Reserve Account Requirement. All amounts deposited in the Reserve Account of the

Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund as provided in this Indenture.

The Additional Interest Reserve shall initially be funded from proceeds of the Bonds in an amount equal to the Additional Interest Reserve Requirement. When the amount in the Additional Interest Reserve Account is less than 50% of the Additional Interest Reserve Requirement, Additional Interest shall be again collected and deposited to the Additional Interest Reserve Account pursuant to Section 6.3 herein until such time that the amount on deposit in the Additional Interest Reserve Account is equal to the Additional Interest Reserve Requirement. When and if the Additional Interest is collected, the Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 of each year, commencing on the first March 1 after such Additional Interest is collected or collection of Additional Interest has resumed, an amount equal to the Additional Interest..

(b) Whenever a transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund as provided in subsection (f) of this Section 6.7, the Trustee shall provide written notice thereof to the District, specifying the amount withdrawn and the source of said funds.

(c) Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, a proportionate amount in the Reserve Account of the Reserve Fund, as directed by the District Representative, shall be transferred on the Business Day prior to the redemption date by the Trustee to the Redemption Fund to be applied to the redemption of Bonds. The amount so transferred from the Reserve Account of the Reserve Fund shall be equal to a percentage of the amount of the Bonds redeemed with such percentage equal to the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund, as a percentage of the Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Additional Interest Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

(d) Whenever, on any Interest Payment Date, or on any other date at the written request of a District Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the District 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 on the next Interest Payment Date in accordance with Section 6.4 hereof, unless within thirty (30) days of such notice to the District Representative, the Trustee receives a District Order instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof or (ii) to the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date of this Indenture if the excess is proceeds of the Bonds.

(e) Whenever, on any Interest Payment Date, or on any other date, at the written request of the District Representative, the amount in the Additional Interest Reserve Account exceeds the Additional Interest Reserve Requirement, the Trustee shall provide written notice to the District of the amount of the excess. The amount of such excess on deposit in the Additional Interest Reserve Account shall be transferred by the Trustee to the Redemption Fund to redeem Bonds as provided in Article IV. The Trustee shall determine the value of cash and investments on deposit in the Additional Interest Reserve Account as of September 30 of each year. So long as no Event of Default under this Indenture shall have occurred and be continuing, if as of the date of such determination the value of cash and investments on deposit in the Additional Interest Reserve Account exceeds the Additional Interest Reserve Requirement for the Bonds, the Trustee shall transfer such excess at the written direction of the District.

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

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

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

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

(j) A committee of not less than 51% of the Owners may request a meeting with the Administrator to discuss the District's actions in pursuing the payment of any Assessment delinquencies in the event that (i) on or after March 1 in any year, based on Assessment revenues collected on such date and the available money on deposit in the various funds and accounts under this Indenture, money in the Reserve Account will be required to be used to pay all or a portion of the principal or interest payments to be made on the Bonds during such year, or (ii) in any year, the aggregate amount of delinquent payments of Assessments is more than five percent (5%) of aggregate amount of Assessments due in such year.

Section 6.8 Rebate Fund; Rebate Amount.

(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.

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

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

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

Section 6.9 Administrative Fund.

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

(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 District Order solely for the purposes set forth in the Service and Assessment Plan.

(c) The District may draw monies from the Administrative Fund to pay organization, administrative, maintenance and operation expenses of the District and the other Administrative Expenses (as defined in the Service and Assessment Plan) (including the costs of issuing the Bonds) by delivery to the Trustee of a District Order or other written disbursement request. The Trustee shall deposit into the Administrative Fund all amounts required to be transferred to such Administrative Fund from the Pledged Revenue Fund pursuant to Section 6.3 hereof. Such amounts shall be applied by the District to pay Administrative Expenses as they become due.

Fees or charges incurred by the District payable to the Trustee in satisfaction of the District liability to the Trustee for the services described herein shall be paid from the Administrative Fund. Other Administrative Expenses shall be paid from the Administrative Fund upon receipt by the Trustee of a District Order or other written disbursement request.

Section 6.10 Investment of Funds.

(a) Money in any Fund established pursuant to this Indenture shall be invested by the Trustee as directed by the District pursuant to a District Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of September 30. In the absence of a District Order filed with the Trustee, the Trustee shall have no responsibility to invest or reinvest money in any Fund established pursuant to this Indenture. For

purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investments 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 are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default. In the absence of investment instructions from the District, the Trustee shall hold monies held by it uninvested and shall have no obligation to invest or reinvest such monies.

(b) Obligations purchased as an investment of moneys in any Fund shall be deemed to be part of such Fund or Account, subject, however, to the requirements of 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 District to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall have no responsibility or any liability for losses (including depreciation) arising from any investments or sale of investments made pursuant to this Indenture. The Trustee shall not be required to determine the suitability or legality of any investments. The District acknowledges that the Trustee is not providing investment supervision, recommendations, or advice.

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

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

Section 6.11 Security of Funds.

All Funds 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 District hereby confirms, covenants, and agrees that, in the Assessment Order, it has levied the Assessments against the respective Assessed Parcels 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 are Outstanding, the District covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments.

(b) The District will determine or cause to be determined, no later than March 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the District 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 District shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel.

Section 7.3 Against Encumbrances.

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

(b) So long as Bonds are Outstanding hereunder, the District shall not issue any bonds, notes or other evidences of indebtedness other than the 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.

Section 7.4 Records; Accounts; Accounting Reports.

The District hereby covenants and agrees that so long as any of the Bonds are Outstanding or any interest thereon remains outstanding and unpaid, 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 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 District by the Trustee or duly authorized representative, as

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

Section 7.5 Covenants to Maintain Tax-Exempt Status.

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

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

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

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

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

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

“Yield” of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and (2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

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

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

(i) Not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

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

(d) No Private Loan.

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

(ii) The District covenants and agrees that the levied Assessments will meet the requirements of the “tax assessment loan exception” within the meaning of Section 1.141-5(d) of the Regulations on the date the Bonds are delivered and will ensure that the Assessments continue to meet such requirements for so long as the Bonds are Outstanding hereunder.

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

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

(g) Information Report. The District shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary of the Treasury may prescribe.

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

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

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

(iii) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall, pursuant to a District Order, direct the Trustee to transfer to the Rebate Fund from the funds or subaccounts designated in such District Order and direct the Trustee to pay to the United States from the Rebate Fund the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

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

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

(j) Elections. The District hereby directs and authorizes the President and Vice President of the Board of Directors, or the Administrator, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

ARTICLE VIII LIABILITY OF DISTRICT

The District shall not incur any responsibility in respect of the Bonds or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The District 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 District 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, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District 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 District and conforming to the requirements of this Indenture. The District 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.

Neither the Owners nor any other Person shall have any claim against the District or any of its officers, officials, agents, or employees for damages suffered as a result of the District'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 District, in accordance with the Bond Documents, the District Legislation and the PID Act. Any such claim shall be payable only from Pledged Revenues or the Administrative Expenses. 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 District 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 by mandamus or other proceeding at law or in equity.

The District 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 District 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 District 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 District, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector or Administrator or other person designated by the Board of Directors to so act on behalf of the District, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

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

ARTICLE IX THE TRUSTEE

Section 9.1 Trustee as Paying Agent/Registrar

The Trustee accepts and agrees to execute the respective trusts imposed by this Indenture but only upon the terms set forth in this Article IX. The Trustee is hereby designated and agrees to act as Registrar and Paying Agent for and in respect to the Bonds.

Section 9.2 Trustee Entitled to Indemnity

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified, to the extent permitted by law, to its satisfaction, in its sole and absolute discretion, 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 gross negligence or willful misconduct; provided however in no event shall the Trustee request or require indemnification as a condition for making any deposits, payments, or transfers when required hereunder or to deliver any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or exercise any such rights and powers, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

THE DISTRICT, JOINTLY AND SEVERALLY, HEREBY DEFENDS, RELEASES AND INDEMNIFIES THE TRUSTEE AND ITS DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS (COLLECTIVELY, THE "INDEMNIFIED PARTIES"), AND HOLDS THE INDEMNIFIED PARTIES HARMLESS FROM ANY AND AGAINST ALL LIABILITIES, LOSSES, ACTIONS, SUITS OR PROCEEDINGS AT LAW OR IN EQUITY, AND ANY OTHER EXPENSES, FEES OR CHARGES OF ANY CHARACTER OR NATURE, (INCLUDING, WITHOUT LIMITATION, ATTORNEY'S FEES AND EXPENSES AND THE COSTS OF ENFORCEMENT OF THIS INDENTURE OR ANY PROVISION THEREOF), WHICH AN INDEMNIFIED PARTY MAY INCUR OR WITH WHICH AN INDEMNIFIED PARTY MAY BE THREATENED BY REASON OF ACTING AS OR ON BEHALF OF THE TRUSTEE UNDER THIS INDENTURE, EXCEPT TO THE EXTENT THE SAME SHALL HAVE BEEN FINALLY ADJUDICATED BY A COURT OF COMPETENT JURISDICTION TO HAVE BEEN DIRECTLY CAUSED BY THE TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE TERMS OF THIS INDEMNITY SHALL SURVIVE THE TERMINATION OF THIS INDENTURE OR THE EARLIER RESIGNATION OR REMOVAL OF THE TRUSTEE.

Section 9.3 Responsibilities of the Trustee.

(a) The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the District and the Trustee assumes no responsibility for and undertakes no duty to verify the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Bonds 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 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 money paid to the District or others in accordance with this Indenture, except as to the application of any money paid to it in its capacity as Trustee; or (iv) any calculation of arbitrage or rebate under the Code.

(b) The Trustee, prior to the occurrence of an Event of Default (hereinafter defined) with respect to the Bonds and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically and expressly set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee (it being agreed that the permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and, with respect to such permissive rights, the Trustee shall not be answerable for other than its gross negligence or willful misconduct). These duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except in connection with its performance of such duties). If an Event of Default has occurred and is continuing (of which the Trustee has been notified in writing, or of which the Trustee is deemed to have notice), the Trustee shall exercise 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 such person's own affairs.

(c) The Trustee may not be relieved from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of the previous paragraph of this Section;

(ii) the Trustee shall not be liable for any action taken, or error of judgment made in good faith by it or any one of its responsible officers, employees or agents unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall be entitled to request and receive written direction and shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to this Indenture, or in accordance with the exercising of any trust or power conferred upon it pursuant to this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(d) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for such losses, damages or expenses which have been finally adjudicated by a court of competent jurisdiction to have directly resulted from the Trustee's own gross negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, punitive, special or consequential loss or damages whatsoever (including, but not limited to, loss of profit) in connection with or arising from this Indenture, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(e) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any acts or omissions of any such attorney or agent appointed with due care.

(f) With the exception of an Event of Default described in Section 11.1(iii) hereof, 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 shall be notified specifically of the default or Event of Default in a written instrument or document delivered to a responsible officer of the Trustee by the District. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default.

(g) 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 District, or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all Persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other Person.

(h) In the event that any assets held hereunder shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting such assets, the Trustee is hereby expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Trustee obeys or complies with any such writ, order or decree it shall not be liable to any of the parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

(i) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

(j) The Trustee is hereby directed by the District to take such actions as directed in writing by the Owners pursuant to the continuing disclosure agreements related to the Bonds.

Every provision of this Indenture that in any way relates to the Trustee is subject to this Section. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the District.

Section 9.4 Property Held in Trust.

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

Section 9.5 Trustee Protected in Relying on Certain Documents.

The Trustee may request, conclusively rely on and shall incur no liability and shall be fully protected in acting or refraining from acting upon any order, judgment, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond, debenture, note, other evidence of indebtedness, e-mail, electronic transmission, resolution, direction, opinion, report or other document or instrument provided to the Trustee in accordance with the terms of this Indenture that it shall reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant, or other professionals retained or consulted by the Trustee, believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or

may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a District Certificate or written opinion of the District's counsel, provided to the Trustee by the District and at the District's expense, unless other evidence in respect thereof be hereby specifically prescribed. Such District Certificate or opinion of the District's counsel shall be full warrant for any action taken or not taken by the Trustee 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 District to the Trustee shall be sufficiently executed if executed in the name of the District by the District Representative.

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

Section 9.6 Compensation.

Unless otherwise provided by contract with the Trustee, the Trustee shall transfer from the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by specific agreement, and the Trustee shall have a first lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Outstanding. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds and adequate indemnity against such risk or liability is not reasonably assured to it. If the District shall fail to make any payment required by this Section, the Trustee may make such payment from any money in its possession under the provisions of this Indenture (with the exception of the Rebate Fund) and shall be entitled to a preference therefor over any Bonds Outstanding hereunder. The terms of this paragraph shall survive termination of this Indenture and/or the earlier resignation or removal of the Trustee.

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 and may join in any action that any Owner of Bonds 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 District or any committee formed to protect the rights of holders of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the holders of a majority of the Bonds.

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 thirty (30) days' notice, specifying the date when such resignation shall take effect, to the District and each Owner of any Outstanding Bond. Such resignation shall take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor. In the event that a successor Trustee has not been approved within thirty (30) days of such notice, the Trustee has the right to seek appointment of a successor Trustee from a court of competent jurisdiction and shall be reimbursed for its costs and expenses (including reasonable attorneys' fees, costs and expenses).

Section 9.9 Removal of Trustee.

The Trustee may be removed at any time on thirty (30) days' advance written notice to the Trustee by (i) the Owners of at least a majority of the aggregate Outstanding principal of the Bonds 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 District, or (ii) so long as the District is not in default under this Indenture, the District. Copies of each such instrument shall be delivered by the District 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 District or the Owners of not less than 10% of the aggregate Outstanding principal of the Bonds.

Section 9.10 Successor Trustee.

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.

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least twenty-five percent (25%) of the aggregate Outstanding principal of the Bonds 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 District.

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

If in a proper case no appointment of a successor Trustee shall be made within thirty (30) days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds 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 District shall be responsible for the costs of such appointment process.

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

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

The Trustee shall not be responsible or liable for the acts or omissions of any successor trustee, nor shall it be responsible or liable for any costs of appointment or transition of such successor trustee.

Section 9.11 Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the District an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all money, 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 District or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and, upon the receipt of payment of any outstanding charges, shall pay over, assign, and deliver to such successor any money or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the District be required by such successor for more fully and certainly vesting in and confirming to it any such money, 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 District.

Section 9.12 Merger, Conversion or Consolidation of Trustee.

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

Section 9.13 Trustee To File Continuation Statements.

If necessary, and after receipt of copies of the originally filed financing statements, if any, the Trustee may file or cause to be filed, such continuation statements as may be required by the Texas Uniform Commercial Code, as from time to time in effect (the “UCC”), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. The Trustee shall have no responsibility or liability (i) in connection with the acts or omissions of the District in respect of the foregoing or (ii) for or with respect to the legality, validity and enforceability of any security interest created in the Trust Estate or the perfection and priority of such security interest.

Section 9.14 Trustee Representations.

(a) Certificate of Interested Parties Form 1295. The Trustee represents and warrants that it is exempt from the requirement to file a Certificate of Interested Parties Form 1295 prescribed under Section 2252.908 of the Texas Government Code.

Section 9.15 Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds.

ARTICLE X MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1 Amendments Permitted.

This Indenture and the rights and obligations of the District and of the Owners of the Bonds 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, or with the written consent without a meeting, of the Owners of the Bonds of at least fifty one percent (51%) of the aggregate principal amount of the Bonds then Outstanding and District approval of such modification or amendment. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by Applicable Laws or this Indenture), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent. All fees, costs and expenses (including reasonable attorneys' fees, costs and expenses) incurred in connection with any amendment, modification or supplement shall be payable by the District.

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

- (i) to add to the covenants and agreements of the District 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 District;

- (ii) to make modifications not adversely affecting any Outstanding Bonds 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 District 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;

- (iv) to authorize a series of Refunding Bonds, and, in connection therewith, to specify and determine the matters and things referred to in this Indenture and also any other matters and things relative to such Refunding Bonds which are not in conflict with this Indenture as theretofore in effect, or to amend, modify, or rescind any such authorization, specification, or determination at any time prior to the first delivery of such Refunding Bonds; and

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

Before the District and the Trustee may enter into any amendment to this Indenture, there must be delivered to the Trustee and the District an opinion of Bond Counsel stating that such amendment (i) is authorized or permitted under this Indenture and the Applicable Laws, (ii) complies with their respective terms, (iii) will, upon execution and delivery thereof, be valid and

binding on the District in accordance with its terms, and (iv) will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, to the extent such Bonds are issued on a tax-exempt basis.

Section 10.2 Owners' Meetings.

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

Section 10.3 Procedure for Amendment with Written Consent of Owners.

The District and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 10.1 herein, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Trustee to each Owner of Bonds from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.6 herein. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the District 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 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 District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 10.4 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 District and all Owners of Bonds 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 10.5 Endorsement or Replacement of Bonds Issued After Amendments.

The District may determine that Bonds 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 District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the designated office of the Trustee or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District 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 then Outstanding, such new Bonds shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 10.6 Amendatory Endorsement of Bonds.

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

Section 10.7 Waiver of Default.

With the written consent of at least fifty one percent (51%) in aggregate principal amount of the Bonds then Outstanding, the Owners may waive compliance by the District 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 10.8 Effect of Amendment.

Notwithstanding anything contained herein, no modification or amendment of this Indenture or any Supplemental Indenture shall be effective without the prior written consent of the City.

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 District to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;

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

(iii) The failure to make payment of principal of or interest on the Bonds when the same becomes due and payable, and such failure is not remedied within 30 days thereafter; and

(iv) Default in the performance or observance of any covenant, agreement or obligation of the District under this Indenture and the continuation thereof for a period of 60 days after written notice to the District by the Trustee, or by the Owners of at least 51% of the aggregate Outstanding principal amount of the Bonds with a copy to the Trustee, specifying such default by the Owners of at least 51% of the Bonds at the time Outstanding requesting that the failure be remedied.

Section 11.2 Immediate Remedies for Events of Default.

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Trustee, upon the written direction of Owners of at least 51% of the aggregate principal amount of the Bonds then Outstanding, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the District may be sought or shall be permitted.

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

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

not be liable to any Owner, or other Person, or the District by reason of such selection, liquidation or sale.

(d) Whenever moneys are to be applied pursuant to this Article XI, irrespective of and whether other remedies authorized under this Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the District, 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 District shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

Section 11.3 Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in Section 9.2 herein, (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 a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds 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 at and after the maturity thereof, or on the date fixed for redemption or the obligation of the District to pay each Bond 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.

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

Section 11.4 Application of Revenues and Other Moneys After Event of 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 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, the Trustee, on behalf of the District, notwithstanding Section 11.2 hereof, be applied by the Trustee to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

FIRST: To the payment to the Owners of Bonds 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, or Redemption Price or the amount to be redeemed plus accrued interest to the date thereof, as applicable, of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the Owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners of the Bonds 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 that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of this Indenture.

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

Section 11.5 Effect of Waiver.

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

Section 11.6 Evidence of Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds 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 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 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 and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

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

Section 11.7 No Acceleration.

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

Section 11.8 Mailing of Notice.

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

Section 11.9 Exclusion of Bonds.

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

ARTICLE XII
GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1 Representations as to Pledged Revenues.

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

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

(c) The District 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 to the fullest extent permitted by the PID Act and other Applicable Laws.

(d) To the extent permitted by law, notice of the Annual Installments shall be sent by, or on behalf of the District, to the affected property owners on the same statement or such other mechanism that is used by the City or other taxing unit with territory within the boundaries of the District to collect ad valorem taxes, 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 or other taxing unit with territory within the boundaries of the District.

Section 12.2 Accounts; Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and accounts (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 District, and the Owner or Owners of not less than 10%

in principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

Section 12.3 General.

The District 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 District under the provisions of this Indenture.

ARTICLE XIII SPECIAL COVENANTS

Section 13.1 Further Assurances; Due Performance.

(a) At any and all times the District 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 District will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

Section 13.2 Other Obligations or Other Liens; Additional Obligations.

(a) The District reserves the right, subject to the provisions contained in this Indenture, to issue Additional Obligations under other indentures, assessment orders, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

(b) Other than Refunding Bonds issued to refund all or a portion of the Bonds, the District will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and, will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of this Indenture or the priority thereof 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 Pledged Revenues or Pledged Funds; provided, however, that nothing in this Indenture shall require the District 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 Bond Counsel or counsel to the Trustee, the same would endanger the security for the Bonds.

(c) Notwithstanding any contrary provisions of this Indenture, the District shall not issue additional bonds, notes, or obligations under this Indenture secured by any pledge of or other lien or charges on the Pledged Revenues or other property of the Trust Estate pledged

under this Indenture other than Refunding Bonds. The District reserves the right to issue Refunding Bonds, the proceeds of which would be utilized to refund all or any portion of the Outstanding Bonds or Outstanding Refunding Bonds and to pay all costs incident to the Refunding Bonds, as authorized by the laws of the State.

Section 13.3 Books of Record.

The District shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the District, which relate to the Pledged Revenues, the Pledged Funds, and the Bonds.

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

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 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 District 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, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the District to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the District copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds has been paid so that the District may determine if this Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the District.

Section 14.3 Bonds Deemed Paid.

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice

of redemption on said date as provided herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or Stated Maturity thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the District verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or Stated Maturity thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. 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 and shall not be part of the Trust Estate. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the District maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

ARTICLE XV MISCELLANEOUS

Section 15.1 Benefits of Indenture Limited to Parties.

Except as provided in Section 15.10 hereof, nothing in this Indenture, expressed or implied, is intended to give to any Person other than the District, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Except as provided in Section 15.10 hereof, any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the District 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 supersede 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 District 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 District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

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

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

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

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number, and date of holding the same shall be proved by the Register. Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

Section 15.4 Waiver of Personal Liability.

No member, officer, agent, or employee of the District shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; 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 District and Trustee.

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

If to the District:

Club Municipal Management District No. 1
500 Winstead Building
2728 N. Harwood Street
Dallas, Texas 75201
Attn: Ross S. Martin

If to the Trustee
or the Paying Agent/Registrar:

Wilmington Trust, National Association
15950 North Dallas Parkway
Suite 200
Dallas, Texas 75248
Attn: Parker Merritt

If to the City:

City of Heath
200 Lawrence Drive
Heath, Texas 75032
Attn: City Manager

Any such notice, demand, or request may also be transmitted to the appropriate party by telegram or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

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

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

(c) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the District shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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 District 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 pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

Section 15.7 Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas. With respect to this Indenture and any conflicts arising therefrom, and with the exception of the District's right to claim governmental immunity which is not waived hereby, the parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal district or state district court with jurisdiction in Rockwall County, Texas, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party. Each of the parties hereto hereby waives the right to trial by jury with respect to any litigation directly or indirectly arising out of, under, or in connection with this Indenture.

Section 15.8 Payment on Business Day.

In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds 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 City a Third Party Beneficiary.

The City is a third party beneficiary of this Indenture and may enforce any right, remedy, or claim hereunder as if a party hereto.

Section 15.11 Statutory Verifications.

The Trustee makes the following representation and verifications to enable the District to comply with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Indenture. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Indenture shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Indenture, notwithstanding anything in this Indenture to the contrary.

(a) Not a Sanctioned Company. The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation

excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(b) No Boycott of Israel. 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. 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 Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Indenture. 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 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. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

Section 15.12 Amendment of Master Development Agreement.

The District, the Developer and the City may amend the Master Development Agreement from time to time without the consent or approval of the Owners or the Trustee.

[Signature page follows]

IN WITNESS WHEREOF, the District and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CLUB MUNICIPAL MANAGEMENT DISTRICT
NO. 1

By: _____
President, Club Municipal Management
District No. 1

Attest:

Secretary, Club Municipal Management
District No. 1

[DISTRICT SEAL]

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

*Signature Page to Indenture of Trust
relating to
CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)*

EXHIBIT A

(a) Form of Bond

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

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America,
State of Texas
CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)

<u>INTEREST</u> <u>RATE</u> % _____	<u>MATURITY</u> <u>DATE</u> _____	<u>DATE OF</u> <u>DELIVERY</u> _____	<u>CUSIP</u> <u>NUMBER</u> _____
---	---	--	--

Club Municipal Management District No. 1 (the "District"), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 1 and September 1 of each year, commencing September 1, 2025, until maturity or prior redemption.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the “Designated Payment/Transfer Office”), of Wilmington Trust, National Association, as trustee and paying agent/registrar (the “Trustee”, which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the “Record Date,” which shall be the fifteenth 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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is not a Business Day, 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 District 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 \$[PAR AMOUNT] and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of December 1, 2024 (the “Indenture”), by and between the District 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 District, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Costs of the Improvement Area #3 Improvements, (ii) paying capitalized interest on the Bonds during the period of construction and acquisition of the Improvement Area #3 Bonds, (iii) funding a reserve fund for payment of principal and interest on Bonds, (iv) funding the Additional Interest Reserve Account of the Reserve Fund; (v) paying the costs incidental to the organization and creation of the District, if any, and (vi) paying the costs of issuing the Bonds. The Bonds are limited obligations of the District payable solely from the Trust Estate (as defined in the Indenture). Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the District, the Trustee and the Owners.

The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

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

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$25,000 and any multiple of \$1,000 in excess thereof.

The Bonds are subject to sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Redemption Fund pursuant to Article VI of the Indenture, on the dates and in the principal amounts as set forth in the following schedule:

At least forty-five (45) days prior to each sinking fund redemption date, the Trustee shall select a principal amount of Bonds of such maturity equal to the Sinking Fund Installment amount of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in Section 4.6 of the Indenture.

The principal amount of Bonds of a Stated Maturity required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the District, by the principal amount of any Bonds of such maturity which, at least 45 days prior to the sinking fund redemption date shall have been acquired by the District 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 45 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the optional redemption, extraordinary optional redemption, or extraordinary mandatory redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

The District reserves the right and option to redeem Bonds before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20__, such redemption date or dates to be fixed by the District, at a redemption price equal to par plus accrued interest to the date fixed for redemption (the "Redemption Price").

The District reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date specified in a District Certificate, at 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued

and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments transferred to the Redemption Fund pursuant to the Indenture.

The Bonds are subject to extraordinary mandatory redemption before their respective scheduled maturity dates, in whole or in part, on any date specified in a District Certificate at a redemption price equal to 100% of the aggregate principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption to the extent that moneys are transferred to the Redemption Fund as a result of unexpended amounts in the Project Fund as provided in 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 portion thereof to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the Redemption Price or the amount of Bonds to be redeemed plus accrued interest to the date thereof, as applicable, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the District 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 District with certain past defaults under the Bond Order 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 District 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 District, 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 District nor the Trustee shall be affected by notice to the contrary.

The District has reserved the right to issue Additional Obligations on the terms and conditions specified in the Indenture.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF HEATH, TEXAS, ROCKWALL COUNTY, TEXAS OR THE STATE OF TEXAS, OR ANY OTHER 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 District, including the Bonds, does not exceed any Constitutional or statutory limitation.

[SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, the Board of Directors of the District has caused this Bond to be executed under the official seal of the District.

President, Club Municipal Management District No.
1

Secretary, Club Municipal Management
District No. 1

[District 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.

DATED: _____

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee

By:
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

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

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

Date: _____

Signature Guaranteed By:

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

Authorized Signatory

(e) The Initial Bond shall be in the form set forth in paragraphs (a), (b) and (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 principal amount of the Initial Bond shall be listed at \$[PAR AMOUNT];

(iii) in the first paragraph of the Bond, the words “on the Maturity Date specified above” shall be deleted and the following will be inserted: “on September 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
--------------	-------------------------------	-----------------------

[*Term Bond]

(Information to be inserted from Section 3.2(c) hereof);

(iv) in the first line of the fifth paragraph after the words “This Bond is”, the word “one” shall be deleted and the words “the initial Bond” shall be inserted; and

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

EXHIBIT B

CLOSING DISBURSEMENT REQUEST

The undersigned is an authorized agent of HGYC, LLC, a Texas limited liability company (the “Developer”) and requests payment from the [Improvement Area #3 Improvement Account of the Project Fund, as defined in the Indenture of Trust, dated as of December 1, 2024 (the “Indenture”) between the Club Municipal Management District No. 1 (the “District”) and Wilmington Trust, National Association, Dallas, Texas (the “Trustee”), in the amount of _____ DOLLARS (\$) for the acquisition of Previously Constructed Improvements (as defined in the Indenture) and other costs incurred in the establishment, administration, and operation of the Club Municipal Management District No. 1. Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture.

In connection to the above referenced payment, the Developer represents and warrants to the District as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.

2. The payment requested for the below referenced Previously Constructed Improvements have not been the subject of any prior payment request submitted to the District or, if previously requested, no disbursement was made with respect thereto.

3. Construction of the Previously Constructed Improvements is complete. The amount listed for the Previously Constructed Improvements below is a true and accurate representation of the costs associated with the acquisition of the Previously Constructed Improvements, and such costs are in compliance with the Service and Assessment Plan.

4. The payment requested for the below referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds have not been the subject of any prior payment request submitted to the District or, if previously requested, no disbursement was made with respect thereto.

5. The amount listed for the below costs is a true and accurate representation of the costs associated with the establishment, administration and operation of the District at the time of the delivery of the Bonds, and such costs are in compliance with the Service and Assessment Plan.

Closing Costs	Cost	PID Allocated Cost
TOTAL		

6. The Developer is in compliance with the terms and provisions of the Indenture, the Master Development Agreement (as defined in the Indenture), and the Service and Assessment Plan.

7. All conditions set forth in the Indenture for the payment hereby requested have been satisfied.

8. The Developer agrees to cooperate with the District in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the District to complete said review.

9. Attached hereto is a bills paid affidavit with respect to the applicable Previously Constructed Improvements evidencing that contractors and subcontractors have been paid in full.

10. Attached hereto are invoices, receipts and other evidence of costs with respect to the applicable Previously Constructed Improvements sufficient in detail to allow the District to verify the costs.

Payments requested hereunder shall be made as directed below:

- a. X amount to Developer or Account Y for Z goods or services.
- b. Etc.

As an authorized agent, I hereby declare that the above representations and warranties are true and correct.

HGYC, LLC

By: _____
Name: _____
Title: _____

APPROVED:

**CLUB MUNICIPAL MANAGEMENT
DISTRICT NO. 1**

By: _____
Name: _____
Title: _____

CC: City of Heath, Texas

EXHIBIT C

CERTIFICATION FOR PAYMENT FORM - IMPROVEMENT AREA #3 PROJECT

The undersigned is an authorized agent of HGYC, LLC, a Texas limited liability company (the “Developer”) and requests payment from the Improvement Area #3 Improvement Account of the Project Fund (as defined in the Indenture of Trust dated as of December 1, 2024 (the “Indenture”) entered into by the Club Municipal Management District No. 1 (the “District”) and Wilmington Trust, National Association (the “Trustee”), in the amount of \$_____ for labor, materials, fees, and/or other general costs related to the creation, acquisition, or construction of certain Improvement Area #3 Improvements related to the Club Municipal Management District No. 1. Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture.

In connection to the above referenced payment, the Developer represents and warrants to the District as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certification for Payment Form on behalf of the Developer, and is knowledgeable as to the matters set forth herein.

2. The payment requested for the below referenced Improvement Area #3 Improvements has not been the subject of any prior payment request submitted for the same work to the District or, if previously requested, no disbursement was made with respect thereto.

3. Construction of the Improvement Area #3 Improvements for which payment is requested herein is complete. The amount listed for the Improvement Area #3 Improvements below is a true and accurate representation of the costs associated with the creation, acquisition, or construction of said Improvement Area #3 Improvement(s), and such costs are consistent with the Service and Assessment Plan.

4. The Developer is in compliance with the terms and provisions of the Indenture, the Master Development Agreement, and the Service and Assessment Plan.

5. All conditions set forth in the Indenture and in the Master Development Agreement for the payment hereby requested have been satisfied.

6. The work with respect to the Improvement Area #3 Improvements (or completed segments thereof) for which payment is requested herein has been completed and the District or City may begin inspection of the Improvement Area #3 Improvement(s).

7. The Developer agrees to cooperate with the District and the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the District and the City to complete said review.

8. [If the Certification for Payment is for the final payment of costs of an Improvement Area #3 Improvement, the following are to be included:

a) The Construction Manager has provided to the City an assignment of all applicable warranties and guaranties with respect to the Improvement Area #3 Improvements.

b) The total Actual Costs of the Improvement Area #3 Improvements is \$_____.

c) [The City Construction Representative has conducted its review to confirm that the Improvement Area #3 Improvements were constructed in accordance with the plans and specifications therefor and has verified the total Actual Cost of the Improvement Area #3 Improvements specified herein.]

9. [No payments shall be made that cause the aggregate amount of payments, when taking into account all amounts previously paid from the Improvement Area #3 Improvement Account of the Project Fund (as defined in the Indenture), to exceed _____ DOLLARS AND 00/100 (\$_____) (the "Unrestricted Amount"), until a "Release Restriction" as defined in and required by Section 6.5(g) of the Indenture has been met. The Developer confirms that the amounts requested under this Certification for Payment when taking into account all payments previously made from the Improvement Area #3 Improvement Account of the Project Fund shall not cause disbursements from the Improvement Area #3 Improvement Account of the Project Fund to exceed the Unrestricted Amount prior to the satisfaction of the Release Restriction.]

Payments requested are as follows:

- a. X amount to Developer or Account Y for Z goods or services.
- b. Etc.

Attached hereto, are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments.

After receiving this Payment Request, the District and the City are authorized to inspect the Improvement Area #3 Improvement (or completed segment) and confirm that said work has been completed in accordance with all applicable governmental laws, rules, and Plans.

Attached hereto are true and correct copies of bills paid affidavits evidencing that any contractor or subcontractor having performed work on an Improvement Area #3 Improvement for which the requested payment relates has been paid in full for all work completed.

I hereby declare that the above representations and warranties are true and correct.

HGYC, LLC

By: _____

Name: _____

Title: _____

APPROVED:

[INSPECTOR]

**CLUB MUNICIPAL MANAGEMENT
DISTRICT NO. 1**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: District Representative

CITY OF HEATH, TEXAS

By: _____
Name: _____
Title: City Construction Representative

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APPENDIX B
FORM OF SERVICE AND ASSESSMENT PLAN

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CLUB MUNICIPAL MANAGEMENT DISTRICT No. 1

HEATH GOLF AND YACHT CLUB DEVELOPMENT

SERVICE AND ASSESSMENT PLAN

NOVEMBER 26, 2024

As updated for Improvement Area #2 Assessments on May 7, 2018, and Improvement Area #2 Bonds on November 30, 2021, updated for Improvement Area #3 Assessments on May 16, 2023, and updated for Improvement Area #3 Bonds on November 26, 2024.

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

CLUB MUNICIPAL MANAGEMENT DISTRICT No. 1

SERVICE AND ASSESSMENT PLAN

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I. PLAN DESCRIPTION AND DEFINED TERMS

A. INTRODUCTION

The 82nd Texas Legislature passed House Bill 3859 approving and authorizing the creation of Club Municipal Management District No. 1 (the “District”) to finance the costs of certain public improvements for the benefit of property in the District, all of which is located within the corporate boundaries of the City of Heath (the “City”).

The property within the District is proposed to be developed in phases, and the District will finance improvements for each phase as each phase is developed. Assessments will be imposed for each phase for the public improvements to be provided for that phase. Major Improvement Assessments will be assessed on property utilizing such improvements.

Upon application of the current property owners, the property within the District was zoned by Ordinance No. 070118 (the “Planned Development District Ordinance”) adopted by the City on January 18, 2007, and subsequently amended by Ordinance 120515A in May 2012 and the property that was zoned on November 26, 2013, by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition. The Planned Development District Ordinance designates the type of land uses that are permitted within the project and includes development standards for each land use type.

The public improvements are anticipated to be financed through bonds to be issued under Chapter 3902, Texas Special District Local Laws Code (the “Creation Legislation”) and Chapter 372 of the Texas Local Government Code, “Improvement Districts in Municipalities and Counties” (as amended, the “PID Act”), which governs the operation of public improvement districts within the State of Texas. This Service and Assessment Plan (“the “SAP” or the “Plan”) has been prepared pursuant to Sections 372.013, 372.014, 372.015 and 372.016 of the PID Act. According to Section 372.013 of the PID Act, a service plan “must cover a period of at least five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements.” The service plan is described in Section V of this Service and Assessment Plan. Section 372.014 of the PID Act states that “an assessment plan must be included in the annual service plan.” The assessment plan is described in Section IV.

Section 372.015 of the PID Act states that “the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district.” The method of assessing the costs of the Authorized Improvements to the property within the District is included in Section IV of this Service and Assessment Plan.

Section 372.016 of the PID Act states that “after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter.” The Improvement Area #1 Assessment Roll is attached hereto as Appendix F, the Improvement Area #2 Assessment Roll is attached hereto as Appendix G, and the Improvement Area #3 Assessment

Roll is attached hereto as Appendix H of this Plan. The Assessments as shown on the Assessment Roll are based on the method of assessment described in Section IV of this Plan.

B. DEFINITIONS

Capitalized terms used herein shall have the meanings ascribed to them as follows:

“Actual Cost(s)” means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certification for Payment that has been reviewed and approved by the District. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, County permit fees, development fees), insurance premiums, miscellaneous expenses, and all advances and payments for Administrative Expenses.

Actual Costs shall not include general contractor’s fees in an amount that exceeds a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount that exceeds five (5) percent of the eligible Actual Costs described in a Certification 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. Actual Costs also may be paid to the Developer or any other person or entity only in the capacity of construction manager or only in the capacity of general contractor but not both.

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

“Additional Interest Reserve” has the meaning set forth in Section IV.L of this Service and Assessment Plan.

“Administrator” means the employee or designee of the District who shall have the responsibilities provided for herein, in the Trust Indenture, or in another agreement approved by the Board of Directors.

“Administrative Expenses” mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District,

including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the District, (iii) computing, levying, billing and collecting Assessments or the installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the Creation Legislation, the PID Act and codes with respect to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (x) administering the construction of the Authorized Improvements, and (xi) all of the types of costs described in (i) through (x) owed to the City that were incurred fulfilling obligations under the Creation Legislation, City ordinance, contractual agreements with the City or Developer or other applicable law. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of Administrative Expenses.

“Annual Installment” means, with respect to each Assessed Property, each annual payment of: (i) the Assessment including the applicable interest, as shown on the Assessment Roll attached hereto as Appendix F, Appendix G, and Appendix H, as applicable, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) the applicable Additional Interest Component designed for the Additional Interest Reserve described in Section IV.L of this Service and Assessment Plan, and (iii) the Administrative Expenses.

“Annual Service Plan Update” means an annual update to the Service and Assessment Plan of the District, as required by Section 372.013, Texas Local Government Code.

“Assessed Property” means the property that benefits from the Authorized Improvements to be provided by the District on which Assessments have been imposed as shown in the Assessment Roll, as the Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes Parcels within the District other than Non-Benefited Property.

“Assessment” means an assessment levied against a Parcel imposed pursuant to an Assessment Order and the provisions herein, as shown on an Assessment Roll, subject to reallocation upon the subdivision of such Parcel created by such subdivision or reduction according to the provisions herein and the PID Act.

“Assessment Order” means an Assessment Order adopted by the Board of Directors approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

“Assessment Revenues” mean the revenues actually received by the District from Assessments.

“Assessment Roll” means, as applicable, the Improvement Area #1 Assessment Roll, the Improvement Area #2 Assessment Roll, and the Improvement Area #3 Assessment Roll or any or

any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an Annual Service and Assessment Plan Update.

“Authorized Improvements” mean those public improvements described in Section 3902.151 of the Creation Legislation or Section 375.112 of the Local Government Code designed, constructed, and installed in accordance with this Plan, and any future updates and/or amendments.

“Authorized Improvement Costs” mean the actual or budgeted costs, as applicable, of all or any portion of the Authorized Improvements, as shown in Appendix B.

“Board of Directors” means the duly approved board of directors of the District.

“Bonds” mean any bonds secured by the Assessment Revenues issued by the District in one or more series.

“Certification for Payment” means the document to be provided by the Developer or construction manager to substantiate the Actual Cost of one or more Authorized Improvements.

“City” means the City of Heath, Texas.

“City Council” means the governing body of the City.

“Creation Legislation” means Chapter 3902 of the Texas Special District Local Laws Code.

“Delinquent Collection Costs” mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

“Delinquency Reserve” means, with respect to the Improvement Area #1 Bonds, a reserve amount to be funded from Additional Interest collected each year as more fully described in Section V.K of this Service and Assessment Plan.

“Developer” means, collectively, HGYC, LLC and Heath Golf and Yacht Club, Inc. and any of their successors or assigns developing lands within the District.

“Development Agreement” means the Master Development Agreement with an effective date of August 30, 2013, between the City, the District, HGYC, LLC, and Heath Golf and Yacht Club, Inc., as amended by a First Amendment to Master Development Agreement with an effective date of April 15, 2015, and a Second Amendment to Master Development Agreement with an effective date of September 15, 2015, and as may be further amended from time to time in accordance with its terms.

“District” has the meaning set forth in Section I.A.

“Equivalent Units” mean, as to any Parcel the number of dwelling units by lot type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix D attached hereto.

“Homeowner Association Property” means property within the boundaries of the District that is owned by or dedicated to, whether in fee simple or through an exclusive use easement, a homeowners’ association established for the benefit of a group of homeowners or property owners within the District.

“Improvement Area” means one or more Parcels within the District that will be developed in the same general time period. The Parcels within an Improvement Area will be assessed in connection with the issuance of Bonds for Authorized Improvements (or the portion thereof) designated in an update to this Service and Assessment Plan that specially benefit the Parcels within the Improvement Area.

“Improvement Area #1” means the initial Improvement Area developed within the District generally shown on “Improvement Area #1 Site Plan Exhibit” in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix F.

“Improvement Area #1 Assessed Property” means all Parcels within Improvement Area #1 other than Non-Benefited Property.

“Improvement Area #1 Assessment Roll” means the document included in this Service and Assessment Plan as Appendix 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 issuance of Bonds or in connection with any Annual Service and Assessment Plan Update.

“Improvement Area #1 Bonds” means the Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project), that are secured by Assessments levied on Improvement Area #1 Assessed Property.

“Improvement Area #1 Improvements” means Authorized Improvements which only benefit Improvement Area #1 Assessed Property and are described in Section III.C.

“Improvement Area #1 Maximum Assessment Per Equivalent Unit” means for Improvement Area #1 an Assessment per Equivalent Unit for Improvement Area #1 Improvements not to exceed \$117,768.98.

“Improvement Area #1 Reimbursement Agreement” means the reimbursement agreement between the District and the Developer effective April 27, 2016.

“Improvement Area #1 Roadway Improvements” has the meaning set forth in Section III.C.

“Improvement Area #1 Utility Improvements” has the meaning set forth in Section III.C.

“Improvement Area #2” means the second Improvement Area to be developed and generally shown on “Improvement Area #2 Site Plan Exhibit” in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix G.

“Improvement Area #2 Assessed Property” means all Parcels within Improvement Area #2 other than Non-Benefited Property.

“Improvement Area #2 Assessment Roll” means the document included in this Service and Assessment Plan as Appendix G, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service and Assessment Plan Update.

“Improvement Area #2 Bonds” means the Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2021 (Improvement Area #2 Project) that are secured by Assessments levied on Improvement Area #2 Assessed Property.

“Improvement Area #2 Improvements” means Authorized Improvements which only benefit Improvement Area #2 Assessed Property and are described in Section III.D.

“Improvement Area #2 Maximum Assessment Per Equivalent Unit” means for Improvement Area #2 an Assessment per Equivalent Unit for Improvement Area #2 Improvements not to exceed \$117,782.40.

“Improvement Area #2 Reimbursement Agreement” means the reimbursement agreement pertaining to Improvement Area #2 between the District and the Developer effective November 30, 2021.

“Improvement Area #2 Roadway Improvements” has the meaning set forth in Section III.D.

“Improvement Area #2 Utility Improvements” has the meaning set forth in Section III.D.

“Improvement Area #3” means the third Improvement Area to be developed and generally shown on “Improvement Area #3 Site Plan Exhibit” in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix H.

“Improvement Area #3 Assessed Property” means all Parcels within Improvement Area #3 other than Non-Benefited Property.

“Improvement Area #3 Assessment Roll” means the document included in this Service and Assessment Plan as Appendix H, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service and Assessment Plan Update.

“Improvement Area #3 Bonds” means the Club Municipal Management District No.1 Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project) that are secured by Assessments levied on Improvement Area #3 Assessed Property.

“Improvement Area #3 Improvements” means Authorized Improvements which only benefit Improvement Area #3 Assessed Property and are described in Section III.E.

“Improvement Area #3 Maximum Assessment Per Equivalent Unit” means for Improvement Area #3 an Assessment per Equivalent Unit for Improvement Area #3 Improvements not to exceed \$54,574.64

“Improvement Area #3 Roadway Improvements” has the meaning set forth in Section III.E.

“Improvement Area #3 Utility Improvements” has the meaning set forth in Section III.E.

“Lot” means a tract of land described as a “lot” in a subdivision plat recorded in the Official Public Records of Rockwall and/or Kaufman County, Texas.

“Lot Type” means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, golf course etc.), as determined by the Administrator and confirmed by the Board of Directors. In the case of single family residential Lots, the Lot Type shall be further defined by classifying the residential lots by the estimated final average home value for each Lot as of the date of the recorded subdivision plat, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the Lot, as determined by the Administrator and confirmed by the Board of Directors.

“Major Improvements” means Authorized Improvements which benefit all Assessed Property within the District and are described in Section III.B.

“Non-Benefited Property” means Parcels within the boundaries of the District that accrue no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property and easements that create an exclusive use for a public utility provider. 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 Section VI.B remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.C.

“Offsite Major Improvements” means the Major Improvements that are designated as “Offsite” Major Improvements in Section III.B.

“Omnibus Reimbursement Agreement” means the agreement for construction of improvements and reimbursement of advances dated as of April 15, 2015, by and between the District and the Developer.

“Parcel” means a property identified by either a tax map identification number assigned by the Rockwall and/or Kaufman Central Appraisal District for real property tax purpose, by metes and bounds description, by lot and block number in a final subdivision plat recorded in the Official

Public Records of Rockwall County or Kaufman County, or by any other means determined by the City.

“Planned Development District Ordinance” has the meaning set forth in Section I.A of this Service and Assessment Plan.

“Prepayment Costs” mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the District as a result of any prepayment of an Assessment.

“Prepayment Reserve” means, with respect to the Improvement Area #1 Bonds, a reserve amount to be funded from additional interest collected each year as more fully described in Section IV.J of this Service and Assessment Plan.

“Public Property” means property within the boundaries of the District that is owned by or dedicated to the federal government, the State of Texas, Rockwall and/or Kaufman County, the District, the City, a school district, a public utility provider or any other public agency, whether in fee simple or through an exclusive use easement.

“Reimbursement Agreement” means each installment sales contract or reimbursement agreement between the City and the Developer permitted by Section 372.023(d)(1) of the PID Act.

“Service and Assessment Plan” or **“SAP”** means this Service and Assessment Plan prepared for the District pursuant to the PID Act, as the same may be updated and/or amended from time to time.

“Trust Indenture” means any indenture of trust, ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended, and/or supplemented from time to time.

“Trustee” means the fiscal agent or trustee as specified in the Indenture, including a substitute fiscal agent or trustee.

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II. PROPERTY INCLUDED IN THE DISTRICT

A. PROPERTY INCLUDED IN THE DISTRICT

The area constituting the District is depicted in Appendix A to this Plan. The District is located within the corporate limits of the City of Heath, Texas, within Rockwall or Kaufman County, Texas. The District contains approximately 847 acres.

At completion, the District is expected to consist of approximately 1,236 single family residential units as well as parks, entry monuments, and associated rights-of-way, landscaping, and infrastructure necessary to provide roadways and utilities to the District. The estimated number of lots and the classification of each lot are based upon the Planned Development District Ordinance. Table II-A below shows the proposed development plan for the District.

Table II-A
Updated Proposed Development Plan

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	15
Lot Type 2 (Channel Front Lots)	7
Lot Type 3 (Water Feature Lots)	32
Lot Type 4 (120 ft Lots)	49
Lot Type 5 (100 Ft Lots)	129
Lot Type 6 (90 Ft Lots)	83
Lot Type 7 (80 Ft Lots)	176
Lot Type 8 (70 Ft Lots)	261
Lot Type 9 (60 Ft Lots)	37
Lot Type 10 (50 Ft Lots)	142
Lot Type 11 (Detached Luxury Villas)	69
Lot Type 12 (Attached Luxury Villas)	236
Total	1,236

The number of single-family residential units contemplated by Table II-A above is contingent upon the completion of the golf course in the District. Pursuant to Section 1.17 of the Development Agreement, if the golf course is not completed, the maximum number of single-family residential units for the entire development of the District will be 782. According to the Developer, construction of the golf course was completed as of March 2020.

B. PROPERTY INCLUDED IN IMPROVEMENT AREA #1

Improvement Area #1 consists of approximately 131.46 acres (based on the City approved development plans) consisting of 332 single family residential units. A map of the property within Improvement Area #1 is shown in Appendix A. Table II-B on the following page shows the proposed development plan for Improvement Area #1 of the District.

Table II-B
Updated Development Plan- Improvement Area #1

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	15
Lot Type 2 (Channel Front Lots)	7
Lot Type 3 (Water Feature Lots)	32
Lot Type 4 (120 ft Lots)	0
Lot Type 5 (100 Ft Lots)	0
Lot Type 6 (90 Ft Lots)	0
Lot Type 7 (80 Ft Lots)	69
Lot Type 8 (70 Ft Lots)	85
Lot Type 9 (60 Ft Lots)	37
Lot Type 10 (50 Ft Lots)	87
Lot Type 11 (Detached Luxury Villas)	0
Lot Type 12 (Attached Luxury Villas)	0
Total	332

C. PROPERTY INCLUDED IN IMPROVEMENT AREA #2

Improvement Area #2 consists of approximately 98.742 acres (based on the City approved development plans) projected to consist of 477 single family residential units. A map of the property within Improvement Area #2 is shown in Appendix A. Table II-C below shows the proposed development plan for Improvement Area #2 of the District.

Table II-C
Updated Development Plan- Improvement Area #2

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	0
Lot Type 2 (Channel Front Lots)	0
Lot Type 3 (Water Feature Lots)	0
Lot Type 4 (120 ft Lots)	0
Lot Type 5 (100 Ft Lots)	0
Lot Type 6 (90 Ft Lots)	0
Lot Type 7 (80 Ft Lots)	0
Lot Type 8 (70 Ft Lots)	151
Lot Type 9 (60 Ft Lots)	0
Lot Type 10 (50 Ft Lots)	55
Lot Type 11 (Detached Luxury Villas)	35
Lot Type 12 (Attached Luxury Villas)	236
	477

D. PROPERTY INCLUDED IN IMPROVEMENT AREA #3

Improvement Area #3 consists of approximately 279.02 acres (based on the City approved development plans) projected to consist of 427 single family residential units. A map of the property within Improvement Area #3, is shown in Appendix A. Table II-D below shows the proposed development plan for Improvement Area #3 of the District.

Table II-D
Proposed Development Plan- Improvement Area #3

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	0
Lot Type 2 (Channel Front Lots)	0
Lot Type 3 (Water Feature Lots)	0
Lot Type 4 (120 ft Lots)	49
Lot Type 5 (100 Ft Lots)	129
Lot Type 6 (90 Ft Lots)	83
Lot Type 7 (80 Ft Lots)	107
Lot Type 8 (70 Ft Lots)	25
Lot Type 9 (60 Ft Lots)	0
Lot Type 10 (50 Ft Lots)	0
Lot Type 11 (Detached Luxury Villas)	34
Lot Type 12 (Attached Luxury Villas)	0
Total	427

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III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

A. AUTHORIZED IMPROVEMENT OVERVIEW

Section 3902.151 of the Creation Legislation states that “the district may provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service using money available to the district, or contract with a governmental or private entity to provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service authorized under this chapter or Chapter 375, Local Government Code.” Section 3902.158 of the Creation Legislation further authorizes the District to undertake an improvement project or service and impose a special assessment on benefited property in accordance with Chapters 372 or 375, Texas Local Government Code.

Section 375.112 of the Local Government Code describes the Improvement Projects that may be undertaken by the District to include the construction, acquisition, improvement, relocation, operation, maintenance, or provision of:

- A. landscaping; lighting, banners, and signs; streets and sidewalks; pedestrian skywalks, crosswalks, and tunnels; seawalls; marinas; drainage and navigation improvements; pedestrian malls; solid waste, water, sewer, and power facilities, including electrical, gas, steam, cogeneration, and chilled water facilities; parks, plazas, lakes, rivers, bayous, ponds, and recreation and scenic areas; historic areas; fountains; works of art; off-street parking facilities, bus terminals, heliports, and mass transit systems; theatres, studios, exhibition halls, production facilities and ancillary facilities in support of the foregoing; and the cost of any demolition in connection with providing any of the improvement projects;
 - B. other improvements similar to those described in Subdivision (1);
 - C. the acquisition of real property or any interest in real property in connection with an improvement, project, or services authorized by this chapter, Chapter 54, Water Code, or Chapter 365 or 441, Transportation Code; and
- (4) expenses incurred in the establishment, administration, maintenance, and operation of the district or any of its improvements, projects, or services.

After analyzing the public improvement projects authorized by the Creation Legislation and Chapter 375, Local Government Code, the Board of Directors has determined that the Authorized Improvements described in Section III.B, Section III.C, Section III.D, and Section III.E should be undertaken by the District for the benefit of the property within the District.

B. DESCRIPTIONS AND COSTS OF MAJOR IMPROVEMENTS

The Major Improvements benefit the entire District. The costs of the Major Improvements are allocated proportionally throughout the entire District, excluding Non-benefited Property, in a

manner that anticipates planned development of the District based on the Equivalent Units as calculated and shown in Appendix D using the planned lot types, anticipated number of lots and estimated average home values.

1 – Description of Major Improvements

The Major Improvements include roadway improvements (the “Major Roadway Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Major Utility Improvements”) as described below. The Actual Costs of the Major Improvements are shown in Table III-A.

Major Improvements - Road Improvements

Major Road Improvements (both completed and future) are indicated on the attached exhibit titled “Major Improvements Roadway Exhibit C-1” located in Appendix C. The Major Road Improvements include both onsite and offsite improvements. Governor’s Boulevard (formerly named Eagle Parkway) is considered an onsite road improvement as it is located entirely within District boundaries. Offsite road improvements include The TXDOT Turn Lanes and Hubbard Drive improvements.

- **Governor’s Boulevard (Onsite)** - This project consists of 10,000 linear feet of a 37’ wide, 3,600-psi concrete curb and gutter pavement. The roadway construction consists of grading, lime stabilization, striping, signage and erosion control measures during construction. This project was constructed to City standard sand specifications and was conveyed to the City. This project has been constructed and is complete.
- **Hubbard Drive Roadway Improvements (Offsite)** - Roadway improvements along Hubbard Drive to the south where the concrete terminates near the southern entrance of Scenic Dr. and Hubbard Drive, to the southern limits of the Property (an approximately 1625-foot road section). Improvements to be consistent with the width and design of the existing Hubbard Drive section that is being replaced and include a Class "C" concrete pavement section with no curb and gutter, a cul-de-sac, and replacement of two existing corrugated metal culvert pipes along this improved roadway section with 33" reinforced concrete pipes at each location with appropriate headwalls. This project is to be completed during Phase I and to be disconnected from the HGYC and HGYC Lakes developments by September 25, 2017 (i.e. within two years of the effective date of the Second Amendment). This Project has been constructed and is complete.
- **TxDOT Turn Lane at Roadway A (Offsite)** - The roadway portion of the project consists of construction of approximately 410 linear feet of a south bound right turn deceleration lane, and the addition of 410 linear feet of a north bound left turn deceleration lane within the Texas Department of Transportation (“TXDOT”) FM 740 right of way (ROW). This provides entrance improvements off of FM 740 into the development via Governor’s Boulevard. This project is now owned and

operated by TXDOT. This project commenced construction July 2015 and was completed according to the initial plan of construction including a requested extension by TXDOT. This project is now owned and operated by TXDOT complete.

Hubbard Drive Improvement North of Scenic Drive (Offsite) - Project shall consist of the construction of approximately 3,280 linear feet of a 37' wide, 3,600-psi concrete street to replace the existing street section. This section is generally located between the northernmost entrance of the Antigua Bay Subdivision and the northern most property line of the development where it fronts Hubbard Drive. The roadway construction will consist of grading, lime stabilization and erosion control measures during construction. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City. This Project will be constructed along with Improvement Area #3 Improvements and began in 2022 with an estimated completion by March 31, 2025.

- **TxDOT Turn Lane at Trophy Drive (Roadway B) and FM 740 Roadway B (Offsite)** - The roadway portion of the project shall consist of construction of approximately 410 linear feet of a north bound left turn deceleration lane within the TxDOT FM 740 right of way (ROW). This will provide the entrance improvements off of FM 740 into the development via Trophy Drive. This project has been constructed and is complete.

Major Improvements - Utility Improvements

Water Improvements

Major Utility Improvements (both completed and future) constituting water improvements are indicated on the attached exhibit "Major Improvements Water Exhibit C-2" located in Appendix C and include both onsite and offsite improvements. Governor's Boulevard Waterline and Land Dedication to the City of Heath for a water storage tank are considered onsite Major Water Improvements as they are located within the district Boundaries. The offsite Major water improvements include FM 740 Offsite Waterline – Governor's Boulevard to Towne Center Park Driveway, Water Tower Connection, FM 740 Offsite Waterline – Towne Center Driveway to Hubbard Drive and Hubbard Drive Waterline. All of these Major waterline improvements are described below:

- **Governor's Boulevard Waterline (Onsite)** – This project consists of approximately 10,000 linear feet of 12" diameter PVC water transmission main from the north entrance along Governor's Boulevard road down to the proposed clubhouse site. The waterline was constructed within the proposed right-of way of Governor's Boulevard. This section included a connection to the 18" water- main at FM740, installation of twenty-eight 12" valves, twenty-three fire hydrants, 4 tons of ductile iron fittings. This project has been constructed and is complete.

- **Land Dedication (Onsite)** – This project consists of the dedication to the City of a one-acre tract of land located at the south end of the property for a future water storage tank. This project has been constructed and is complete.
- **FM 740 Offsite Waterline - Governor's Boulevard to Towne Center Park Driveway (Offsite)** – Project consists of approximately 1180 linear feet of an 18" PVC waterline from the intersection of FM 740 and the first (northern most) entrance of Governor's Boulevard (Heath Golf and Yacht Club Project (HGYC) entrance) along FM 740 to Towne Center Park Driveway. This project has been constructed and is complete.
- **Water Tower Connection (Offsite)** - This project consists of approximately 1300 linear feet of 18" PVC waterline from the existing 500,000 gallon elevated tank at City Hall generally along Towne Center Park Driveway across the City park to connect to the aforementioned 18" waterline in FM 740. This project has been constructed and is complete.
- **FM 740 Offsite Waterline -Towne Center Driveway to Hubbard Drive (Offsite)** – This project consists of approximately 1,450 linear feet of 18" PVC waterline from the intersection of Towne Center Park Driveway to Hubbard Drive. This Section of the 18-inch waterline has not been constructed at this time, but will be completed along with the construction of waterlines in Hubbard Drive and Improvement Area #3 Improvements.

Hubbard Drive Waterline (Offsite) - This project consists of approximately 4730 linear feet of 12" PVC waterline along Ray Hubbard Drive from the entrance of the northernmost entrance of the Antigua Bay Subdivision to the south property line of McCrummen Estates. This Project will be constructed along with Improvement Area #3 Improvements and began in 2022 with an estimated completion by March 31, 2025.

- **FM 740 Offsite Waterline -Eagle Parkway to Whittle Blvd (Offsite)** – This project consisted of approximately 7,645 linear feet of 12" PVC waterline from the intersection of Governor's Parkway along FM 740 to Trophy Drive.

The city purchased Forney Lake WSC assets in 2018. This included an existing 10" water line along the route of the proposed 12" water line. Since a 12" waterline was scheduled to be constructed and a 10" was purchased by the City, the City is seeking reimbursement for the value of the 10" line purchased from Forney Lake WSC under Item 10 2.1(k) of the second amendment to the Master Development Agreement.

All of the above listed major waterline improvements have been or will be constructed with the appropriate erosion control, trench safety and waterline testing. The line will be designed and constructed in accordance with City standards and specifications and will be dedicated to and operated by the City.

Sanitary Sewer Improvements

Major Utility Improvements constituting sanitary sewer improvements (all have been completed) are indicated on the attached exhibit titled “Major Improvements Wastewater Exhibit C-3”, located in Appendix C, and include both onsite and offsite improvements. Onsite sanitary sewer improvements include Governor’s Boulevard Wastewater Lines as they are located within the District boundaries. Offsite sanitary sewer lines include the Offsite Rush Creek Wastewater Lines and each are described below:

- **Governor’s Boulevard Wastewater Lines (Onsite)** - This project consists of constructing approximately 960 linear feet of 8” and 5,950 linear feet of 12” PVC sanitary sewer gravity line generally along Governor’s Boulevard and 835 linear feet of 12” PVC sanitary gravity line through Tract 3 to the City’s south side lift station. The south side lift station is located adjacent to the property at Rush Creek. The existing lift station, wet-well and pumps are sized appropriately to accept and pump waste for Improvement Area #1. The wastewater will be lifted and forced through the existing force-main system and transmitted to the NTMWD’s Buffalo Creek Interceptor. The line will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City.

This project has been constructed and is complete. Governor’s Boulevard has subsequently been renamed as Governors Boulevard due to emergency service concerns.

- **Offsite Rush Creek Wastewater Line (Offsite)** - This project consists of approximately 2050 linear feet of 15” diameter PVC sanitary sewer line installed generally parallel to the City’s existing Antigua Bay force main. This is a deep sewer line that will be constructed of SDR 26 PVC material and will allow service by gravity for the vast majority of the development. This line also ties Tract 6 and the Lakes addition into the wastewater sewer system and this line gravity flows into the City’s south side lift station.

This project has been constructed and is complete.

Storm Drainage Improvements

Major Utility Improvements constituting drainage improvements (both completed and future) are indicated on the attached exhibit titled “Major Improvements Drainage Exhibit C-4”, located in Appendix C, and include both onsite and offsite major drainage improvements. The Governor’s Boulevard Drainage improvements are onsite improvements and located within the District boundaries. The Hubbard Drive Drainage improvements are offsite improvements. Both drainage improvements are described below:

- **Governor’s Boulevard Drainage (Onsite)** – This project consists of drainage improvements to support the installation of Governor’s Boulevard and collection and conveyance of stormwater throughout the drainage basins associated with

Improvement Area #1. The system will include a series of storm sewer curb inlets connected to underground reinforced concrete pipe (RCP) with associated headwalls, safety end treatments, manholes and storm sewer energy dissipaters at the points of discharge. All of the drainage areas within Improvement Area #1 flow to the Lake Ray Hubbard reservoir. Due to this fact, no storm water detention is required. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City.

This project has been constructed and is complete.

- **Hubbard Drive Drainage (Offsite)** - This project consists of drainage improvements to support the improvements of Hubbard Drive and collection and conveyance of stormwater throughout the drainage areas that flow to Hubbard Drive. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City.

This Project will be constructed along with Improvement Area #3 Improvements and began in 2022 with an estimated completion by March 31, 2025.

There are two private projects (a clubhouse and golf course) and two tracts of land that are located within the boundaries of the District that are not being financed through the Bonds and are, therefore, excluded from the levy of Assessments. However, these projects and tracts of land will receive a benefit from the Major Improvements. As a result, the Developer will be required to finance the estimated costs of Major Improvements allocable to these tracts and projects for the portion of the benefits these projects and tracts of land receive from the Major Improvements. The detailed allocation basis and calculated amounts are shown in Table III-A on the following page.

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Table III-A
Major Improvement Estimated Costs

Improvement Project	Original Budget	Budget Changes	Revised Budget	Amount Spent	Remaining to be Spent
Roadway Improvements	\$3,833,866	\$724,135	\$4,558,001	\$2,546,549	\$2,011,452
Less: Developer contributions for clubhouse, golf course and undeveloped tracts ¹	(\$163,817)	\$0	(\$163,817)	(\$163,817)	\$0
<i>Subtotal – Net Major Roadway Improvements²</i>	<i>\$3,670,049</i>	<i>\$724,135</i>	<i>\$4,394,184</i>	<i>\$2,382,732</i>	<i>\$2,011,452</i>
Water Improvements	\$2,313,258	\$1,865,702	\$4,178,960	\$1,044,800	\$3,134,160
Sanitary Sewer Improvements	\$891,700	\$324,860	\$1,216,560	\$1,216,560	\$0
Storm Drainage Improvements	\$850,172	\$1,271,833	\$2,122,005	\$1,017,771	\$1,104,234
Estimated total utility easements	\$2,010,250	(\$2,010,250)	\$0	\$0	\$0
Less: Developer contributions for clubhouse, golf course and undeveloped tracts ¹	(\$250,370)	\$0	(\$250,370)	(\$250,370)	\$0
<i>Subtotal – Net Major Utility Improvements²</i>	<i>\$5,815,010</i>	<i>\$1,452,144</i>	<i>\$7,267,154</i>	<i>\$3,028,761</i>	<i>\$4,238,393</i>
Total Major Improvements	\$9,485,059	\$2,176,279	\$11,661,338	\$5,411,493	\$6,249,845
Improvement Area #1					
Projected total Equivalent Units ³	106.14		106.14		
% of total Equivalent units	31.14%		31.14%		
Proportionate Share of Major Roadway Improvement costs	\$1,142,879		\$1,368,380		
Proportionate Share of Major Utility Improvement costs	\$1,810,835		\$2,263,044		
Improvement Area #2					
Projected total Equivalent Units ³	91.27		91.27		
% of total Equivalent units	26.78%		26.78%		
Proportionate Share of Major Roadway Improvement costs	\$982,764		\$1,176,673		
Proportionate Share of Major Utility Improvement costs	\$1,557,141		\$1,945,996		
Improvement Area #3					
Projected total Equivalent Units ³	143.43		143.43		
% of total Equivalent units	42.08%		42.08%		
Proportionate Share of Major Roadway Improvement costs	\$1,544,405		\$1,849,131		
Proportionate Share of Major Utility Improvement costs	\$2,447,033		\$3,058,115		
Notes:					
1 - The detailed description of the allocation basis and related calculations are shown in Appendix B as provided by the project engineer.					
2 - The detailed costs of the Major Improvements are shown Appendix B.					
3 - The detailed calculation of Equivalent Units is shown in Appendix D. The allocations are based upon the original projected Equivalent Units for each improvement area of the District.					

C. DESCRIPTIONS AND COSTS OF IMPROVEMENT AREA #1 IMPROVEMENTS

The Improvement Area #1 Improvements include roadway improvements (the “Improvement Area #1 Road Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #1 Utility Improvements”) as described below. All of the Improvement Area #1 Improvements provide benefit to Improvement Area #1. Diagrams of the Improvement Area #1 Improvements are included as Appendix C to this SAP.

The Improvement Area #1 Improvements include roadway improvements (the “Improvement Area #1 Roadway Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #1 Utility Improvements”) as described below. All of the Improvement Area #1 Improvements provide benefit to Improvement Area #1. The costs of the Improvement Area #1 Improvements are shown in Table III-B. The costs shown in Table III-B are estimates and may be revised in Annual Service and Assessment Plan Updates.

Improvement Area #1 Road Improvements

The roadway portion of the Improvement Area #1 Improvements consists of constructing approximately 14,990 linear feet of 6” thick, 31-foot wide, concrete pavement with curb and gutter. The concrete will be 3,600 pounds per square inch (psi) strength. Excavation for the roadway will consist of 56,060 cubic yards of cut and fill, 75,800 square yards (sy) of pavement sub-grade will be lime stabilized and compacted. Signage, lighting and re-vegetation of all disturbed areas within the right of way are included. These roadway improvements include streets that will provide street access to each lot within Improvement Area #1. This project will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. Improvement Area #1 Road Improvements are indicated on the attached exhibit titled “Improvement Area #1 Roadway Exhibit C-5” located in Appendix C.

This project has been constructed and is complete.

Improvement Area #1 Utility Improvements

Water Improvements

The water portion of the Improvement Area #1 Improvements consists of constructing approximately 1,540 linear feet of 12” water line, 13,550 of 8” water line with associated 12”, 8” and 6” gate valves. One-inch diameter water services will be provided to each of the 313 lots within Improvement Area #1. All associated waterline testing, trench safety and erosion protection during construction are included. The waterline will be connected to the 12” water line constructed in Spine Road “A”. These lines will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. These lines will include the necessary appurtenances to be fully operational transmission lines extending water service to the limits of Improvement Area #1 and all lots within Improvement Area #1. Improvement Area #1 Utility Improvements constituting water improvements are indicated on the attached exhibit titled “Improvement Area #1 Water Exhibit C-6” located in Appendix C.

This project has been constructed and is complete.

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Sanitary Sewer Improvements

The wastewater portion of the Improvement Area #1 Improvements consist of constructing approximately 14,990 linear feet of 8” gravity sanitary sewer line that connect to the Spine Road “A” sewer trunk main. Construction includes connection at multiple points through 30 concrete manholes. Services to individual lots are by 6” gravity sewer services. 17 cleanouts will be constructed to facilitate maintenance. These lines will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. These lines will include the necessary appurtenances to be fully operational extending wastewater service to the limits of Improvement Area #1 and each of the lots within Improvement Area #1. Improvement Area #1 Utility Improvements constituting sanitary sewer improvements are indicated on the attached exhibit entitled “Improvement Area #1 Wastewater Exhibit C-7” located in Appendix C.

This project has been constructed and is complete.

Storm Drainage Improvements

The drainage portion of the Improvement Area #1 Improvements shall consist of approximately 9,900 linear feet of drainage (storm sewer pipes) to support the residential units in Improvement Area #1. The main means of conveyance of storm drainage within Improvement Area #1, is within roadways and underground storm drain pipes. The roadway pavement section incorporates the use of curbs with integrated drainage inlets to control runoff. Drainage improvements include all associated inlets, headwalls, safety end treatments, manholes and storm sewer energy dissipaters at the points of discharge. All of the drainage areas within Improvement Area #1 flow to the Lake Ray Hubbard reservoir. Due to this fact, no storm water detention is required. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City. Improvement Area #1 Utility Improvements constituting drainage improvements are indicated on the attached exhibit entitled “Improvement Area #1 Drainage Exhibit C-8” located in Appendix C.

This project has been constructed and is complete.

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Table III-B
Improvement Area #1 Actual Costs

Improvement Project	Actual costs
Roadway Improvements	\$4,193,051
Utility Improvements	\$4,716,687
<i>Subtotal –Improvement Area #1 Improvements¹</i>	<i>\$8,909,738</i>
Improvement Area #1 Share of Major Road Improvement Costs ²	\$1,368,380
Improvement Area #1 Share of Major Utility Improvement Costs ²	\$2,263,044
Grand Total	\$12,541,162

Notes:

1- The detailed costs of the Improvement Area #1 Improvements are shown in Appendix B.

2- See Table III-A for proration of Major Improvement Area estimated costs.

D. DESCRIPTIONS AND COSTS OF IMPROVEMENT AREA #2 IMPROVEMENTS

Pursuant to the Omnibus Reimbursement Agreement and reimbursable from assessments or the proceeds of the Improvement Area #2 Bonds, the developer has funded or will fund the proportionate share of the costs of the Major Roadway Improvements and Major Utility Improvements attributable to Improvement Area #2 (as described above in Section III.B) as well as Improvement Area #2 Roadway Improvements and Improvement Area #2 Utility Improvements, which only benefit Improvement Area #2 Assessed Property.

The Improvement Area #2 Improvements include roadway improvements (the “Improvement Area #2 Roadway Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #2 Utility Improvements”) as described below. All of the Improvement Area #2 Improvements provide benefit to Improvement Area #2. The costs of the Improvement Area #2 Improvements are shown in Table III-C. The costs shown in Table III-C are estimates and may be revised in Annual Service and Assessment Plan Updates.

Improvement Area #2 Road Improvements

The roadway portion of the Improvement Area #2 Improvements consists of constructing concrete pavement with curb and gutter, excavation, lime stabilization and compacting, intersections, signage, lighting and re-vegetation of all disturbed areas within the right of way. This project was designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. Improvement Area #2 Road Improvements are shown on exhibit C-9 in Appendix C.

This project has been constructed and is complete.

Improvement Area #2 Utility Improvements

Water Improvements

The water portion of the Improvement Area #2 Improvements consist of construction and installation of water lines, mains, pipes, valves and appurtenances necessary for the water distribution system, as well as related testing, trench safety and erosion protection, necessary to service the Improvement Area #2 Assessed Property. The water distribution system improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #2 Water Improvements are shown on exhibit C-10 in Appendix C.

This project has been constructed and is complete.

Sanitary Sewer Improvements

The wastewater portion of the Improvement Area #2 Improvements consist of construction and installation of pipes, service lines, manholes, encasements and appurtenances necessary to provide sanitary sewer service to the Improvement Area #2 Assessed Property including a trunk line running east to west along Governor's Blvd. The sanitary sewer improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #2 Sanitary Sewer Improvements are shown on exhibit C-11 in Appendix C.

This project has been constructed and is complete.

Storm Drainage Improvements

The drainage portion of the Improvement Area #2 Improvements shall consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage collection system improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #2 Storm Drain Improvements are shown on exhibit C-12 in Appendix C.

This project has been constructed and is complete.

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Table III-C
Improvement Area #2 Actual Costs

Improvement Project	Actual Costs
Roadway Improvements	\$4,671,801
Utility Improvements	\$7,869,372
<i>Subtotal- Improvement Area #2 Improvements¹</i>	<i>\$1,219,393</i>
Improvement Area #2 Share of Major Road Improvement Costs ²	\$1,176,673
Improvement Area #2 Share of Major Road Improvement Costs ²	\$1,945,996
Grand Total	\$15,663,842

Notes:

1-The detailed costs of the Improvement Area #2 Improvements are shown in Appendix B.

2- See Table III-A for proration of Major Improvement estimated costs.

E. DESCRIPTIONS AND COSTS OF IMPROVEMENT AREA #3 IMPROVEMENTS

The Improvement Area #3 Bonds will fund the proportionate share of the costs of the Major Road Improvements and Major Utility Improvements (as described above in Section III.B) as well as Improvement Area #3 Road Improvements and Improvement Area #3 Utility Improvements, which only benefit Improvement Area #3 Assessed Property.

The Improvement Area #3 Improvements include roadway improvements (the “Improvement Area #3 Road Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #3 Utility Improvements”) as described below. Improvement Area #3 is composed of Tracts 10,12,13,14,15,18 and 19. All of the Improvement Area #3 Improvements provide benefit to Improvement Area #3. The costs of the Improvement Area #3 Improvements are shown in Table III-C. The costs shown in Table III-C are estimates and may be revised in Annual Service and Assessment Plan Updates.

Improvement Area #3 Roadway Improvements

The roadway portion of the Improvement Area #3 Improvements consists of constructing concrete pavement with curb and gutter, excavation, lime stabilization and compacting, intersections, signage, lighting and re-vegetation of all disturbed areas within the right of way. These roadway improvements include streets that will provide street access to each lot within Improvement Area #3. This project will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. Improvement Area #3 Road Improvements are shown on exhibit C-13 in Appendix C.

This project began in 2021. Improvement Area #3 Road Improvements for Tracts 12,13,18 and 19 have been completed and accepted by the City. Improvement Area #3 Road Improvements for Tracts 10, 14, and 15 are underway and are estimated to be completed by December 31, 2024.

Improvement Area #3 Utility Improvements

Water Improvements

The water portion of the Improvement Area #3 Improvements consist of construction and installation of water lines, mains, pipes, valves and appurtenances necessary for the water distribution system, as well as related testing, trench safety and erosion protection, necessary to service the Improvement Area #3 Assessed Property. The water distribution system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #3 Water Improvements are shown on exhibit C-14 in Appendix C.

This project began in 2022. Improvement Area #3 Water Improvements for Tracts 12, 13, 18 and 19 have been completed and accepted by the City. Improvement Area #3 Water Improvements for Tracts 10,14, and 15 are underway and are estimated to be completed by December 31, 2024.

Sanitary Sewer Improvements

The wastewater portion of the Improvement Area #3 Improvements consist of construction and installation of pipes, service lines, manholes, encasements and appurtenances necessary to provide sanitary sewer service to the Improvement Area #3 Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #3 Sanitary Sewer Improvements are shown on exhibit C-15 in Appendix C.

This project began in 2022. Improvement Area #3 Sanitary Sewer Improvements for Tracts 12,13,18 and 19 have been completed and accepted by the City. Improvement Area #3 Sanitary Sewer Improvements for Tracts 10,14 and 15 are underway and are estimated to be completed by December 31, 2024.

Storm Drainage Improvements

The drainage portion of the Improvement Area #3 Improvements shall consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #3 Storm Drainage Improvements are shown on exhibit C-16 in Appendix C.

This project began in 2022. Improvement Area #3 Storm Drainage Improvements for Tracts 12, 13, 18, and 19 have been completed and accepted by the City. Improvement Area #3 Storm Drainage Improvements for Tracts 10, 14, and 15 are underway and are estimated to be completed by December 31, 2024.

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Table III-D

Improvement Area #3 Estimated Costs

Improvement Project	Updated Budgeted Costs	Actual Spent	Balance to Complete
Roadway Improvements ¹	\$10,254,605	\$6,049,212	\$4,205,393
Utility Improvements ¹	\$9,514,889	\$7,955,478	\$1,559,412
<i>Subtotal- Improvement Area #3 Improvements</i>	<i>\$19,769,494</i>	<i>\$14,004,690</i>	<i>\$5,764,805</i>
Improvement Area #3 Share of Major Road Utility Improvement Costs ²	\$1,849,131	\$1,511,556	\$337,575
Improvement Area #3 Share of Major Utility Improvement Costs ²	\$3,058,115	\$3,022,679	\$35,436
Grand Total	\$24,676,740	\$18,538,925	\$6,137,816

Notes:

1 - The detailed costs of the Improvement Area #3 Improvements are shown in Appendix B.

2 – See Table III-A for proration of Major Improvement estimated costs.

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IV. ASSESSMENT PLAN

A. INTRODUCTION

The PID Act requires the Board of Directors to apportion the Actual Cost of the Authorized Improvements on the basis of special benefits conferred upon the Property because of the Authorized Improvements. The Actual Costs 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 Board of Directors may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the District and the area to be assessed and the methods of assessing the special benefits for various classes or improvements.

Parcels are only assessed for the special benefits conferred upon the Parcel because of the Major Improvements, the Improvement Area #1 Improvements, the Improvement Area #2 Improvements, and the Improvement Area #3 Improvements.

This section of the Plan currently describes the special benefit received by each Parcel within the District as a result of the Major Improvements, Improvement Area #1 Improvements, Improvement Area #2 Improvements, and Improvement Area #3 Improvements, provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments, and establishes the methodologies by which the Board of Directors allocates and reallocates the special benefit of the Major Improvements, Improvement Area #1, Improvement Area #2 Improvements, and Improvement Area #3 Improvements to Parcels in a manner that results in equal share of the Actual Cost being apportioned to Parcels similarly benefited. The determination by the Board of Directors of the assessment methodologies set forth below is the result of the discretionary exercise by the Board of Directors of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

B. SPECIAL BENEFIT

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment of the District shown in Table IV-A are authorized by the PID Act.

Each of the owners of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special

benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

Pursuant to the Landowner's Agreement, each owner of the Assessed Property has ratified, confirmed, accepted, agreed to and approved; (i) the determinations and finding by the Board of Directors as to the special benefits described in this Plan and the Assessment Order; (ii) the Plan and the Assessment Order, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the Planned Development District Ordinance requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs through the District has been determined by the Board of Directors to be the most beneficial means of doing so. As a result, 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 Board of Directors.

C. ALLOCATION OF ACTUAL COSTS OF MAJOR IMPROVEMENTS

The Major Improvements will provide a special benefit to all property in the District. Accordingly, the Actual Costs of the Major Improvements must be allocated between the Improvement Area #1 Assessed Property, the Improvement Area #2 Assessed Property, and the Improvement Area #3 Assessed Property based on the special benefit each receives. Table IV-A summarizes the allocation of Actual Costs for each Major Improvement based on the original Equivalent Unit Factors shown in Table D-5 in Appendix D.

The total amount of Major Roadway Improvements and Major Utility Improvements as shown in Table III-A are estimated to be \$4,394,194 and \$7,267,154, respectively. As shown in Appendix D and calculated using the original Equivalent Unit Factors in Table D-5, there were originally a total of 340.84 projected Equivalent Units within the District. The total Equivalent Units for Improvement Area #1 represent 31.14% ($106.14 \div 340.84 = 31.14\%$) of the total original Equivalent Units within the District. As a result, the total of Major Roadway Improvements and Major Utility Improvements allocable to Improvement Area #1 are \$1,368,380 ($\$4,394,194 \times 31.14\% = \$1,368,380$) and \$2,263,043 ($\$7,267,154 \times 31.14\% = \$2,263,043$), respectively. The Equivalent Units for Improvement Area #2 represent 26.78% ($91.27 \div 340.84 = 26.78\%$) of the total original Equivalent Units within the District. As a result, the total of Major Roadway Improvements and Major Utility Improvements allocable to Improvement Area #2 are \$1,176,673 ($\$4,394,194 \times 26.78\% = \$1,176,673$) and \$1,945,966 ($\$7,267,154 \times 26.78\% = \$1,945,966$), respectively. The Equivalent Units for Improvement Area #3 represent 42.08% ($143.42 \div 340.84 = 42.08\%$) of the total originally projected Equivalent Units within the District. As a result, the total of Major Roadway Improvements and Major Utility Improvements allocable to Improvement Area #3 are \$1,849,131 ($\$4,394,194 \times 42.08\% = \$1,849,131$) and \$3,058,115 ($\$7,267,154 \times 42.08\% = \$3,058,115$), respectively.

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Table IV-A
Cost Allocation of Major Improvements

Authorized Improvements	Total Cost ¹	IA #1 Major Improvements		IA #2 Major Improvements		IA #3 Major Improvements	
		% Allocation	Share of Costs	% Allocation	Share of Costs	% Allocation	Share of Costs
Roadway Improvements	\$4,558,001	31.14%	\$1,419,394	26.78%	\$1,220,540	42.08%	\$1,918,067
Water Improvements	\$4,178,960	31.14%	\$1,301,358	26.78%	\$1,119,040	42.08%	\$1,758,562
Sanitary Sewer Improvements	\$1,216,560	31.14%	\$378,845	26.78%	\$325,770	42.08%	\$511,945
Storm Drainage Improvements	\$2,122,005	31.14%	\$660,807	26.78%	\$568,230	42.08%	\$892,968
Less: Developer Contribution	(\$414,187)	31.14%	(\$128,981)	26.78%	(\$110,911)	42.08%	(\$174,295)
Total Authorized Improvements	\$11,661,338		\$3,631,424		\$3,122,669		\$4,907,246

¹See Table III-A for details.

D. ALLOCATION OF ACTUAL COSTS OF IMPROVEMENT AREA #1 IMPROVEMENTS

The Improvement Area #1 Improvements will provide a special benefit to Improvement Area #1 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #1 Improvements are allocated entirely to Improvement Area #1 Assessed Property based on the special benefit it receives.

Table IV-B summarizes the allocation of Actual Costs for each Improvement Area #1 Authorized Improvement. The costs shown in Table IV-A are estimates and may be revised in Annual Service and Assessment Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

Table IV-B
Cost Allocation of Improvement Area #1 Improvements

Authorized Improvements	Total Cost ¹	IA #1 Major Improvements		IA #1 Onsite Improvements	
		% Allocation	Share of Costs	% Allocation	Share of Costs
Roadway Improvements	\$5,232,678	31.14%	\$1,419,394	100.00%	\$3,813,284
Roadway Drainage Easements	\$528,294	0.00%	\$0	100.00%	\$528,294
Water Improvements	\$3,579,052	31.14%	\$1,301,358	100.00%	\$2,277,694
Sanitary Sewer Improvements	\$1,615,148	31.14%	\$378,845	100.00%	\$1,236,303
Storm Drainage Improvements	\$1,863,475	31.14%	\$660,807	100.00%	\$1,202,668
Less: Developer Contribution	(\$128,981)	31.14%	(\$128,981)	0.00%	\$0
Total Authorized Improvements	\$12,689,667		\$3,631,424		\$9,058,243

¹See Table IV-A and Table III-B for details.

E. ALLOCATION OF ACTUAL COSTS OF IMPROVEMENT AREA #2 IMPROVEMENTS

The Improvement Area #2 Improvements will provide a special benefit to Improvement Area #2 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #2 Improvements

are allocated entirely to Improvement Area #2 Assessed Property based on the special benefit it receives.

Table IV-C summarizes the allocation of Actual Costs for each Improvement Area #2 Authorized Improvement. The costs shown in Table IV-C are estimates and may be revised in Annual Service and Assessment Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

Table IV-C
Cost Allocation of Improvement Area #2 Authorized Improvements

Authorized Improvements	Total Cost ¹	IA #2 Major Improvements		IA #2 Onsite Improvements	
		% Allocation	Share of Costs	% Allocation	Share of Costs
Roadway Improvements	\$5,892,341	26.78%	\$1,220,540	100.00%	\$4,671,801
Water Improvements	\$5,192,721	26.78%	\$1,119,040	100.00%	\$4,073,681
Sanitary Sewer Improvements	\$1,747,884	26.78%	\$325,770	100.00%	\$1,422,114
Storm Drainage Improvements	\$2,941,807	26.78%	\$568,230	100.00%	\$2,373,577
Less: Developer Contribution	(\$110,911)	26.78%	(\$110,911)	0.00%	\$0
Total Authorized Improvements	\$15,663,842		\$3,122,669		\$12,541,173

¹See Table IV-A and Table III-C for details.

F. ALLOCATION OF ACTUAL COSTS OF IMPROVEMENT AREA #3 IMPROVEMENTS

The Improvement Area #3 Improvements will provide a special benefit to Improvement Area #3 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #3 Improvements are allocated entirely to Improvement Area #3 Assessed Property based on the special benefit it receives.

Table IV-D summarizes the allocation of Actual Costs for each Improvement Area #3 Authorized Improvement. The costs shown in Table IV-D are estimates and may be revised in Annual Service and Assessment Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

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Table IV-D
Cost Allocation of Improvement Area #3 Authorized Improvements

Authorized Improvements	Total Cost ¹	IA #3 Major Improvements		IA #3 Onsite Improvements	
		% Allocation ²	Share of Costs ³	% Allocation	Share of Costs
Roadway Improvements	\$12,103,736	42.08%	\$1,849,131	100.00%	\$10,254,605
Utility Improvements	\$12,573,004	42.08%	\$3,058,115	100.00%	\$9,514,889
Total Authorized Improvements	\$24,676,740		\$4,907,246		\$19,769,494

¹See Table IV-A and Table III-D for details.

²Allocation of Major Improvements are allocated based on the original Equivalent Unit Factors as shown in Table D-5 in Appendix D.

³Improvement Area #3's share of costs accounts for the \$174,295 of Developer's equity contribution. See Table III-A for details.

G. ASSESSMENT METHODOLOGY

The Actual Costs may be assessed by the Board of Directors against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the amount of the Assessments. The Actual Costs may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

1. *Assessment Methodology for Improvement Area #1*

For purpose of this Plan, the Board of Directors has determined that the Actual Costs of the Improvement Area #1 Utility Improvements, the Improvement Area #1 Roadway Improvements, the portion of the Major Utility Improvements and the portion of the Major Roadway Improvements to be financed with the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement shall be allocated to the Improvement Area #1 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Improvement Area #1.

Based on the Actual Costs provided by FC Cuny Corporation for the Improvement Area #1 Utility Improvements, the Improvement Area #1 Roadway Improvements, the portion of the Major Utility Improvements that benefit Improvement Area #1 and the portion of the Major Roadway Improvements that benefit Improvement Area #1, as set forth in Table IV-A, the Board of Directors has determined that the benefit to Improvement Area #1 Assessed Property from the Authorized Improvements is at least equal to the Assessments levied on the Improvement Area #1 Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the Board of Directors. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values

will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Board of Directors has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #1 is shown on the Improvement Area #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Plan.

2. Assessment Methodology for Improvement Area #2

For purpose of this Plan, the Board of Directors has determined that the Actual Costs of the Improvement Area #2 Utility Improvements, the Improvement Area #2 Roadway Improvements, the portion of the Major Utility Improvements and the portion of the Major Roadway Improvements that were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which are now being financed and/or reimbursed by the Improvement Area #2 Bonds and the Improvement Area #2 Reimbursement Agreement, shall be allocated to the Improvement Area #2 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Improvement Area #2.

Based on the Actual Costs provided by FC Cunny Corporation for the Improvement Area #2 Utility Improvements, the Improvement Area #2 Roadway Improvements, the portion of the Major Utility Improvements that benefit Improvement Area #2 and the portion of the Major Roadway Improvements that benefit Improvement Area #2, as set forth in Table IV-A, the Board of Directors has determined that the benefit to Improvement Area #2 Assessed Property from the Authorized Improvements is at least equal to the Assessments levied on the Improvement Area #2 Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the Board of Directors. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Board of Directors has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #2 is shown on the Improvement Area #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Plan.

3. Assessment Methodology for Improvement Area #3

For purpose of this Plan, the Board of Directors has determined that the Actual Costs of the Improvement Area #3 Utility Improvements, the Improvement Area #3 Road Improvements, the portion of the Major Utility Improvements and the portion of the Major Road Improvements that were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which are now being financed and/or reimbursed the by the Improvement Area #3 Bonds shall be allocated to the Improvement Area #3 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Improvement Area #3.

Based on the estimates provided by TNP Inc. of the costs of the Improvement Area #3 Utility Improvements, the Improvement Area #3 Road Improvements, the portion of the Major Utility Improvements that benefit Improvement Area #3 and the portion of the Major Road Improvements that benefit Improvement Area #3, as set forth in Table IV-A, the Board of Directors has determined that the benefit to Improvement Area #3 property of those improvements is at least equal to the Assessments levied on the Improvement Area #3 property.

Upon subsequent divisions of any Parcel in Improvement Area #3, the Assessment applicable to it will then be apportioned pro rata based on the updated Equivalent Units for Improvement Area #3 of each newly created Parcel as shown in Appendix D Table D-18. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, are determined by the Administrator and confirmed by the Board of Directors. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Board of Directors has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #3 is shown on the Improvement Area #3 Assessment Roll, attached as Appendix H, and no Assessment shall be changed except as authorized by this Plan.

H. ASSESSMENT AND ANNUAL INSTALLMENTS

The Assessments for the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement will be allocated to each Lot Type as shown in Appendix D and levied on each Parcel according to the Improvement Area #1 Assessment Roll, attached hereto Appendix F. The Annual Installments for the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement will be collected at the time and in the amounts shown on the Improvement Area #1 Assessment Roll subject to any revisions made during an update to this Plan. The Annual Installments for the Improvement Area #1 Bonds comply with the requirements of the Development Agreement.

The Assessments for Improvement Area #2 relating to the Improvement Area #2 Improvements were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which were subsequently financed and/or reimbursed by the Improvement Area #2 Bonds and the Improvement Area #2 Reimbursement Agreement and will be allocated to each Lot Type in Improvement Area #2 as shown in Appendix D and levied on each Parcel according to the Improvement Area #2 Assessment Roll, attached hereto as Appendix G.

The Assessments for Improvement Area #3 Bonds relating to the Improvement Area #3 Improvements were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which are subsequently being financed and/or reimbursed by the Improvement Area #3 Bonds and will be allocated to each Lot Type in Improvement Area #3 as shown in Appendix D and levied on each Parcel according to the Improvement Area #3 Assessment Roll, attached hereto as Appendix H.

I. ADMINISTRATIVE EXPENSES

The cost of administering the District and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown the Improvement Area #1 Assessment Roll, the Improvement Area #2 Assessment Roll, and the Improvement Area #3 Assessment Roll, each of which may be revised based on Actual Costs incurred in any update to this Plan and the Service and Assessment Plan.

J. PREPAYMENT RESERVE (IMPROVEMENT AREA #1)

Pursuant to the PID Act, the interest rate for Assessments may exceed the actual interest rate per annum paid on the related Bonds by no more than one half of one percent (0.50%). The interest rate used to determine the Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the Bonds (the “Additional Interest Component”), and with respect to the Improvement Area #1 Bonds, with up to 0.20% (the “Prepayment Component”) of such Additional Interest Component allocated to fund the associated interest charged between the date of prepayment of an Assessment and the date on which Improvement Area #1 Bonds are prepaid, and with respect to the Improvement Area #1 Bonds, up to 0.30% (the “Delinquency Component”) of such Additional Interest Component allocated to fund a Delinquency Reserve account as described below. The Prepayment Reserve Component shall be deposited to a Prepayment

Reserve until it reaches 1.50% of the outstanding Improvement Area #1 Bonds as stipulated in the Improvement Area #1 Bonds documents. Once the Prepayment Reserve is funded in full, the Prepayment Component will continue to be collected and the Prepayment Component shall be deposited in a Delinquent Reserve account as described in Section IV.K below.

K. DELINQUENCY RESERVE (IMPROVEMENT AREA #1)

The City has allocated the Delinquency Component of the Annual Installments, and with respect to the Improvement Area #1 Bonds, to offset any possible delinquent payments. The Delinquency Reserve shall be funded up to 4% of the outstanding Bonds. Once the Delinquent Reserve has reached such level, the Delinquency Component may not continue to be collected. The City may allocate a portion of the Delinquency Component of the Annual Installments to pay for Administrative Expenses, improvement costs, any other use that benefits the Assessed Property or reduce the Assessments, as determined by the City Council.

L. ADDITIONAL INTEREST RESERVE

Funds generated by the Additional Interest Rate related to the Improvement Area #2 Bonds are held in the “Additional Interest Reserve” under the applicable Trust Indenture, which may be used to fund the associated interest charged between the date of prepayment of an Assessment and the date on which Improvement Area #2 Bonds are prepaid, to offset any possible delinquent payments and pay Administrative Expenses provided for in the applicable Trust Indenture.

Funds generated by the Additional Interest Rate related to the Improvement Area #3 Bonds are held in the “Additional Interest Reserve” under the applicable Trust Indenture, which may be used to fund the associated interest charged between the date of prepayment of an Assessment and the date on which the Improvement Area #3 Bonds are prepaid, to offset any possible delinquent payments and pay Administrative Expenses provided for in the applicable Trust Indenture.

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V. SERVICE PLAN

A. INTRODUCTION

The PID Act requires the Service Plan (i) cover a period of at least five years, and (ii) define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the District during the five-year period. The majority of the Major Improvements, the Improvement Area #1 Improvements, and Improvement Area #2 Improvements have been constructed and accepted by the City. The Improvement Area #3 Improvements are anticipated to be completed and accepted by the City in the fourth quarter of 2024. A portion of the Major Improvements is expected to be completed in March 2025 as described in Section III.

The Actual Costs for the Improvement Area #1 Improvements plus costs related to the issuance of the Improvement Area #1 Bonds, and payment of expenses incurred in the establishment, administration and operation of the District is \$14,953,505 as shown in Table V-A. The service plan shall be reviewed and updated each year for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll. Any update to this Plan is herein referred as an “Annual Service and Assessment Plan Update.”

Table V-A summarizes the sources and uses of funds required to construct the Improvement Area #1 Improvements and issue the Improvement Area #1 Bonds. The sources and uses of funds shown in Table V-A shall be updated each year in the Annual Service and Assessment Plan Update to reflect any budget revisions and Actual Costs.

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Table V-A
Improvement Area #1
Sources and Uses of Funds

Sources of Funds	Improvement Area #1		Total
	Improvement Area #1 Bonds	Reimbursement Agreement	
Bond Par	\$9,255,000	\$0	\$9,255,000
Reimbursement Agreement Assessments	\$0	\$3,245,000	\$3,245,000
Other funding sources	\$0	\$2,453,505	\$2,453,505
Total Sources of Funds	\$9,255,000	\$5,698,505	\$14,953,505
Uses of Funds			
Improvement Area #1 Roadway Improvements	\$231,003	\$4,110,575	\$4,341,578
Improvement Area #1's share of Major Roadway Improvements	\$0	\$1,368,380	\$1,368,380
Improvement Area #1 Utility Improvements	\$4,716,665	\$0	\$4,716,665
Improvement Area #1's share of Major Utility Improvements	\$2,043,494	\$219,549	\$2,263,043
<i>Subtotal Improvement Area #1 Improvements</i>	<i>\$6,991,162</i>	<i>\$5,698,505</i>	<i>\$12,689,667</i>
<u>Bond Issuance Costs:</u>			
Reserve Fund	\$791,225	\$0	\$791,225
Capitalized Interest	\$348,515	\$0	\$348,515
Administrative Fund	\$30,000	\$0	\$30,000
Other costs of issuance	\$1,094,098	\$0	\$1,094,098
Total Uses of Funds	\$9,255,000	\$5,698,505	\$14,953,505

The Improvement Area #1 Bonds were issued to finance and or reimburse the Developer for all or a portion of the Improvement Area #1 share of the Major Utility Improvements, the Improvement Area #1 Utility Improvements, a portion of the Improvement Area #1 Roadway Improvements, and estimated costs to issue the Improvement Area #1 Bonds, as shown in Table V-A. The remaining costs of Improvement Area #1 Roadway Improvements and the Improvement Area #1 share of the Major Roadway Improvements will be paid by the Developer subject to reimbursement under the Improvement Area #1 Reimbursement Agreement. The Developer will continue to be obligated to construct and pay all costs of the Improvement Area #1 Improvements, Major Utility Improvements and Major Roadway Improvements regardless of the amount available for reimbursement of such costs from proceeds of the Improvement Area #1 Bonds or under the Improvement Area #1 Reimbursement Agreement.

Table V-B summarizes the original sources and uses of funds required to construct the Improvement Area #2 Improvements under the Omnibus Reimbursement Agreement.

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Table V-B
Improvement Area #2
Sources and Uses of Funds - Original

Sources of Funds	Total
Assessments	\$10,750,000
Other funding sources	\$4,913,842
Total Sources of Funds	\$15,663,842
Uses of Funds	
Improvement Area #2 Roadway Improvements	\$4,671,801
Improvement Area #2's share of Major Roadway Improvements	\$1,176,673
Improvement Area #2 Utility Improvements	\$7,869,372
Improvement Area #2's share of Major Utility Improvements	\$1,945,996
<i>Subtotal Improvement Area #2 Improvements</i>	<i>\$15,663,842</i>
Total Uses of Funds	\$15,663,842

Table V-C summarizes the updated sources and uses of funds required to construct and/or reimburse the Developer for the Improvement Area #2 Improvements that will benefit the Improvement Area #2 Assessed Property, pay a portion of the costs related to the administration and operation of the District and to issue the Improvement Area #2 Bonds. The sources and uses of funds shown in Table V-C shall be updated each year in the Annual Service Plan Update to reflect any revisions to the Actual Costs.

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Table V-C
Improvement Area #2
Estimated Sources and Uses of Funds - Updated

Sources of Funds	Improvement Area #2		Total
	Improvement Area #2 Bonds	Reimbursement Agreement	
Bond Par	\$9,230,000	\$0	\$9,230,000
Assessments	\$0	\$1,500,000	\$1,500,000
Other funding sources	\$0	\$6,320,841	\$6,320,841
Bond Premium	\$154,677	\$0	\$154,677
Total Sources of Funds	\$9,384,677	\$7,820,841	\$17,205,518
Uses of Funds			
<u>Improvement Area #2 Improvements:</u>			
Roadway Improvements	\$2,371,701	\$2,300,100	\$4,671,801
Share of Major Roadway Improvements	\$584,241	\$592,432	\$1,176,673
Utility Improvements	\$3,994,990	\$3,874,382	\$7,869,372
Share of Major Utility Improvements	\$892,068	\$1,053,928	\$1,945,996
<i>Subtotal Improvement Area #2 Improvements</i>	<i>\$7,843,000</i>	<i>\$7,820,841</i>	<i>\$15,663,841</i>
<u>Bond Issuance Costs:</u>			
Reserve Fund	\$528,805	\$0	\$528,805
Capitalized Interest	\$0	\$0	\$0
Administrative Expenses Fund	\$20,000	\$0	\$20,000
Cost of Issuance	\$793,272	\$0	\$793,272
Underwriters Discount	\$199,600	\$0	\$199,600
<i>Subtotal Bond Issuance Costs</i>	<i>\$1,541,677</i>	<i>\$0</i>	<i>\$1,541,677</i>
Total Uses of Funds	\$9,384,677	\$7,820,841	\$17,205,518

The estimated costs for the Improvement Area #2 Improvements, plus first year Administrative Expenses, are \$15,683,841 as shown in Table V-C. The estimated costs for Improvement Area #2 Improvements plus costs related to the issuance of the Improvement Area #2 Bonds for the Improvement Area #2 Improvements as shown in Table V-C. The service plan shall be reviewed and updated each year for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll. Any update to this Plan is herein referred to as an “Annual Service and Assessment Plan Update.”

Table V-D summarizes the original sources and uses of funds required to construct the Improvement Area #3 Improvements. Tables included in this Section may be rounded to the nearest whole dollar.

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Table V-D
Improvement Area #3- Original
Sources and Uses of Funds

Sources of Funds	Total
Assessments	\$17,270,000
Other funding sources	\$13,186,861
Total Sources of Funds	\$30,456,861
Uses of Funds	
Roadway Improvements	\$17,251,550
Share of Major Roadway Improvements	\$1,849,131
Utility Improvements	\$8,208,065
Share of Major Utility Improvements	\$3,058,115
<i>Subtotal Improvement Area #3 Improvements</i>	<i>\$30,366,861</i>
Other Assessment Levy Costs	
First Year Administrative Expenses	\$90,000
<i>Subtotal Other Assessment Levy Costs</i>	<i>\$90,000</i>
Total Uses of Funds	\$30,456,861

The Improvement Area #3 Bonds will be issued in 2024 to reimburse a portion of the estimated costs of the Improvement Area #3 Improvements and/or fulfill obligations under the portion of the Omnibus Reimbursement Agreement to Improvement Area #3.

Table V-E on the following page summarizes the updated sources and uses of funds required to construct and or/reimburse the Developer for the Improvement Area #3 Improvements that will benefit the Improvement Area #3 Assessed Property, pay a portion of the costs related to the administration and operation of the District and to issue the Improvement Area #3 Bonds. The updated sources and uses of funds shown in Table V-E shall be updated each year in the Annual Service Plan Update to reflect any revisions to Actual Costs.

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Table V-E
Improvement Area #3
Estimated Sources and Uses of Funds- Updated

Sources of Funds	Total
Assessments	\$17,270,000
Other funding sources	\$10,711,370
Total Sources of Funds	\$27,981,370
Uses of Funds	
Roadway Improvements	\$10,254,605
Share of Major Roadway Improvements	\$1,849,131
Utility Improvements	\$9,514,889
Share of Major Utility Improvements	\$3,058,115
<i>Subtotal Improvement Area #3 Improvements</i>	<i>\$24,676,740</i>
Bond Issuance Costs	
Debt Service Reserve Fund	\$864,842
Capitalized Interest	\$700,788
Cost of Issuance	\$1,130,900
Underwriter's Discount	\$518,100
Deposit to Improvement Area #3 Administrative Fund	\$90,000
<i>Subtotal Bond Issuance Costs</i>	<i>\$3,304,630</i>
Total Uses of Funds	\$27,981,370

The estimated costs for the Improvement Area #3 Improvements, plus first year Administrative Expenses, are \$27,981,370 as shown in Table V-E. The estimated cost for Improvement Area #3 Improvements plus costs related to the issuance of the Improvement Area #3 Bonds for the Improvement Area #3 Improvements are shown in Table V-E. The service plan shall be reviewed and updated each year for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll.

The Improvement Area #3 Improvements were initially financed by the Developer and reimbursable pursuant to the Omnibus Reimbursement Agreement. The Improvement Area #3 Bonds will be issued to satisfy the District's obligation under the Omnibus Reimbursement Agreement related to the Improvement Area #3 Improvements. Table V-E shows the updated estimated sources and uses for the Improvement Area #3 Improvements.

B. ANNUAL PROJECTED COSTS AND INDEBTEDNESS

Improvement Area #1

The annual projected costs and annual projected indebtedness for Improvement Area #1 is shown in Table V-F. The annual projected costs and indebtedness are subject to revision, and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

Table V-F
Improvement Area #1
Annual Projected Costs and Projected Indebtedness

Period Ending 9/30	Annual Projected Costs	Annual Projected Indebtedness	Other Funding Sources	Annual Installments
2022 & Prior	\$14,953,505	\$12,500,000	\$2,453,505	\$6,639,544
2023	\$0	\$0	\$0	\$1,014,191
2024	\$0	\$0	\$0	\$963,917
2025	\$0	\$0	\$0	\$971,482
2026	\$0	\$0	\$0	\$968,856
2027	\$0	\$0	\$0	\$991,198
2028	\$0	\$0	\$0	\$971,358
Total	\$14,953,505	\$12,500,000	\$2,453,505	\$12,520,546

The annual projected costs shown in Table V-G are the annual expenditures relating to the Improvement Area #1 Improvements shown in Table III-B and the costs associated with setting up the District and costs of issuance including reserves shown in Table V-B. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

Improvement Area #2

The annual projected costs and annual projected indebtedness for Improvement Area #2 is shown in Table V-G. The annual projected costs and indebtedness are subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

Table V-G
Improvement Area #2
Annual Projected Costs and Projected Indebtedness

Period Ending 9/30	Annual Projected Costs	Annual Projected Indebtedness	Other Funding Sources	Annual Installments
2022 & Prior	\$17,205,518	\$10,730,000	\$6,475,518	\$1,495,168
\$2,022	\$0	\$0	\$0	\$737,094
\$2,023	\$0	\$0	\$0	\$738,243
\$2,024	\$0	\$0	\$0	\$738,275
\$2,025	\$0	\$0	\$0	\$738,190
\$2,026	\$0	\$0	\$0	\$737,987
\$2,027	\$0	\$0	\$0	\$737,494
Total	\$17,205,518	\$10,730,000	\$6,475,518	\$5,922,451

The annual projected costs shown in Table V-G are the annual expenditures relating to the Improvement Area #2 Improvements shown in Table III-C and the costs associated with setting

up the District and costs of issuance including reserves shown in Table V-C. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

Improvement Area #3

The annual projected costs and annual projected indebtedness for Improvement Area #3 is shown in Table V-H. The annual projected costs and indebtedness are subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

Table V-H
Improvement Area #3
Annual Projected Costs and Projected Indebtedness- Updated

Period Ending 9/30	Annual Projected Costs	Annual Projected Indebtedness	Other Funding Sources	Annual Installments
2024	\$13,990,685	\$17,270,000	\$10,711,370	\$0
2025	13,990,685	\$0	\$0	\$871,553
2026	\$0	\$0	\$0	\$1,425,679
2027	\$0	\$0	\$0	\$1,424,841
2028	\$0	\$0	\$0	\$1,423,219
2029	\$0	\$0	\$0	\$1,421,812
2030	\$0	\$0	\$0	\$1,420,559
2031	\$0	\$0	\$0	\$1,419,397
Total	\$27,981,370	\$0	\$0	\$9,407,060

The annual projected costs shown in Table V-H are the annual expenditures relating to the Improvement Area #3 Improvements shown in Table III-D and the costs associated with the issuance of the Improvement Area #3 Bonds are shown in Table V-E. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

C. PID ASSESSMENT NOTICE

The PID Act requires that this Service and Assessment Plan and each Annual Service Plan update include a copy of the notice form required by Section 5.014 of the Texas Property Code. The PID Assessment Notice (the, “PID Assessment Notice”) is attached hereto as Appendix E and may be updated in an Annual Service Plan Update.

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VI. TERMS OF THE SPECIAL ASSESSMENTS

A. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN IMPROVEMENT AREA #1, IMPROVEMENT AREA #2, AND IMPROVEMENT AREA #3

The Assessments and Annual Installments for each Improvement Area #1 Assessed Property are shown on the Improvement Area #1 Assessment Roll in Appendix F. The Assessments and Annual Installments for each Improvement Area #2 Assessed Property are shown on the Improvement Area #2 Assessment Roll in Appendix G. The Assessments and Annual Installments for each Improvement Area #3 Assessed Property are shown on the Improvement Area #3 Assessment Roll in Appendix H.

The Assessment and Annual Installments shall not be changed except as authorized under the terms of this SAP and the PID Act. The Annual Installments shall be collected from Improvement Area #1 Assessed Property in an amount sufficient to pay (i) the principal and interest on the Improvement Area #1 Bonds, (ii) to fund the Prepayment Reserve for the Improvement Area #1 Bonds, (iii) to fund the Delinquency Reserve for the Improvement Area #1 Bonds, and (iv) to cover the Administrative Expenses of Improvement Area #1.

The Assessment and Annual Installments shall not be changed except as authorized under the terms of this SAP and the PID Act. The Annual Installments shall be collected from Improvement Area #2 Assessed Property in an amount sufficient to pay (i) the principal and interest on the Improvement Area #2 Bonds, (ii) to fund the Additional Interest Reserve for the Improvement Area #2 Bonds, and (iii) to cover the Administrative Expenses of Improvement Area #2.

The Assessment and Annual Installments shall not be changed except as authorized under the terms of this SAP and the PID Act. The Annual Installments shall be collected from Improvement Area #3 Assessed Property in an amount sufficient to pay (i) the principal and interest on the Improvement Area #3 Bonds, (ii) to fund the Additional Interest Reserve for the Improvement Area #3 Bonds, and (iii) to cover the Administrative Expenses of Improvement Area #3. The Annual Installments shall include Additional Interest as described in Section IV.L. The Annual Installment for each Parcel shall be calculated by taking into consideration any available capitalized interest, or other funds applicable to the Parcel.

B. REALLOCATION OF ASSESSMENTS FOR PARCELS LOCATED WITHIN IMPROVEMENT AREA #1, IMPROVEMENT AREA #2, AND IMPROVEMENT AREA #3

Upon Division Prior to Recording of Subdivision Plat

Upon the division of any Assessed Property (without the recording of subdivision plat), the Administrator shall reallocate the Assessment for the Parcel prior to the division among the newly divided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

A = the Assessment for the new divided Lot

B = the Assessment for the Lot prior to division

C = the Equivalent Units of the new divided Lot

D = the sum of the Equivalent Units for all of the new divided Lots

The calculation of the Equivalent Units of a Parcel shall be performed by the Administrator based on information available in the Official Public Records of Rockwall or Kaufman County, Texas regarding the Assessed Property and development related information provided by the property owners. The calculation as confirmed by the Board of Directors shall be conclusive.

The sum of the Assessments for all newly divided Parcels shall equal the Assessment for the Parcels prior to subdivision. The calculation shall be made separately for each newly divided Parcel. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the Board of Directors.

1. Upon Subdivision by a Recorded Subdivision Plat

Upon the subdivision of any Assessed Property based on a recorded Subdivision Plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

A = the Assessment for the new subdivided Lot

B = the Assessment for the Lot prior to subdivision

C = the Equivalent Units of the new divided Lot

D = the sum of the Equivalent Units for all of the new divided Lots

Prior to the recording of a subdivision plat, the Developer shall provide the District and the Administrator an estimated average home value by Lot Type as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any other factors that may impact the average home value and any other information available to the Developer. The calculation of the Equivalent Units for a Lot shall be performed by the Administrator and confirmed by the Board of Directors based on information provided by the Developer, homebuilders, third party consultants, and/or the Official Public Records Rockwall or Kaufman County, Texas regarding the Lot.

The sum of the Assessments for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the

reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the Board of Directors.

2. Upon Consolidation

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be calculated by the Administrator and reflected in an update to this Service and Assessment Plan approved by the Board of Directors.

C. MANDATORY PREPAYMENT OF ASSESSMENTS

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the District the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act.
2. If at any time the Assessment per Unit on a Parcel exceeds the applicable Improvement Area #1 Maximum Assessment Per Equivalent Unit, the Improvement Area #2 Maximum Assessment Per Equivalent Unit, or the Improvement Area #3 Maximum Assessment Per Equivalent Unit calculated in this Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by this Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the District prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Equivalent Unit for the Parcel exceeds the applicable Improvement Area #1 Maximum Assessment Per Equivalent Unit, the Improvement Area #2 Maximum Assessment Per Equivalent Unit, or the Improvement Area #3 Maximum Assessment Per Equivalent Unit calculated in this Service and Assessment Plan.
3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

D. REDUCTION OF ASSESSMENTS

1. If after all Authorized Improvements to be funded with a series of Bonds have been completed and Actual Costs for such Authorized Improvements are less than the Actual Costs used to calculate the Assessments securing such series of Bonds, resulting in excess Bond proceeds being available to redeem Bonds of such series, then the Assessment securing such series of Bonds for each Assessed Property shall be reduced by the Board of Directors pro rata such that the sum of the resulting reduced Assessments for all Assessed

Properties equals the actual reduced Actual Costs and such excess Bond proceeds shall applied to redeem Bonds of such series. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds.

2. If the Authorized Improvements to be funded with a series of Bonds are not undertaken or completed by the District, resulting in excess Bond proceeds being available to redeem Bonds of such series, the Assessment securing such series of Bonds for each Assessed Property shall be reduced by the Board of Directors to reflect only the Actual Costs that were expended and such excess Bond proceeds shall be applied to redeem Bonds of such series. The Board of Directors shall reduce such Assessments for each Assessed Property pro rata such that the sum of the resulting reduced Assessments equals the Actual Costs with respect to such Authorized Improvements that were undertaken. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds.

E. PAYMENT OF ASSESSMENTS

1. Payment in Full

- (a) The Assessment for any Parcel or Lot may be paid in full at any time. Payment shall include all Prepayment Costs. If prepayment in full will result in redemption of Bonds, the payment amount shall be reduced by the amount, if any, of interest through the date of redemption of Bonds and reserve funds applied to the redemption under the Trust Indenture, net of any other costs applicable to the redemption of Bonds.
- (b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.
- (c) Upon payment in full of an Assessment and all Prepayment Costs, the District shall deposit the payment in accordance with the Indenture; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.
- (d) At the option of the Parcel or Lot owner, the Assessment on any Parcel or Lot plus Prepayment Costs may be paid in part in an amount sufficient to allow for redemption of Bonds in authorized denominations as determined by the Administrator. Upon the payment of such amounts for a Parcel or Lot, the Assessment for the Parcel or Lot shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel or Lot shall be reduced to the extent the partial payment is made.

2. Payment in Annual Installments

The Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the District may collect interest and collection costs on the outstanding Assessment. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown in the Improvement Area #1 Assessment Roll, Improvement Area #2

Assessment Roll and Improvement Area #3 Assessment Roll, which includes interest on the outstanding Assessment and Administrative Expenses.

The Annual Installments as listed on the Improvement Area #1 Assessment Roll have been calculated using the actual interest rate on the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement of 5.75%, 6.25% and 6.5% percent. The Annual Installments shown in the Improvement Area #2 Assessment Roll have been calculated using an interest rate on the Improvement Area #2 Bonds of 2.50% in years 1 through 5 (2022-2026), 3.00% in years 6 through 10 (2027-2031), 3.250% in years 11 through 20 (2032-2041), and 4.00% in years 21 through 29 (2042-2050), and an interest rate of 3.680 % on the Improvement Area #2 Reimbursement Agreement. The Annual Installments may not exceed the amounts shown on the Improvement Area #1 Assessment Roll and the Improvement Area #2 Assessment Roll, except pursuant to any amendment or update to this SAP.

Each Assessment for the Improvement Area #3 Assessed Property shall be paid with interest related to the actual interest rate paid on the Improvement Area #3 Bonds allocable to Improvement Area #3, as shown in the Improvement Area #3 Assessment Roll is based on an estimated interest rate of 5.82%, plus the Additional Interest at the rate of 0.5% to fund the Additional Interest Reserve, if collected. The Annual Installments may not exceed the amounts shown on the Improvement Area #3 Assessment Roll. The Improvement Area #3 Assessment Roll is shown as Appendix H.

The Annual Installments shall be reduced to equal the actual costs of repaying the related series of Bonds and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances and actual costs of paying reimbursement obligations under the Improvement Area #1 Reimbursement Agreement, the Improvement Area #2 Reimbursement Agreement, or any other applicable reimbursement agreement.

The District reserves and shall have the right and option to refund the Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installment so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds and to make required payments under the Improvement Area #1 Reimbursement Agreement and the Improvement Area #2 Reimbursement Agreement and such refunding bonds shall constitute “Bonds” for purposes of this Service and Assessment Plan.

F. COLLECTION OF ANNUAL INSTALLMENTS

No less frequently than annually, the Administrator shall prepare, and the Board of Directors shall approve, an Annual Service and Assessment Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service and Assessment Plan Update shall include an updated Improvement Area #1 Assessment Roll, Improvement Area #2 Assessment Roll, and Improvement Area #3 Assessment Roll, and a calculation of the Annual Installment for each Parcel.

Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment collected in Improvement Areas where Bonds have been issued shall be reduced by any credits applied under the applicable Trust Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any existing deposits for a prepayment reserve. Annual Installments shall be collected by the District in the same manner and at the same time as ad valorem taxes for other entities and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes. The Board of Directors may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

Each Improvement Area #1 Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on September 1 and shall be due on October 1 of that year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the first Annual Installment for Improvement Area #1 commenced in 2017.

Each Improvement Area #2 Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on September 1 and shall be due on October 1 of that year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the first Annual Installment for Improvement Area #2 commenced in 2020.

Each Improvement Area #3 Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on September 1 and shall be due on October 1 of that year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the first Annual Installment Improvement Area #3 is anticipated to commence in 2026.

SURPLUS FUNDS REMAINING IN IMPROVEMENT AREA #1 BOND ACCOUNT

If Improvement Area #1 Bond proceeds still remain after all of the Improvement Area #1 Improvements (including Improvement Area #1's share of the Major Improvements) are constructed and conveyed to the City, the proceeds may be utilized to finance other Authorized Improvements that specially benefit all Improvement Area #1 Assessed Property.

G. SURPLUS FUNDS REMAINING IN IMPROVEMENT AREA #2 BOND ACCOUNT

If Improvement Area #2 Bond proceeds still remain after all of the Improvement Area #2 Improvements are constructed and conveyed to the City, the proceeds may be utilized to finance

other Authorized Improvements that specially benefit the Improvement Area #2 Assessed Property.

H. SURPLUS FUNDS REMAINING IN IMPROVEMENT AREA #3 BOND ACCOUNT

If Improvement Area #3 Bond proceeds still remain after all of the Improvement Area #3 Improvements are constructed and conveyed to the City, the proceeds may be utilized to finance other Authorized Improvements that specially benefit the Improvement Area #3 Assessed Property.

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VII. THE ASSESSMENT ROLL

A. IMPROVEMENT AREA #1 ASSESSMENT ROLL

Each Parcel within Improvement Area #1 has been evaluated by the Board of Directors (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Improvement Area #1 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the Board of Directors) to determine the amount of Assessed Property within the Parcel.

Improvement Area #1 Assessed Property has been assessed for the special benefits conferred upon the property because of the Improvement Area #1 Improvements and the proportionate share of the Major Improvements. Table VII-A summarizes the \$14,953,505 in special benefit received by Improvement Area #1 Assessed Property from the Improvement Area #1 Improvements that benefit Improvement Area #1, a proportionate share of the Major Improvements, the costs of the District formation, and Bond issuance costs. The total amount of Improvement Area #1 Bonds and the amount payable under the Improvement Area #1 Reimbursement Agreement is \$12,500,000 as shown in Table V-A, which is less than the benefit received by Improvement Area #1 Assessed Property, and as such the total Assessment for all Assessed Property within Improvement Area #1 is \$12,500,000 plus annual Administrative Expenses. The Assessment for each Assessed Property within Improvement Area #1 is calculated based on the allocation methodologies described in Section IV.G of this Service and Assessment Plan. The Improvement Area #1 Assessment Roll is attached hereto as Appendix F.

Table VII-A
Improvement Area #1
Special Benefit Summary

Special Benefit	Total Cost
Total Authorized Improvements ¹	\$12,689,667
<u>Bond Issuance Costs:</u>	
Reserve Fund	\$791,225
Capitalized Interest	\$348,515
Administrative Fund	\$30,000
Other Costs of Issuance	\$1,094,098
<i>Subtotal Bond Issuance Costs</i>	<i>\$2,263,838</i>
Total Special Benefit	\$14,953,505
<u>Special Benefit:</u>	
Total Special Benefit	\$14,953,505
Projected Assessment	\$12,500,000
Excess Benefit	\$2,453,505

¹See Table III-B for details.

B. IMPROVEMENT AREA #2 ASSESSMENT ROLL

Each Parcel within Improvement Area #2 has been evaluated by the Board of Directors (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Improvement Area #2 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the Board of Directors) to determine the amount of Assessed Property within the Parcel.

Improvement Area #2 Assessed Property has been assessed for the special benefits conferred upon the property because of the Improvement Area #2 Improvements and a proportionate share of the Major Improvements. Table VII-B summarizes the \$17,205,518 in special benefit received by Improvement Area #2 Assessed Property from the Improvement Area #2 Improvements that benefit Improvement Area #2, a proportionate share of the Major Improvements, and the costs associated with issuing the Improvement Area #2 Bonds. The total original amount payable for the Improvement Area #2 Improvements under the Omnibus Reimbursement Agreement was \$10,750,000 as shown in Table VII-B, which is less than the benefit received by Improvement Area #2 Assessed Property, and as such the total Assessment for all Assessed Property within Improvement Area #2 is \$10,750,000 plus annual Administrative Expenses. The Assessment for each Assessed Property within Improvement Area #2 is calculated based on the allocation methodologies described in Section IV.G of this Service and Assessment Plan. The Improvement Area #2 Assessment Roll is attached hereto as Appendix G.

Table VII-B
Improvement Area #2
Special Benefit Summary

Special Benefit	Total Cost
Total Authorized Improvements ¹	\$15,663,841
<u>Bond Issuance Costs:</u>	
Reserve Fund	\$528,805
Capitalized Interest	\$0
Administrative Expenses Fund	\$20,000
Cost of Issuance	\$793,272
Underwriters Discount	\$199,600
<i>Subtotal Bond Issuance Costs</i>	<i>\$1,541,677</i>
Total Special Benefit	\$17,205,518
<u>Special Benefit:</u>	
Total Special Benefit	\$17,205,518
Assessment	\$10,750,000
Excess Benefit	\$6,455,518

¹See Table III-C for details.

C. IMPROVEMENT AREA #3 ASSESSMENT ROLL

Each Parcel within Improvement Area #3 has been evaluated by the Board of Directors (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Improvement Area #3 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the Board of Directors) to determine the amount of Assessed Property within the Parcel.

Improvement Area #3 Assessed Property has been assessed for the special benefits conferred upon the property because of the Improvement Area #3 Improvements and a proportionate share of the Major Improvements. Table VII-C summarizes the \$27,981,370 in special benefit received by Improvement Area #3 Assessed Property from the Improvement Area #3 Improvements that benefit Improvement Area #3, a proportionate share of the Major Improvements, and applicable Bond issuance costs. The Assessment amount of the Improvement Area #3 Bonds as shown in Table VII-C, which is less than the benefit received by Improvement Area #3 Assessed Property, and as such the total Assessment for all Assessed Property within Improvement Area #3 is \$17,270,000 plus annual Administrative Expenses. The Assessment for each Assessed Property within Improvement Area #3 is calculated based on the allocation methodologies described in Section IV.G of this Service and Assessment Plan. The Improvement Area #3 Assessment Roll is attached hereto as Appendix H.

Table VII-C
Improvement Area #3
Special Benefit Summary

Special Benefit	Total Cost
Total Authorized Improvements ¹	\$24,676,740
<u>Bond Issuance Costs:</u>	
Debt Service Reserve Fund	\$864,842
Capitalized Interest	\$700,788
Cost of Issuance	\$1,130,900
Underwriter's Discount	\$518,100
Administrative Expense Fund	\$90,000
<i>Subtotal Bond Issuance Costs</i>	<i>\$3,304,630</i>
Total Special Benefit	\$27,981,370
<u>Special Benefit</u>	
Total Special Benefit	\$27,981,370
Assessment	\$17,270,000
Excess Benefit	\$10,711,370

¹See Table III-C for details.

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D. ANNUAL ASSESSMENT ROLL UPDATES

The Administrator shall prepare, and shall submit to the Board of Directors for approval, annual updates to the Improvement Area #1 Assessment Roll, the Improvement Area #2 Assessment Roll, and the Improvement Area #3 Assessment Roll in conjunction with the Annual Service and Assessment Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the District: (i) the identification of each Parcel (ii) the Assessment for each Assessed Property, including any adjustments authorized by this Plan; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.E of this Service and Assessment Plan.

The Annual Service Plan Update will reflect the actual interest on the Improvement Area #1 Bonds, the Improvement Area #1 Reimbursement Agreement, the Improvement Area #2 Bonds, the Improvement Area #2 Reimbursement Agreement, and the Improvement Area #3 Bonds, and any reduction in the Improvement Area #1 Assessments, Improvement Area #2 Assessments, and Improvement Area #3 Assessments and any revisions in the Actual Costs to be funded by the Improvement Area #1 Bonds, the Improvement Area #2 Bonds, or the Improvement Area #3 Bonds.

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VIII. MISCELLANEOUS PROVISIONS

A. ADMINISTRATIVE REVIEW

The District shall elect to designate a third party to serve as Administrator. The District shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

An owner of an 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 District not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Property owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Property owner, such change or modification shall be presented to the Board of Directors for approval. 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 District 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 Board of Directors. Any amendments made to the Assessment Roll pursuant to calculations errors shall be made pursuant to the PID Act.

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 District shall provide the owner of the affected Parcel a recordable “Notice of the Assessment Termination.”

C. AMENDMENTS

Amendments to the Plan can be made as permitted or required under Texas law.

The Board of Directors reserves the right to amend this Service and Assessment Plan without notice and without notice to property owners of Parcels: (i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of

Assessments, Prepayment Costs, Collection Costs, and other charges imposed by the Service and Assessment Plan.

D. ADMINISTRATION AND INTERPRETATION OF PROVISIONS

The Board of Directors shall administer (or cause the administration of) the District, this Plan, and all Annual Service and Assessment Plan Updates consistent with the Creation Legislation and the PID Act and shall make all interpretations and determinations related to the application of this Plan unless stated otherwise herein or in the Trust Indenture, such determination shall be conclusive.

E. SEVERABILITY

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed 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 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 Board of Directors in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the District.

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APPENDIX A
DISTRICT MAP

APPENDIX B
AUTHORIZED IMPROVEMENT COSTS

APPENDIX C
DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS

APPENDIX D
**ASSESSMENT PER EQUIVALENT UNIT, PROJECTED LEVERAGE AND PROJECTED
TAX RATE EQUIVALENTS**

APPENDIX D

A) Proposed Development

Table D-1 shows the proposed residential units to be developed within the District.

Table D-1
Proposed Development within the District

Description	Proposed Development	
Lot Type 1 (Lake Front Lots)	15	units
Lot Type 2 (Channel Front Lots)	7	units
Lot Type 3 (Water Feature Lots)	32	units
Lot Type 4 (120 ft Lots)	49	units
Lot Type 5 (100 Ft Lots)	129	units
Lot Type 6 (90 Ft Lots)	83	units
Lot Type 7 (80 Ft Lots)	176	units
Lot Type 8 (70 Ft Lots)	261	units
Lot Type 9 (60 Ft Lots)	37	units
Lot Type 10 (50 Ft Lots)	142	units
Lot Type 11 (Detached Luxury Villas)	69	units
Lot Type 12 (Attached Luxury Villas)	236	units
Total	1,236	units

Table D-2 shows the residential units within Improvement Area #1.

Table D-2
Proposed Development – Improvement Area #1

Description	Proposed Development	
Lot Type 1 (Lake Front Lots)	15	units
Lot Type 2 (Channel Front Lots)	7	units
Lot Type 3 (Water Feature Lots)	32	units
Lot Type 7 (80 Ft Lots)	69	units
Lot Type 8 (70 Ft Lots)	85	units
Lot Type 9 (60 Ft Lots)	37	units
Lot Type 10 (50 Ft Lots)	87	units
Total	332	units

Table D-3 on the following page shows the residential Lot Types within Improvement Area #2.

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Table D-3
Proposed Development – Improvement Area #2

Description	Proposed Development	
Lot Type 8 (70 Ft Lots)	151	units
Lot Type 10 (50 Ft Lots)	55	units
Lot Type 11 (Detached Luxury Villas)	35	units
Lot Type 12 (Attached Luxury Villas)	236	units
Total	477	units

Table D-4 shows the proposed residential Lot Types within Improvement Area #3.

Table D-4
Proposed Development – Improvement Area #3

Description	Proposed Development	
Lot Type 4 (120 ft Lots)	49	units
Lot Type 5 (100 Ft Lots)	129	units
Lot Type 6 (90 Ft Lots)	83	units
Lot Type 7 (80 Ft Lots)	107	units
Lot Type 8 (70 Ft Lots)	25	units
Lot Type 11 (Detached Luxury Villas)	34	units
Total	427	units

As explained under Section IV, for purpose of this Service and Assessment Plan, the Board of Directors has determined that the Actual Costs of the Authorized Improvements to be financed with the Improvement Area #1 Bonds, Improvement Area #1 Reimbursement Agreement, Improvement Area #2 Bonds, Improvement Area #2 Reimbursement Agreement, and Improvement Area #3 Bonds shall be allocated to the applicable Assessed Property by spreading the entire Assessment for that particular Improvement Area across the Parcels based on the estimated Equivalent Units.

For purposes of this Plan, the District has determined that the Assessments shall be allocated to the Assessed Property on the basis of the average home value of each Lot Type, and that such method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefited. In determining the average home value of each Lot Type, the District has taken into consideration (i) the type of lots (i.e., lake front lots, channel front lots, water feature lots, etc.); (ii) current and projected home prices; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the District has determined that allocating the Assessments among Parcels based on average home value is best accomplished by creating classifications of benefited Parcels based on the “Lot Types” defined above. These classifications (from Lot Type 1 (Lake Front Lot) representing the highest value to Lot Type 12 (Luxury Villa Lots – Attached) representing the lowest value for residential lots are set forth in Table D-5. Assessments are allocated to each Lot Type on the basis of the average home value for each class of lots. This is accomplished by giving each Lot Type an Equivalent Unit factor. Equivalent Units are

the ratio of the average value of lots within each assessment class, setting the Equivalent Unit factor for Lot Type 1 (Lake Front Lot) to 1.0.

Table D-5 sets forth the estimated Equivalent Unit Factors used to allocate the Major Improvements to Improvement Area #1, Improvement Area #2, and Improvement Area #3.

Table D-5
Equivalent Unit Factors (Allocation of Major Improvements)

Lot Type	Estimated Average Unit Value¹	Equivalent Unit Factor
Lot Type 1 (Lake Front Lots)	\$1,500,000	1.00 per unit
Lot Type 2 (Channel Front Lots)	\$750,000	0.50 per unit
Lot Type 3 (Water Feature Lots)	\$650,000	0.43 per unit
Lot Type 4 (120 ft Lots)	\$600,000	0.40 per unit
Lot Type 5 (100 Ft Lots)	\$565,000	0.38 per unit
Lot Type 6 (90 Ft Lots)	\$505,000	0.34 per unit
Lot Type 7 (80 Ft Lots)	\$485,000	0.32 per unit
Lot Type 8 (70 Ft Lots)	\$440,000	0.29 per unit
Lot Type 9 (60 Ft Lots)	\$360,000	0.24 per unit
Lot Type 10 (50 Ft Lots)	\$315,000	0.21 per unit
Lot Type 11 (Detached Luxury Villas)	\$225,000	0.15 per unit
Lot Type 12 (Attached Luxury Villas)	\$200,000	0.13 per unit

¹Based on the original projected home value provided by the Developer.

The total Equivalent Units for Improvement Area #1 are shown in Table D-6 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built within Improvement Area #1.

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Table D-6
Equivalent Units- Improvement Area #1

Lot Type	No. of units	Equivalent Unit Factor	Total Equivalent Units
Lot Type 1 (Lake Front Lots)	15	1.00	15.00
Lot Type 2 (Channel Front Lots)	7	0.50	3.50
Lot Type 3 (Water Feature Lots)	32	0.43	13.76
Lot Type 7 (80 Ft Lots)	69	0.32	22.08
Lot Type 8 (70 Ft Lots)	85	0.29	24.65
Lot Type 9 (60 Ft Lots)	37	0.24	8.88
Lot Type 10 (50 Ft Lots)	87	0.21	18.27
Total Equivalent Units	332		106.14

The total Equivalent Units for Improvement Area #2 are shown in Table D-7 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built within Improvement Area #2.

Table D-7
Equivalent Units- Improvement Area #2

Lot Type	No. of units	Equivalent Unit Factor	Total Equivalent Units
Lot Type 8 (70 Ft Lots)	151	0.29	43.79
Lot Type 10 (50 Ft Lots)	55	0.21	11.55
Lot Type 11 (Detached Luxury Villas)	35	0.15	5.25
Lot Type 12 (Attached Luxury Villas)	236	0.13	30.68
Total Equivalent Units	477		91.27

The total Equivalent Units for Improvement Area #3, used to allocate the Major Improvements to Improvement Area #3, are shown in Table D-8 on the following page as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built within Improvement Area #3.

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Table D-8
Equivalent Units- Improvement Area #3 – (For Allocation of Major Improvements)

Lot Type	No. of units	Equivalent Unit Factor	Total Equivalent Units
Lot Type 4 (120 ft Lots)	49	0.40	19.60
Lot Type 5 (100 Ft Lots)	129	0.38	49.02
Lot Type 6 (90 Ft Lots)	83	0.34	28.22
Lot Type 7 (80 Ft Lots)	107	0.32	34.24
Lot Type 8 (70 Ft Lots)	25	0.29	7.25
Lot Type 11 (Detached Luxury Villas)	34	0.15	5.10
Total Equivalent Units	427		143.43

B) Allocation of Assessments to Lots within Improvement Area #1

The total amount of the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Amount payable from Assessments, which represents the total Assessment to be allocated on all Parcels within Improvement Area #1, is \$12,500,000 (\$9,255,000 + \$3,245,000 = \$12,500,000). As shown in Table D-6, there are a total of 106.14 estimated Equivalent Units in Improvement Area #1, resulting in an Assessment per Equivalent Unit of \$117,768.98.

The Assessment per dwelling unit or acre is calculated as the product of (i) \$117,768.98 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, the Assessment for a Lot Type 1 (Lake Front Lot) dwelling unit is \$117,768.98 (i.e. $\$117,768.98 \times 1.00$). The Assessment for a Lot Type 2 (Channel Front Lot) dwelling unit is \$58,884.49 (i.e. $\$117,768.98 \times 0.50$). The Assessment for a Lot Type 3 (Water Feature Lot) dwelling unit is \$50,640.66 (i.e. $\$117,768.98 \times 0.43$). The Assessment for a Lot Type 7 (80 Ft Lot) dwelling unit is \$37,686.07 (i.e. $\$117,768.98 \times 0.32$). The Assessment for a Lot Type 8 (70 Ft Lot) dwelling unit is \$34,153.01 (i.e. $\$117,768.98 \times 0.29$). The Assessment for a Lot Type 9 (60 Ft Lot) dwelling unit is \$28,264.56 (i.e. $\$117,768.98 \times 0.24$). The Assessment for a Lot Type 10 (50 Ft Lot) dwelling unit is \$24,731.49 (i.e. $\$117,768.98 \times 0.21$). Table D-9 sets forth the Assessment per dwelling unit for each applicable Lot Type.

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Table D-9
Assessment Per Unit – Improvement Area #1

Description	No. of Units	Assessment Per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit	Total Assessments
Lot Type 1 (Lake Front Lots)	15	\$117,768.98	1.00	\$117,768.98 per unit	\$1,766,534.77
Lot Type 2 (Channel Front Lots)	7	\$117,768.98	0.50	\$58,884.49 per unit	\$412,191.45
Lot Type 3 (Water Feature Lots)	32	\$117,768.98	0.43	\$50,640.66 per unit	\$1,620,501.22
Lot Type 7 (80 Ft Lots)	69	\$117,768.98	0.32	\$37,686.07 per unit	\$2,600,339.17
Lot Type 8 (70 Ft Lots)	85	\$117,768.98	0.29	\$34,153.01 per unit	\$2,903,005.46
Lot Type 9 (60 Ft Lots)	37	\$117,768.98	0.24	\$28,264.56 per unit	\$1,045,788.58
Lot Type 10 (50 Ft Lots)	87	\$117,768.98	0.21	\$24,731.49 per unit	\$2,151,639.34
Total	332				\$12,500,000.00

The projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table D-10.

Table D-10
Projected Leverage – Improvement Area #1

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Assessment per Unit¹	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 1 (Lake Front Lots)	15	\$750,000	\$1,500,000	\$117,768.98	6.37	12.74
Lot Type 2 (Channel Front Lots)	7	\$250,000	\$750,000	\$58,884.49	4.25	12.74
Lot Type 3 (Water Feature Lots)	32	\$175,000	\$650,000	\$50,640.66	3.46	12.84
Lot Type 7 (80 Ft Lots)	69	\$90,000	\$485,000	\$37,686.07	2.39	12.87
Lot Type 8 (70 Ft Lots)	85	\$79,000	\$440,000	\$34,153.01	2.31	12.88
Lot Type 9 (60 Ft Lots)	37	\$68,000	\$360,000	\$28,264.56	2.41	12.74
Lot Type 10 (50 Ft Lots)	87	\$56,000	\$315,000	\$24,731.49	2.26	12.74

The projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table D-11 on the following page.

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Table D-11
Estimated Tax Rate Equivalent per unit – Improvement Area #1

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Projected Average Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 1 (Lake Front Lots)	15	\$750,000	\$1,500,000	\$9,545.57	\$1.27	\$0.64
Lot Type 2 (Channel Front Lots)	7	\$250,000	\$750,000	\$4,772.79	\$1.91	\$0.64
Lot Type 3 (Water Feature Lots)	32	\$175,000	\$650,000	\$4,104.60	\$2.35	\$0.63
Lot Type 7 (80 Ft Lots)	69	\$90,000	\$485,000	\$3,054.58	\$3.39	\$0.63
Lot Type 8 (70 Ft Lots)	85	\$79,000	\$440,000	\$2,768.22	\$3.50	\$0.63
Lot Type 9 (60 Ft Lots)	37	\$68,000	\$360,000	\$2,290.94	\$3.37	\$0.64
Lot Type 10 (50 Ft Lots)	87	\$56,000	\$315,000	\$2,004.57	\$3.58	\$0.64

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #1 is shown on the Improvement Area #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

C) Allocation of Assessments to Lots within Improvement Area #2

The total amount of the Improvement Area #2 Bonds and the amounts reimbursable under the Improvement Area #2 Reimbursement Agreement, which represents the total Assessment to be allocated on all Parcels within Improvement Area #2, is \$10,750,000. As shown in Table D-7, there are a total of 91.27 estimated Equivalent Units in Improvement Area #2, resulting in an Assessment per Equivalent Unit of \$117,782.40.

The Assessment per dwelling unit or acre is calculated as the product of (i) \$117,782.40 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, the Assessment for a Lot Type 8 (70 Ft Lot) dwelling unit is \$34,156.90 (i.e. $\$117,782.40 \times 0.29$). The Assessment for a Lot Type 10 (50 Ft Lot) dwelling unit is \$24,734.30 (i.e. $\$117,782.40 \times 0.21$). The Assessment for a Lot Type 11 Detached Villa Lot) dwelling unit is \$17,667.36 (i.e. $\$117,782.40 \times 0.15$). The Assessment for a Lot Type 12 (Attached Luxury Villa Lot) dwelling unit is \$15,311.71 (i.e. $\$117,782.40 \times 0.13$). Table D-12 on the following page sets forth the Assessment per dwelling unit for each applicable Lot Type.

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Table D-12
Assessment Per Unit – Improvement Area #2

Description	No. of Units	Assessment Per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit	Total Assessments
Lot Type 8 (70 Ft Lots)	151	\$117,782.40	0.29	\$34,156.90 per unit	\$5,157,691
Lot Type 10 (50 Ft Lots)	55	\$117,782.40	0.21	\$24,734.30 per unit	\$1,360,387
Lot Type 11 (Detached Luxury Villas)	35	\$117,782.40	0.15	\$17,667.36 per unit	\$618,358
Lot Type 12 (Attached Luxury Villas)	236	\$117,782.40	0.13	\$15,311.71 per unit	\$3,613,564
Total	477				\$10,750,000

The projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table D-13.

Table D-13
Projected Leverage – Improvement Area #2

Description	Planned No. of Units	Estimated Finished Lot Value per unit ¹	Projected Home Value per unit ²	Assessment per Unit	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 8 (70 Ft Lots)	151	\$94,500	\$400,000	\$34,156.90	2.77	11.71
Lot Type 10 (50 Ft Lots)	55	\$68,750	\$315,000	\$24,734.30	2.78	12.74
Lot Type 11 (Detached Luxury Villas)	35	\$55,000	\$225,000	\$17,667.36	3.11	12.74
Lot Type 12 (Attached Luxury Villas)	236	\$65,000	\$200,000	\$15,311.71	4.25	13.06

¹Based on contract price for lots under the lot purchase and sale agreement as provided as part of the Developer due diligence response for the Improvement Area #2 Bonds.

²Provided by Developer as part of the Developer due diligence response for the Improvement Area #2 Bonds.

The projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table D-14 on the following page.

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Table D-14
Estimated Tax Rate Equivalent per unit – Improvement Area #2

Description	Planned No. of Units	Estimated Finished Lot Value per unit ¹	Projected Home Value per unit ²	Projected Average Outstanding Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 8 (70 Ft Lots)	151	\$94,500	\$400,000	\$2,359.90	\$2.50	\$0.59
Lot Type 10 (50 Ft Lots)	55	\$68,750	\$315,000	\$1,708.89	\$2.49	\$0.54
Lot Type 11 (Detached Luxury Villas)	35	\$55,000	\$225,000	\$1,220.64	\$2.22	\$0.54
Lot Type 12 (Attached Luxury Villas)	236	\$65,000	\$200,000	\$1,057.88	\$1.63	\$0.53

¹Based on contract price for lots under the lot purchase and sale agreement as provided as part of the Developer due diligence response for the Improvement Area #2 Bonds.

²Provided by Developer as part of the Developer due diligence response for the Improvement Area #2 Bonds.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #2 is shown on the Improvement Area #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

D) Allocation of Assessments to Lots within Improvement Area #3

The average home prices in Improvement Area #3 substantially increased as compared to Improvement Area #1 and Improvement Area #2 according to the estimated average home price information provided by the Developer at the time of levy of Improvement Area #3 Assessments in 2023. The increase in average home prices for Improvement Area #3 was disproportional between the different Lot Types as compared with Improvement Area #1 and Improvement Area #2. As a result, updated Equivalent Unit Factors were calculated as shown in Table D-15 below to allocate the Improvement Area #3 Improvements to Parcels within Improvement Area #3 at the request of the Developer and approval of the Board in 2023.

Table D-15
Projected Equivalent Unit Factors- Improvement Area #3 Improvements

Lot Type	Estimated Average Unit Value ¹	Equivalent Unit Factor
Lot Type 4 (120 ft Lots)	\$1,140,000	1.00 per unit
Lot Type 5 (100 Ft Lots)	\$950,000	0.83 per unit
Lot Type 6 (90 Ft Lots)	\$855,000	0.75 per unit
Lot Type 7 (80 Ft Lots)	\$760,000	0.67 per unit
Lot Type 8 (70 Ft Lots)	\$665,000	0.58 per unit
Lot Type 11 (Detached Luxury Villas)	\$395,000	0.35 per unit

¹Updated Improvement Area #3 home values provided by the Developer in 2023.

Table D-16 on the following page shows the total Equivalent Unit factors for Improvement Area #3 to be used for allocation of Improvement Area #3 Assessments, related to the Improvement Area #3 Improvements, to the Assessed Property within Improvement Area #3.

Table D-16
Total Equivalent Unit Factors- Improvement Area #3 Improvements

Lot Type	No. of units	Equivalent Unit Factor	Total Equivalent Units¹
Lot Type 4 (120 ft Lots)	49	1.00	49.00
Lot Type 5 (100 Ft Lots)	129	0.83	107.50
Lot Type 6 (90 Ft Lots)	83	0.75	62.25
Lot Type 7 (80 Ft Lots)	107	0.67	71.33
Lot Type 8 (70 Ft Lots)	25	0.58	14.58
Lot Type 11 (Detached Luxury Villas)	34	0.35	11.78
Total Equivalent Units	427		316.45

The total amount reimbursable under the Omnibus Reimbursement Agreement, which represents the total Assessment to be allocated on all Parcels within Improvement Area #3 is \$17,270,000. As shown in Table D-16, there are a total of 316.45 Equivalent Units in Improvement Area #3, resulting in an Assessment per Equivalent Unit of \$54,574.64.

The original Assessment per dwelling unit or acre is calculated as the product of (i) \$54,574.64 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, the Assessment for a Lot Type 4 (120 Ft Lot) dwelling unit is \$54,574.64 (i.e. $\$54,574.64 \times 1.00$). The Assessment for a Lot Type 5 (100 Ft Lot) dwelling unit is \$45,478.86 (i.e. $\$54,574.64 \times 0.83$). The Assessment for a Lot Type 6 (90 Ft Lot) dwelling unit is \$40,930.98 (i.e. $\$54,574.64 \times 0.75$), and so on. Table D-17 sets forth the original Assessment per dwelling unit for each Lot Type in Improvement Area #1 on the following page.

Table D-17
Assessment Per Unit – Improvement Area #3

Description	No. of Units	Assessment Per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit	Total Assessments
Lot Type 4 (120 ft Lots)	49	\$54,574.64	1.00	\$54,574.64 per unit	\$2,674,157
Lot Type 5 (100 Ft Lots)	129	\$54,574.64	0.83	\$45,478.86 per unit	\$5,866,773
Lot Type 6 (90 Ft Lots)	83	\$54,574.64	0.75	\$40,930.98 per unit	\$3,397,271
Lot Type 7 (80 Ft Lots)	107	\$54,574.64	0.67	\$36,383.09 per unit	\$3,892,991
Lot Type 8 (70 Ft Lots)	25	\$54,574.64	0.58	\$31,835.20 per unit	\$795,880
Lot Type 11 (Detached Luxury Villas)	34	\$54,574.64	0.35	\$18,909.63 per unit	\$642,928
Total	427				\$17,270,000

The original projected leverage calculated based on the estimated land values, finished lot values and average home values provided by the Developer at the time of Improvement Area #3 Assessment levy for each unit is shown in Table D-18 below.

Table D-18
Projected Leverage – Improvement Area #3 - Original

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Assessment per Unit	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 4 (120 ft Lots)	49	\$228,000	\$1,140,000	\$54,574.64	4.18	20.89
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$950,000	\$45,478.86	4.18	20.89
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$855,000	\$40,930.98	4.18	20.89
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$760,000	\$36,383.09	4.18	20.89
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$665,000	\$31,835.20	4.18	20.89
Lot Type 11 (Detached Luxury Villas)	34	\$64,600	\$395,000	\$18,909.63	3.42	20.89

The original projected tax rate equivalent per unit calculated based on the estimated finished lot values and average home values provided by the Developer at the time of Improvement Area #3 Assessment levy for each unit is shown in Table D-19 below.

Table D-19
Estimated Tax Rate Equivalent per unit – Improvement Area #3 - Original

Description	Planned No. of Units	Estimated Finished Lot Value per unit ¹	Projected Home Value per unit ²	Projected Average Outstanding Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 4 (120 ft Lots)	49	\$228,000	\$1,140,000	\$4,250.89	\$1.86	\$0.37
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$950,000	\$3,542.41	\$1.86	\$0.37
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$855,000	\$3,188.17	\$1.86	\$0.37
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$760,000	\$2,833.93	\$1.86	\$0.37
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$665,000	\$2,479.69	\$1.86	\$0.37
Lot Type 11 (Detached Luxury Villas)	34	\$64,600	\$395,000	\$1,472.90	\$2.28	\$0.37

The projected leverage calculated based on the estimated land values, finished lot values and updated average home values provided by the Developer at the time of Improvement Area #3 Bond issuance in 2024 for each unit is shown in Table D-20 on the following page.

Table D-20
Projected Leverage – Improvement Area #3 - Updated

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Average Home Value per unit ¹	Assessment per Unit ¹	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 4 (120 Ft Lots)	49	\$228,000	\$1,150,000	\$54,574.64	4.18	21.07
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$855,000	\$45,478.86	4.18	18.80
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$767,500	\$40,930.98	4.18	18.75
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$680,000	\$36,383.09	4.18	18.69
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$582,500	\$31,835.20	4.18	18.30
Lot Type 11 (Detached Luxury Villas)	34	\$125,000	\$550,000	\$18,909.63	6.61	29.09

¹ Projected Home Values shown in Table D-20 for each Lot Type in Improvement Area #3 are the average of the range of current home values provided by the Developer at the time of Improvement Area #3 Bond issuance in 2024. For Lot Type 4 (120 Ft Lots) the projected home value is the average of \$800,000 to \$1,500,000 as provided by the Developer [i.e., $(\$800,000 + \$1,500,000) \div 2 = \$1,150,000$]. For Lot Type 5 (100 Ft Lots) the projected home value is the average of \$760,000 [i.e., $(\$760,000 + \$950,000) \div 2 = \$855,000$]. For Lot Type 6 (90 FT Lots) the projected home value is the average of \$685,000 to \$850,000 [i.e., $(\$685,000 + \$850,000) \div 2 = \$767,500$]. For Lot Type 7(80 Ft Lots) the projected home value is the average of \$600,000 to \$760,000 [i.e., $(\$600,000 + \$760,000) \div 2 = \$680,000$]. For Lot Type 8(70 Ft Lots) the projected home value is the average of \$500,000 to \$665,000 [i.e., $(\$500,000 + \$665,000) \div 2 = \$582,500$]. For Lot Type 11 (Detached Luxury Villas) the projected home value is the average of \$450,000 to \$650,000 [i.e., $(\$450,000 + \$650,000) \div 2 = \$550,000$].

The revised projected tax rate equivalent per unit calculated based on the estimated finished lot values and average home values provided by the Developer at the time of Improvement Area #3 Bond issuance in 2024 for each unit is shown in Table D-21 below.

Table D-21
Estimated Tax Rate Equivalent per unit – Improvement Area #3 - Updated

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Average Home Value per unit ¹	Projected Average Outstanding Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 4 (120 ft Lots)	49	\$228,000	\$1,150,000	\$4,250.26	\$1.86	\$0.37
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$855,000	\$3,541.89	\$1.86	\$0.41
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$767,500	\$3,187.70	\$1.86	\$0.42
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$680,000	\$2,833.51	\$1.86	\$0.42
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$582,500	\$2,479.32	\$1.86	\$0.43
Lot Type 11 (Detached Luxury Villas)	34	\$125,000	\$550,000	\$1,472.68	\$1.18	\$0.27

¹ See Table D-20 above.

The Assessments and Annual Installments for each Parcel or Lot located within Improvement Area #3 is shown on the Improvement Area #3 Assessment Roll, attached as Appendix H, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

APPENDIX E
PID ASSESSMENT NOTICE

AFTER RECORDING RETURN TO:

_____]¹

NOTICE OF OBLIGATION TO PAY MUNICIPAL MANAGEMENT DISTRICT ASSESSMENT
TO
CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1,
HEATH, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE _____ PRINCIPAL ASSESSMENT: \$ _____

As the purchaser of the real property described above, you are obligated to pay assessments to the ***Club Municipal Management District No. 1*** (the "District"), Heath, 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 District created under Chapter 3902, Texas Special District Local Laws Code and Subchapter A, Chapter 372, Local Government Code. The City of Heath, Texas has no responsibility with regard to the levy and collection of the assessments.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the District. The exact amount of each annual installment will be approved each year by the District Board in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the District.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of [Rockwall/Kaufman] County.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF
PURCHASER

SIGNATURE OF
PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

Purchaser Signature Page to Final Notice with Current Information
of Obligation to Pay Improvement District Assessment

The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

§

COUNTY OF [ROCKWALL/KAUFMAN]

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of [Rockwall/Kaufman] County.

APPENDIX F
IMPROVEMENT AREA #1 ASSESSMENT ROLL

Appendix F Improvement Area #1 Assessment Roll

Parcel	All Parcels
Original Equivalent Units	106.14
Equivalent Units (Net of Prepayments)	93.98
Original Assessment	\$12,500,000
Outstanding Assessment (Net of Prepayments)	\$9,956,083

Year¹	Principal & Interest¹	Principal & Interest²	Administrative Expenses³	Prepayment Reserve and Delinquency Reserve	Available Credits	Capitalized Interest	Total Annual Installment
9/30/2016	\$157,332	\$55,164	\$40,000	\$0	\$0	\$0	\$252,496
9/30/2017	\$583,913	\$160,447	\$40,400	\$46,275	\$0	\$0	\$831,035
9/30/2018	\$692,352	\$244,732	\$129,880	\$46,151	\$0	\$0	\$1,113,115
9/30/2019	\$691,025	\$248,844	\$80,896	\$45,601	(\$20,781)	\$0	\$1,045,585
9/30/2020	\$689,817	\$268,838	\$105,206	\$45,058	(\$14,441)	\$0	\$1,094,478
9/30/2021	\$694,075	\$357,895	\$190,246	\$44,029	(\$14,441)	\$0	\$1,271,804
9/30/2022	\$666,103	\$258,902	\$86,000	\$42,283	(\$22,257)	\$0	\$1,031,031
9/30/2023	\$658,282	\$229,094	\$86,000	\$40,815	\$0	\$0	\$1,014,191
9/30/2024	\$650,363	\$229,815	\$43,314	\$40,425	\$0	\$0	\$963,917
9/30/2025	\$652,313	\$235,772	\$43,747	\$39,650	\$0	\$0	\$971,482
9/30/2026	\$653,688	\$232,159	\$44,185	\$38,825	\$0	\$0	\$968,856
9/30/2027	\$684,488	\$238,545	\$44,627	\$23,538	\$0	\$0	\$991,198
9/30/2028	\$682,988	\$243,298	\$45,073	\$0	\$0	\$0	\$971,358
9/30/2029	\$690,913	\$248,480	\$45,524	\$0	\$0	\$0	\$984,916
9/30/2030	\$686,538	\$242,948	\$45,979	\$0	\$0	\$0	\$975,464
9/30/2031	\$691,538	\$246,416	\$46,439	\$0	\$0	\$0	\$984,392
9/30/2032	\$690,288	\$240,305	\$46,903	\$0	\$0	\$0	\$977,495
9/30/2033	\$688,100	\$243,193	\$47,372	\$0	\$0	\$0	\$978,665
9/30/2034	\$684,975	\$236,503	\$47,846	\$0	\$0	\$0	\$969,324
9/30/2035	\$685,913	\$239,813	\$48,324	\$0	\$0	\$0	\$974,050
9/30/2036	\$685,600	\$241,480	\$48,808	\$0	\$0	\$0	\$975,888
9/30/2037	\$688,175	\$243,485	\$49,296	\$0	\$0	\$0	\$980,956
9/30/2038	\$679,125	\$234,840	\$49,789	\$0	\$0	\$0	\$963,754
9/30/2039	\$679,100	\$235,195	\$50,287	\$0	\$0	\$0	\$964,582
9/30/2040	\$682,450	\$235,965	\$50,789	\$0	\$0	\$0	\$969,204
9/30/2041	\$683,850	\$235,085	\$51,297	\$0	\$0	\$0	\$970,232
9/30/2042	\$683,300	\$234,620	\$51,810	\$0	\$0	\$0	\$969,730
9/30/2043	\$680,800	\$242,505	\$52,328	\$0	\$0	\$0	\$975,633
9/30/2044	\$676,350	\$239,155	\$52,852	\$0	\$0	\$0	\$968,357
9/30/2045	\$674,950	\$235,220	\$53,380	\$0	\$0	\$0	\$963,550
9/30/2046	\$676,275	\$224,471	\$53,914	\$0	\$0	\$0	\$954,660
Total	\$20,464,974	\$7,303,184	\$1,872,511	\$452,650	(\$71,920)	\$0	\$30,021,399

¹ Represents the principal and interest for the Improvement Area #1 Bonds.

² Represents the principal and interest for the Improvement Area #1 Reimbursement Agreement.

³ Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

APPENDIX G
IMPROVEMENT AREA #2 ASSESSMENT ROLL

Appendix G Improvement Area #2 Assessment Roll

Parcel	All Parcels
Original Equivalent Units	91.27
Equivalent Units (Net of Prepayments)	90.69
Original Assessment	\$10,750,000
Outstanding Assessment (Net of Prepayments)	\$10,276,174

Year¹	Principal¹	Interest¹	Principal²	Interest²	Administrative Expenses³	Additional Interest Reserve	Total Annual Installment
9/30/2021	\$0	\$0	\$0	\$677,250	\$69,000	\$0	\$746,250
9/30/2022	\$160,000	\$219,815	\$0	\$245,953	\$77,000	\$46,150	\$748,918
9/30/2023	\$215,000	\$313,806	\$30,512	\$53,426	\$79,000	\$45,350	\$737,093
9/30/2024	\$220,000	\$308,430	\$31,635	\$52,303	\$81,600	\$44,275	\$738,243
9/30/2025	\$225,000	\$302,930	\$32,799	\$51,139	\$83,232	\$43,175	\$738,275
9/30/2026	\$230,000	\$297,305	\$34,006	\$49,932	\$84,897	\$42,050	\$738,190
9/30/2027	\$235,000	\$291,555	\$35,257	\$48,680	\$86,595	\$40,900	\$737,987
9/30/2028	\$241,000	\$284,505	\$36,555	\$47,383	\$88,326	\$39,725	\$737,494
9/30/2029	\$248,000	\$277,275	\$37,900	\$46,037	\$90,093	\$38,520	\$737,825
9/30/2030	\$255,000	\$269,835	\$39,295	\$44,642	\$91,895	\$37,280	\$737,947
9/30/2031	\$262,000	\$262,185	\$40,741	\$43,196	\$93,733	\$36,005	\$737,860
9/30/2032	\$269,000	\$254,325	\$42,241	\$41,697	\$95,607	\$34,695	\$737,565
9/30/2033	\$278,000	\$245,583	\$43,795	\$40,142	\$97,520	\$33,350	\$738,390
9/30/2034	\$286,000	\$236,548	\$45,407	\$38,531	\$99,470	\$31,960	\$737,915
9/30/2035	\$295,000	\$227,253	\$47,078	\$36,859	\$101,459	\$30,530	\$738,179
9/30/2036	\$304,000	\$217,665	\$48,811	\$35,127	\$103,489	\$29,055	\$738,147
9/30/2037	\$313,000	\$207,785	\$50,607	\$33,330	\$105,558	\$27,535	\$737,814
9/30/2038	\$323,000	\$197,613	\$52,470	\$31,468	\$107,669	\$25,970	\$738,190
9/30/2039	\$333,000	\$187,115	\$54,401	\$29,537	\$109,823	\$24,355	\$738,231
9/30/2040	\$343,000	\$176,293	\$56,403	\$27,535	\$112,019	\$22,690	\$737,940
9/30/2041	\$354,000	\$165,145	\$58,478	\$25,459	\$114,260	\$20,975	\$738,317
9/30/2042	\$365,000	\$153,640	\$60,631	\$23,307	\$116,545	\$19,205	\$738,328
9/30/2043	\$379,000	\$139,040	\$62,862	\$21,076	\$118,876	\$17,380	\$738,234
9/30/2044	\$393,000	\$123,880	\$65,175	\$18,762	\$121,253	\$15,485	\$737,555
9/30/2045	\$409,000	\$108,160	\$67,574	\$16,364	\$123,678	\$13,520	\$738,296
9/30/2046	\$425,000	\$91,800	\$70,061	\$13,877	\$126,152	\$11,475	\$738,365
9/30/2047	\$441,000	\$74,800	\$72,639	\$11,298	\$128,675	\$9,350	\$737,762
9/30/2048	\$458,000	\$57,160	\$75,313	\$8,625	\$131,249	\$7,145	\$737,492
9/30/2049	\$476,000	\$38,840	\$78,084	\$5,853	\$133,873	\$4,855	\$737,505
9/30/2050	\$495,000	\$19,800	\$80,958	\$2,979	\$136,551	\$2,475	\$737,763
Total	\$9,230,000	\$5,750,084	\$1,451,686	\$1,821,767	\$3,109,097	\$795,435	\$22,158,069

¹Represents the principal and interest for the Improvement Area #2 Bonds. The interest is calculated using an interest rate of 2.50% in years 1 through 5 (2022-2026), 3.00% in years 6 through 10 (2027-2031), 3.250% in years 11 through 20 (2032-2041), and 4.00% in years 21 through 29 (2042-2050).

²Represents the principal and interest paid under the Improvement Area #2 Reimbursement Agreement. The interest is calculated using an interest rate of 3.680%.

³Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

APPENDIX H
IMPROVEMENT AREA #3 ASSESSMENT ROLL

Appendix H
Improvement Area #3 Assessment Roll

Parcel
2024 Updated Equivalent Units¹
Assessment

All Parcels
316.45
\$17,270,000

Year²	Principal²	Interest²	Administrative Expenses³	Additional Interest Reserve⁴	Total Annual Installment
9/30/2025	\$0	\$700,788	\$90,000	\$0	\$790,788
9/30/2026	\$248,000	\$1,005,114	\$91,800	\$0	\$1,344,914
9/30/2027	\$261,000	\$990,680	\$93,636	\$0	\$1,345,316
9/30/2028	\$274,000	\$975,490	\$95,509	\$0	\$1,344,999
9/30/2029	\$288,000	\$959,543	\$97,419	\$0	\$1,344,962
9/30/2030	\$303,000	\$942,782	\$99,367	\$0	\$1,345,149
9/30/2031	\$319,000	\$925,147	\$101,355	\$0	\$1,345,502
9/30/2032	\$335,000	\$906,581	\$103,382	\$0	\$1,344,963
9/30/2033	\$352,000	\$887,084	\$105,449	\$0	\$1,344,534
9/30/2034	\$371,000	\$866,598	\$107,558	\$0	\$1,345,156
9/30/2035	\$390,000	\$845,006	\$109,709	\$0	\$1,344,715
9/30/2036	\$411,000	\$822,308	\$111,904	\$0	\$1,345,211
9/30/2037	\$432,000	\$798,388	\$114,142	\$0	\$1,344,529
9/30/2038	\$455,000	\$773,245	\$116,425	\$0	\$1,344,670
9/30/2039	\$479,000	\$746,764	\$118,753	\$0	\$1,344,517
9/30/2040	\$505,000	\$718,886	\$121,128	\$0	\$1,345,015
9/30/2041	\$532,000	\$689,495	\$123,551	\$0	\$1,345,046
9/30/2042	\$560,000	\$658,533	\$126,022	\$0	\$1,344,555
9/30/2043	\$591,000	\$625,941	\$128,542	\$0	\$1,345,483
9/30/2044	\$622,000	\$591,545	\$131,113	\$0	\$1,344,658
9/30/2045	\$656,000	\$555,344	\$133,735	\$0	\$1,345,080
9/30/2046	\$691,000	\$517,165	\$136,410	\$0	\$1,344,575
9/30/2047	\$729,000	\$476,949	\$139,138	\$0	\$1,345,087
9/30/2048	\$769,000	\$434,521	\$141,921	\$0	\$1,345,442
9/30/2049	\$810,000	\$389,765	\$144,759	\$0	\$1,344,525
9/30/2050	\$855,000	\$342,623	\$147,655	\$0	\$1,345,278
9/30/2051	\$902,000	\$292,862	\$150,608	\$0	\$1,345,470
9/30/2052	\$951,000	\$240,366	\$153,620	\$0	\$1,344,986
9/30/2053	\$1,003,000	\$185,018	\$156,692	\$0	\$1,344,710
9/30/2054	\$1,059,000	\$126,643	\$159,826	\$0	\$1,345,469
9/30/2055	\$1,117,000	\$65,009	\$163,023	\$0	\$1,345,032
Total	\$17,270,000	\$20,056,187	\$3,814,150	\$0	\$41,140,337

¹See Appendix D Table D-19 for calculation of Updated Equivalent Unit Factors for Improvement Area #3.

²Represents the principal and interest paid under the Improvement Area #3 Bonds. The interest is calculated using an estimated 5.82% interest rate.

³Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

⁴Additional Interest Component will only be collected as needed following the issuance of the Improvement Area #3 Bonds and will be updated in each Annual Service Plan Update.

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APPENDIX C
FORM OF OPINION OF BOND COUNSEL

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An opinion in substantially the following form will be delivered by Winstead PC, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

The opinion will be issued on firm letterhead.

December 19, 2024

Club Municipal Management District No. 1
c/o Ross Martin
2728 N. Harwood Street, Suite 500
Dallas, Texas 75201

FMSbonds, Inc.
5 Cowboys Way, Suite 300-25
Frisco, Texas 75034

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$17,270,000**

We have acted as “Bond Counsel” to Club Municipal Management District No. 1 (the “District”) in connection with the issuance of the bonds described above (the “Bonds”) to finance improvements in Improvement Area #3 of the Club Municipal Management District No. 1 (the “MMD”) for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion 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 of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of the District and the adequacy of the “Trust Estate” described in the Indenture (as defined below), for payment of the Bonds.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Directors of the District (the “Board of Directors”); an order of the Board of Directors authorizing the Bonds adopted on November 26, 2024 (the “Order”); the Indenture of Trust dated as of December 1, 2024, between the District and Wilmington Trust, National Association (the “Indenture”); the Bond Purchase Agreement dated November 26, 2024 between the underwriter named therein and the District; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a “Federal Tax Certificate”), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations,

and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have examined the executed Bond No. T-1.

Based on said examination and in accordance with customary legal practice, it is our opinion that:

1. The District is a validly existing municipal management district of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.
2. The Bonds have been authorized, sold, and delivered in accordance with law.
3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign immunity and bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors’ rights generally.
4. The Bonds are obligations of the District secured solely by the special assessments collected on the subject property within Improvement Area #3 of the MMD. The District is obligated to levy and collect special assessments upon certain parcels within the MMD pursuant to the Improvement Area #3 Assessment Roll and Service and Assessment Plan of the MMD which special assessments shall be used to pay principal of and interest on the Bonds.
5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the District 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.

In rendering these opinions, we have relied upon representations and certifications of the District, the District’s financial advisor, and the underwriter of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the District fails to

comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are 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 hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Limited Offering Memorandum relating to the Bonds, the sufficiency of the security for, or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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APPENDIX D-1
FORM OF DISTRICT DISCLOSURE AGREEMENT

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**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)**

CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER

This Continuing Disclosure Agreement of the Issuer dated as of December 1, 2024 (this “Disclosure Agreement”) is executed and delivered by and between the Club Municipal Management District No. 1 (the “Issuer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc. (the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project)” (the “Bonds”). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this 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 December 1, 2024, between the Issuer and the Trustee relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrator” shall mean MuniCap, Inc., or an officer or employee of the District, or third party designee of the District who is not an officer or employee thereof, identified in any indenture of trust relating to the Bonds, the District’s Service and Assessment Plan, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District.

“Affiliate” shall have the meaning assigned to such term in the Disclosure Agreement of the Developer.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual 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.

“Assessments” shall mean the “Assessments” as defined in the Indenture.

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

“Developer” shall mean HGYC, LLC, a Texas limited liability company, and its successors and assigns, including any Affiliate.

“Disclosure Agreement of the Developer” shall mean the Continuing Disclosure Agreement of the Developer, dated as of December 1, 2024 executed and delivered by the Developer, the Administrator, and the Dissemination Agent.

“Disclosure Representative” shall mean the Interim Director of Finance of the Issuer or his or her designee, or such other officer or employee as the Issuer may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean MuniCap, Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“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>.

“Fiscal Year” shall mean the calendar year from October 1 through September 30.

“Improvement Area #3” shall have the meaning given to it in the Service and Assessment Plan.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Outstanding” shall have the meaning given to it in the Indenture.

“Owner(s)” shall mean the registered owner(s) of any Bonds, as shown on the register maintained by the Trustee.

“Participating Underwriter” means FMSbonds, Inc. and its successors and assigns.

“Prepayment” shall mean 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 principal, interest or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as the payment of the regularly scheduled Assessment.

“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.

“Trust Estate” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall mean Wilmington Trust, National Association., or any successor trustee pursuant to the Indenture.

Section 3. Provision of Annual Issuer Reports.

(a) The Issuer shall cause and hereby directs the Administrator to compile and prepare the Annual Issuer Report. The Administrator shall provide such Annual Issuer Report to the Issuer and the Dissemination Agent no later than 10 Business Days before the expiration of six months after the end of each Fiscal Year, commencing with the Fiscal Year ended September 30, 2025.

(b) The Issuer shall cause 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, commencing with the Fiscal Year ended September 30, 2025, 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; provided that the audited financial statements of the Issuer, if prepared and available, may be submitted separately from the Annual Financial Information, and later than the date required in this paragraph for the filing of the Annual Issuer Report if audited financial statements are not available by such date; provided further, however, that the Annual Issuer Report must be submitted not later than six months after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ended September 30, 2025. The Issuer will provide the audited financial statements in connection with the requirements of the Rule; notwithstanding such requirements, the Bonds are special obligations of the Issuer payable solely from the Pledged Revenues and other funds comprising the Trust Estate, as and to the extent provided for and defined in the Indenture. The Bonds do not give rise to a charge against the general credit or taxing power of the Issuer and are payable solely from the sources identified in the Indenture.

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 give notice of such change in the same manner as for a Listed Event under Section 5(a). All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c) The Issuer shall or shall cause the Dissemination Agent pursuant to written direction to:

(1) determine the filing address or other filing location of the MSRB each year within ten (10) Business Days prior to filing the Annual Issuer Report on the date required in Section 4;

(2) file the Annual Issuer Report (excluding the audited financial statements of the Issuer, if any, which shall be filed by the Issuer or the Dissemination Agent upon receipt from the Issuer) containing or incorporating by reference the information set forth in Section 4 hereof;

(3) file audited financial statements of the Issuer pursuant to Section 4(b) herein; and

(4) 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 file a report with the Issuer certifying 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.

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, the following:

- (a) Within six months after the end of each Fiscal Year 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 or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding;
 - (B) The amounts in the funds and accounts securing the Bonds; and
 - (ii) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year.
 - (iii) Any changes to the land use designation for the property in Improvement Area #3 of the District from the purposes identified in the Service and Assessment Plan.
 - (iv) Updates to the information in the Service and Assessment Plan as most recently amended or supplemented (a “SAP Update”), including any changes to the methodology for levying the Assessments in Improvement Area #3 of the District.
 - (v) The aggregate taxable assessed valuation for parcels or lots within Improvement Area #3 of the District based on the most recent certified tax roll available to the Issuer.
 - (vi) With respect to single-family residential lots, until building permits have been issued for parcels or lots representing, in the aggregate, 95% of the total Assessments levied within Improvement Area #3 of the District, such SAP Update shall include the following:
 - (A) the number of new homes in Improvement Area #3 of the District for which a certificate of occupancy has been issued during such Fiscal Year; and
 - (B) the aggregate number of new homes within Improvement Area #3 of the District for which a certificate of occupancy has been issued since filing the initial Annual Issuer Report for Fiscal Year ended September 30, 2025.
 - (vii) Listing of any property or property owners in Improvement Area #3 of the District representing more than twenty percent (20%) of the levy of Assessments, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments within Improvement Area #3 of the District, all as of the October 1 billing date for the Fiscal Year.

- (viii) Collection and delinquency history of the Assessments within Improvement Area #3 of the District for the past five Fiscal Years, in the following format:

Collection and Delinquent History of Assessments in Improvement Area #3 of the District

Collected in Fiscal Year <u>Ending 9/30</u>	Assessment <u>Billed</u>	Parcels <u>Levied</u>	Delinquent Amount <u>as of 3/1</u>	Delinquent Percentage <u>as of 3/1</u>	Delinquent Amount <u>as of 9/1</u>	Delinquent Percentage <u>as of 9/1</u>	Total Assessments <u>Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20__. Includes \$ _____ attributable to Prepayments.

- (ix) Total amount of Prepayments collected, as of the March 1 of the calendar year immediately succeeding such Fiscal Year, in each case with respect to the most recent billing period (generally, October 1 of the preceding calendar year through January 31 of the current calendar year).
- (x) The amount of delinquent Assessments by Fiscal Year:
- (A) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted);
 - (B) which are currently subject to foreclosure proceedings which have not been concluded;
 - (C) which have been reduced to judgment but not collected;
 - (D) which have been reduced to judgment and collected; and
 - (E) the result of any foreclosure sales of assessed property within Improvement Area #3 of the District if the assessed property represents more than one percent (1%) of the total amount of Assessments.
- (xi) 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) If not provided with the financial information provided under subsection 4(a) above, if prepared and when available, 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. If audited financial statements are not included with the financial information provided under subsection 4(a) above, unaudited financial statements shall be included with such financial information within twelve months of the end of the Issuer's fiscal year.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated MuniCap, Inc. as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly

accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of Owners, if material.
8. Bond calls, if material.
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 obligated person, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties.

The Issuer does not intend for any sale by the Developer of real property within Improvement Area #3 of the District to be considered a significant event for the purposes of number (10) above.

For these purposes, “financial obligation” means (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. The Issuer intends the words used in numbers (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

For these purposes, any event described in the immediately preceding number (12) 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.

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; provided, however, the Issuer shall deliver such written notice to the Dissemination Agent within eight (8) business days of the occurrence of such Listed Event in order for the Dissemination Agent to timely file such notice in a timely manner with the MSRB through EMMA. The Dissemination Agent shall file such notice no later than the second Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event; provided that the Dissemination Agent shall not be liable for the filing of notice of any Listed Event more than ten (10) Business Days after the occurrence of such Listed Event if notice of such Listed Event is received from the Issuer more than ten (10) Business Days after the occurrence of such Listed Event; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB’s ten (10) business day filing requirement.

Additionally, the Dissemination Agent shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide annual audited financial statements or Annual Financial Information as required under this Disclosure Agreement. The form for submitting such notice is attached hereto as Exhibit A.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination

Agent to disseminate the information (which written direction from the Issuer to the Dissemination Agent shall within eight (8) business days after the occurrence of the Listed Event or failure to file and date of such filing provided by the Issuer shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design, and other elements comprising substantive contents of all disclosures. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, within two (2) Business Days of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative 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 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 Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8, 10, 13, 14 or 15 of subsection (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 (d).

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall immediately file a notice of such occurrence with the MSRB (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

Section 6. Termination of Reporting Obligations. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the

Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to such series of Bonds under Section 5(a).

Section 7. Dissemination Agent. The Dissemination Agent agrees to perform the duties set forth in this Agreement. 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. The Dissemination Agent may resign at any time with thirty (30) days' 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 Agent appointed hereunder is set forth in Section 2.

Section 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Issuer Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Issuer Report 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 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer 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 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 or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent may and the Trustee may (and, at the request of any Participating Underwriter or the Owners of more than fifty percent (50%) aggregate principal amount of Outstanding Bonds in accordance with the Indenture, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of the Developer by the Developer, and a default under the Disclosure Agreement of the Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator. 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 hold harmless the Dissemination Agent, its officers, directors, employees, and agents, but only with funds to be provided by the Developer or from Assessments collected for Administrative Expenses from the property owners in Improvement Area #3 of the District against any loss, expense and liabilities which the Administrator 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 arising under this Disclosure Agreement, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify and hold harmless 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 the Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed

to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Issuer, the Administrator, and the Dissemination Agent agree that the legal expenses of the Dissemination Agent, which it is expressly entitled to be paid under this Section 11, are Administrative Expenses.

The Administrator shall not have any responsibility for the (1) accuracy of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, or (2) the untimeliness of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, except where such untimeliness is attributable to the actions or inactions of the Administrator. The Administrator shall have only such duties as are specifically set forth in Sections 3 and 4 of this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Assessments collected for Administrative Expenses from the property owners in Improvement Area #3 of the District against any loss, expense and liabilities which the Administrator 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 under this Disclosure Agreement, resulting from information provided to the Administrator by the Issuer, but excluding (i) liabilities due to the Administrator's negligence or willful misconduct, and (ii) liabilities from claims made by the Issuer against the Administrator; provided, however, that nothing herein shall be construed to require the Issuer to indemnify or hold harmless the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties or the Developer, or the failure of any third party or the Developer to provide information to the Administrator as and when required under this Agreement. 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 any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Issuer, the Administrator, and the Dissemination Agent agree that the legal expenses of the Administrator, which it is expressly entitled to be paid under this Section 11, are Administrative Expenses.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE ADMINISTRATOR OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NEITHER THE DISSEMINATION AGENT NOR THE ADMINISTRATOR ARE UNDER ANY OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments are set forth in Exhibit C which is solely intended to illustrate the general procedures expected to generally be followed in enforcing the payment of delinquent Assessments.

Section 13. 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 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 15. Sovereign Immunity. The Dissemination Agent agrees that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

Section 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their 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 Assessments collected from the property owners in Improvement Area #3 of the District, for its fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

The Administrator and Dissemination Agent have entered into an agreement with the Issuer, which agreement governs the administration of Improvement Area #3, including the payment of the fees and expenses of the Administrator for their services rendered in regard to this Disclosure Agreement. Services provided under this Disclosure Agreement are pursuant to said agreement with the Issuer.

Section 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 19. 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.

Section 20. Disclosure Agreement of the Developer. Concurrently with the execution and delivery of this Disclosure Agreement, the Dissemination Agent and Administrator have entered into the Disclosure Agreement of the Developer. Except as provided in Section 6 of the Disclosure Agreement of the Developer, the parties agree that the Issuer has no obligation to assume any of the duties of the Developer under the terms of the Disclosure Agreement of the Developer.

Section 21. Statutory Verifications. The Dissemination Agent and Administrator each respectively makes the following representations and covenants pursuant to 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 Administrator, as applicable, 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 during the term 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 Administrator each respectively represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the Dissemination Agent, Administrator and each of their respective 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 Administrator each respectively hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Disclosure Agreement. 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 Administrator each respectively hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Disclosure Agreement. 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 Administrator each respectively hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Disclosure Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

Section 22. Forms 1295. Submitted by the Administrator herewith is a completed Form 1295 in connection with the execution of this 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 District hereby confirms receipt of the Form 1295 from the Administrator, and the District agrees to acknowledge such form with the TEC through its electronic filing application not later than the 30th day after the receipt of such form. The Administrator and the District understand and agree that, with the exception of information identifying the District and the contract identification number, neither the District nor its consultant is 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 District nor its consultant has verified such information.

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**CLUB MUNICIPAL MANAGEMENT
DISTRICT NO. 1**

By: _____
President, Board of Directors

**DISSEMINATION AGENT:
MUNICAP, INC.**

By: _____
Authorized Officer

**ADMINISTRATOR:
MUNICAP, INC.**

By: _____
Name: _____
Title: _____

EXHIBIT A

**NOTICE TO MSRB OF FAILURE TO FILE
ANNUAL ISSUER REPORT**

Name of Issuer: Club Municipal Management District No. 1
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024
(Improvement Area #3 Project)
Date of Delivery: _____

NOTICE IS HEREBY GIVEN that the Club Municipal Management District No. 1, has not provided [an Annual Issuer Report][annual audited financial statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated December 1, 2024, between the Issuer, MuniCap, Inc. as Administrator and MuniCap, Inc., as Dissemination Agent. The Issuer anticipates that [the Annual Issuer Report][annual audited financial statements] will be filed by _____.

Dated: _____

MUNICAP, INC., on behalf of the Club
Municipal Management District No. 1
(as Dissemination Agent)

By: _____
Title: _____

cc: Club Municipal Management District No. 1

EXHIBIT B

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)**

ANNUAL ISSUER REPORT*

Delivery Date: _____, 20__

CUSIP NOS: [insert CUSIP NOs.]

BONDS OUTSTANDING

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount
-----------------	------------------	------------------	---------------------------------	------------------------------------	-----------------------------------

INVESTMENTS

Fund/ Account Name	Investment Description	Par Value	Book Value	Market Value
-----------------------	---------------------------	-----------	------------	--------------

*Excluding Audited Financial Statements of the Issuer

BALANCE OF FUNDS AND ACCOUNTS SECURING THE BONDS

Bonds (Principal Balance)	_____
Funds and Accounts [list]	_____
TOTAL ASSETS	_____

Form of Accounting ☐ Cash ☐ Accrual ☐ Modified Accrual

ITEMS REQUIRED BY SECTIONS 4(a)(ii) – (vii)

[Insert a line item for each applicable listing]

SECTION 4(a)(viii) COLLECTION AND DELINQUENCY HISTORY OF THE ASSESSMENTS WITHIN IMPROVEMENT AREA #3 OF THE DISTRICT FOR THE PAST FIVE FISCAL YEARS, IN THE FOLLOWING FORMAT:

Collection and Delinquent History of Assessments in Improvement Area #3 of the District

Collected in Fiscal Year	Assessment	Parcels	Delinquent Amount	Delinquent Percentage	Delinquent Amount	Delinquent Percentage	Total Assessments
<u>Ending 9/30</u>	<u>Billed</u>	<u>Levied</u>	<u>as of 3/1</u>	<u>as of 3/1</u>	<u>as of 9/1</u>	<u>as of 9/1</u>	<u>Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20_. Includes \$ _____ attributable to Prepayments.

ITEMS REQUIRED BY SECTIONS 4(a)(ix) – (xi)

[Insert a line item for each applicable listing]

EXHIBIT C

BASIC TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES¹

<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	Issuer forwards payment to Trustee for all collections received as of February 15, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.
		Issuer and/or Administrator should be aware of actual and specific delinquencies
		Issuer and/or Administrator should be aware if Reserve Fund needs to be utilized for debt service payment on March 1. If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified.
		Issuer and/or Administrator should also be aware if, based on collections, there will be a shortfall for September payment.
		At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the District Attorney or an appropriate designee, will begin process to cure deficiency. For properties delinquent by more than one year or if the delinquency exceeds \$10,000, the matter will be referred for commencement of foreclosure.
		If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.
March 1	28/29	Trustee pays bond interest payments to bondholders.
		Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

¹ Illustration of sequencing and thresholds of events only. Actual actions may differ from this timeline.

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
		Issuer to notify Dissemination Agent of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw or Fund for debt service.
		Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.
		Issuer determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments.
March 20	47/48	Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies in the form of the Annual Issuer Report or otherwise.
		If any property owner with ownership of property responsible for more than \$10,000 of the Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the March or September bond payments, the Disclosure Representative shall work with District Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Assessments.
April 15	74/75	Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent of the commencement of preliminary foreclosure activity.
		If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.
May 1	89/90	If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the bondholders under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
May 15	103/104	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those bondholders who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than June 1 (day 120/121).
June 1	120/121	Foreclosure action to be filed with the court.

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
June 15	134/135	Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status. Dissemination Agent notifies bondholders.
July 1	150/151	If bondholders and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

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APPENDIX D-2
FORM OF DEVELOPER DISCLOSURE AGREEMENT

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**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)**

CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer dated as of December 1, 2024 (this “Disclosure Agreement”), is executed and delivered by and among HGYC, LLC, a Texas limited liability company (the “Developer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc., 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 December 1, 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:

“Additional Golf Course Improvements” shall mean the final 9 holes to the expected 27-hole championship golf course in the District.

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall have the meaning assigned to such term in the Indenture. The Issuer has selected MuniCap, Inc., as the initial Administrator.

“Affiliate” shall mean an entity that owns property Improvement Area #3 of the District and is controlled by, controls, or is under common control with the Developer, including any Homebuilder.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall have the meaning assigned to such term in the Indenture.

“Certification Letter” shall mean a certification letter provided by the Developer or Homebuilder, if any, pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean HGYC, LLC, a Texas limited liability company, 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 MuniCap, Inc., acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the Issuer, and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean the Club Municipal Management District No. 1.

“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(s)” shall mean any merchant homebuilder who enters into an Lot Purchase Agreement with the Developer, and the successors and assigns of such homebuilder under such Lot Purchase Agreement.

“Improvement Area #3” shall have the meaning assigned to such term in the Indenture.

“Improvement Area #3 Improvements” shall have the meaning assigned to such term in the Indenture.

“Issuer” shall mean the Club Municipal Management District No. 1, 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 Improvement Area #3 of 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.

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

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning March 31, 2025.

“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, 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 43 or more of the single family residential lots within Improvement Area #3.

“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, beginning with March 31, 2025, 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 a Significant Homebuilder Acknowledgement (as defined herein) 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 its opinion of 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 its opinion of any necessary changes to their respective Quarterly Information, if such Reporting Party agrees to make the changes, it 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 direct 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.

(c) The Administrator shall provide to the Dissemination Agent, with a copy to each Reporting Party, 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 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 Improvement Area #3 on a parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within Improvement Area #3 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 Improvement Area #3, including the Improvement Area #3 Improvements, and the amenities within the District (including the golf course and country club);

(iii) Material default by the Developer or any of the Developer's affiliates on any loan with respect to the acquisition, development, or permanent financing of Improvement Area #3 undertaken by the Developer or any of the Developer's Affiliates;

(iv) Material default by the Developer or any of Developer's Affiliates on any loan secured by property within Improvement Area #3 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 Improvement Area #3, or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's Affiliates;

(viii) Any change in the legal structure, chief executive officer, or controlling ownership of the Developer; and

(ix) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Sections 5 or 6 hereof.

(b) Pursuant to the provisions of this Section 4, each of the following occurrences related to any Significant Homebuilder is a Significant Homebuilder Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within Improvement Area #3 on a lot or parcel owned by such Significant Homebuilder; provided, however, that the exercise of any right of such Significant Homebuilder as a landowner within Improvement Area #3 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 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 or Significant Homebuilder, regardless of if a Reporting Party is providing Quarterly Information on behalf of any other Significant Homebuilder.

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 Improvement Area #3 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 Improvement Area #3 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.

SECTION 6. Assumption of Reporting Obligations by Significant Homebuilder.

(a) If a Homebuilder acquires ownership of real property in Improvement Area #3 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 E (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.

SECTION 7. Termination of Reporting Obligations.

(a) The reporting obligations of the Developer or any Significant Homebuilder that is a Reporting Party under this Disclosure Agreement shall terminate upon the earlier 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 43 or more single family residential lots within Improvement Area #3, as of each Quarterly Ending Date, or (iii) the City of Heath, Texas' (the "City") 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 earlier 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 43 or more single family residential lots within Improvement Area #3, as of each Quarterly Ending Date, or (iii) the City'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, 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 and any other Reporting Party 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 Reporting Party of any change in the identity of the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be MuniCap, Inc.

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.

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 the Developer, any Significant Homebuilder, 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 Developer, Significant Homebuilder, and/or the Administrator to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer, Significant Homebuilder, or the Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by the Developer or any Significant Homebuilder, as applicable, shall not be deemed a default under the Disclosure Agreement of Issuer by the Issuer, and a default under the Disclosure Agreement of Issuer by the Issuer shall not be deemed a default under this Disclosure Agreement by the

Developer, any Significant Homebuilder, or the Administrator. Additionally, a default by the Developer of its obligations under this Disclosure Agreement shall not be deemed a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement; and, likewise, a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement shall not be deemed a default of the Developer of the Developer's obligations under this Disclosure Agreement.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Quarterly Report) prepared by the Developer, Significant Homebuilder, and/or the Administrator pursuant to this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Developer agrees to 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 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) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to hold harmless the Administrator, its officers, directors, employees, and agents against any loss, expense, and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's breach, negligence, or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Developer, the Administrator, and the Dissemination Agent agree that the legal expenses of the Dissemination Agent or the Administrator to which it is expressly entitled to be paid pursuant to this paragraph 13(c) are Administrative Expenses.

(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 Developer, the Administrator, the Dissemination Agent, the Issuer, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 17. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in Improvement Area #3, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

SECTION 18. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of Improvement Area #3, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

The Administrator has entered into an agreement with the Issuer, which agreement governs the administration of Improvement Area #3, including the payment of the fees and expenses of the Administrator for its services rendered in regard to this Disclosure Agreement. Services provided under this Disclosure Agreement are pursuant to said agreement with the Issuer.

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:

HGYC, LLC
Attn: Robert Whittle
20 Noble Court, Suite 100
Heath, Texas 75032
Email: whittledevelopment1@gmail.com

With a copy to: Ferguson Braswell Fraser Kubasata PC
Attn: Steven Darling
2500 Dallas Parkway, Suite 600
Plano, Texas 75093
E-mail: rmiklos@fbfk.law

If to Administrator or Dissemination Agent: MuniCap, Inc.
600 E. John Carpenter Fwy, Suite 150
Irving, Texas 75062
E-mail: txpid@municap.com

If to the Issuer: Club Municipal Management District No. 1
Attn: Ross S. Martin
500 Winstead Building
2728 N. Harwood Street
Dallas, Texas 75201
Email: rmartin@winstead.com

If to Participating Underwriter: FMSbonds, Inc.
5 Cowboys Way, Suite 300-25
Frisco, Texas 75034
E-mail: 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.

MUNICAP, INC.,
in its sole capacity as Dissemination Agent

By: _____
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

DEVELOPER:

HGYC, LLC, a Texas limited liability company

By: _____

Name: _____

Title: _____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

MUNICAP, INC.,
in its sole capacity as Administrator

By:_____

Name:_____

Title:_____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

EXHIBIT A

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(IMPROVEMENT AREA #3 PROJECT)**

**DEVELOPER QUARTERLY REPORT
[INSERT QUARTERLY ENDING DATE]**

Delivery Date: _____, 20__

CUSIP Numbers: [Insert CUSIP Numbers]

DISSEMINATION AGENT

Name: MuniCap, Inc.

Address:

City:

Telephone:

Contact Person: Attn:

I. Expenditures Paid from Accounts under Indenture

TOTAL BUDGETED COSTS REQUIRED TO COMPLETE IMPROVEMENT AREA #3
IMPROVEMENTS: \$ _____

Of the budgeted costs for Improvement Area #3 Improvements shown in the Service and
Assessment Plan:

1. Actual costs drawn from the Improvement Area #3 Improvement Account:
\$ _____

II. Status of Improvement Area #3 Improvements

Projected/actual completion date of the Improvement Area #3 Improvements

1. [Actual/Expected] date of completion of the Improvement Area #3 Improvements:
[_____]
2. Explanation of any delay/change in projected completion date since last Quarterly
Report was filed: [_____]

III. Unit Mix in Improvement Area #3

<u>Product Type</u>	<u>Number of Units</u>
Single Family __'	
Single Family __'	

IV. Lot Status in Improvement Area #3

Of the 427 lots in Improvement Area #3, what is the status:

1. Planned lots as of the date of issuance of the Bonds: 427
2. Planned lots as of the date of this Quarterly Report: _____
3. Lots developed: _____
4. Lots platted: _____
5. Expected completion date of all lots in Improvement Area #3 (if incomplete):

V. Ownership of Lots/Units in Improvement Area #3

PLANNED LOTS IN IMPROVEMENT AREA #3: 427

Of the 427 lots in Improvement Area #3:

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): _____¹
 - a. Number of lots owned by [*insert name of Homebuilder*]: _____²
 - b. Number of lots owned by [*insert name of Homebuilder*]: _____
4. Number of units owned by homeowners: _____

VI. Home Sales Information in Improvement Area #3

PLANNED HOMES IN IMPROVEMENT AREA #3: 427

Of the 427 homes planned for Improvement Area #3:

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*]: _____²
 - b. Number of building permits issued during the current quarter for [*insert name of Homebuilder*]: _____²
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*]: _____²
 - b. Number of homes closed with homebuyers during the current quarter for [*insert name of Homebuilder*]: _____³
3. How many total homes have closed with homebuyers **cumulatively**? _____
 - a. Number of homes closed with homebuyers cumulatively for [*insert name of Homebuilder*]: _____³

¹ 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.

² Include a line item for each individual Homebuilder.

³ Include a line item for each individual Homebuilder.

- b. Number of homes closed with homebuyers cumulatively for [*insert name of Homebuilder*]: _____³

VII. Amenities

TOTAL [EXPECTED/ACTUAL] COSTS OF ADDITIONAL GOLF COURSE IMPROVEMENTS: \$[_____]

Of the \$[_____] [expected/actual] costs of the Additional Golf Course Improvements:

1. Amount spent as on Additional Golf Course Improvements of Quarterly Ending Date: \$[_____]
2. [Actual/Expected] completion date of the Additional Golf Course 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?
5. **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.

6. **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: Club Municipal Management District No. 1, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (Improvement
Area #3 Project) (the “Bonds”)
CUSIP Numbers: [insert CUSIP Numbers]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that _____, a
_____ (the [“Developer⁴”] [“Significant Homebuilder”]) has not provided the
[Quarterly Information][Quarterly Report] [the [Quarterly Information][Quarterly Report] was not
filed in a timely manner due to [_____]] 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 HGYC, LLC, a Texas limited
liability company (the “Developer”), MuniCap, Inc., as Administrator, and MuniCap, Inc., as
Dissemination Agent. The [Developer][Homebuilder] anticipates that the [Quarterly
Information][Quarterly Report] will be [provided][filed] by _____.

Dated: _____

MuniCap, Inc.
on behalf of the Developer,
(acting solely in its capacity as Dissemination
Agent)

By: _____

Title: _____

cc: Club Municipal Management District No. 1, Texas

⁴ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT C

TERMINATION NOTICE

[DATE]

Name of Issuer: Club Municipal Management District No. 1, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project) (the “Bonds”)
CUSIP Numbers. [insert CUSIP Numbers]
Date of Delivery: _____, 20__

FMSbonds, Inc.
5 Cowboys Way, Suite 300-25
Frisco, Texas 75034

MuniCap, Inc.
600 E. John Carpenter Freeway, Suite 150
Irving, Texas 75062

Club Municipal Management
District No. 1
500 Winstead Building
2728 N. Harwood Street
Dallas, Texas 75201

HGYC, LLC
20 Noble Court, Suite 100
Heath, Texas 75032

[Significant Homebuilder]

NOTICE IS HEREBY GIVEN that that _____, a
_____ (the [“Developer”] [“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 HGYC, LLC, a Texas limited
liability company (the “Developer”), MuniCap, Inc., as Administrator, and MuniCap, Inc., as
Dissemination Agent.

Dated: _____

MuniCap, Inc.
on behalf of the [Developer] [Significant
Homebuilder],
(solely in its capacity as Administrator)

By: _____

Title: _____

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT D

CERTIFICATION LETTER

[DATE]

Name of Issuer: Club Municipal Management District No. 1, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project)
CUSIP Numbers: [insert CUSIP Numbers]
Quarterly Ending Date: _____, 20__

Re: Quarterly Report for Club Municipal Management District No. 1 Improvement Area #3 Project
To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer related to the captioned Bonds by and among HGYC, LLC, a Texas limited liability company¹ (the “Developer”), MuniCap, Inc., as Administrator, and MuniCap, Inc., 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.

HGYC, LLC, a Texas limited liability company

By: _____
Name: _____
Title: _____

[OR

SIGNIFICANT HOMEBUILDER
(as Significant Homebuilder)

By: _____
Title: _____]

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT E

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT
OF DEVELOPER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

Re: Club Municipal Management District No. 1 Improvement Area #3 Project – Continuing Disclosure Obligation

Dear _____,

Per [*Insert name of applicable agreement*], as of _____, 20__, you have been assigned and have assumed the obligations, requirements, or covenants to construct one or more of the Improvement Area #3 Improvements (as such term is defined in the Disclosure Agreement of Developer (as defined herein) within Improvement Area #3 of the Club Municipal Management District No. 1 (the “District”).

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer (the “Disclosure Agreement of Developer”) by and among HGYC, LLC, a Texas limited liability company (the “Developer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc. (the “Dissemination Agent”), with respect to the “Club Municipal Management District No. 1, Texas, Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project),” any person that, through assignment, assumes the obligations, requirements, or covenants to construct one or more of the Improvement Area #3 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 the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

HGYC, LLC, a Texas limited liability company

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: Club Municipal Management District No. 1 Improvement Area #3 Project – Continuing Disclosure Obligation

Dear _____,

As of _____, 20__, you own _____ lots within Improvement Area #3 of Club Municipal Management District No. 1 (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 HGYC, LLC, a Texas limited liability company (the “Developer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc. (the “Dissemination Agent”), with respect to the “Club Municipal Management District No. 1, Texas Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project),” any entity that owns 43 or more of the single family residential lots within Improvement Area #3 of the District is defined as a Significant Homebuilder.

As a Significant Homebuilder, pursuant to Section 6 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations under Sections 3(d)(iv) and 4(b) of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

HGYC, LLC, a Texas limited liability company

By: _____

Name: _____

Title: _____

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: _____

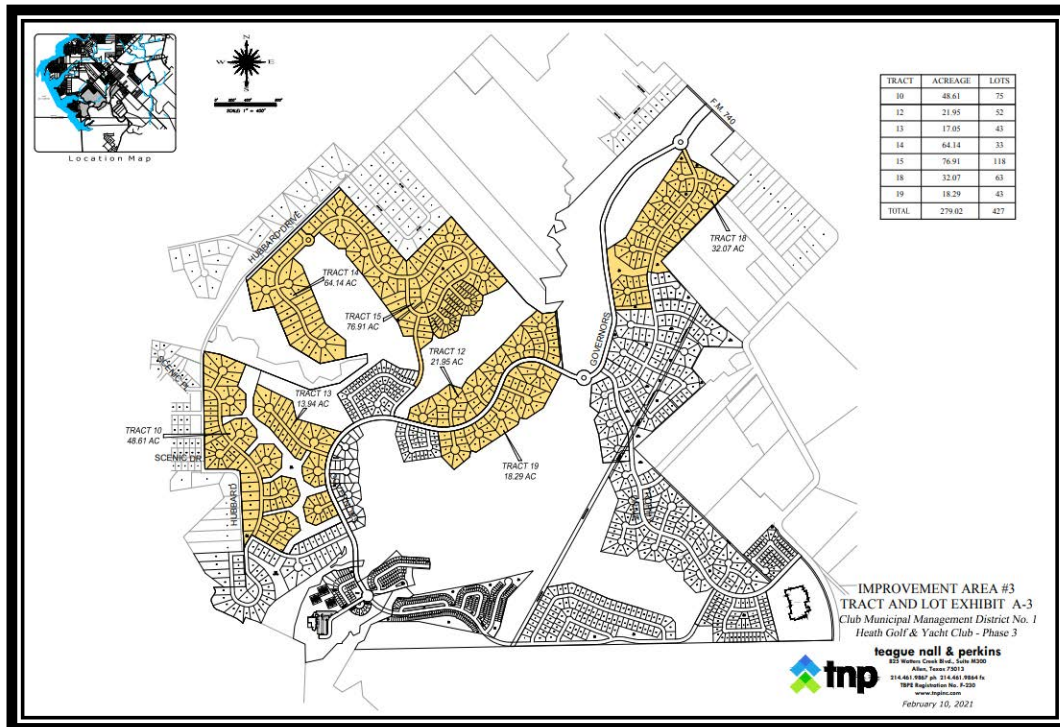
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APPENDIX E
APPRAISAL

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APPRAISAL REPORT

PROJECT # A23-0519-01



**HEATH CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
279.014 ACRES CONTAINING 427 RESIDENTIAL LOTS IN IMPROVEMENT AREA #3,
HEATH, TX 75126**

FOR:

**FMSBONDS, INC.
5 COWBOYS WAY, SUITE 300-25
FRISCO, TEXAS 75034**

**EFFECTIVE DATE OF APPRAISAL:
JANUARY 1, 2024 (DATE OF SUBSTANTIAL COMPLETION) FOR 427 RESIDENTIAL LOTS**

PREPARED BY:

**JAMES L. MAIBACH, CPM, STATE CERTIFIED GENERAL REAL ESTATE APPRAISER,
SHERIDAN ENGEL, STATE CERTIFIED GENERAL REAL ESTATE APPRAISER,
LESLIE TOLLIVER, STATE CERTIFIED RESIDENTIAL REAL ESTATE APPRAISER, AND
BRANDON BRICE, APPRAISER TRAINEE
OF:**

**PEYCO SOUTHWEST REALTY, INC.
1703 NORTH PEYCO DRIVE
ARLINGTON, TEXAS 76001**

Heath Club Municipal Management District No. 1; Improvement Area #3

November 18, 2024

Mr. R.R “Tripp” Davenport, III

Director

FMSbonds, Inc.

5 Cowboys Way, Suite 300-25

Frisco, Texas 75034

tdavenport@fmsbonds.com

SUBJECT: Market Value “Upon Completion” Appraisal
Heath Club Municipal Management District No. 1; Improvement Area #3,
Heath, Rockwall County, Texas

Mr. Davenport,

At your request, we have inspected and appraised the above-referenced property. The purpose of the appraisal is to develop an opinion of future market value of the fee simple interest of the 427 residential lots located in Improvement Area #3 of Heath Club Municipal Management District No. 1 (Referred to Heath Club MMD IA #3). Heath Club MMD IA #3 has a total of 279.014-acres consisting of the following:

- **Prospective Market Value as of Substantial Completion date of **January 1, 2024** for **427 detached residential lots in Heath Club Municipal Management District No. 1; Improvement Area #3** on approximately 279.014 acres. The lot types are as follows:**
 - **34 lots with 40-foot frontages,**
 - **25 lots with 70-foot frontages,**
 - **107 lots with 80-foot frontage,**
 - **83 lots with 90-foot frontage,**
 - **129 lots with 100-foot frontage, and**
 - **49 lots with 120-foot frontage**

The client for the assignment is FMSbonds, Inc. The intended use is underwriting of a proposed Municipal Management District bond transaction. This appraisal is not for purposes of determining the amount of any assessments to be levied by the City of Heath or Rockwall County, nor is it the basis of a determination of the benefit of any constructed or installed public improvements will have on properties within Heath Club MMD IA #3.

At Substantial Completion, which is projected to be January 1, 2024 for Improvement Area #3, the subject property is expected to consist of the infrastructure necessary to provide residential streets, drainage, and utilities to the individual lots within Heath Club MMD IA #3. A municipal management district containing the property Heath Club MMD IA #3 was created by Ordinance No. 070118 (the “Planned Development District Ordinance”) adopted by the City on January 18, 2007, and subsequently amended by Ordinance 120515A in May 2012 and the property that was zoned on November 26, 2013, by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition. Development of the subject property is governed by a Development Agreement between the City of Heath and FMSbonds, Inc. which the Development Agreement allows single-family development at the subject property. Each of the lots are located in Heath ISD.

Heath Club Municipal Management District No. 1; Improvement Area #3

Per the approved Service and Assessment Plan (SAP), dated September 1, 2015, Heath Club MMD IA #3 is comprised of a total of approximately 279.014 acres of land with an estimated build-out of 34 detached luxury villa 40-foot frontage lots, 25 detached single-family residential 70-foot frontage (FF) lots, 107 detached single-family residential 80-foot frontage (FF) lots, 83 detached single-family residential 90-foot frontage (FF) lots, 129 detached single-family residential 100-foot frontage (FF) lots, and 49 detached single-family residential 120-foot frontage (FF) lots totaling 427 improved residential lots within Improvement Area #3 on approximately 279.014-acres located in the City of Heath, Texas. The subject property of this assignment - Heath Club MMD IA #3 - will be developed in one phase (Improvement Area #3).

Within Improvement Area #3, each of the lots will have the following sizes:

- 40-FF lot types will have a minimum of 3,500-square feet (SF) in size, and the minimum lot depth will be 90' in depth
- 70-FF lot types will have a minimum of 8,400-SF, and the minimum lot depths will be 125' in depth
- 80-FF lot types will have a minimum of 9,600-SF, and the minimum lot depths will be 125' in depth
- 90-FF lot types will have a minimum of 10,800-SF, and the minimum lot depths will be 125' in depth
- 100-FF lot types will have a minimum of 16,000-SF, and the minimum lot depths will be 145' in depth
- 120-FF lot types will have a minimum of 22,000-SF, and the minimum lot depths will be 150' in depth.

The subject property's land area and total improved lots for Improvement Area #3 are as follows:

Heath Club MMD								
Area Type	Size (Acres)	40' Lot Type	70' Lot Type	80' Lot Type	90' Lot Type	100' Lot Type	120' Lot Type	Total Lots Appraised
Improvement Area #3	279.014-AC	34	25	107	83	129	49	427

The land within the development is owned by HGYC, LLC. The developer for the subject property is HGYC, LLC and Heath Golf and Yacht Club, Inc. There are no sales contracts for the improved residential lots as HGYC, LLC will be the ultimate seller to the end user when the lots are fully developed with single-family residential developments.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the Effective Date of the appraisal, we reserve the right to modify our value conclusions. Extraordinary assumptions are used in this assignment because the improved residential lots to be delivered by the date utilized in this report are currently incomplete for Improvement Area #3 as of the report date.

- Our opinions of prospective market value at substantial completion assumes that the proposed improvements are completed in accordance with plans and specifications provided by the Service and Assessment Plan (SAP) published by MuniCap, Inc. as of May 16, 2023, and the engineering plans published by F.C. Cuny Corporation and Teague Nall and Perkins, Inc. (Professional Engineers and Surveyors), as of February 10, 2021 and April 9, 2023, for 427 improved residential lots in Heath Club MMD IA #3.
- All information relative to the property located within Heath Club MMD IA #3 including land areas, lot totals, lot sizes, and other pertinent data that was provided by HGYC LLC (Owner), F.C. Cuny Corporation and Teague Nall and Perkins, Inc. (Professional Engineers and Surveyors), the City of Heath, Rockwall County, and the Rockwall Central Appraisal District is assumed to be correct.

Heath Club Municipal Management District No. 1; Improvement Area #3

- The subject is proposed residential lots construction with an expected substantial completion date of January 1, 2024 for Heath Club MMD; Improvement Area #3; therefore, this report contains a prospective opinion of value. Considering this, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable global events that alter market conditions prior to the prospective Effective Date.

The use of these extraordinary assumptions has affected assignment results.

In addition to the Extraordinary Assumptions, the value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the Effective Date of the appraisal but is supposed for the purpose of analysis.

- No Hypothetical Conditions are used in this report.

Heath Club Municipal Management District No. 1; Improvement Area #3

Based upon the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of the cumulative retail lot value as of the expected Substantial Completion Date for Improvement Area #3 is as follows:

HEATH CLUB MMD IA #3, HEATH					
Total Lots	Feet Frontage (FF)	Retail Price/Lot	Effective Date	Price/FF (\$/FF)	Total Retail Value (\$)
34	40-FF	\$74,000	January 1, 2024	\$1850/FF	\$2,516,000
25	70-FF	\$127,750	January 1, 2024	\$1825/FF	\$3,193,750
107	80-FF	\$144,000	January 1, 2024	\$1800/FF	\$15,408,000
83	90-FF	\$162,000	January 1, 2024	\$1800/FF	\$13,446,000
129	100-FF	\$177,500	January 1, 2024	\$1775/FF	\$22,897,500
49	120-FF	\$210,000	January 1, 2024	\$1750/FF	\$10,290,000
427					\$67,751,250

After considering discounted cash flows our final value conclusion "Upon Completion" is as follows:

FINAL MARKET VALUE CONCLUSION HEATH CLUB MMD IA #3			
	Cost	Sales	Income (Subdivision)
Fee Simple Interest, Complete January 1, 2024			
Improvement Area #3	N/A	N/A	\$58,858,000
427 Improved Lots in IA #3 on 279.014 Acres			

Attached is our Appraisal Report which summarizes the investigation and analyses undertaken in arriving at our value conclusions. Should you have any questions, please contact our office.

Respectfully submitted,
Peyco Southwest Realty



James L. Maibach, CPM
TX-1323658
State Certified General Real Estate Appraiser



Sheridan Engel
TX-1381232
State Certified General Real Estate Appraiser



Leslie Tolliver
TX-1361274
State Certified Residential Appraiser



Brandon Brice
TX-1343748
Appraiser Trainee

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EXECUTIVE SUMMARY

Property Name	Heath Club Municipal Management District No. 1; Improvement Area #3
Property Type	Master-Planned Community
Location	Southwest quadrant of Hubbard Drive and Farm to Market Road 740 South
City, County, State, Zip	City of Heath, Rockwall County, TX 75126
Legal Description (Rockwall CAD)	Multiple Legal Descriptions for Improvement Area #3
Owner of Record	HGYC, LLC
Census Tract	0405.11
Tax ID's – Rockwall Central Appraisal District (RCAD)	RCAD #58403, RCAD #103626, RCAD #103624, and RCAD #103626
Total Land Area	279.014-AC - Land Area within Improvement Area #3
Total Lots	34 40-FF Detached Luxury Villas 25 70-FF Single-Family Detached Lots 107 80-FF Single-Family Detached Lots 83 90-FF Single-Family Detached Lots 129 100-FF Single-Family Detached Lots 49 120-FF Single-Family Detached Lots
Topography	Gently Sloping
FEMA Flood Zones	approximately 99% within Unshaded Zone X (outside the floodplain) and 1% within Zone A (within the 100-year floodplain)
FEMA Panel	48397C0105L
FEMA Map Date	9/26/2008
Utilities	
Water	City of Heath
Sewer	City of Heath
Electric	Oncor
Natural Gas	Atmos
Zoning (City of Rockwall)	Planned Development District
Future Land Use	Single-Family Residential Subdivision
Highest & Best Use	Single-Family Residential Subdivision
Final Value Conclusion	\$58,858,000 (\$137,841 Average/Lot) Effective Date of January 1, 2024 for 427 Improved Residential Lots in Improvement Area #3 on 279.014 Acres
Exposure Period	6-12 Months
Marketing Period	6-12 Months
Date of Inspection	May 24, 2023
Date of Valuation	January 1, 2024
Report Date	November 18, 2024

CERTIFICATION

We certify that, to the best of our knowledge and belief that:

- (1) The statements of fact contained in this report are true and correct.
- (2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- (3) We have no present or prospective interest in the property that is the subject of this analysis, and we have no personal interest with respect to the parties involved.
- (4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- (5) Our compensation for completing this assignment is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this report, or upon developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Our engagement in this assignment is not contingent upon developing or reporting predetermined results.
- (6) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of FIRREA guidelines and the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- (7) James L. Maibach has inspected the subject property. Sheridan Engel, Leslie Tolliver, and Brandon Brice have not physically viewed the subject property. The values herein were developed and reported by James L. Maibach, Sheridan Engel, Leslie Tolliver, and Brandon Brice.
- (8) This assignment was not based on a requested minimum value, a specific valuation, or the approval of a loan.
- (9) None of the signatories have previously performed services as an appraiser or in any other capacity, other than that specifically stated, regarding the property that is the subject of this report within the three-year period immediately preceding the acceptance of this assignment.



James L. Maibach, CPM

TX-1323658

State Certified General Real Estate Appraiser



Sheridan Engel

TX-1381232

State Certified General Real Estate Appraiser



Leslie Tolliver

TX-1361274

State Certified Residential Appraiser



Brandon Brice

TX-1343748

Appraiser Trainee

SCOPE OF WORK

Scope of Work is defined by the Uniform Standards of Professional Appraisal Practice as “the type and extent of research and analyses in an assignment.” Under the Scope of Work Rule, the appraiser must:

- Identify the problem to be solved;
- Determine and perform the scope of work necessary to develop credible assignment results; and
- Disclose the scope of work in the report.

The problem to be solved is:

- Determine the *Prospective Market Value “Upon Substantial Completion”* for the fee simple interest of 427 improved single-family residential lots of Heath Club MMD IA #3 with an expected Substantial Completion Date of January 1, 2024.

The definition of market value¹ utilized herein is as follows:

Market Value is defined as the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite for a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of FIRREA guidelines and the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice, in a manner necessary to produce a credible result.

This Appraisal Report has been prepared under Standards Rule 2-2(a) of an appraisal performed under Standards Rule 1 of USPAP. The value set forth herein was determined after consideration and appropriate application and analysis by two approaches to value i.e., the Income (Subdivision Development) Approach, and the Sales Comparison Approach. The Cost Approach was considered, however, due to the subject property consisting of prior completed phases, the Cost Approach did not produce credible results.

¹ The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice, Washington, D.C.: Appraisal Standards Board (2020-2021), DEFINITIONS

Heath Club Municipal Management District No. 1; Improvement Area #3

As part of this appraisal, we completed a thorough investigation and analysis of the data considered pertinent to valuing the subject property.

Property Identification

The property has been identified using the following sources:

- Public records – Rockwall Central Appraisal District (RCAD)
- Legal descriptions
- Deed Records – Rockwall County
- Approved Ordinance No. 070118 (“Planned Development District Ordinance”) by the City of Heath, subsequently amended by Ordinance No. 120515A in May 2012 and the property that was zoned on November 26, 2013, by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition
- The Heath Club MMD IA #3 Concept Plan Exhibit and Survey by F.C. Cuny Corporation and Teague Nall and Perkins, Inc. (Professional Engineers and Surveyors)
- Service and Assessment Plan (SAP) by MuniCap, Inc. dated May 16, 2023

Type and Extent of Data Researched

The following information was reviewed in preparing this report:

- Public record data
- Approved Ordinance No. 070118 (“Planned Development District Ordinance”) by the City of Heath, subsequently amended by Ordinance No. 120515A in May 2012 and the property that was zoned on November 26, 2013, by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition
 - City of Heath Maps and Land Use Plans
 - Flood plain maps
 - Topographic maps
 - Demographics – CoStar, ESRI, and US Census Bureau
 - Market Conditions Data – S&P Case Schiller, CoreLogic, NTREIS, JLL, CBRE, Integra, CoStar, etc.
- Concept Plan and Survey from F.C. Cuny Corporation and Teague Nall and Perkins, Inc. (Professional Engineers and Surveyors)
 - Estimated development costs provided by F.C. Cuny Corporation and Teague Nall and Perkins, Inc.
 - Service and Assessment Plan (SAP) by MuniCap, Inc. dated May 16, 2023
 - Conversations with developers and homebuilders in DFW market

VALUATION METHODOLOGY

Three approaches to value are typically considered when developing a market value opinion for real property. These are the Cost Approach, the Sales Comparison Approach, and the Income (Subdivision Development) Approach. A summary of each portion of the subject property that requires valuation is shown below:

Improved Detached Single-Family Residential Lots in Improvement Area #3 (427 Improved Residential Lots)

Cost Approach

The Cost Approach involves research, verification, and comparison of sales of other vacant land with the subject land. The sales are then adjusted for value-related differences. Cost figures are obtained from the developer and engineer and compared to cost figures on competing developments. A developer’s profit is based on profit expectations reported by developers as well as actual profit on similar developments.

The Cost Approach provides information that contrasts with information from the Income Capitalization and Sales Comparison Approaches. It allows the appraiser to address the feasibility and highest and best use issues

inherent in new construction. This approach is most beneficial when appraising a proposed or recently built project and is typically used when finished lots make up a substantial portion of the entire project. Since the subject property is being developed in multiple phases and most of the major improvements are in place, *the Cost Approach is not the most appropriate and thus was not utilized* for the 427 Improved Residential Lots in Improvement Area #3 of Heath Club Municipal Management District No. 1.

Income (Subdivision Development) Approach

In the Income Capitalization Approach, the retail value of the residential lots is estimated. The individual lot values are based on lot sales in competing developments. The absorption rates, expenses, and discount rates are also based on competing developments. Since sales of individual lots to an end-user homeowner is exceedingly rare in tract home subdivisions in this market, the value of an individual retail lot is effectively the same value of a portion of lots to a homebuilder because homebuilders tend to be the exclusive buyers of vacant developed lots from land developers. In addition, discussions with developers and homebuilders as well as review of contracts indicate that lots are typically received by the builders on a takedown schedule with annual price escalations of approximately 6% so the lots are not released in bulk to the home builders. The indicated value by the Income (Subdivision) Approach is based on the sellout of the lots with deductions for holding costs and discounted to a net present value.

The Income (Subdivision Development) Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases a subdivision or large group of lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices. Since the problem to be solved in this assignment is to determine the bulk sale value of 427 lots, as of the date of Substantial Completion (Effective Date), *the Income (Subdivision Development) Approach is appropriate and was developed.*

Sales Comparison Approach

The Sales Comparison Approach involves comparing recent sales of entire subdivisions or a large group of lots that involved a single purchaser. The sales are then adjusted for value-related differences. Determining market values for the subdivision or the group of lots is the objective of the analysis, and that determination requires recent and relevant similar bulk sales for the comparison. Finding highly similar and recent sales of improved subdivisions to a single buyer in most markets can be difficult, perhaps impossible. Comparison requires comparable sales with about the same or similar remaining absorption period, a similar mix of lots or unit types, location, home price points, and other characteristics. As Texas is a non-disclosure state, sales data available is limited to sales confirmed by associated parties. Since data on highly similar bulk sales to a single purchaser is difficult to find and verify, *the Sales Comparison Approach was not fully developed by the appraisers.* Use of the approaches for the valuation of the improved lots in Heath Club MMD IA #3 is summarized as follows:

<i>Approach</i>	<i>Applicability to Subject</i>	<i>Use in Assignment</i>
Cost Approach	<i>Not Appropriate Since Much of Heath Club Municipal Management District No. 1 is Built-Out</i>	<i>Not Utilized</i>
Income (Subdivision Development) Approach	<i>Appropriate in Determining Residential Subdivision Value</i>	<i>Utilized</i>
Sales Comparison Approach	<i>Aspects Used in Subdivision Valuation to Determine Retail Market Value of the 40-FF, 70-FF, 80-FF, 90-FF, 100-FF, 120-FF Lots</i>	<i>Partially Utilized</i>

COMPETENCY OF THE APPRAISER

James L. Maibach is a Certified General Real Estate Appraiser according to the Texas Appraiser Licensing and Certification Board and has appraised numerous properties similar to the subject since 1993. The appraiser also manages, through his commercial real estate management company, approximately 2.25 million SF of which 70% is industrial warehouse, 20% is Class B and C office and 10% in retail product in Tarrant, Dallas, and Johnson counties. Mr. Maibach has been personally involved in over 35 residential development projects as a broker, developer, bank director, and zoning consultant in the past 35 years. Sheridan Engel is also a State Certified General Real Estate Appraiser who has been at Peyco for three years and has assisted in the analysis and appraisal of numerous properties similar to the subject. Leslie Tolliver is a State Certified Residential Real Estate Appraiser who has assisted in the analysis and appraisal of numerous properties similar to the subject. Brandon Brice is an Appraiser Trainee and has assisted in the analysis and appraisal of numerous properties similar to the subject. Attention is paid to the qualifications of each individual, which are presented in the Addenda of this report.

Peyco Southwest Realty is a full-service professional real estate appraisal and consulting firm, providing service to a variety of corporate, institutional, governmental, and private clientele. In the past 12 months, our firm has completed numerous valuation assignments involving similar properties. Mr. Maibach currently owns, represents, and manages multiple properties throughout the DFW Metroplex, mostly in Tarrant, Dallas, Johnson, and Ellis Counties. The subject is located in the City of Heath, Rockwall County, Texas.

INTENDED USE AND USERS

The intended use of the appraisal is to estimate the market value upon completion of the underwriting of a proposed Municipal Management District bond transaction as of the Effective Date of Substantial Completion. The client and intended user is FMSbonds, Inc. The City of Heath is also an intended user. The appraisal is not intended for any other use or user. No party or parties other than the City of Heath and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in this report; provided, however, it is acknowledged that this Appraisal will be used in a preliminary and final limited offering memorandum for the Municipal Management District bonds. The Client may, without Appraiser's prior authorization or notice to Appraiser, provide the Appraisal to other parties for their use in analysis-related activities, however, it does not make the recipient an intended user of this engagement.

DATE OF THE APPRAISAL REPORT

The preparation of this Appraisal Report was completed on **November 18, 2024**. The initial draft of this appraisal report was completed on October 31, 2023.

EFFECTIVE DATE OF THE APPRAISAL

The descriptions, analyses, and conclusions of this report for the designated Market Values of the subject property are applicable as of **January 1, 2024** for Improvement Area #3, which is the expected date of Substantial Completion. James L. Maibach inspected the subject property on **May 24, 2023**. Sheridan Engel, Leslie Tolliver, and Brandon Brice have not inspected the subject property.

ASSIGNMENT CONDITIONS

Assignment conditions include assumptions that affect the scope of work, other than those previously discussed in the "Assumptions and Limiting Conditions". There are no other material and specific hypothetical conditions or extraordinary assumptions other than those referenced in this report.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this assignment are the Fee Simple Estate in the subject property. A commitment for Title Insurance was not submitted to the appraisers and reservations, if any, are unknown. If property rights differ from the above definitions, the value may be affected.

ASSETS APPRAISED

The assets appraised in this appraisal assignment include land, any primary and ancillary site improvements. No furniture, fixtures, equipment (FF&E), personal property, mineral rights or business value were included in the valuation process.

ENVIRONMENTAL CONDITIONS

No environmental report was available to us, and no recent environmental tests were performed. Because we have no evidence to the contrary, we have assumed that the property is free of any material defects, other than those noted, which would adversely affect the value, including, but not limited to, asbestos and toxic waste. Our value conclusions are subject to revision should these assumptions prove incorrect. We caution and advise the user of this report to obtain environmental studies which may be required to ascertain the status of the property regarding asbestos and other hazardous materials.

HISTORY OF SUBJECT PROPERTY

The subject property is currently owned by HGYC, LLC. The subject property consists of four separate parcels, all of which were deeded to HGYC, LLC, with the following history:

- Per Rockwall Central Appraisal District (RCAD), parcel #58403 was deeded to HGYC, LLC on 3/28/2013 from Heath Golf and Yacht Club, Inc. via Deed instrument #486007/490905. Prior to this sale the property was deeded to Heath Golf and Yacht Club, Inc. on 4/12/2010 from White Development Inc. via Deed instrument #432057. Per RCAD, this parcel consisted of 188.8395 acres. The details of these transfers were not provided to the appraisers. This parcel has no other transfers in the prior three years.
- Per RCAD, parcels #103626, #103624, and #103628 were deeded to HGYC, LLC on 3/28/2013 from Heath Golf and Yacht Club, Inc. via Deed instrument #486007/490905. Per RCAD, these parcels consisted of a combined total of 58.29 acres. The details of this transfer were not provided to the appraisers. The subject property has no other transfers in the prior three years.

We are unaware of any other attempts to sell or divest the subject property, as of the report date. This historical ownership data was researched and reported in order to comply with USPAP which requires a 3-year history of the subject property. It should not be used in lieu of a title search and is not intended as a guarantee to the chain of title.

LEGAL DESCRIPTIONS

The subject property includes 4 tracts of land within Improvement Area #3 portion of the Heath Club Municipal Management District No. 1 with the following legal descriptions:

- ABS A0053, J CANTOR, TRACT 8-2, 188.8395 ACRES (Rockwall County Tax ID number 58403).
- A0053 J CANTOR, TRACT 8-15, ACRES 38.7 (Rockwall County Tax ID number 103626)
- ABS A0053, J CANTOR, TRACT 8-10, 17.59 ACRES (Rockwall County Tax ID number 103624)
- ABS A0053, J CANTOR, TRACT 8-15, 38.7 ACRES (Rockwall County Tax ID number 103626)

PENDING TRANSACTIONS TO BUILDERS

The land within the development is owned by HGYC, LLC. HGYC, LLC and Heath Golf and Yacht Club, Inc. will be the developer for the subject property. There are no sales contracts for the improved lots as HGYC, LLC will be the ultimate seller to the end user when the lots are fully developed with single-family residential developments.

The following chart shows the breakdown of the subject's lots for Improvement Area #3 with the Substantial Completion Date of January 1, 2024.

Projected Substantial Completion Summary - Heath Club MMD IA #3		
<i>Lot Type</i>	<i>Projected Completion Date</i>	TOTAL
40-FF	January 1, 2024	34
70-FF	January 1, 2024	25
80-FF	January 1, 2024	107
90-FF	January 1, 2024	83
100-FF	January 1, 2024	129
120-FF	January 1, 2024	49
Total		427

Real Estate Taxes
Rockwall Central Appraisal District

Real estate tax assessments are administered by the Rockwall Central Appraisal District (RCAD) and are estimated by jurisdiction on a county basis for the subject. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by \$100, then multiplying the estimate by the composite rate.

Real estate taxes and assessments for the most recent tax year are shown in the following table which include taxes due in 2023 to the City of Heath, Rockwall County, and Rockwall ISD. The current combined tax rate for those entities is **1.572693 per \$100 assessed** as shown in the table below:

Property Taxes - 2023	
Entity	Rate
City of Heath	0.277493
Rockwall County	0.276000
Rockwall ISD	1.019200
Total	1.572693

The current (2023) tax burden for Heath Club Municipal Management District No. 1; Improvement Area #3 is **\$16,430.62**. A table of the property taxes for Improvement Area #3 is shown below:

TAXES (ROCKWALL CAD - 2023)							
ID	Owner	Size (AC)	Improvement Market Value	Land Market Value	Ag Exemption	Assessed Value	Estimated Taxes
58403	HGYC LLC	188.8395	\$ -	\$ 3,114,908	\$ 2,072,606	\$ 1,042,302	\$ 16,392.21
103626	HGYC LLC	38.7000	\$ -	\$ 936,540	\$ 935,549	\$ 991	\$ 15.59
103624	HGYC LLC	17.5900	\$ -	\$ 624,445	\$ 623,985	\$ 460	\$ 7.23
103626	HGYC LLC	38.7000	\$ -	\$ 936,540	\$ 935,549	\$ 991	\$ 15.59
Total Combined:		283.830	\$0.00	\$5,612,433	\$ 4,567,689	\$1,044,744	\$16,430.62

Note: The acreage in Improvement Area #3 per the Service and Assessment Plan is 279.014 acres.

The market value that Rockwall Central Appraisal District (RCAD) has determined for Improvement Area #3 of the subject property is **\$5,612,433 (\$19,774/AC, \$0.45/SF)**. The subject property is likely appraised for RCAD at below true market value for ±283.830 acres of developable land. When the property is redeveloped into residential use, there may be rollback taxes due to the municipal entities. We have not considered the effect of rollback taxes herein and that is beyond the scope of work of this report.

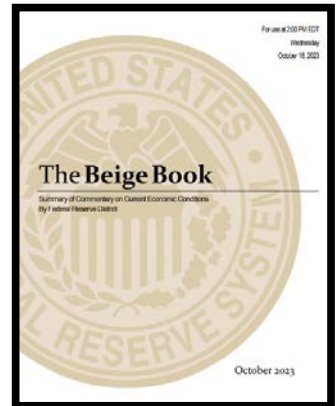
When Substantial Construction is complete on the improved lots, the appraised value is expected to increase significantly; however, based on our company's experience as licensed property tax consultants working with tax districts and homebuilders, we believe the finished lots will be assessed by the appraisal district at below retail lot value. Finished lots are often assessed by tax districts at approximately 70% of the retail value because the tax district does not have reliable information on updated costs and because developers are eligible for an inventory reduction on their lots.

FEDERAL RESERVE BANK (October 18, 2023)

Due to the subject's location in North Texas, coupled with integrated business economies, it is relevant to consider the national and regional economic indicators presented by the Federal Reserve Bank of Dallas in the Beige Book. Excerpts from the most recent Beige Book are presented below:

Overall Economic Activity

Most Districts indicated little to no change in economic activity since the September report. Consumer spending was mixed, especially among general retailers and auto dealers, due to differences in prices and product offerings. Tourism activity continued to improve, although some Districts reported slight slowing in consumer travel, and a few Districts noted an uptick in business travel. Banking contacts reported slight to modest declines in loan demand. Consumer credit quality was generally described as stable or healthy, with delinquency rates still historically low but slightly increasing. Real estate conditions were little changed and the inventory of homes for sale remained low. Manufacturing activity was mixed, although contacts across multiple Districts noted an improving outlook for the sector. The near-term outlook for the economy was generally described as stable or having slightly weaker growth. Expectations of firms for which the holiday shopping season is an important driver of sales were mixed.



Labor Markets

Labor market tightness continued to ease across the nation. Most Districts reported slight to moderate increases in overall employment, and firms were hiring less urgently. Several Districts reported improvements in hiring and retention as candidate pools have expanded and those receiving offers have been less inclined to negotiate terms of employment. However, most Districts still reported ongoing challenges in recruiting and hiring skilled tradespeople. A few highlighted that older workers are remaining in the labor force, either staying in their existing position or returning in a part-time capacity. Wage growth remained modest to moderate in most Districts. Contacts across many Districts reported less pushback from candidates on wage offers. There were multiple reports of firms modifying their compensation packages to mitigate higher labor costs, including allowing remote work in lieu of higher wages, reducing sign-on bonuses or other wage enhancements, shifting compensation to more performance-based models, and passing on a greater share of healthcare and other benefits costs to employees.

Prices

Prices continued to increase at a modest pace overall. Districts noted that input cost increases have slowed or stabilized for manufacturers but continue to rise for services sector firms. Increases in fuel costs, wages, and insurance contributed to growth in prices across Districts. Sales prices increased at a slower rate than input prices, as businesses struggled to pass along cost pressures because consumers had grown more sensitive to prices. As a result, firms struggled to maintain desired profit margins. Overall, firms expect prices to increase in the next few quarters, but at a slower rate than the previous few quarters. Several Districts reported decreases in the number of firms expecting significant price increases moving forward.

ELEVENTH DISTRICT

FEDERAL RESERVE BANK OF DALLAS – October 18, 2023

Summary of Economic Activity

The Eleventh District economy continued to expand at a modest pace overall. Growth moderated in the service sector but rebounded in manufacturing and energy. Retail and financial services activity declined. Existing home sales dipped while new home sales were mostly solid. High temperatures and insufficient rainfall continued to plague agricultural conditions. Nonprofits expressed concern over daycare closures in the wake of pandemic era relief funds expiring. Employment growth was modest, and wage growth continued to normalize. Input cost growth remained slightly elevated overall, while selling price growth was average or below average. Outlooks generally weakened slightly, with contacts expressing concern over worsening business conditions, high interest rates, and the political environment.

Labor Markets

Employment growth remained modest over the past six weeks. Hiring decelerated in the service sector but picked up in manufacturing. In the energy sector, job growth moderated to a more average pace after two years of elevated hiring. Layoffs were noted by some cargo carriers and high-tech companies. Most sectors reported greater ease in finding workers than in prior periods. However, oilfield contacts said shortages of high-skill blue collar workers persist, and hospitality workers were also in short supply. There were scattered reports of labor hoarding—businesses saying they ordinarily would release some workers because of weak sales but were holding off “just in case.” A staffing firm noted the labor market is looser than it has been, saying “it’s not a pool, but at least we’ve got some drops on the ground.” Another said baby boomers were staying longer in the workforce because increases in cost of living have left them without much of a choice but to work. Wage growth continued to normalize, though it was still somewhat elevated. Homebuilders noted some reprieve in labor costs, and energy companies said wage pressure lessened from last quarter. Staffing firms said wage pressure eased over the past six weeks, in part because firms were pushing back more on hybrid and remote arrangements, and candidates were willing to ease up on wage demands to gain that flexibility.

Prices

Input cost growth showed no signs of easing over the past six weeks outside of the energy and construction sectors. Oilfield cost increases moderated, and contacts reported cost declines in some inputs like sand and steel. Also, builders said the cost of most construction materials have stabilized. Meanwhile, airlines and cargo carriers noted an increase in fuel costs. Selling price growth remained subdued in manufacturing and energy but was more moderate in services. A staffing firm reported an increase in payment delinquency due to cash flow issues among clients.

Manufacturing

Texas manufacturing activity rebounded in September. Production increases spanned durables and nondurables and were led by machinery and high-tech manufacturing. Chemical production improved amid stabilizing demand. However, much uncertainty persists, and manufacturers’ perceptions of broader business conditions worsened overall. Outlooks continued to deteriorate, with several contacts citing high interest rates as a headwind, particularly auto manufacturers.

Retail Sales

Retail sales declined slightly over the past six weeks, with notable weakness in auto sales. Some retailers said the continuation of unseasonably hot weather was a factor behind the slump. Auto dealers pointed to reduced affordability spurred by higher interest rates as a major factor. Meanwhile, contacts along the border noted that

the strong peso was drawing Mexican shoppers to U.S. stores. Retail outlooks improved slightly, though auto dealers expressed concern over the impact of the strike.

Nonfinancial Services

Growth in service sector activity decelerated to a more typical pace in September. Professional and business services remained the top performing industry, and a pickup was seen in health care. Airlines continued to report robust demand, particularly for leisure and international travel. A transportation contact noted that the drought impact on the Panama Canal may increase air cargo demand as an alternative for moving goods internationally. Reports from staffing services firms were mixed. One contact said contract business is way down across the board, as more customers are looking for permanent hires. Service sector outlooks worsened slightly overall, with contacts citing inflation and softness in the real estate market as headwinds. One business executive said he expects the next twelve months to be “chaotic,” with uncertainty driven by high interest rates and the national political landscape.

Construction and Real Estate

Housing demand generally held up during the reporting period despite higher mortgage rates, though contacts noted some seasonal softening. Existing-home sales dipped in part due to lack of inventory, while builders said new home sales and buyer traffic were mostly solid for this time of the year. Incentives such as rate buydowns remained in place and were buoying sales of new homes. A shortage of transformers continued to dampen single-family home completions. Outlooks remained cautious. Activity in commercial real estate was little changed since the last report. Apartment leasing was solid, though rents and occupancy were largely flat as supply continued to outpace demand. Office markets continued to face headwinds. Industrial demand softened, though the overall level of activity remained robust. Investment sales activity was subdued, and outlooks were mixed.

Financial Services

Loan demand has been declining for a year, and the pace accelerated during this period. Overall loan volumes declined at a quicker pace this period as well. Loan nonperformance rose, particularly for consumer loans, but increased delinquency was seen across the board. Credit standards continued to tighten, most notably on the commercial side. Loan pricing pushed up further, though at the slowest rate so far this year. Bankers remain pessimistic, with expectations for increasing loan nonperformance, decreasing loan demand, and worsening business activity over the next six months.

Energy

Energy activity picked up modestly over the reporting period. Respondents to the Dallas Fed Energy Survey indicated a rise in business activity and a sharp increase in oil and natural gas production in the third quarter. Drilling and completion activity for oil and gas wells declined over the past six weeks, though most contacts expect the rig count to stabilize soon. Outlooks improved notably, particularly among exploration and production firms. Contacts expressed confidence that oil prices will remain conducive for profitability over the next year but said their natural gas drilling outlook had worsened.

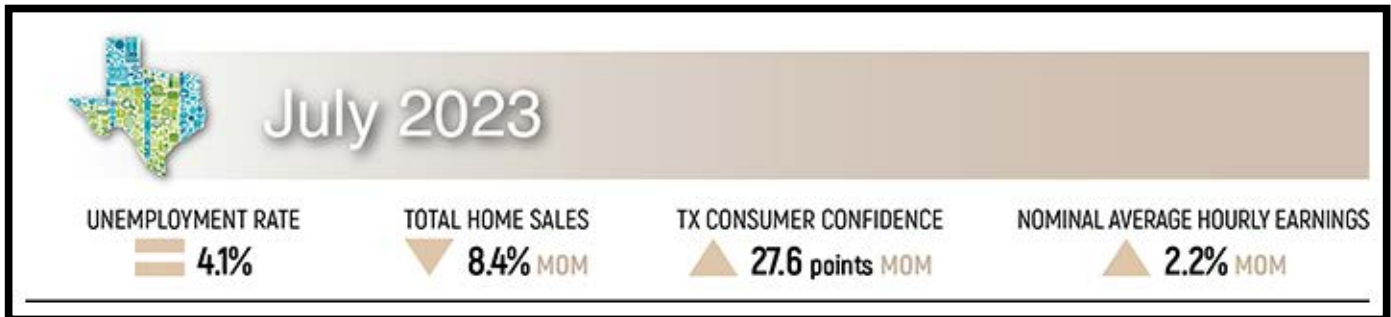
Agriculture

Drought intensified across much of the District over the past six weeks and crops continued to suffer from excessive heat. Grain prices fell notably, with wheat hitting its lowest price in two years. Pasture forage conditions were poor to very poor, and ranchers were still supplemental feeding, which is unusual for this time of year. Cattle prices remained high amid tighter supply, cheaper production costs in feed lots, and strong demand for beef.

Community Perspective

Demand for nonprofit services remained elevated. Affordable housing was a pressing concern, and one nonprofit said they received additional housing assistance funding but were constrained by the limited number of landlords willing to accept housing vouchers. Another contact noted that inflation continued to squeeze households' food budgets, putting healthier food options out of reach. One nonprofit reported they often had a two-to-four-hour line at their food pantry. Several contacts expressed concern over the ending of pandemic era relief funds, particularly for childcare centers. Multiple daycare centers have already announced closures, with one nonprofit leader noting that the impact to affected families is "catastrophic," as there aren't other options in the area. Some local workforce boards were proactively enrolling childcare centers into the state childcare subsidy program and mentoring them, with the hope of providing more options for low-income families.

Texas A&M University
Texas Real Estate Research Center
Outlook for the Texas Economy (Excerpts)
Joshua Roberson, Weiling Yan, and Koby McMeans (Updated September 20, 2023)



SUMMARY

The Texas economy began showing signs of slowing in July, but it still outpaced the U.S. The Federal Reserve's return to raising interest rates did have an effect on the Texas labor market, with worries of higher labor costs on the horizon. The state's housing market cooled with total homes sales falling because of high interest rates. Texas exports remain down from their record year in 2022.

Fed Raises Rates to Highest Level Since 2001

The Consumer Price Index (CPI) continued to moderate, rising by only 0.2% month-over-month (MOM) for the past two months. According to the U.S. Bureau of Labor Statistics, the rise in the shelter index continued to be the primary driver of the MOM increase for all items—jumping from a 70% total of June's increase to nearly 90% of July's increase. The airline fares index continued to counterbalance the large increases in the shelter index, with a decrease of over 8%, marking its fourth consecutive MOM decrease. The Fed resumed its interest-rate hike in July, reaching a 22-year high at 5.25 to 5.5%. With the next Federal Reserve meeting occurring in September, the data that comes out between now and then will determine the next steps the Fed takes to get inflation back to its 2% goal.

Texas Payroll Continues to Reach New Heights

Despite the continued interest rate hikes, Texas' labor force remained strong. Total nonfarm employment expanded 3.3% YOY, with Dallas and Houston contributing 172,700 and 91,000 workers, respectively. The state payroll gained 26,300 new workers in July from the goods-producing sector (up 10,000) and the service-producing sector (up 16,300). Construction and manufacturing exhibited especially strong growth, while professional/business services had a summer layoff of nearly 14,000 workers, with the largest loss in administrative/waste management/remediation services.

Job seekers displayed optimism in the job market, as evidenced by the high participation rate of 64.2%. The unemployment rate remained unchanged for the third month in a row at 4.1%, and continued unemployment claims averaged around 122,300 applications on a weekly basis. Over the course of a year, Texas attracted 441,700 new workers, resulting in a 33-month trend of a record-high total labor force.

New Construction Reaches One-Fifth of Total Home Sales

More prospective buyers are dissuaded from making a home purchase in today's high-interest environment, leading to a drop in sales. Compared with last month's reading at 28,000 and July 2020's record high at 38,400

transactions, Texas' total home sales fell below 26,000 transactions this month. Monthly sales volume contracted 8.4% MOM and 32% in three years (see table).

Home Sales Volume			
	Jun	Jul	Monthly Changes
Texas	26,235	25,870	↓ -8.4%
Austin-Round Rock	2,450	2,312	↓ -5.6%
Dallas-Fort Worth-Arlington	7,565	6,989	↓ -7.6%
Houston-The Woodlands-Sugar Land	7,313	6,691	↓ -8.5%
San Antonio-New Braunfels	2,885	2,679	↓ -7.1%

Note: Seasonally adjusted data used for the reported metrics.
Source: Texas Real Estate Research Center at Texas A&M University

Even with the reduced housing demand, the market share of new construction sales ballooned. Within a year, the share of new construction sales rose from 15.2% to more than 20%, indicating every five closed listings is now a new home. Both demand and supply factors contributed to the increasing trend for new homes. The shortage of existing homes is due to current owners' reluctance to give up their current homes.

Retailers Continue Hiring Amid Mixed Signals

The revenue index rose to its highest level in 16 months, to 12.9, according to Dallas Fed's Service Sector Outlook Survey. The future general business activity index improved to 4.4, the first positive showing in 15 months. The future revenue index remained positive at 35.6. These two indexes being positive are a sign that short-term growth is expected to continue.

Retail payroll added 3,400 workers this month after seasonal adjustment as the Dallas Fed's Retail Outlook Survey remained in negative territory as retail sales continued to decline. Retailers' perception of broader business conditions plummeted in July, with the outlook uncertainty index rising by 20 points. However, expectations for future retail growth remained positive as the future sales index and the future general business activity index remained positive.

Global Trade Remains Downbeat

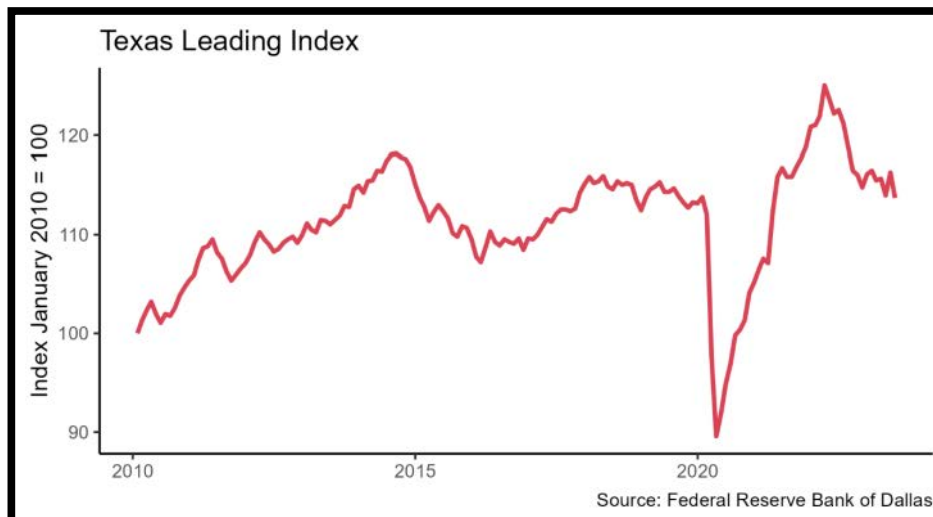
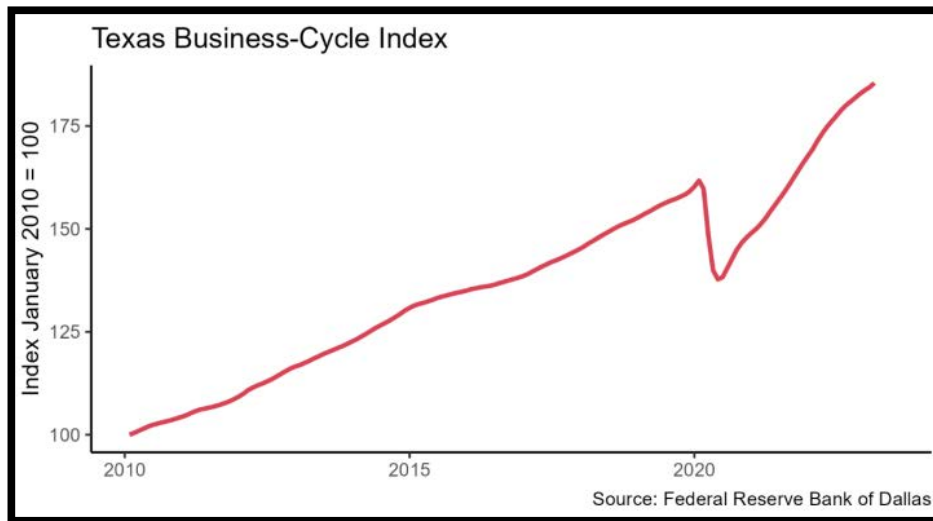
Texas' all-commodity exports fell 1.8% MOM in June. Comparing Texas and the U.S. since the end of 2022, Texas' exports remained negative at 4.2% while the U.S. total mostly stayed consistent. Demand for the top three manufacturing exports moderated with petroleum/coal and chemicals falling 0.2% and 0.5% MOM, respectively. Computer/ electronic products showed no signs of any monthly movement. Beverage/tobacco had the largest MOM gain at 50%, suggesting consumers are returning to leisure activity, reinforced by the 15.6% MOM increase in Texas consumer confidence. Demand for Texas' crude oil exports fell 5.42% YOY. The countries that withdrew the most were India, Spain, and France. Netherlands, on the other hand, posted a 46% YOY increase.

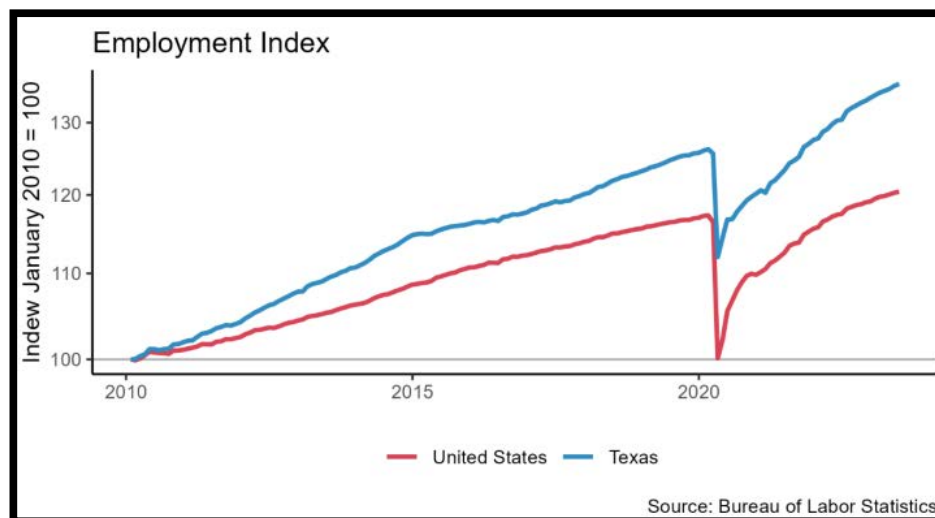
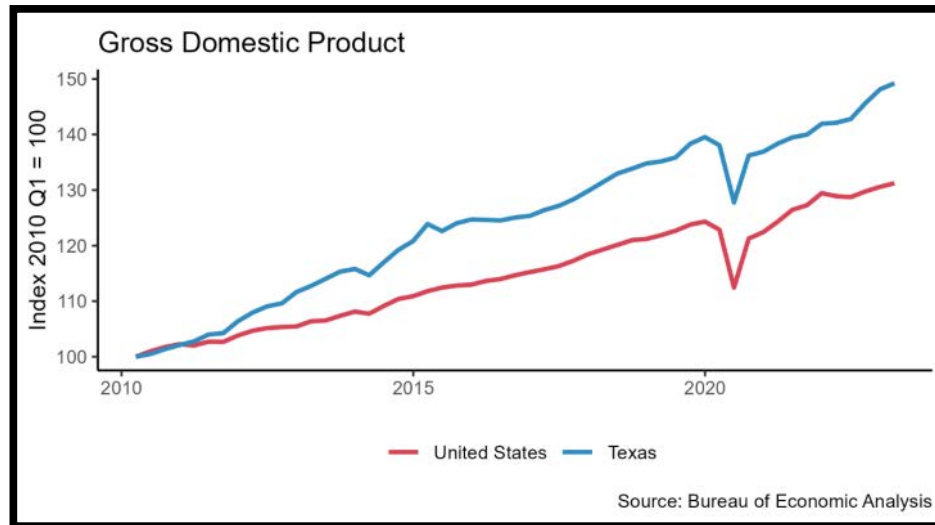
Economic Overview

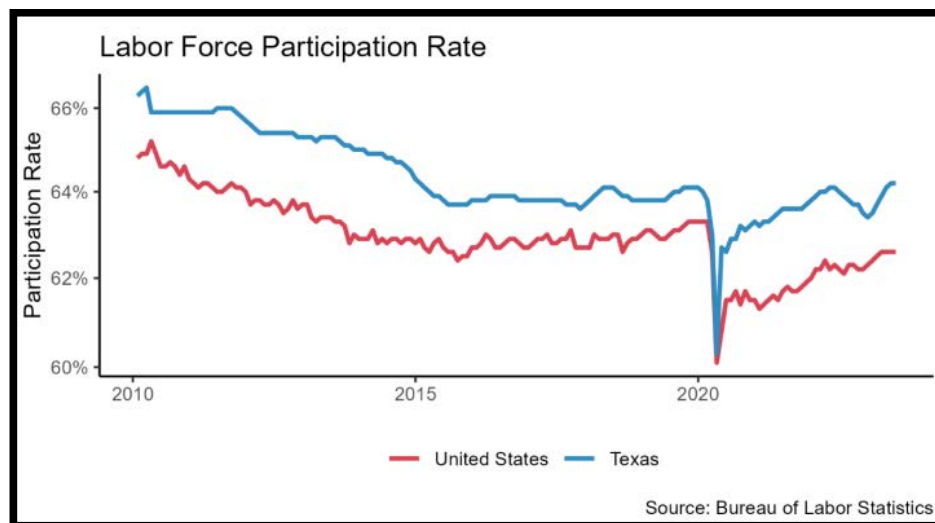
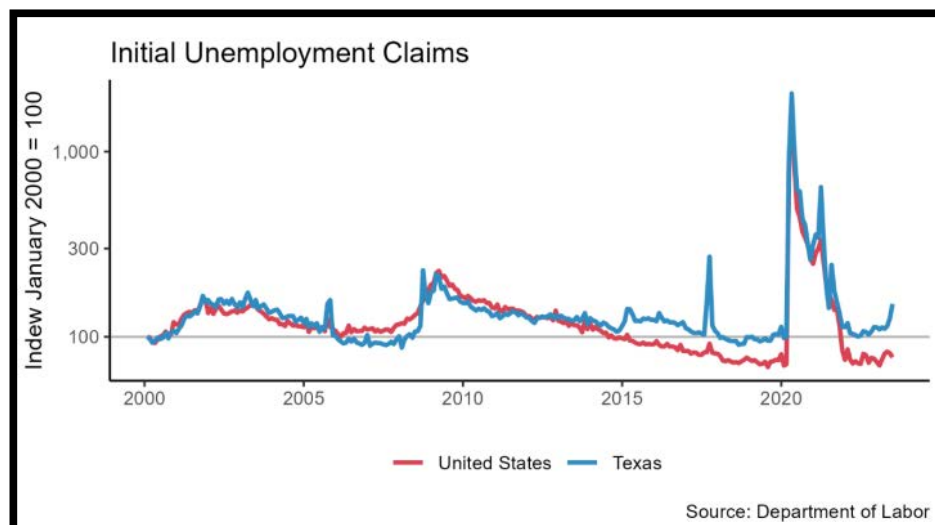
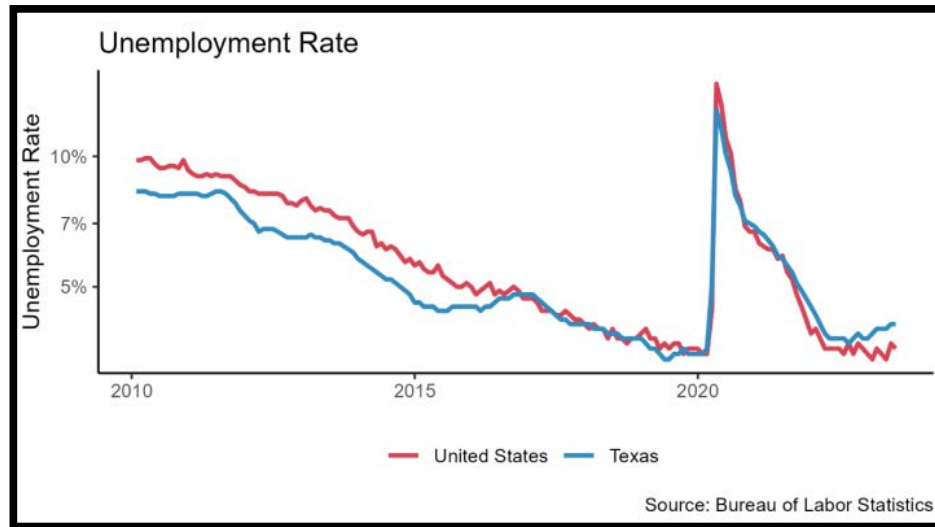
- After data adjustment, the Texas Leading Economic Index rebounded from June's drop, rising to 104.1 (2007=100).
- Nominal average hourly earnings rose 2.2% MOM, reaching \$31.74. Dallas and Houston both reached average hourly earnings above \$34, marking the first time Houston crossed this threshold.

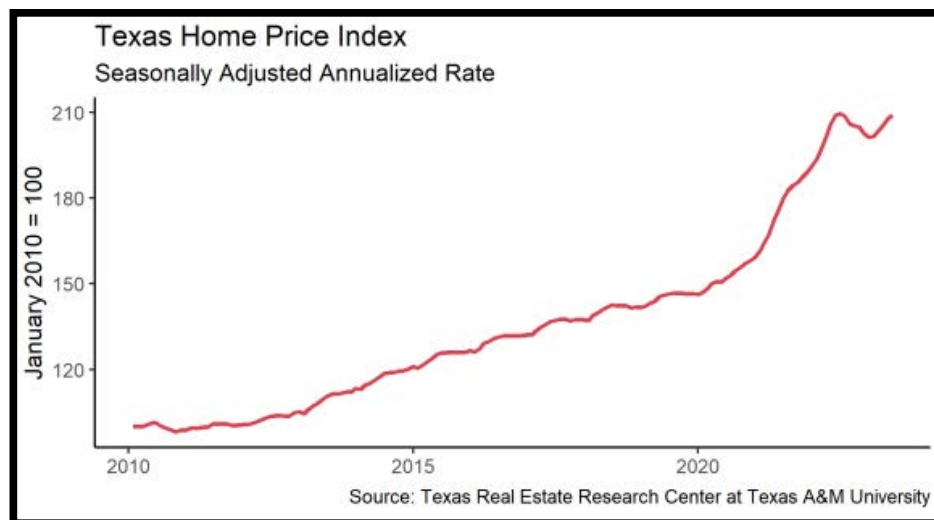
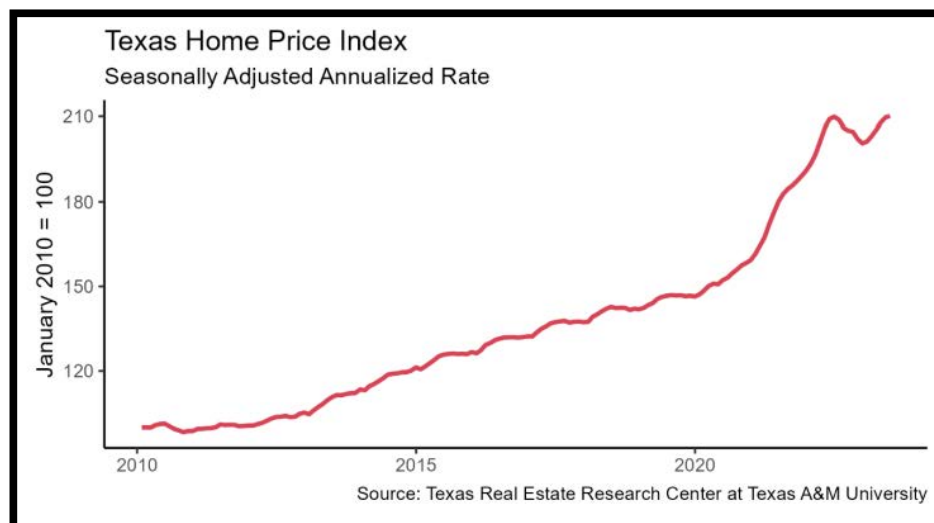
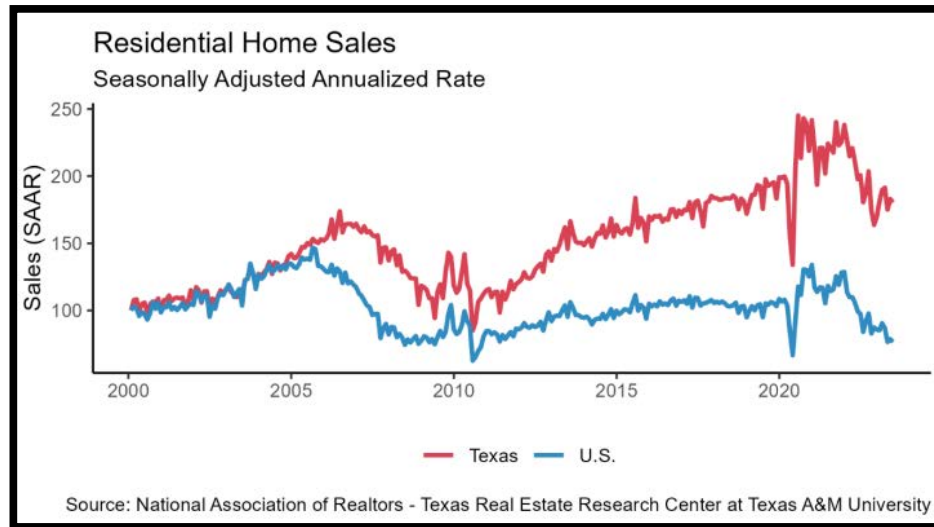
Heath Club Municipal Management District No. 1; Improvement Area #3

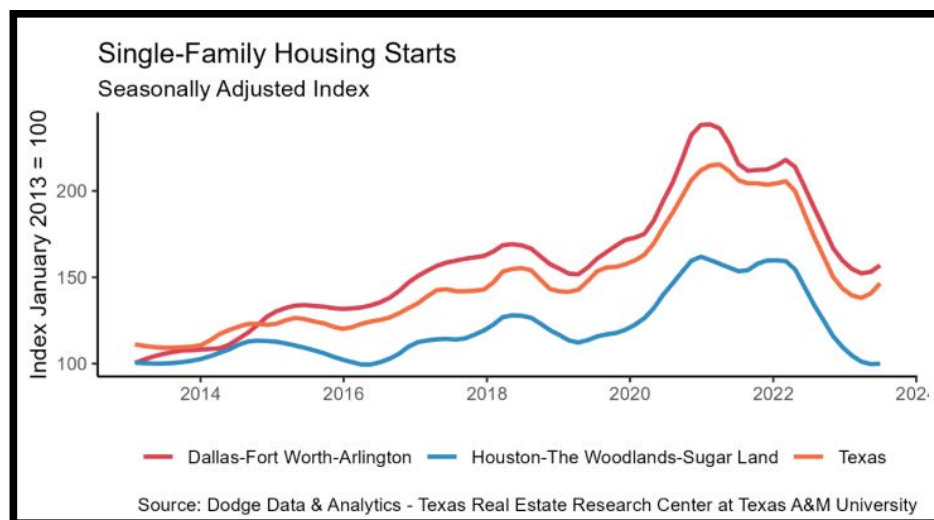
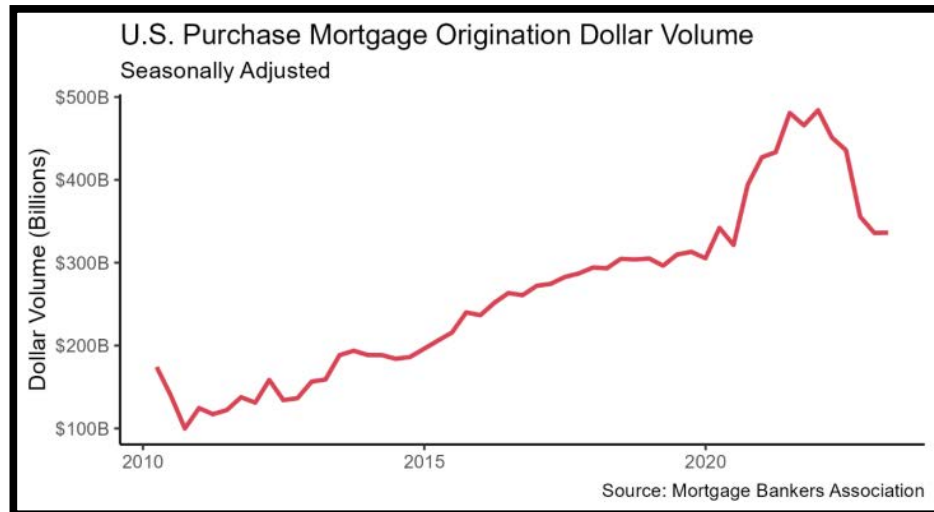
- *Consumer confidence skyrocketed in July, reaching its highest level since February 2020, reflecting consumers' confidence in both short-term business conditions and outlook for the labor market.*
- *The ten-year U.S. Treasury bond rose just 15 basis points to 3.9%, showing investors' confidence in the economy is growing.*
- *The Federal Home Loan Mortgage Corporation's 30-year fixed-rate increased 13 basis points to 6.84%, in large part due to the Fed increasing interest rates.*
- *The West Texas Intermediate (WTI) crude oil spot price dropped 10.6% YOY from \$92.4 to \$82.5, and the Henry Hub spot price plummeted 65% YOY from \$7.3 to \$2.6 per million British thermal units (BTU).*











TEXAS HOUSING INSIGHT (EXCERPTS)
Texas A&M University – Texas Real Estate Research Center
Joshua Roberson and Weiling Yan, Koby McMeans (October 13, 2023)



Summary

August was a positive month for Texas' residential real estate industry. Despite persistently high interest rates, total home sales picked up 9.5% on the consumer side, and construction permits accelerated by 5.3% on the supplier side. Amid the growth, the median price slipped for the first time after seven consecutive upticks. While the price drop seemed noteworthy, it was moderate at \$800 and may reflect a balanced market. With many sellers stuck with pandemic-era low rates and many buyers struggling to keep up with rising costs, the housing market does not signal any significant volatility anytime soon.

Rebounded Home Sales Speed up Market Time by Two Days

Amid a slowdown in the real estate industry, Texas' total home sales improved from last month's three-year low after reaching over 27,000 transactions in August. The sales activity picked up at an impressive rate of 9.5% month-over-month (MOM), albeit the activity level was still 8% lower than last year's reading. Sales ticked up uniformly this month in all four major metros, growing between 0.8% to 9.7% (Table 1).

Table 1. Home Sales Volume			
	Jul	Aug	Monthly Changes
Texas	24,928	27,285	↑ 9.5%
Austin-Round Rock	2,282	2,454	↑ 7.5%
Dallas-Fort Worth-Arlington	6,989	7,045	↑ 0.8%
Houston-The Woodlands-Sugar Land	6,766	7,041	↑ 4.1%
San Antonio-New Braunfels	2,493	2,735	↑ 9.7%

Note: Seasonally adjusted data used for the reported metrics.
Source: Texas Real Estate Research Center at Texas A&M University

Reduced home sales were mostly reflected by constrained sales of existing homes, while the new construction market hiked in demand. Sales for new construction grew by 20% in a year. Correspondingly, the market share of new construction sales climbed five percentage points to 21.7%. This indicates that for every five closed listings, one will be a new home. Both demand and supply factors contributed to the increasing trend for new homes. The shortage of existing homes is due to current owners' reluctance to give up their homes in exchange for a higher-cost home.

After balancing at 57 days for two months, the state's average days on market (DOM) dropped to 55 days, deviating from the steep rebounding trend that lasted for over a year. For the past six months, readings fluctuated between 55 days and 59 days. That small range suggests the housing market may be stabilizing. Among the major metros, Austin (69 days) and San Antonio (66 days) reported a longer-than-average DOM, while Dallas and Houston had DOM figures of 47 days and 48 days, respectively.

Housing supplies are stocking up, as active listings have trended upward since February, and the accumulation speed is accelerating. In August, the number of homes available for sales rose 5.9%, reaching 90,750 listings. The four major metros posted monthly gains between 4.4% and 5.2%, with Dallas leading the pack. The state's new listings rose 5.7% to 40,620 units, with Austin contributing a double-digit jump and an increase of 642 units. Despite the rise in active listings, months of inventory (MOI) had a marginal loss to 3.2 months due to recouped home sales.

High Mortgage Rates Push Down Loan Applications by One Fifth

Since the Fed initiated the series of interest rates hikes, both treasury rates and mortgage rates have increased accordingly. The ten-year U.S. Treasury Bond yield has had an average yield of 3.8% in 2023, up from 3% in 2022 and 1.5% in 2021. The expectation of further rate hikes pushed the bond yield to a new high since the Great Recession in 2008 at 4.2%.

Elevated by the bond yield, the Federal Home Loan Mortgage Corporation's 30-year fixed-rate inched up to 7.1%, up 23 basis points. The inflated mortgage rate is expected to further raise the cost of homeownership and decrease mortgage applications. Under the pressure of high mortgage rates, mortgage loan applications have fallen in 2023 with the annual high in January. In the past eight months, the Mortgage Bankers Association reported a volume index drop of over 20%.

Momentum for Housing Inventories Might Be Forthcoming

Texas' single-family construction permits rose 5.3% MOM to 13,160 issuances. This rise highlights August as the second month this year with more than 13,000 houses approved for construction. All four major metros reported growing demand except for San Antonio (630 permits), falling 16.4% MOM. Of the other three metros, Houston led with close to 4,500 permits, accounting for a third of the state's total permits for future homebuilding. Dallas followed with 3,980 permits. Austin (1,717 permits), which had drastic construction slowdown with last year's price correction, finally jumped out of the lows, reporting impressive rebounds with a double-digit growth rate.

Construction starts grew alongside construction permits. After five consecutive months of growth, single-family construction starts in Texas inched up to 11,950 units. Both Dallas and Houston led with over 3,300 houses breaking ground, surpassing the combined total of other metros outside the "Big Four." Home project starts in Austin (1,810 starts) and San Antonio (810 starts) surpassed the typical 2:1 ratio. The state's total single-family starts value reached \$21.2 billion, up from \$18.8 billion in July. While the current starts value fell short of the peak during the 2020-22 pandemic frenzy, it mirrored the construction activity levels observed in 2019. Notably, Houston and Dallas remain pivotal players, contributing to more than half of the state's construction activity values. Dallas' market share rose to 27.6%, closely trailing Houston's 27.7% share.

Price Gains Pause for the First Time This Year

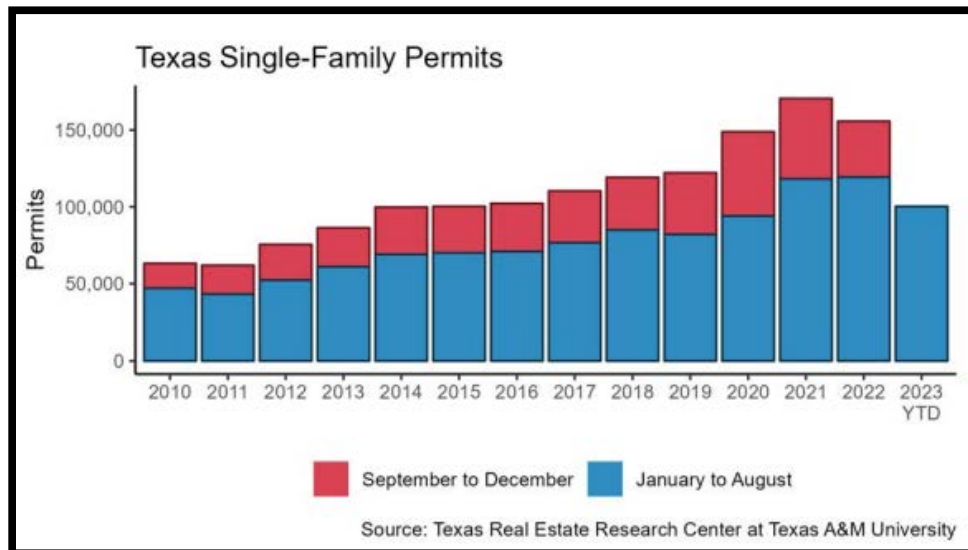
This year's steady price gains took a pause in August as Texas' median home price dipped. Despite the 0.3% MOM decrease, the seasonally adjusted price at \$336,600 was still at a higher standing than the June reading. The state's housing market signaled no large volatility, as the Big Four metros reported monthly changes of less than 0.5%. At the metro level, Austin's median price remained elevated at \$454,000, while Dallas followed with \$396,500 (Table 2).

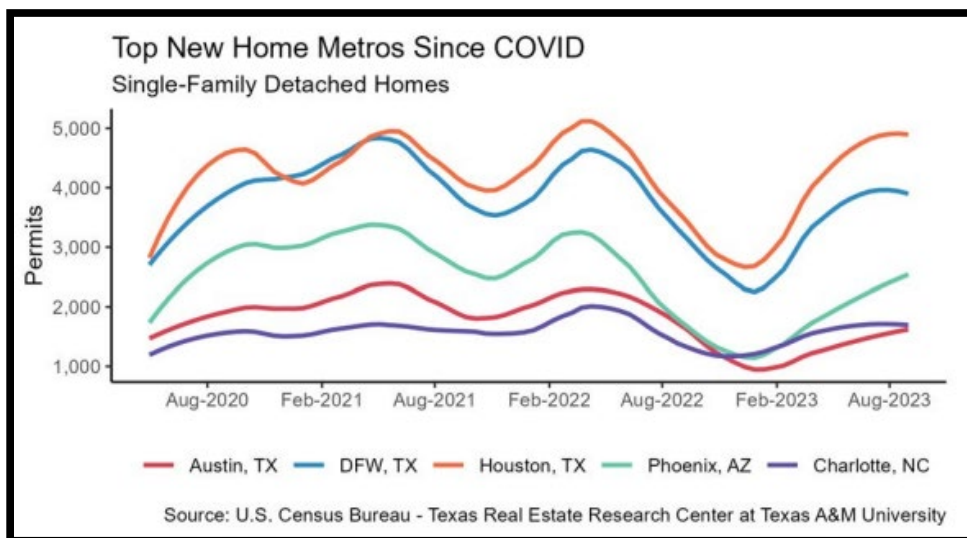
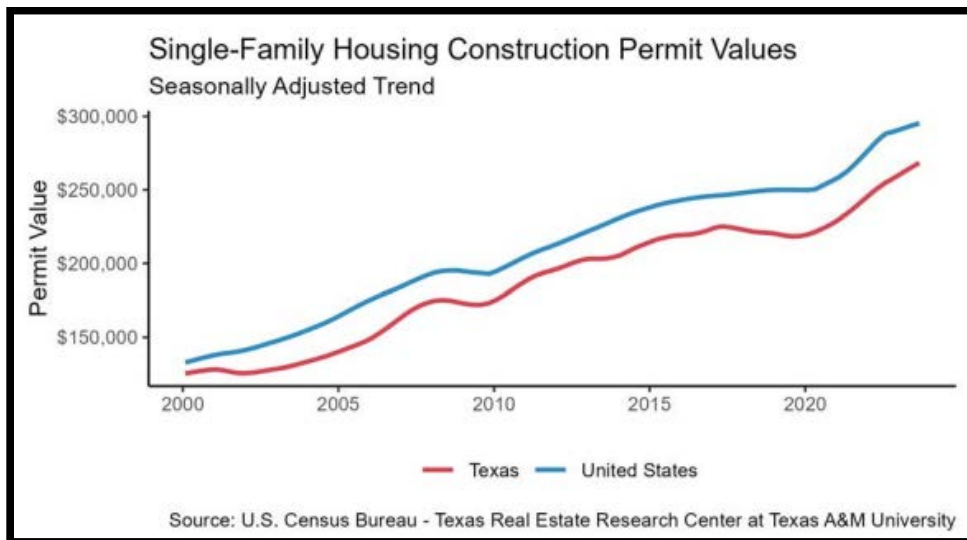
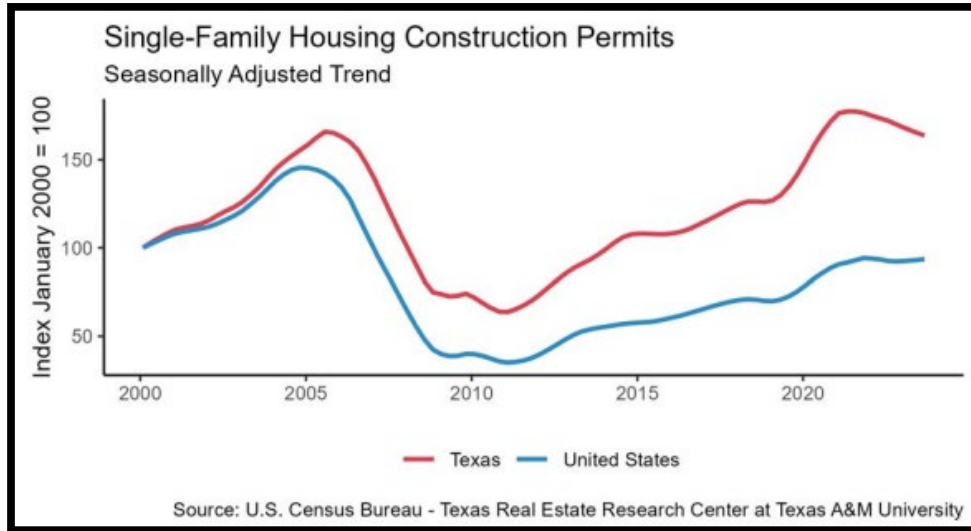
	Jul	Aug	Monthly Changes
Texas	\$ 337,400	\$ 336,600	↓ -0.3%
Austin-Round Rock	\$ 454,600	\$ 453,900	↓ -0.1%
Dallas-Fort Worth-Arlington	\$ 397,900	\$ 396,500	↓ -0.4%
Houston-The Woodlands-Sugar Land	\$ 332,100	\$ 333,500	↑ 0.4%
San Antonio-New Braunfels	\$ 313,000	\$ 314,100	↑ 0.4%

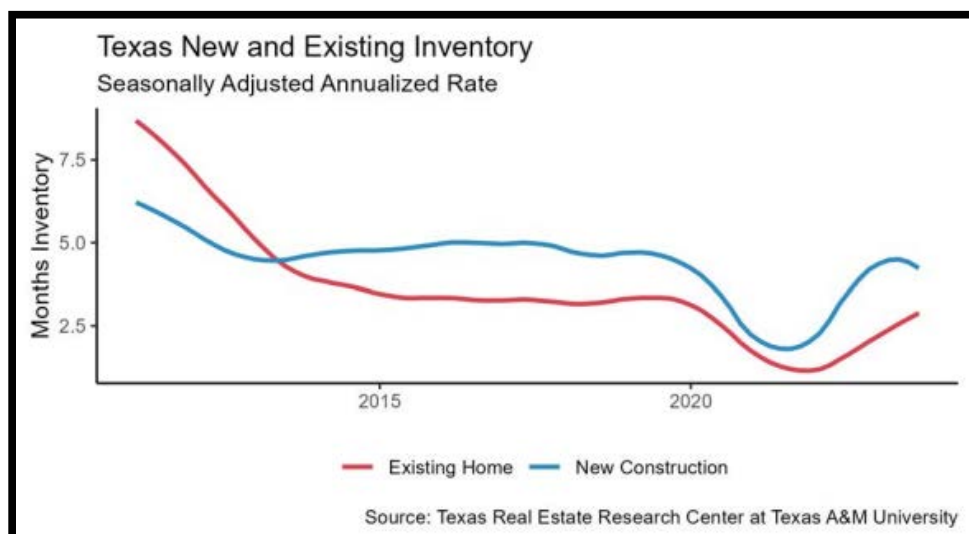
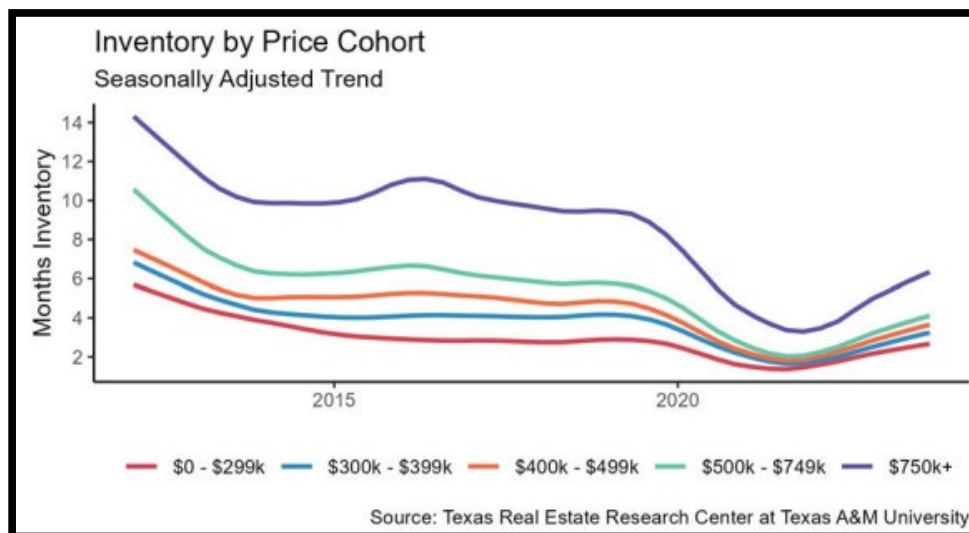
Note: Seasonally adjusted data used for the reported metrics.
Source: Texas Real Estate Research Center at Texas A&M University

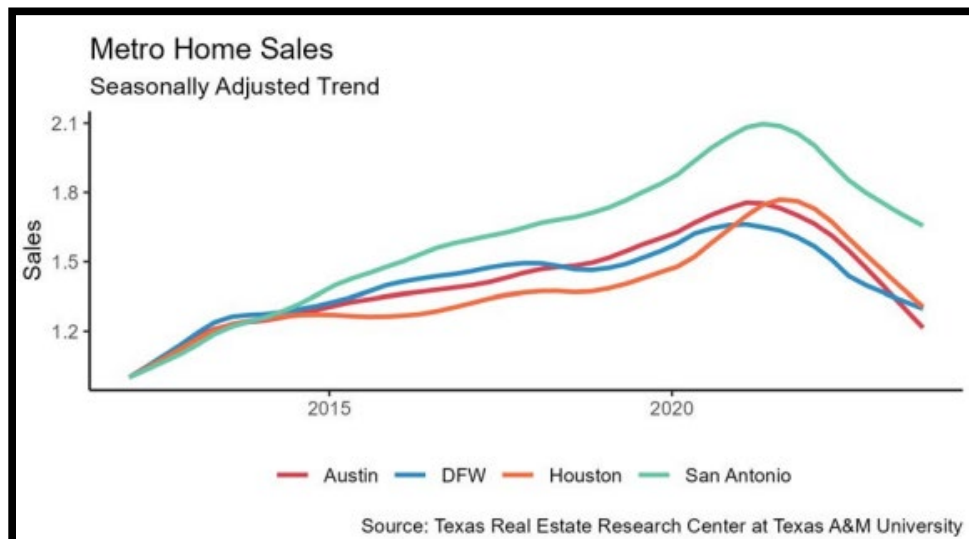
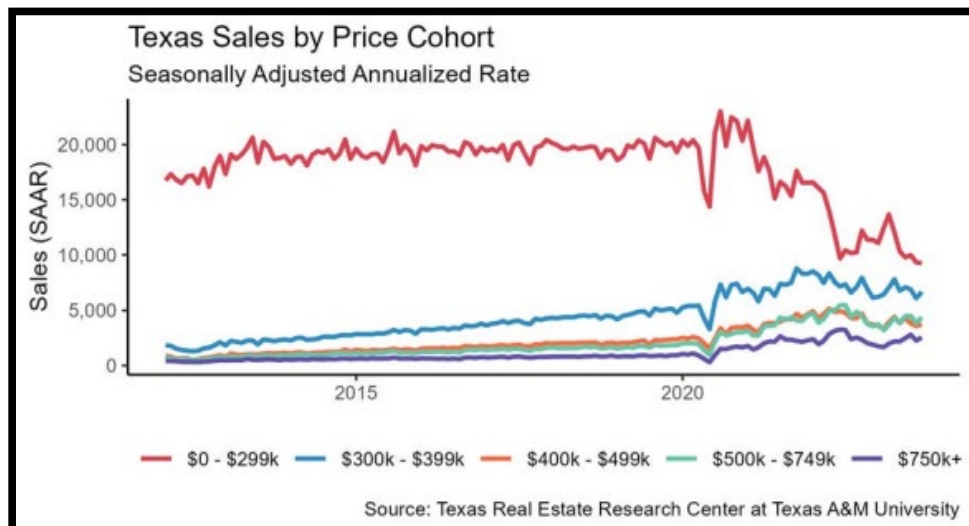
After reaching record prices last year, the four major metros have split into two groups with their price directions. Dallas and Houston—the two largest housing markets—had been regaining some 5 strengths in their median prices, inching up 2.4% and 1.8% year to date (YTD), respectively. Meanwhile, Austin and San Antonio had not yet geared up for a new price momentum, falling behind 0.6% and 0.3% YTD, respectively.

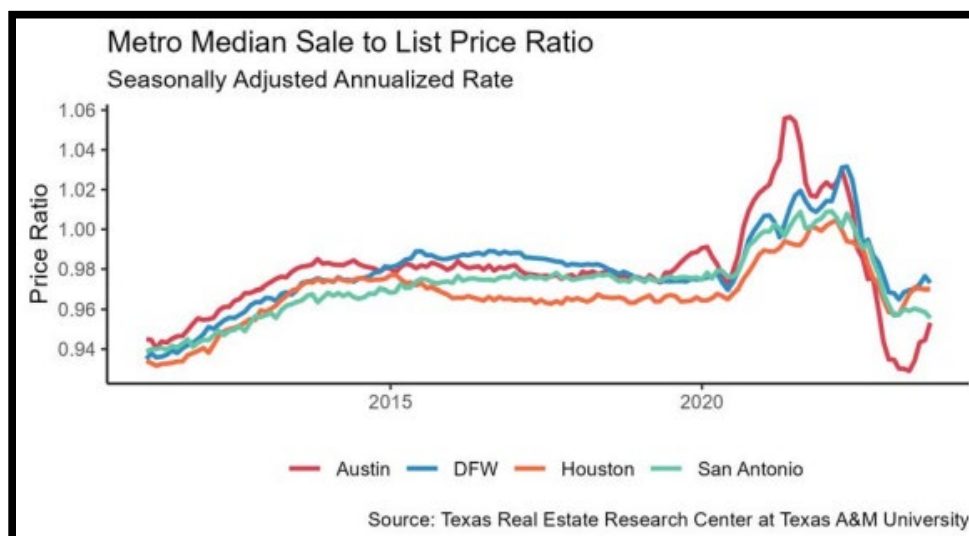
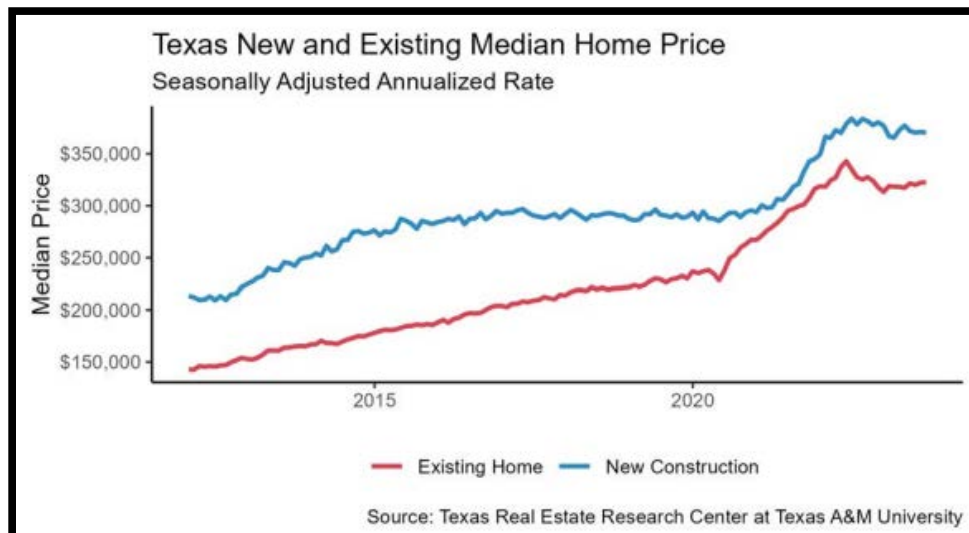
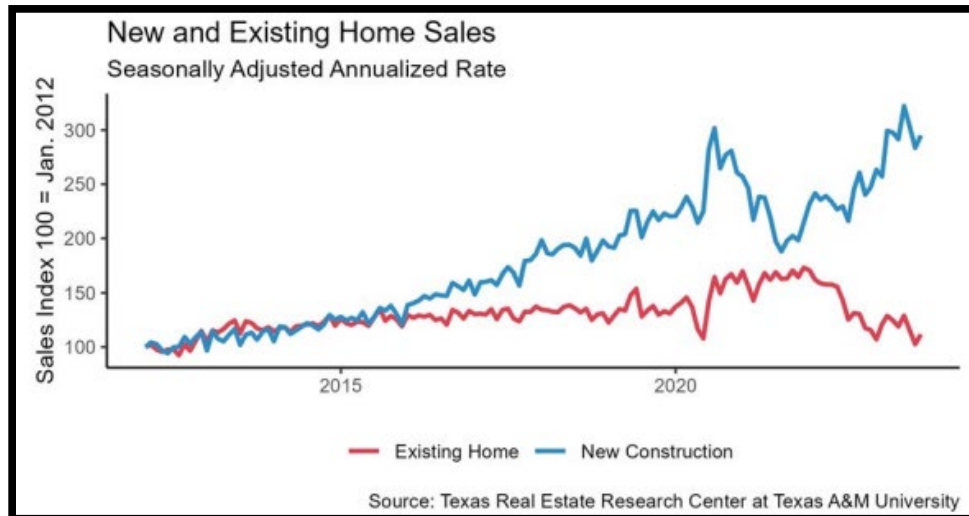
The Texas Repeat Sales Home Price Index (Dec 2004=100) peaked in July and stayed relatively stable in August. After suffering major price corrections earlier in the year, home price growth has gradually grown back to rates comparable to the peaks from last year.









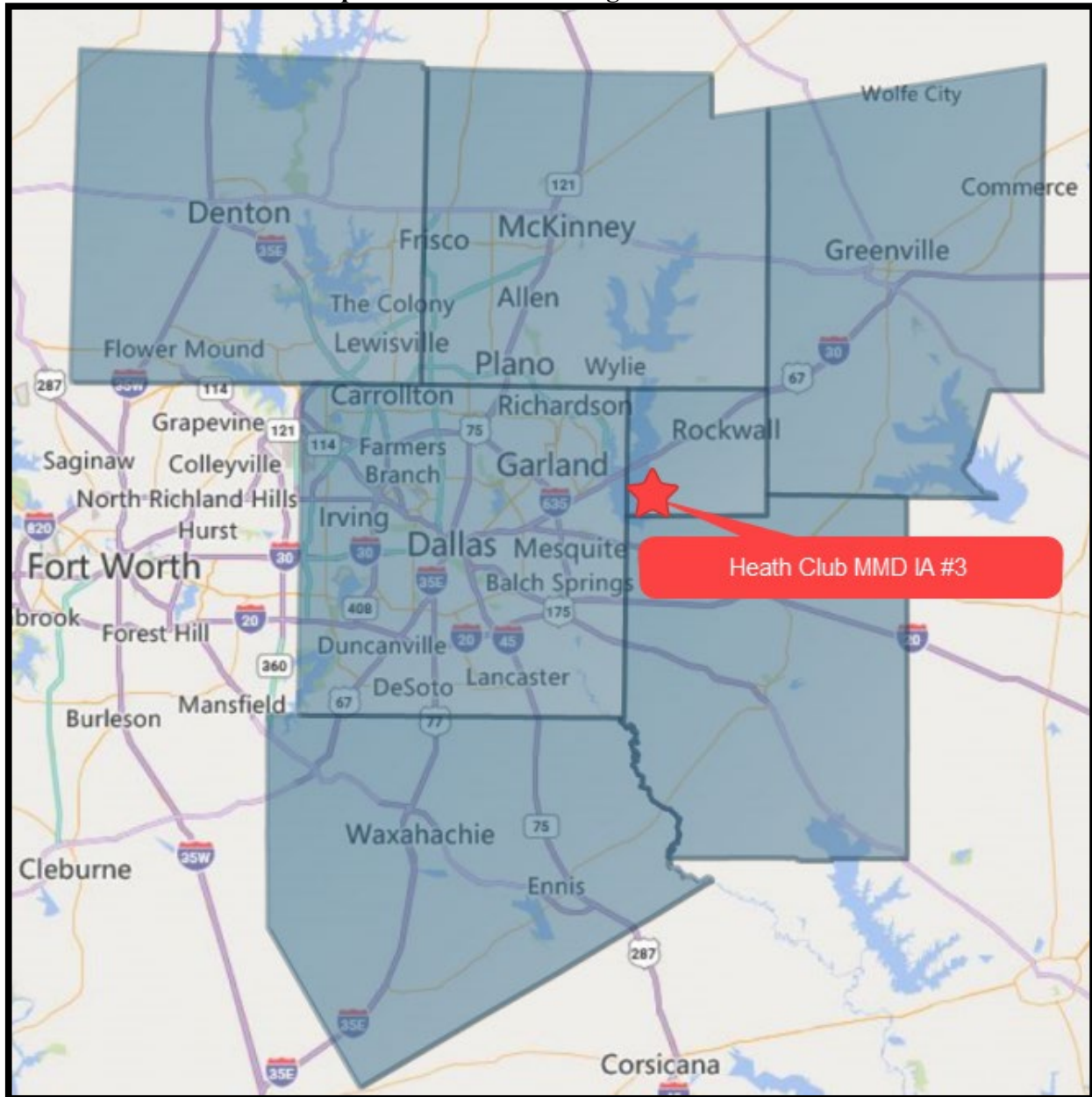


DALLAS – PLANO - IRVING METRO DIVISION QUARTERLY HOUSING REPORT (EXCERPTS)
Texas A&M University – Texas Real Estate Research Center
(Second Quarter, 2023)

Executive Summary

- Metro area sales volume decreased 4.8% to 17,842 transactions. Median price decreased 4.9% year-over-year to \$430,750.
- 2023 Q2 months inventory for all residential properties rose 29.2% year-over-year to 2.4 months.
- Metro area residential property listings increased 11.7% year-over-year to 12,392 active listings.

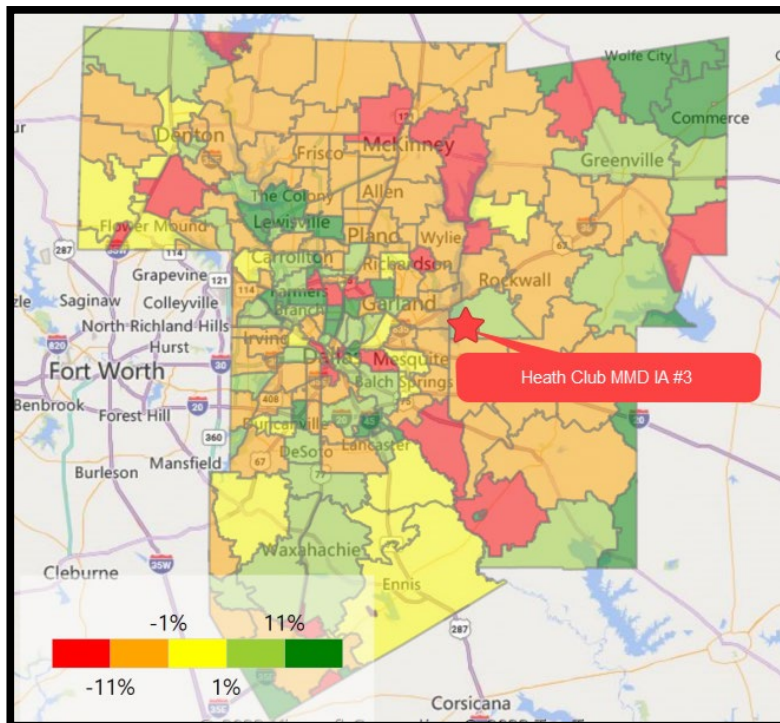
Map of Dallas-Plano-Irving Metro Division



Heath Club Municipal Management District No. 1; Improvement Area #3

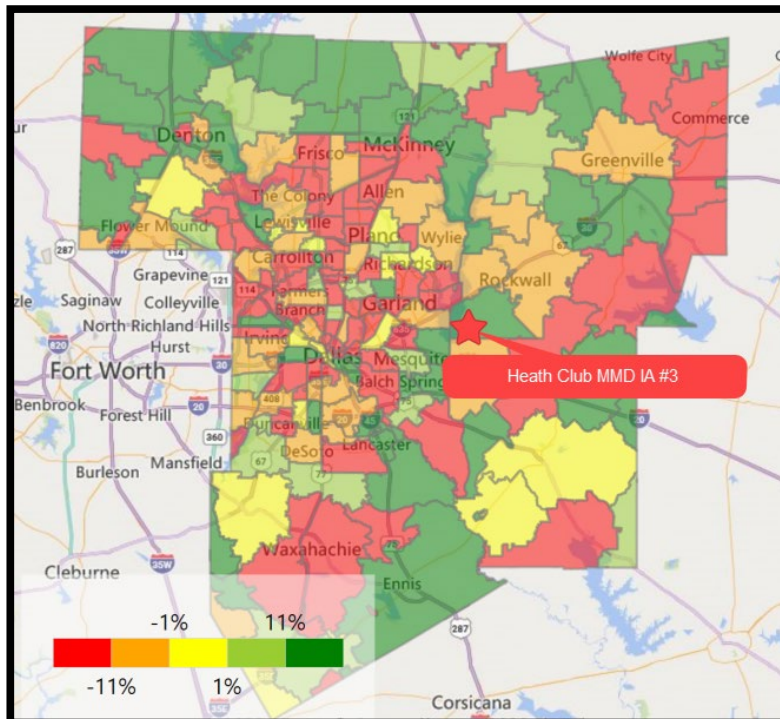
Median Price Change (YoY)

According to TREC, median sale price change year-over-year (YoY) near Heath Club MMD IA #3 increased between 1% and 11%.



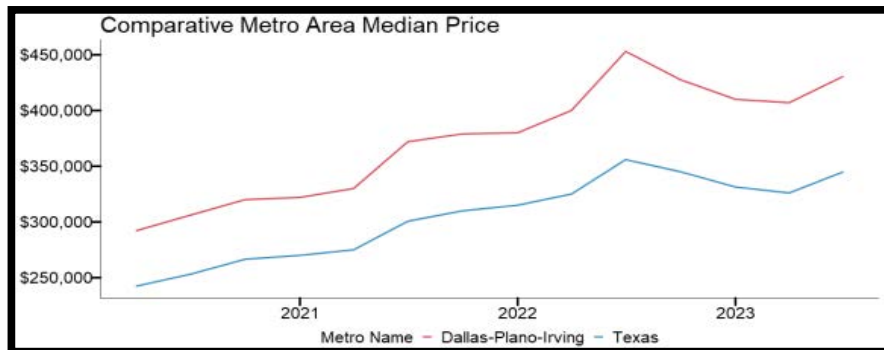
Sales Volume Change (YoY)

According to TREC, sales volume change year-over-year (YoY) in the subject's area near Heath Club MMD IA #3 increased more than 11%.

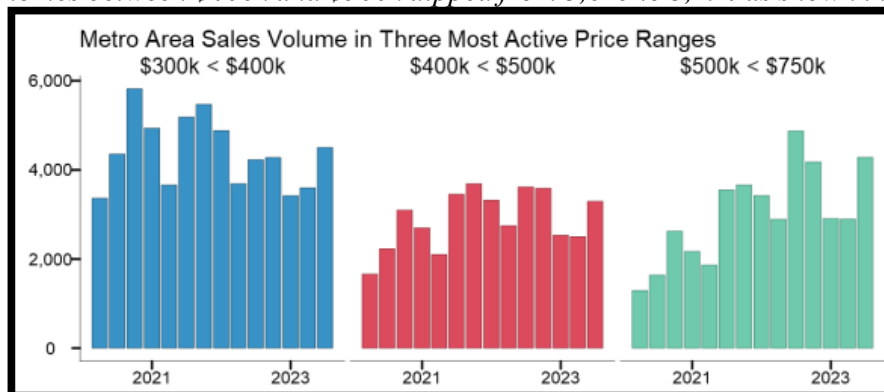


Heath Club Municipal Management District No. 1; Improvement Area #3

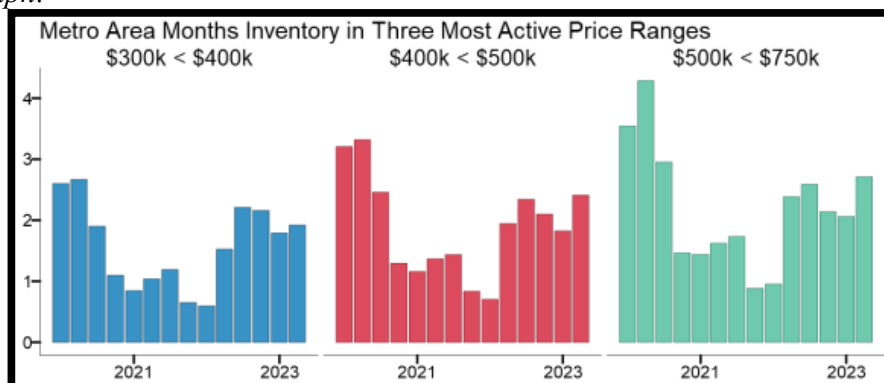
Median price in the Dallas-Plano-Irving metro decreased by approximately 4.9% year-over-year, from \$453,000 to \$430,750. Metro area price exceeded the statewide median price of \$345,000 by \$85,750 as shown in the following chart:



2023 Q2 total sales volume decreased by approximately 4.8% year-over-year, from 18,742 to 17,842. Sales of homes between \$300k and \$400k rose from 4,225 to 4,502, while homes between \$500k and \$750k dipped from 4,872 to 4,281, and homes between \$400k and \$500k dipped from 3,615 to 3,294 as shown in the following graph:

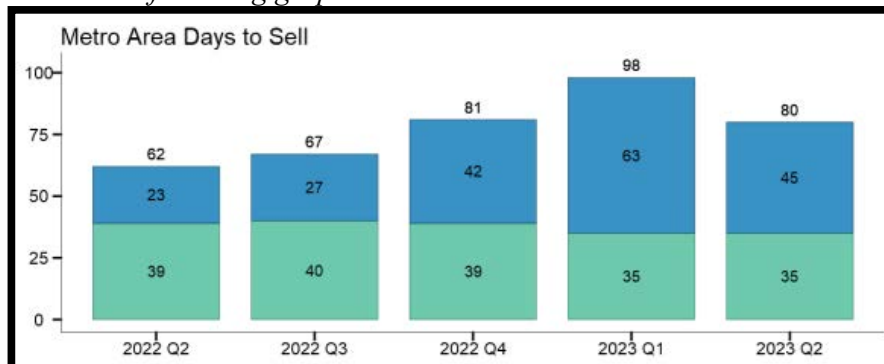


Metro area months inventory increased year-over-year from 1.86 to 2.4 months. Homes between \$300k and \$400k rose year-over-year, from 1.53 to 1.92 months, while homes between \$500k and \$750k rose year-over-year, from 2.38 to 2.71 months and homes between \$400k and \$500k rose year-over-year, from 1.95 to 2.41 months as shown in the following graph:



Heath Club Municipal Management District No. 1; Improvement Area #3

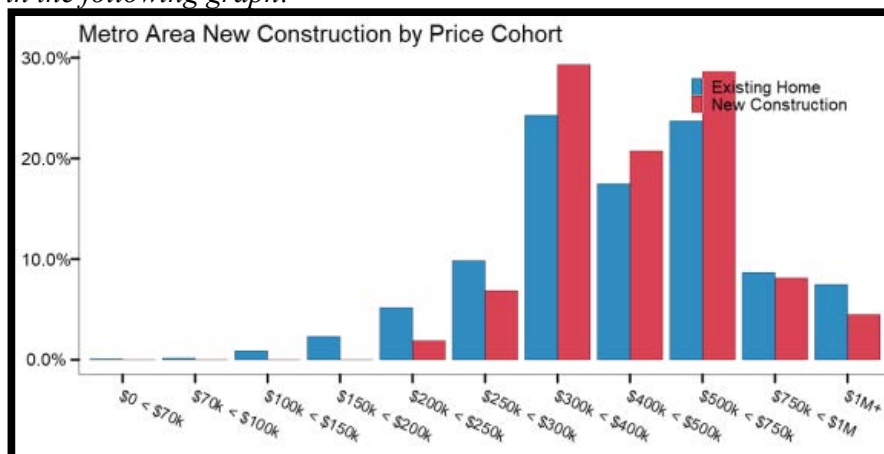
Average days to sell throughout the metro area increased from 55 to 78 days, an increase of 41.8% year-over-year. Average days to sell for homes between \$300k and \$400k increased from 58 to 78 days, a 34.5% increase year-over-year as shown in the following graph:



Homes in the \$400s and above fell to 61.9% of single-family new construction sales through the MLS. The second most active price range was homes in the \$300s, which grew from 27.7% to 29.3% year-over-year as shown in the following graph:



In the latest quarter, the average price was \$535,460 for new homes sold through the MLS, an increase over last year's figure of \$531,438. Average price for existing homes was \$550,274, a decrease over last year's figure of \$573,638 as shown in the following graph:



Heath Club Municipal Management District No. 1; Improvement Area #3

The following chart shows the housing metrics for Rockwall County:

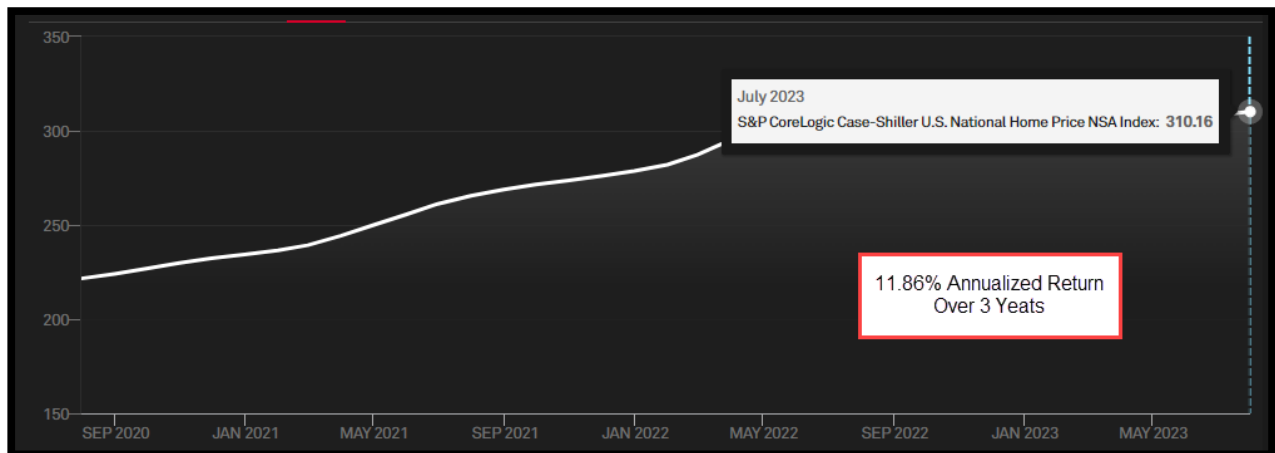
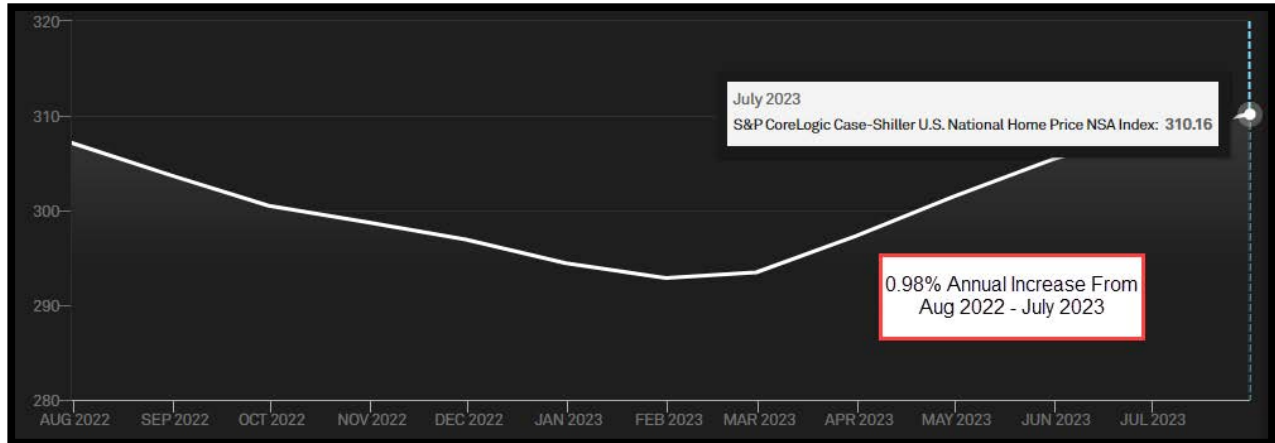
Rockwall County											
Price Cohort	Closed Sales	YoY%	% Sales	Median Price	YoY%	Median Price PSF	YoY%	Active Listings	Months Inventory	Median Square Feet	Median Year Built
\$0 < \$70k	0	0%	0%	-	-	-	-	0	0.0	-	-
\$70k < \$100k	0	0%	0%	-	-	-	-	0	0.0	-	-
\$100k < \$150k	1	100%	0%	***	***	***	***	0	0.0	***	***
\$150k < \$200k	3	50%	0%	***	***	***	***	3	2.3	***	***
\$200k < \$250k	10	25%	1%	\$231,500	-1%	\$201.11	-7%	4	1.3	1,151	1984
\$250k < \$300k	38	-5%	6%	\$285,000	1%	\$181.25	-1%	22	1.3	1,602	2002
\$300k < \$400k	227	3%	33%	\$347,568	-4%	\$178.31	-5%	157	2.2	1,931	2021
\$400k < \$500k	151	-19%	22%	\$443,000	2%	\$184.12	-4%	128	2.6	2,440	2015
\$500k < \$750k	163	-8%	24%	\$592,500	3%	\$199.40	1%	175	3.7	3,022	2020
\$750k < \$1M	63	24%	9%	\$837,500	3%	\$220.60	-1%	90	5.2	3,860	2016
\$1M+	29	-36%	4%	\$1,400,000	5%	\$285.81	-4%	87	12.0	4,981	2007

*** Not displayed when fewer than five sales

S&P CORELOGIC CASE-SHILLER INDEX

July 2023

Data reported from the Standard & Poor Dow Jones Indices (1-year and 3-year graphs shown below) from end of July 2023 showed that home prices nationally were up 0.98% YoY while the Dallas Metropolitan area decreased -3.4% while the national average increased 1.0%. Prices have retreated in the western and southern states; however, the eastern and northern regions have increased compared to the national average.



Metropolitan Area	July 2023 Level	July/June Change (%)	June/May Change (%)	1-Year Change (%)
Dallas	296.14	0.3%	0.7%	-3.4%
Composite-10	330.60	0.6%	0.9%	0.9%
Composite-20	316.68	0.6%	0.9%	0.1%
U.S. National	310.16	0.6%	0.9%	1.0%

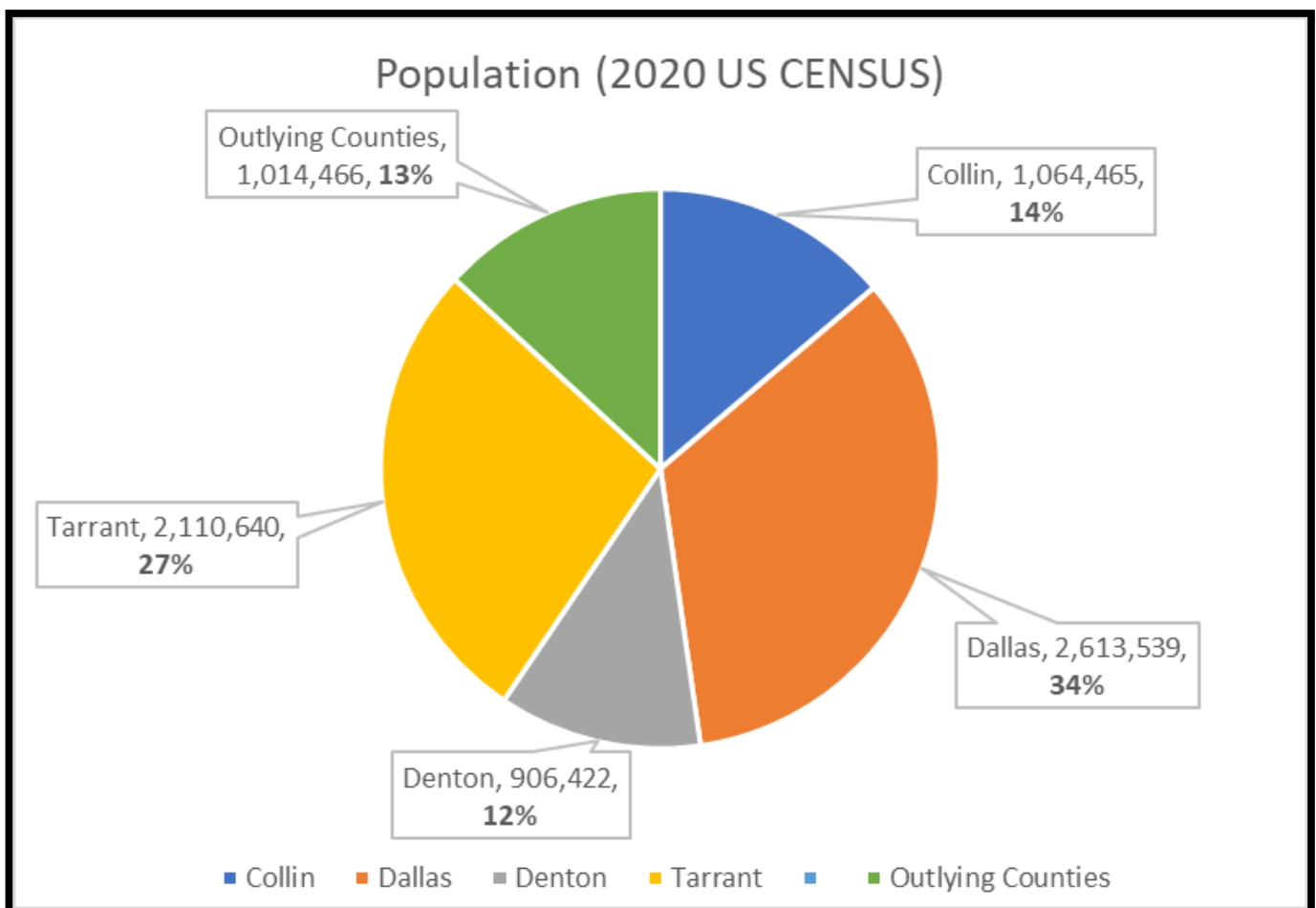
Sources: S&P Dow Jones Indices and CoreLogic
Data through July 2023

REGIONAL ANALYSIS

The subject is located in Rockwall County within the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA), more commonly referred to as the Metroplex, which encompasses parts of 16 counties and contains 23 cities with populations over 50,000 in North Central Texas. As reported by the North Central Texas Council of Governments (NCTCOG), the estimated population as of January 1, 2020, was 7,709,532 which makes it the most populous region in Texas and the fourth largest in the United States. In the most recent count (2019), the population of the Metroplex grew by 159,480 led by Fort Worth which added more than 24,000 people. Since 2010, the region has added almost 1.2 million new residents – an almost 19% increase.

A chart of the four counties in the Metroplex with the highest population is shown in the chart below. Dallas County is the most populated county in the region with 2,613,539 residents, followed closely by Tarrant County with 2,110,640, Collin County with 1,064,465, and Denton County with 906,422. Rockwall county has a population of 107,832 which helps comprise the 1,014,466 residences residing within the Outlying Counties. In 2021, the US Census Bureau estimated the population of the Metroplex had increased to more than 7.75 million residents.

PIE CHART OF POPULATION PERCENTAGES IN DFW METROPLEX

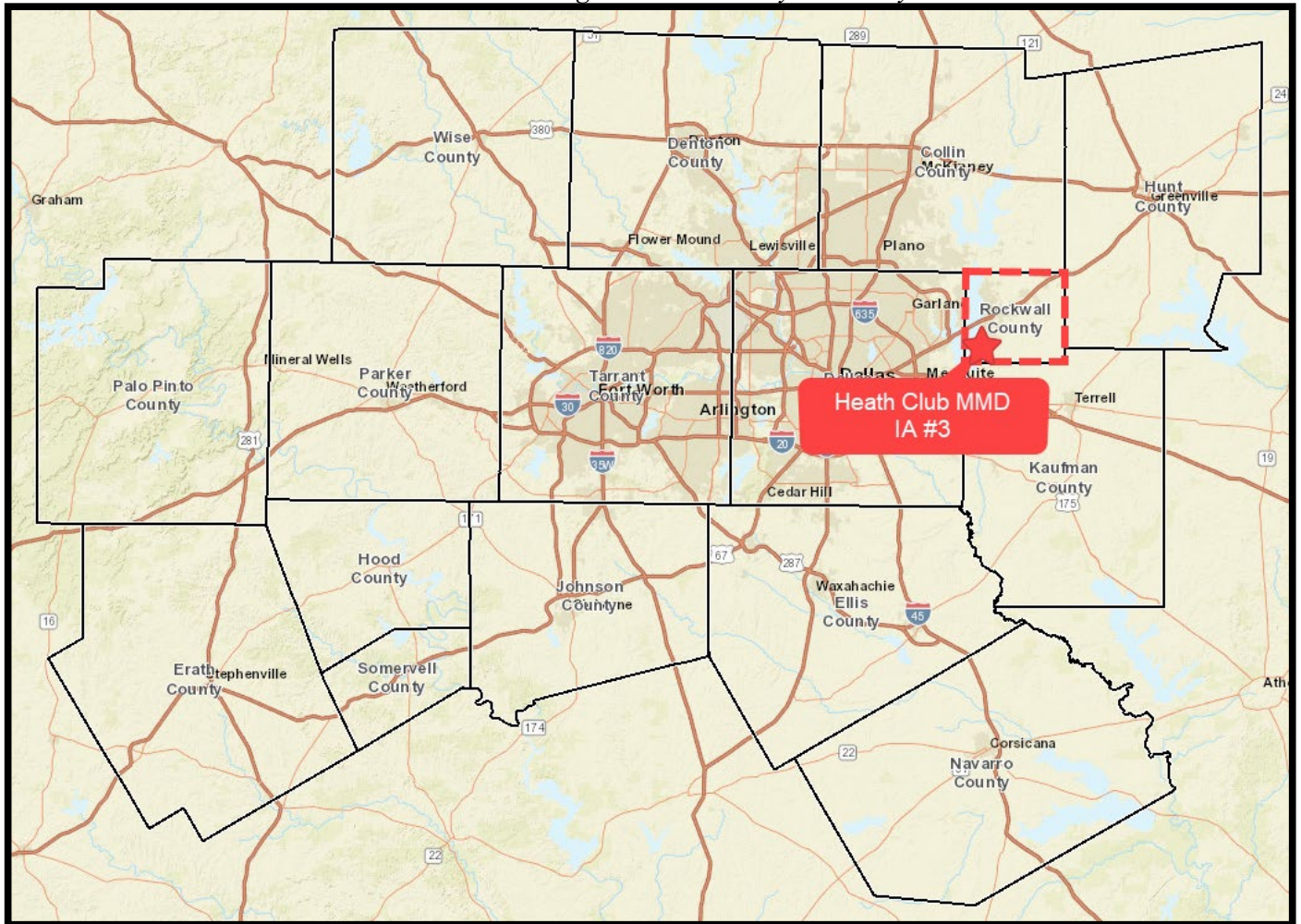


Heath Club Municipal Management District No. 1; Improvement Area #3

The region is serviced by two major passenger airports: Dallas-Fort Worth International Airport (DFW), which is the second busiest airport in the world in terms of aircraft movements and the largest hub for American Airlines and Dallas Love Field Airport (DAL), which is a city owned airport and the largest hub for Southwest Airlines – the largest carrier in the world in terms of passengers carried.

MAP OF DALLAS-FORT WORTH METROPLEX

Red Lines Showing Rockwall County Boundary



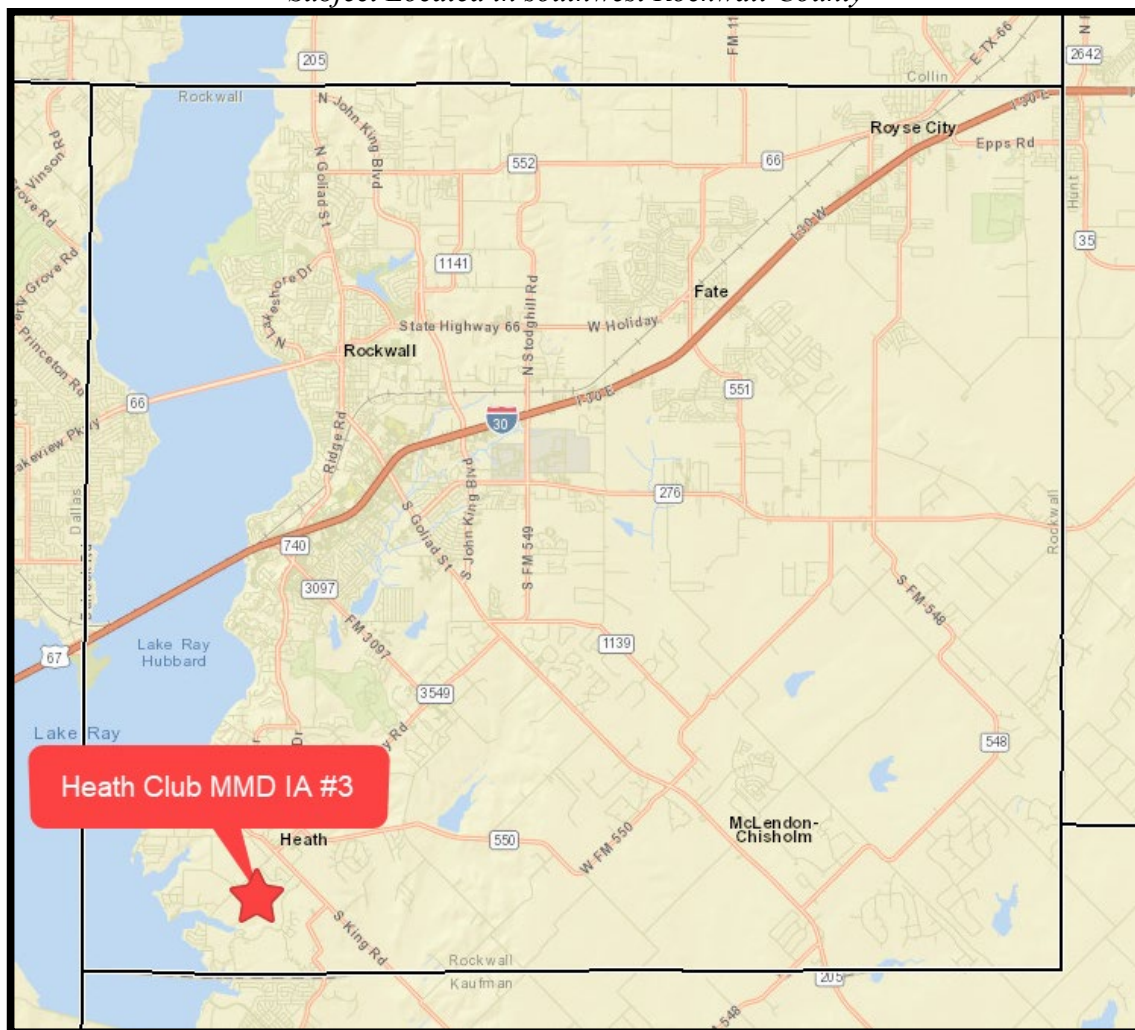
ROCKWALL COUNTY OVERVIEW

The subject property is located in the southwest quadrant of Rockwall County which is the smallest county in Texas (encompassing 149 square miles), but has been rapidly growing due to its location in the eastern portion of the Dallas-Fort Worth Metroplex. The county seat is the City of Rockwall, which is centrally located in the county. The county and city are named for a wall-like subterranean rock formation that runs throughout the county. The county contains one large lake (Lake Ray Hubbard) that provides recreation, water source, and flood control for the community. Rockwall County is ranked 6th in per capita income by county in Texas and third when considering populations greater than 50,000. Only Collin County to the north has a higher per capita income in DFW.

Initially serving as a bedroom community for Dallas and Fort Worth, as of 2020, the population for Rockwall County was 107,819 with population growth consistent for decades. Census data indicate Rockwall County population growth from 1970-1980 was 106.04%, 1980-1990 was 76.24%, 1990-2000 was 68.25%, 2000-2010 was 81.84%, and 2010-2020 was 37.63%.

MAP OF ROCKWALL COUNTY

Subject Located in southwest Rockwall County

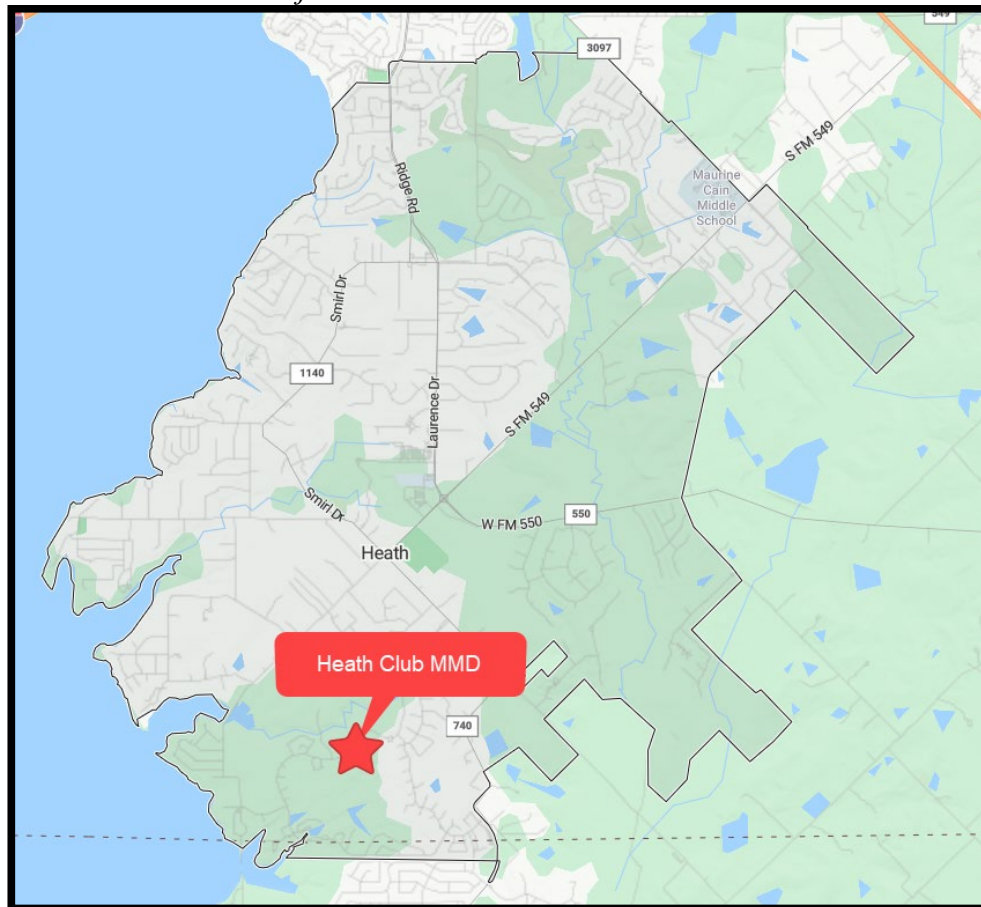


CITY OF HEATH OVERVIEW

The City of Heath is located in the southwestern quadrant of Rockwall County, and a portion of the City is located in Kaufman County. The subject property is located within Rockwall County. The City of Heath is approximately 8 miles south of Rockwall and 25 miles east of Dallas. The city has experienced moderate growth over the previous decades as developers have increasingly placed master-planned communities throughout the area. The city has grown to a population in excess of 10,700 today from 6,921 as recently as 2010.

The subject property is in the south-central area of the City of Heath. Residents have come to Heath for the preferable school districts, a quasi-rural vibe, new residential communities priced to attract high-end home buyers, and proximity to Dallas via Interstate 30 and U.S. Highway 80. A map of the official boundary map for the City of Heath is shown below.

MAP OF THE CITY OF HEATH
Subject Located in South Central Heath

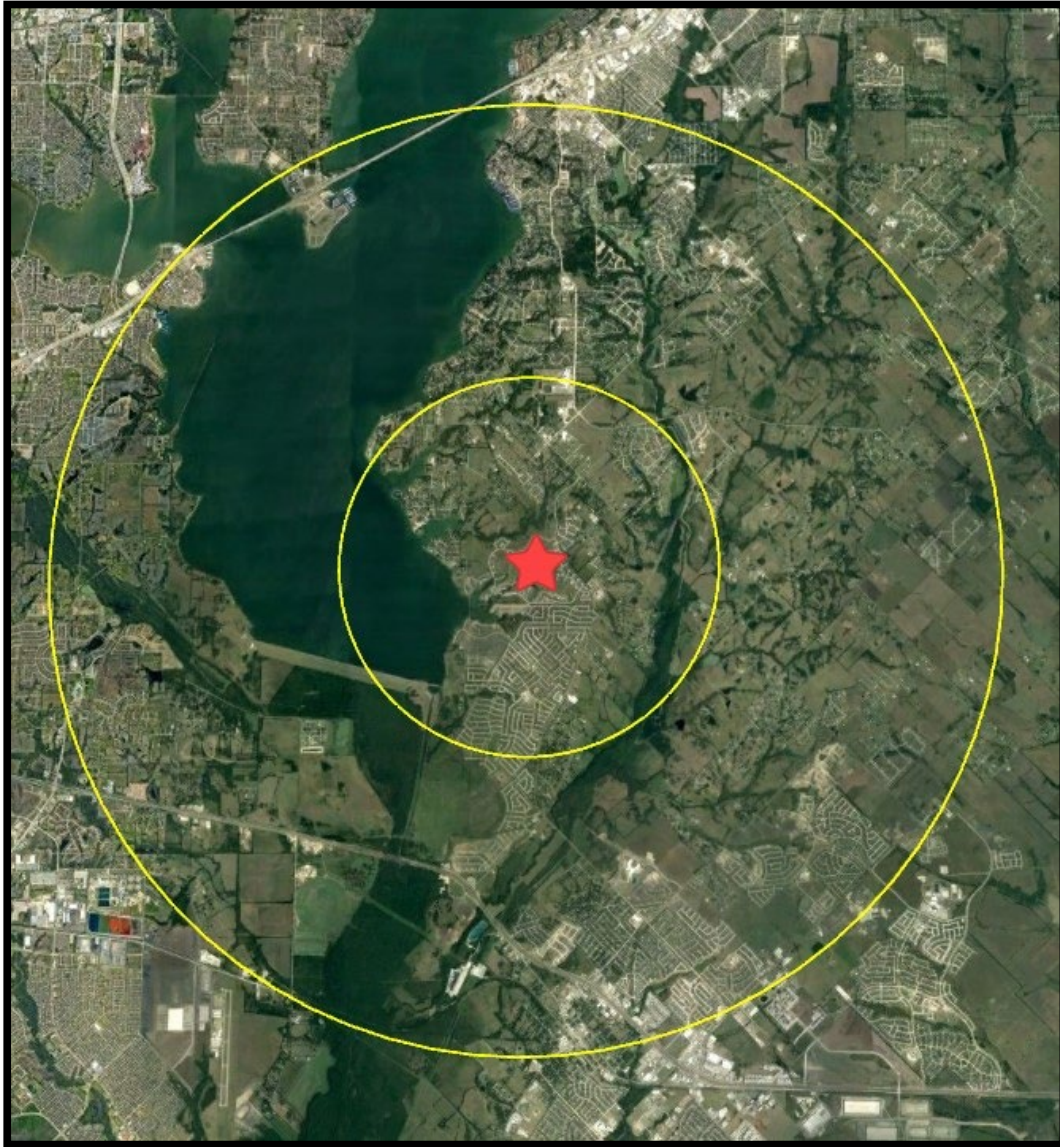


NEIGHBORHOOD ANALYSIS

A neighborhood may be defined as a section of a community or an entire community. It refers to relatively unified areas with definite boundaries which exhibit a fairly high degree of homogeneous uses – basically a group of complimentary land uses that exhibit a greater degree of commonality than the larger area. The boundaries of a neighborhood define the geographical area which exerts influence on the value of the subject property. Heath Club MMD IA #3 is located within the City of Heath, Rockwall County, Texas and is within the Rockwall ISD.

NEIGHBORHOOD MAP

Geographic radii of 2 and 5 miles indicating the approximate neighborhood boundaries around the Subject

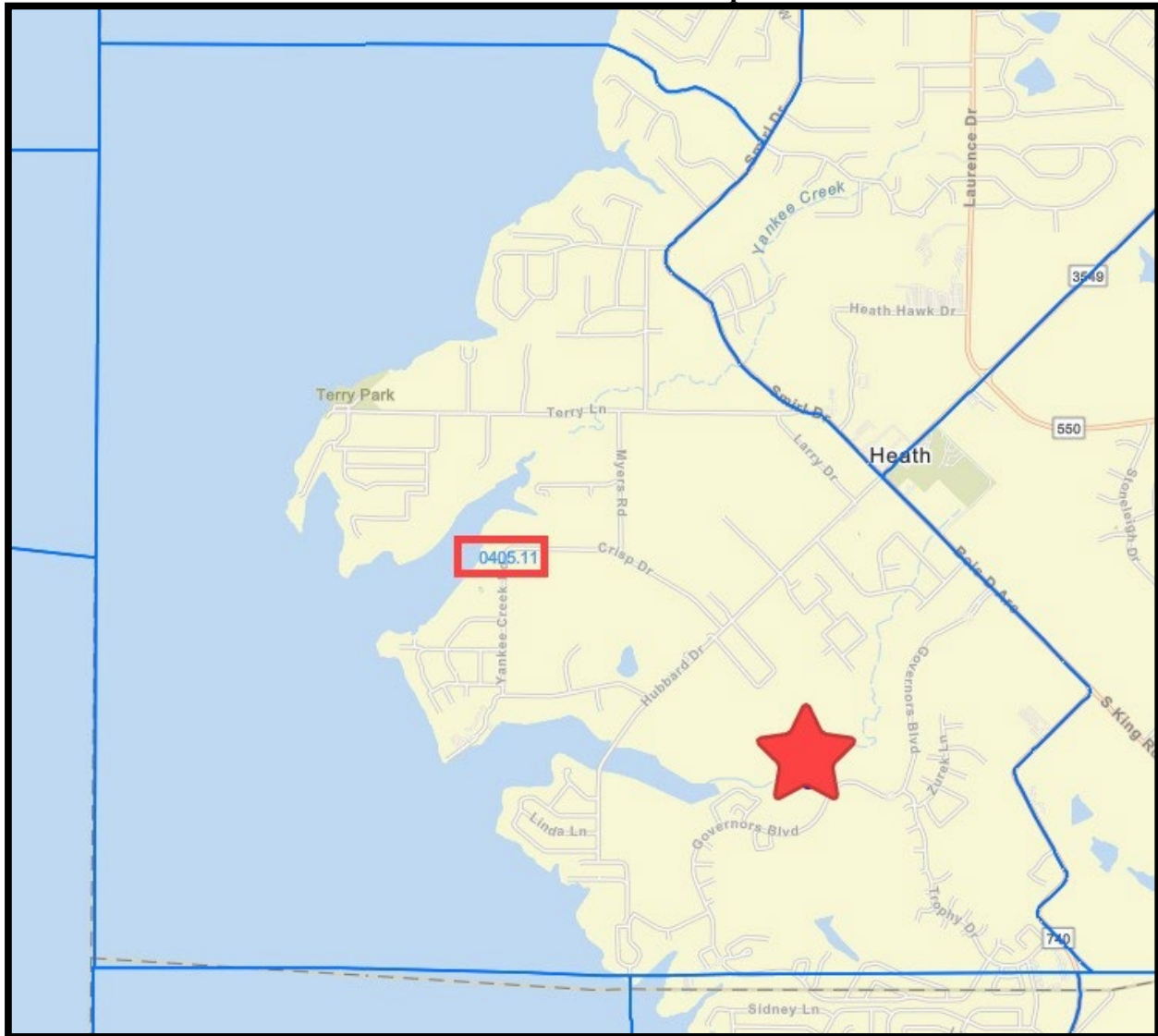


	2 Miles	5 Miles
North	Chris Cuny Parkway	Summer Lee Drive
East	University Drive	Smith Road
South	Lake Ray Hubbard Drive	Farm to Market 741
West	Lake Ray Hubbard	Collins Road


NEIGHBORHOOD DEMOGRAPHICS

The subject is located in census tract 0405.11 with the census report shown on the following page. The census tract report for 0405.11 indicates 3,000 people reside in the tract and income levels are in the upper tier with estimated median family incomes of \$105,600. Within census tract 0405.11, approximately 91% of housing units are owner-occupied with 9% being renter-occupied and 0% being vacant. These housing and demographic statistics indicate middle-to-upper class residents who tend to live in 20–30-year-old single-family homes.

Census Tract 0405.11 Map



Tract 0405.11 Census Report



2023 FFIEC Geocode Census Report

Address: Selected Tract
MSA: 19124 - DALLAS-PLANO-IRVING, TX
State: 48 -
County: 397 - ROCKWALL COUNTY
Tract Code: 0405.11

Summary Census Demographic Information

Tract Income Level	Upper
Underserved or Distressed Tract	No
2023 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$105,600
2023 Estimated Tract Median Family Income	\$174,705
2020 Tract Median Family Income	\$146,116
Tract Median Family Income %	165.44
Tract Population	3000
Tract Minority %	22.57
Tract Minority Population	677
Owner-Occupied Units	860
1- to 4- Family Units	947

Census Income Information

Tract Income Level	Upper
2020 MSA/MD/statewide non-MSA/MD Median Family Income	\$88,315
2023 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$105,600
% below Poverty Line	0.68
Tract Median Family Income %	165.44
2020 Tract Median Family Income	\$146,116
2023 Estimated Tract Median Family Income	\$174,705
2020 Tract Median Household Income	\$145,869

Census Population Information

Tract Population	3000
Tract Minority %	22.57
Number of Families	845
Number of Households	947
Non-Hispanic White Population	2323
Tract Minority Population	677
American Indian Population	28
Asian/Hawaiian/Pacific Islander Population	70
Black Population	161
Hispanic Population	257
Other/Two or More Races Population	161

Census Housing Information

Total Housing Units	947
1- to 4- Family Units	947
Median House Age (Years)	27
Owner-Occupied Units	860
Renter Occupied Units	87
Owner Occupied 1- to 4- Family Units	860
Inside Principal City?	YES
Vacant Units	0

DEMOGRAPHIC SUMMARY

Analytics from CoStar of the area is provided below. Within a 10-mile radius of the subject there are just over 450,300 people which represents a 32.5% increase (2.5% annual increase) in population since 2010 and highlights significant growth that has occurred in this portion of the DFW Metroplex. The population growth is expected to continue at this pace in coming years and grow another 8% in the next five years. Median household incomes in the 10-mile radius are over \$81,946.

Population			
	2 mile	5 mile	10 mile
2010 Population	6,120	31,200	338,802
2023 Population	13,568	57,937	450,305
2028 Population Projection	16,952	70,683	486,625
Annual Growth 2010-2023	9.4%	6.6%	2.5%
Annual Growth 2023-2028	5.0%	4.4%	1.6%
Median Age	36.3	36.2	35.4
Bachelor's Degree or Higher	36%	34%	27%
U.S. Armed Forces	0	18	254

Income			
	2 mile	5 mile	10 mile
Avg Household Income	\$125,239	\$123,977	\$102,929
Median Household Income	\$105,133	\$104,216	\$81,946
< \$25,000	285	1,728	16,542
\$25,000 - 50,000	472	2,290	26,781
\$50,000 - 75,000	916	3,510	28,479
\$75,000 - 100,000	454	2,049	19,677
\$100,000 - 125,000	582	2,464	17,532
\$125,000 - 150,000	759	2,677	17,150
\$150,000 - 200,000	332	2,312	14,477
\$200,000+	693	2,955	13,901

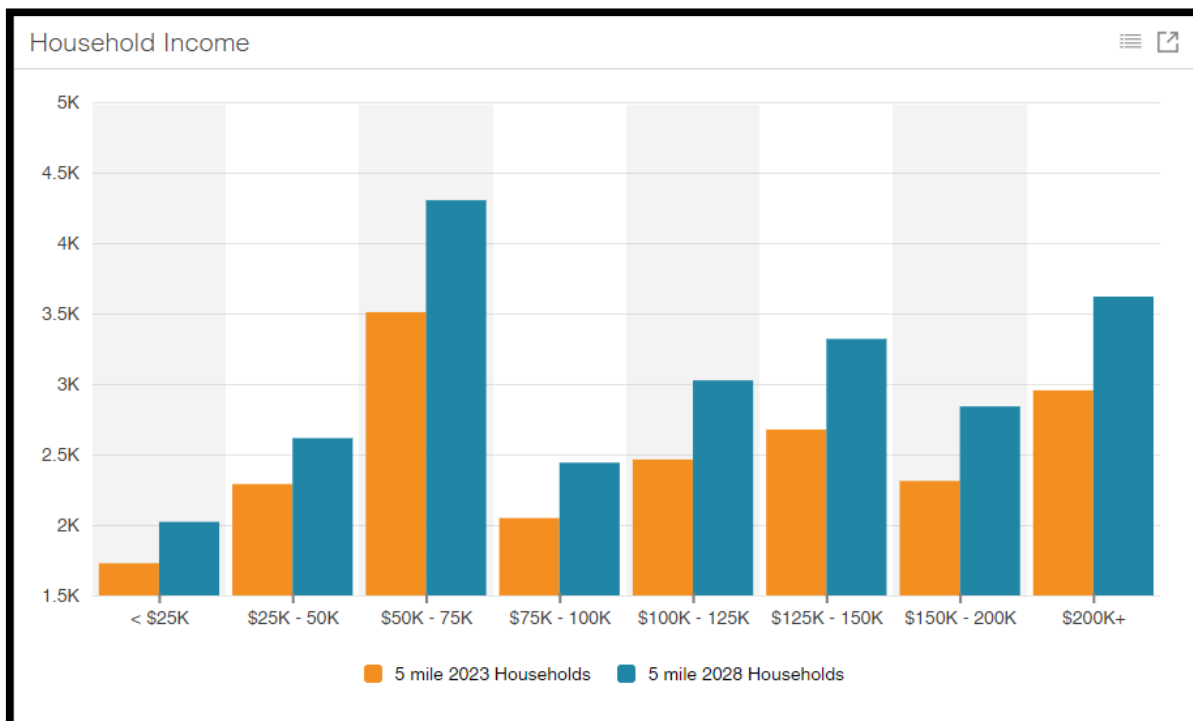
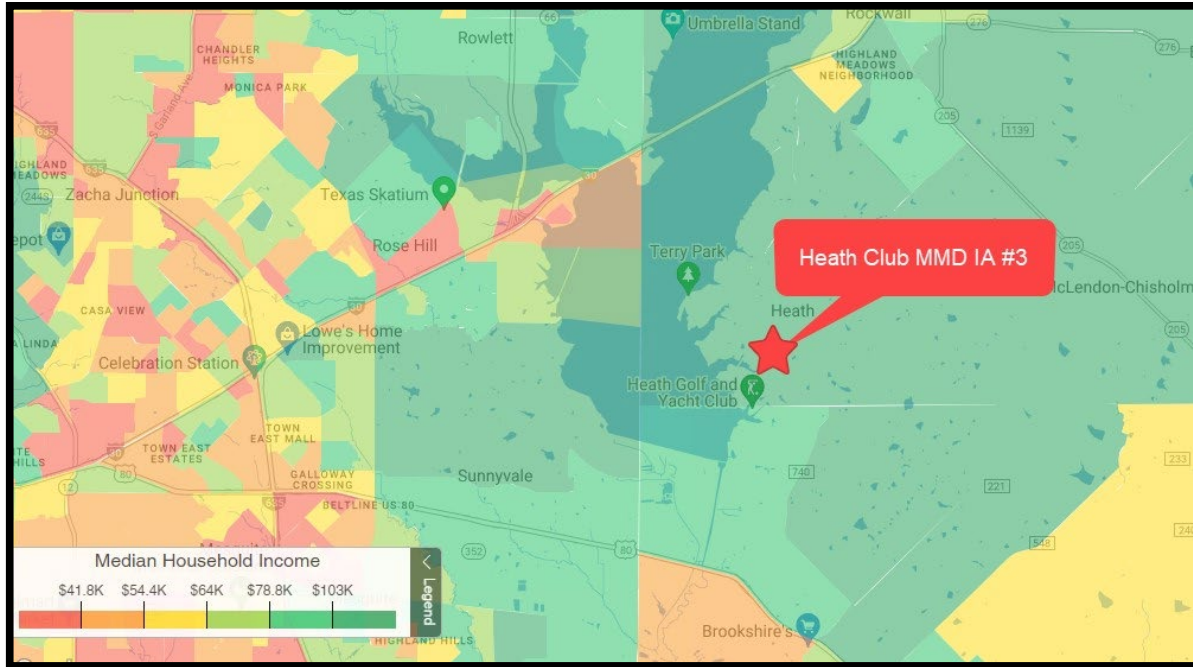
EMPLOYMENT DATA

A table of the 2, 5, and 10-mile radius employment figures are shown below. The numbers highlight the area's economy with most employees in the area surrounding the subject in service-producing industries.

Daytime Employment						
Radius	2 mile		5 mile		10 mile	
	Employees	Businesses	Employees	Businesses	Employees	Businesses
Service-Producing Industries	1,094	134	11,351	1,607	97,967	11,795
Trade Transportation & Utilit...	73	15	1,344	177	19,716	2,007
Information	5	1	162	20	1,466	174
Financial Activities	69	17	1,959	221	8,037	1,565
Professional & Business Se...	106	28	907	210	7,966	1,498
Education & Health Services	488	37	3,996	664	29,974	3,723
Leisure & Hospitality	157	14	2,040	147	17,833	1,189
Other Services	146	18	820	155	7,061	1,457
Public Administration	50	4	123	13	5,914	182
Goods-Producing Industries	97	26	1,428	203	12,445	1,515
Natural Resources & Mining	2	1	14	7	114	32
Construction	73	22	1,065	170	7,958	1,161
Manufacturing	22	3	349	26	4,373	322
Total	1,191	160	12,779	1,810	110,412	13,310

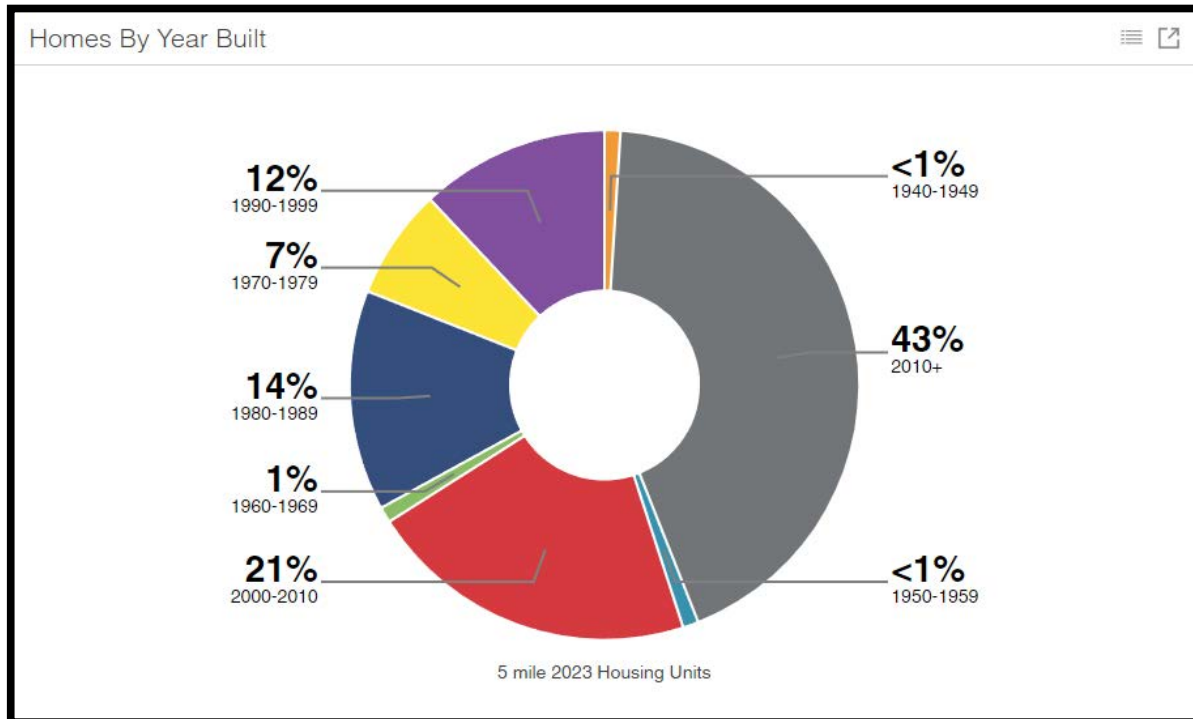
CoStar Analytics – Map of Median Household Income

As indicated by the map below, median incomes in the vicinity of the subject property are above \$103,000. Median incomes in the DFW tend to be higher in suburban areas outside the population centers in Dallas, Fort Worth, and Denton. This is especially true in areas north and east of Dallas where affluent communities have concentrated for the past few decades.



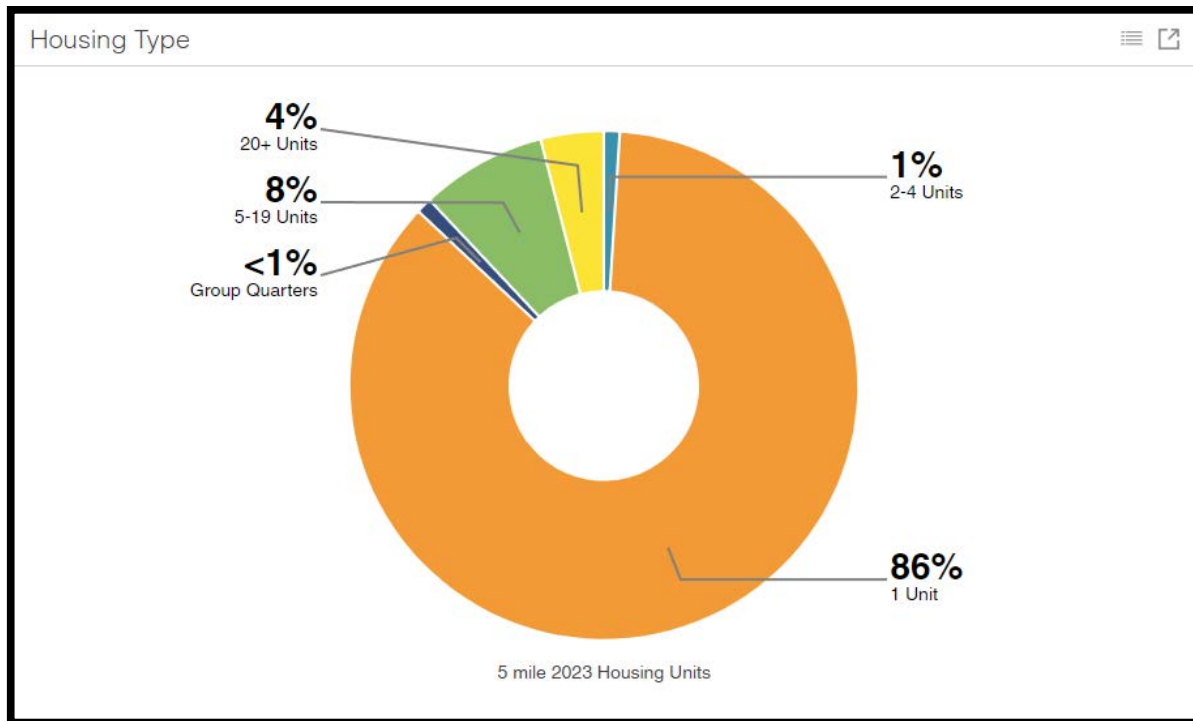
CoStar Analytics – Housing Statistics

Most housing in the area (64%) are homes that were built after 2000. This is consistent with the growth stage of the surrounding area which has experienced numerous residential subdivision developments in recent years.



CoStar Analytics – Housing Statistics

In addition, the vast majority (86%) of housing in the 5-mile radius consists of single unit housing stock. The subject property is being developed with detached single-family housing that is consistent with the surrounding area.



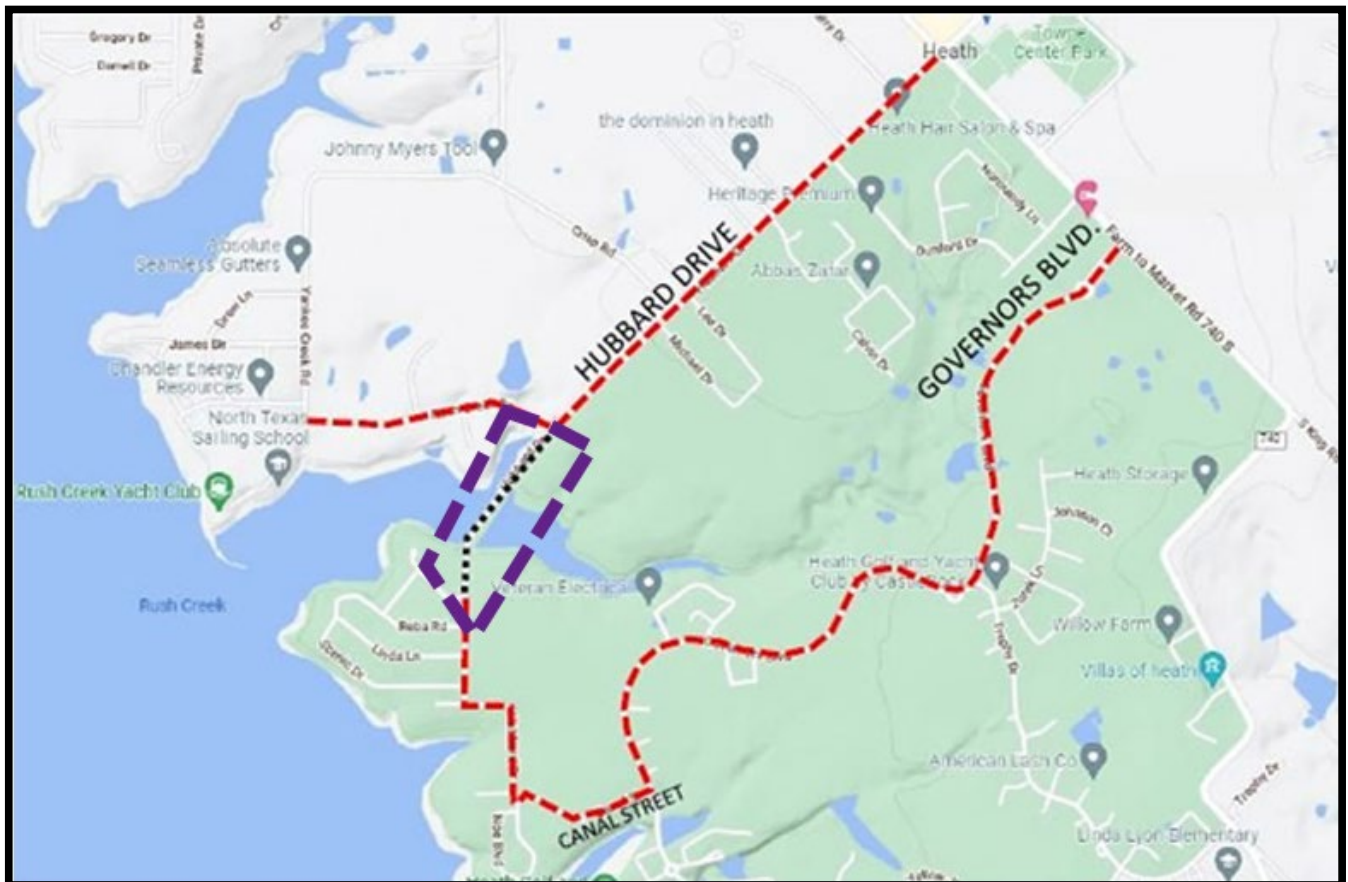
HEATH TOWNE CENTER PARK

Located within 2 miles of Heath Club MMD No. 1, Heath Towne Center Park is circled by a paved trail that continues into the Highlands of Heath neighborhood. The park offers soccer, football and baseball/softball fields, a playground, restroom facilities and a stone pavilion with picnic tables. In 2022, the city of Heath approved the Towne Center Park Master Plan which will renovate the current structures and fields within the park.



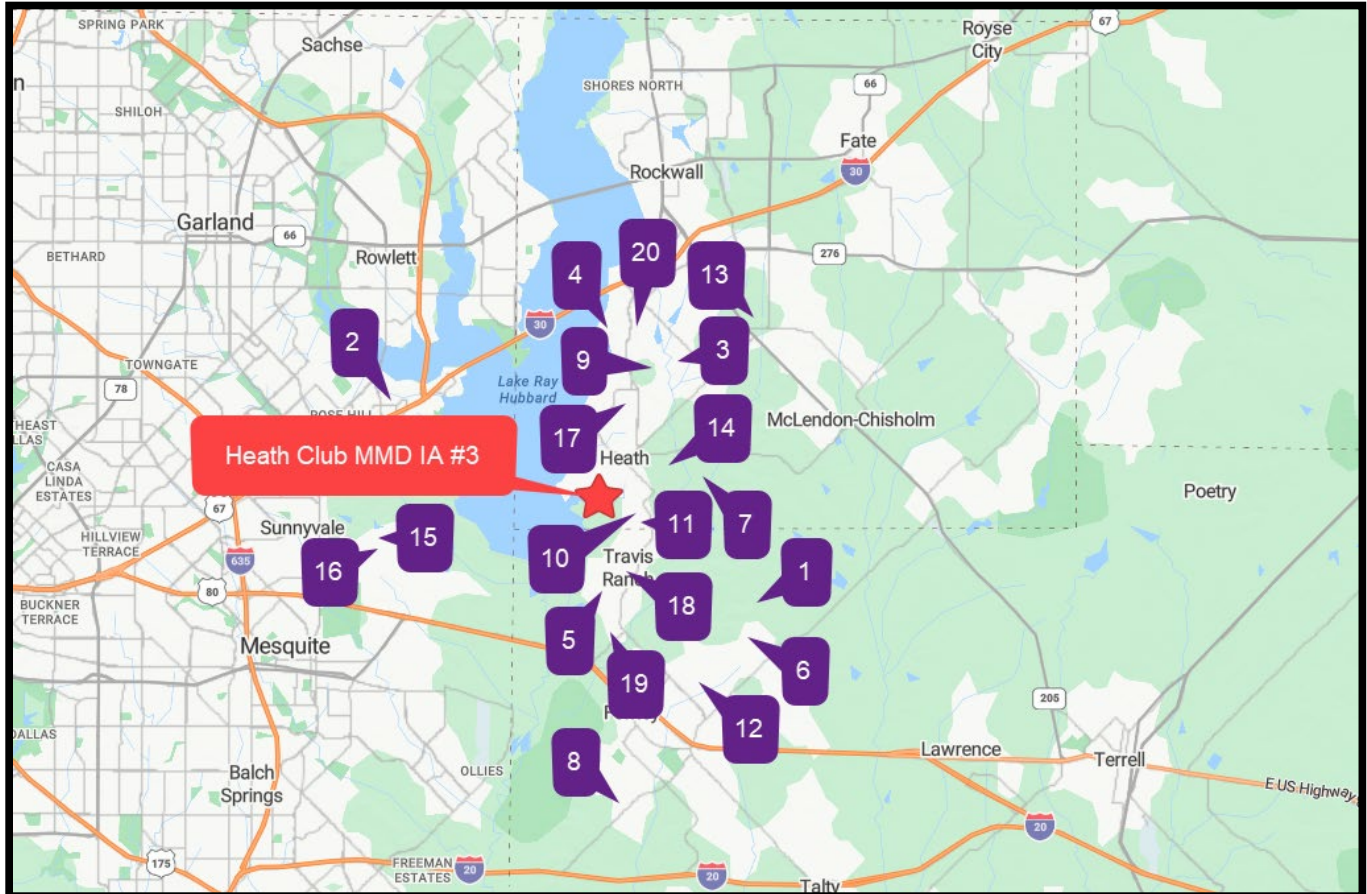
HUBBARD BRIDGE PROJECT

In August of 2022 a sudden rush of flood waters damaged the Hubbard Bridge making it unsafe for public use. The Hubbard Bridge Project was then created to begin new construction and reestablish roadway accessibility to the surrounding neighborhoods starting in November of 2022. The bridge project was completed in July of 2023 providing a new structure that can be utilized allowing for greater accessibility in the surrounding area and for the subject property.



Map of Notable Nearby Developing Residential Subdivisions

A map of notable built-out, developing, and planning single-family residential subdivisions are shown below which highlights the similar and conforming uses around the subject property.



MAP KEY			
1	Briarwood Hills	11	Lakeside at Heath
2	Bridgewater	12	Park Trails
3	Buffalo Creek	13	Somerset Park
4	Chandlers Landing	14	Stoneleigh
5	Clements Ranch	15	Stoney Creek
6	Devonshire	16	The Falls
7	Falcon Point	17	The Renaissance
8	Governor's Lots	18	Travis Ranch
9	Heath Crossing	19	Trinity Crossing
10	Heath Golf & Yacht Club	20	Whisper Rock

ABSORPTION ANALYSIS

RESIDENTIAL ANALYSIS

The subject property is Heath Club MMD IA #3 which consists of approximately 279.014 acres in Rockwall County being developed for residential use. The subject property is being developed by HGYC, LLC and Heath Golf and Yacht Club, Inc.

When analyzing the financially feasible and maximally productive use of the site, uses that are both physically possible and legally permissible must be considered. An important factor affecting the development of the subject is the surrounding land usage. For the subject property, the primary potential use is single-family residential development as that conforms to recent land development in the surrounding area around the City of Heath, and as shown from the map on the preceding page exhibiting the nearby subdivisions. The neighborhood is best described as the area south of Interstate 30, north of US Highway 80, west of Farm to Market Road 740 South, and east of Lake Ray Hubbard. The neighborhood is predominantly recently developed, developing single-family, or established residential subdivisions north, east, and south of the subject property with Lake Ray Hubbard being to the west. Approximately five miles north of the subject property, Interstate 30 which runs east/west, and several community commercial uses are located on this arterial traffic carrier.

Since the recession in 2008, the residential real estate market in this area of North Texas has continuously improved for the City of Heath and has had consistent population growth. Uncertainty caused by the COVID-19 Pandemic in 2020 and 2021 led to supply constraints in the single-family residential market which has been upward pressure on residential building costs. Low interest rates persisted nationally in 2020 and 2021 and the markets rose significantly, but 2022 was the year of the higher interest rates as the Fed seeks to combat inflation.

With large numbers of in-migration from outside DFW from higher cost-of-living states and an abundance of steady jobs, demand for residential real estate in growing communities like Heath is expected to remain strong. Those end-user homebuyers in Heath Club MMD IA #3 are expected to be middle-to-upper income earners as the average home price for finished single-family homes in the community is expected to be \$395,000 for the 40' lots, \$665,000 for the 70' lots, \$760,000 for the 80' lots, and \$855,000 for the 90' lots, \$950,000 for the 100' lots, and \$1,140,000 for the 120' lots.

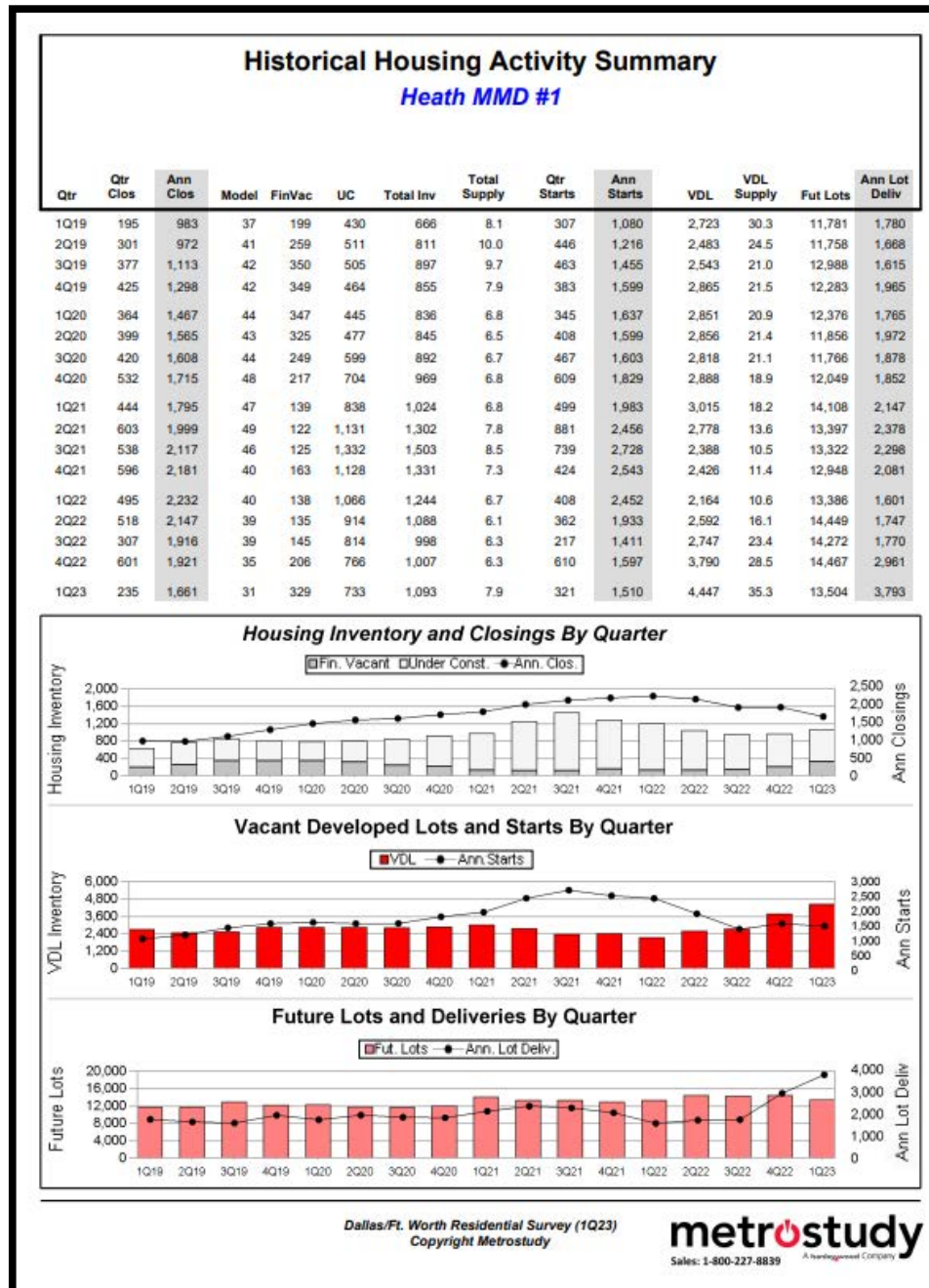
Demand for vacant developed lots (VDLs) for home builders is currently very high; however, material and labor shortages were well-publicized in 2021 and are expected to continue with some easing in late-2022 and in 2023 according to the Texas Real Estate Research Center. Developable residential land in DFW with good access to Fort Worth and Dallas is in high demand with developments moving ever further away from the Dallas CBD and highly developed areas north of Dallas where vacant land is scarce after decades of growth. The subject property –Heath Club MMD IA #3– is removed from the large Central Business Districts in the Metroplex but relatively near areas of Rockwall, Collin, and Kaufman Counties where many young families have migrated when searching for safe neighborhoods, good schools, relatively affordable new homes, and desirable residential amenities.

Based on the preceding, the proposed absorption of single-family home lots in the subject's neighborhood will be analyzed using historical absorption data provided by Metrostudy as well as information obtained from area market participants and developers. It is important to note that our absorption data is based on historical trends and current available data. Since the first residential lots in Improvement Area #3 are not scheduled to be substantially complete until January 1, 2024, we will analyze the historical trends and attempt to forecast the absorption rates based off data, analytics, and our conversations with developers in the market.

Heath Club Municipal Management District No. 1; Improvement Area #3

We determined a 6-mile radius around the subject property is suitable for our absorption analysis as the competitive supply of lots is within this area. Further, we examined residential communities with lot widths between 40'-135'.

The following chart reflects starts and closings in the market area from 1Q2019. Sales increased from 2019-2022, then steadily declined in early 2023, then plateaued through 2023. As expected, the rate of annual starts has remained steady in the past year as homebuilders anticipated steady demand due to rising interest rates; however, a decline in the rate of closings is not yet reflected in the numbers reported by Metrostudy. The 1Q2023 analysis from Metrostudy is shown below.

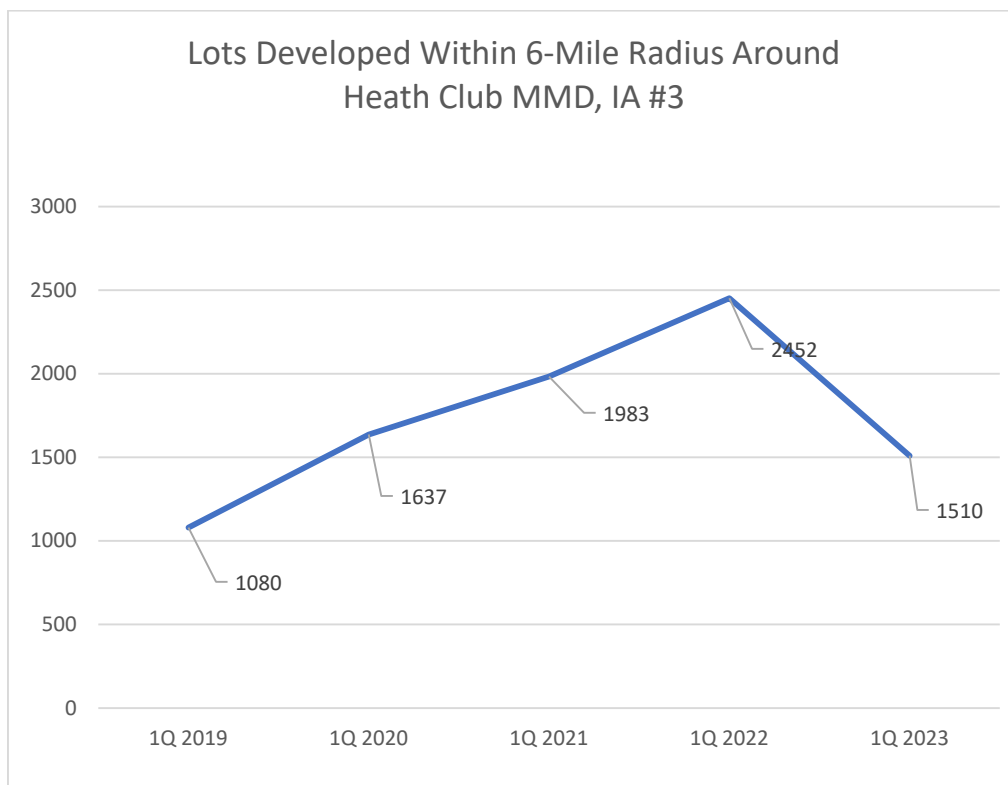


DEFINED SUBMARKET AREA

As shown in the previous chart, the absorption of lots (determined from home construction starts) within the selected area increased from 1Q2019 to 1Q2022, then substantially decreased from 1Q2022 to 1Q2023. According to Zonda, the selected area absorbed the following number of 40'-135' lots year-over-year from 1Q2019 to 1Q2023:

- 1Q 2019 – 1080 lots absorbed
- 1Q 2020 – 1637 lots absorbed
- 1Q 2021 – 1983 lots absorbed
- 1Q 2022 – 2452 lots absorbed
- 1Q 2023 – 1510 lots absorbed

From 2019-2023, the *annual average* of lots absorbed was 1732 lots. Utilizing the more recent 24-month absorption of lots (1Q2021 to 1Q2023), the annual average of lots absorbed increases to 1982 lots in the area.



COMPETITIVE SUPPLY (LOT INVENTORY)

According to Metrostudy, the existing supply of available housing is presently far below balanced levels in our selected submarket as the number of VDLs in the area have remained steady from 1Q2019 to 3Q2022 from a low of 2,164 and a 10.6-month supply to a high of 3,015 with an 18.2-month supply. The VDLs have slightly increased in the more recent quarters since 3Q2022 from a high of 3,790 and a 28.5-month supply to ***a present VDL count of 4,447 with a 35.3-month supply***. It should be noted that this is a small radius – 6 miles – for such a developed single-family residential area but we determined prospective buyers would search subdivisions throughout Forney, Heath, McLendon-Chisholm, and Rockwall with a preference to be near the Interstate 30 or U.S. Highway 80 which both serve as a major east/west thoroughfare and has numerous newer master-planned communities and desirable commercial options and being close proximity to Lake Ray Hubbard.

Thus, the total lot supply is considered to be considerably **below** the ideal supply levels for a significantly developing market. Also, taking into consideration that new developments require a typical 12-to-18-month construction period, *with slightly decreasing demand and slightly increasing lot supply, it appears that additional lot product in the submarket is practicable and necessitated at the current time.* This corresponds to discussions we had with DFW homebuilders who state there is a need for vacant developed lots currently on the market which is pushing prices higher.

Note: A threat to the pace of lot development is multiple interest rate increases the Federal Reserve enacted as a reaction to rising inflation. These interest rate increases were conducted to combat inflation and cool the hot markets; however, the effect for residential housing may be to price first-time buyers out of the single-family residential market. Supply chain issues stemming back to the COVID-19 Pandemic have also increased development costs which may limit starts on the vacant developed lots thus leading to lower VDL and future home supply, thus increasing home prices. In general, we believe the diverse local economy, strong in-migration, and relative stability of the North Texas real estate market will serve to smooth out more global economic trends.

Having considered the supply of lots in the market, it is now prudent to examine the absorption history of specific competing subdivisions in the subject's market area with similar lot features and amenities relative to the subject to determine the projected absorption of the subject's proposed lots.

ABSORPTION ANALYSIS – 427 IMPROVED RESIDENTIAL LOTS

The similarities considered to be most important are lot size, home price range, and amenity features. The tables that follow detail the active subdivisions that are considered to compete with the subject's lots. All data is per Zonda as of 1Q2023.

40' Lots

We included data for lots that were each 40' lots within a 6-mile radius. Since data on 40' lots is relatively plentiful, we selected nine comparable absorption schedules at nearby communities we concluded are similar to the subject and considered some of these communities are smaller and some larger than Heath Club MMD IA #3.

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Available Supply (Months)	Starts /Month
Travis Ranch	40'	88	131	12	8.1	10.9
Trinity Crossing	40'	96	90	12	12.8	7.5
Devonshire	40'	97	40	12	29.1	3.3
Clements Ranch	40'	0	6	12	0.0	0.5
Fieldcrest	40'	0	3	12	0.0	0.3
Heath Golf & Yacht Club	40'	0	18	12	0.0	1.5
Governor's Lots	40'	320	14	12	274.3	1.2
Briarwood Hills	40'	40	116	12	4.1	9.7
Bridgewater	40'	61	28	12	26.1	2.3
AVERAGE		78.0	49.6	12.0	39.4	4.1

Our analysis indicates Starts/Month is between 0.3 and 10.9 with an average of 4.1 starts/month and a median of 2.3 starts/month. We similarly weighed and considered **the subject property's 40' lots would likely absorb 6 lots/month, or approximately 18 lots per quarter.**

70' and 80' Lots

Again, for the 70' and 80' lots, we included data for lots within an 6-mile radius and included 65'-80' lots in our analysis. Data on 70' and 80' lots is still relatively plentiful, so we selected seven comparable absorption schedules at nearby communities which are shown as follows:

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Available Supply (Months)	Starts /Month
Chandlers Landing	65' - 70'	5	3	12	20.0	0.3
Heath Golf & Yacht Club	70' - 75'	10	49	12	2.4	4.1
Somerset Park	70'	0	3	12	0.0	0.3
Park Trails	70'	0	4	12	0.0	0.3
Devonshire	65'	2	36	12	0.7	3.0
Lakeside at Heath	75'	0	1	12	0.0	0.1
Whisper Rock	80'	10	4	13	32.5	0.3
AVERAGE		2.8	16.0	12.0	3.9	1.3

Our analysis indicates Starts/Month is between 0.1 and 4.1 with an average of 1.3 starts/month with a median of 3 starts/month. We similarly weighted and considered **the subject property's 70' and 80' lots would likely absorb 3 lots/month, or approximately 9 lots per quarter.**

90' and 100' Lots

Again, for the 90'-100' lots, we included data for lots within a 6-mile radius and included 90' and 100' lots in our analysis. Data on 90' and 100' lots is still relatively plentiful, so we selected six comparable absorption schedules at nearby communities which are shown as follows:

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Available Supply (Months)	Starts /Month
Buffalo Creek	90' - 100'	2	3	12	8.0	0.3
Stoney Creek	90' - 100'	76	42	12	21.7	3.5
Heath Golf & Yacht Club	100'	3	8	12	4.5	0.7
The Falls	100'	2	2	12	12.0	0.2
Heath Crossing	100'	33	9	12	44.0	0.8
Devonshire	100'	18	9	12	24.0	0.8
AVERAGE		22.3	12.2	12.0	19.0	1.0

Our analysis indicates Starts/Month is between 0.2 and 3.5 with an average of 1.0 starts/month with a median of 0.7 starts/month. We similarly weighted and considered **the subject property's 90' and 100' lots would likely absorb 3 lots/month, or approximately 9 lots per quarter.**

120' Lots

Again, for the 120' lots, we included data for lots within a 6-mile radius and included 110' - 130' lots in our analysis. Data on 120' lots is still relatively plentiful, so we selected six comparable absorption schedules at nearby communities which are shown as follows:

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Available Supply (Months)	Starts /Month
Stoneleigh	130'	8	7	12	13.7	0.6
The Renaissance	130'	2	5	12	4.8	0.4
Heath Golf & Yacht Club	110'	3	1	12	36.0	0.1
Heath Crossing	130'	0	4	12	0.0	0.3
Lake Ridge	130'	2	1	12	24.0	0.1
Falcon Point	130'	6	2	12	36.0	0.2
AVERAGE		3.5	3.3	12.0	19.1	0.3

Our analysis indicates Starts/Month is between 0.1 and 0.6 with an average of 0.3 starts/month with a median of 0.3 starts/month. We similarly weighted and considered **the subject property's 120' lots would likely absorb 3 lots/month, or approximately 9 lots per quarter.** Although this projection is higher than what was reported by Metrostudy, our study indicates that larger lots tend to be listed on the Multiple Listing Service (MLS) which increases the visibility and demand pull. Therefore, 3 lots/month, or 9 lots per quarter is obtainable and achievable.

Absorption Summary Projection: 40', 70', 80', 90', 100', and 120' Lots in Improvement Area #3

Based on the preceding, we estimate that lots in the subject property's development will sell 18 lots/quarter for 40' lots, 9 lots/quarter for 70' and 80' lots, 9 lots/quarter for 90' and 100' lots, and 9 lots/quarter for 120' lots with absorption beginning January 2024. An Absorption Summary Projection for the improved residential lots is shown in the table below for the 427 lots for Heath Club MMD IA #3.

Projected Quarterly Absorption Summary - Heath Club MMD, IA #3																
Lot Type	Jan-2024	Apr-2024	Jul-2024	Oct-2024	Jan-2025	Apr-2025	Jul-2025	Oct-2025	Jan-2026	Apr-2026	Jul-2026	Oct-2026	Jan-2027	Apr-2027	Jul-2027	TOTAL
40-FF	18	16	-	-	-	-	-	-	-	-	-	-	-	-	-	34
70-FF	9	9	7	-	-	-	-	-	-	-	-	-	-	-	-	25
80-FF	9	9	9	9	9	9	9	9	9	9	9	8	-	-	-	107
90-FF	9	9	9	9	9	9	9	9	9	2	-	-	-	-	-	83
100-FF	9	9	9	9	9	9	9	9	9	9	9	9	9	9	3	129
120-FF	9	9	9	9	9	4	-	-	-	-	-	-	-	-	-	49
Total	63	61	43	36	36	31	27	27	27	20	18	17	9	9	3	427

The total absorption period for the 40' lots is expected to be 6 months (34 lots ÷ 6 lots/month), and lots are expected to sell out in June 2024. The total absorption period for the 70' lots is expected to be 9 months (25 lots ÷ 3 lots/month), and lots are expected to be sold out in September 2024. The total absorption period for the 80' lots is expected to be 36 months (107 lots ÷ 3 lots/month), and lots are expected to be sold out in December 2026. The total absorption period for the 90' lots is expected to be 28 months (83 lots ÷ 3 lots/month), and lots are expected to be sold out in April 2026. The total absorption period for the 100' lots is expected to be 43 months (129 lots ÷ 3 lot/month), and lots are expected to be sold out in July 2027. The total absorption period for the 120' lots is expected to be 17 months (49 lots ÷ 3 lot/month), and lots are expected to be sold out in May 2025.

SUBJECT PROPERTY ANALYSIS

The entire development of Heath Club MMD IA #3 represents a total of approximately 279.014 acres (12,153,850-SF) is currently being developed into the following:

- Improvement Area #3 within Heath Club MMD will consist of 34 40-FF improved detached luxury villa lots, 25 70-FF improved single-family lots, 107 80-FF improved single-family lots, 83 90-FF improved single-family lots, 129 100-FF improved single-family lots and 49 120-FF improved single-family lots with a total of 427 improved residential lots on approximately 279.014 acres.

Heath Club MMD IA #3 is owned by HGYC, LLC and will be developed by HGYC, LLC and Heath Golf and Yacht Club, Inc. Heath Club MMD IA #3 is located to the east of Lake Ray Hubbard in the City of Heath. This location is in the southwest quadrant of Rockwall County and approximately 25 miles east of Dallas in the DFW Metroplex. The area surrounding the subject property is primarily suburban and has been developed with large luxury master-planned communities that are generally suitable for middle- to upper-income households.

Access to the subject property is considered average as it is located approximately 5 miles from Interstate 30 to the North, and approximately 5 miles from US-80 to the south. Heath Club MMD IA #3 has amenities that include a championship golf course, a club house with a full-service restaurant, pool, tennis courts, volleyball courts, a fitness center, frontage on Lake Ray Hubbard, and an on-site elementary school.

The developer has created a mandatory homeowners' association (HOA) over residential portions of the subject property in order to maintain the open spaces, common areas, detention areas, pools and other related improvements or appurtenances that are not dedicated or maintained by the City of Heath.

Based on research and discussion with the development team, the price point of homes in the subject's community will range from \$395,000 to \$1,140,000, which provides a varying price point for young or established families looking for a quiet community with the small-town charm of Heath but with the amenities of a planned luxurious residential community. The following information describes the authorized improvements to the subject property. This information comes directly from the Service and Assessment Plan (SAP) distributed by MuniCap, Inc.

Note: the SAP refers to "Improvement Area #3" is in reference to Phase 3 of the subject property.

The City, based on information provided by the Developer and its engineer and reviewed by the City staff and by third-party consultants retained by the City, has determined that the Authorized Improvements confer a special benefit on the Assessed Property and/or the Apportioned Property. Authorized Improvements will be designed and constructed in accordance with the City's standards and specifications and will be owned and operated by the City.

A description of the Authorized Improvements are as follows:

▪ ***Improvement Area #3 Road Improvements***

The roadway portion of the Improvement Area #3 Improvements consists of constructing concrete pavement with curb and gutter, excavation, lime stabilization and compacting, intersections, signage, lighting, and re-vegetation of all disturbed areas within the right of way. These roadway improvements include streets that will provide street access to each lot within Improvement Area #3. This project will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City.

This project began in 2022 with an estimated completion in 2024.

Heath Club Municipal Management District No. 1; Improvement Area #3

▪ **Water Improvements**

The water portion of the Improvement Area #3 Improvements consist of construction and installation of water lines, mains, pipes, valves, and appurtenances necessary for the water distribution system, as well as related testing, trench safety and erosion protection, necessary to service the Improvement Area #3 Assessed Property. The water distribution system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

This project began in 2022 with an estimated completion in 2024.

▪ **Sanitary Sewer Improvements**

The wastewater portion of the Improvement Area #3 Improvements consist of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to the Improvement Area #3 Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

This project began in 2022 with an estimated completion in 2024.

▪ **Storm Drainage Improvements**

The drainage portion of the Improvement Area #3 Improvements shall consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

This project began in 2022 with an estimated completion in 2024.

Table III-D	
Improvement Area #3 Estimated Costs	
Improvement Project	Estimated Costs
Roadway Improvements	\$17,251,550
Subtotal -Improvement Area #3 Roadway Improvements ¹	\$17,251,550
Water Improvements	\$2,852,936
Sanitary Sewer Improvements	\$2,016,891
Storm Drainage Improvements	\$3,338,239
Subtotal -Improvement Area #3 Utility Improvements ¹	\$8,208,065
Subtotal -Improvement Area #3 Improvements	\$25,459,615
Improvement Area #3 Share of Major Roadway Improvement Costs ²	\$1,849,131
Improvement Area #3 Share of Major Utility Improvement Costs ²	\$3,058,115
Grand Total	\$30,366,861
Notes:	
1 - The detailed costs of the Improvement Area #3 Improvements are shown Appendix B.	
2 - See Table III-A for proration of Major Improvement estimated costs.	

The chart on the following page is Exhibit B-1 as referred to in the Service and Assessment Plan, which shows a breakdown of the costs associated with each area of Heath Club MMD.

Heath Club Municipal Management District No. 1; Improvement Area #3

Road Improvements									
Description	Original CIP Estimated Major Improvement Costs	Actual Completed Major Improvement Costs	Estimated Future Major Improvement Costs	Total: Completed & Future Major Improvement Costs	Original CIP/ Estimated Improvement Area #1 Costs	Actual Completed Improvement Area #1 Costs	Substantially Complete Improvement Area #2 Costs	Estimated Future Improvement Area #3 Costs	
Right-of-way clearing & Grubbing	\$107,946	\$8,000	\$99,946	\$107,946	\$73,492	\$18,000	\$193,277	\$301,800	
Street Excavation	\$183,467	\$89,262	\$145,776	\$235,038	\$261,399	\$230,265	\$343,101	\$203,626	
Lime Stabilization	\$117,603	\$125,012	\$74,165	\$199,177	\$165,525	\$177,417	\$201,011	\$423,784	
Lime Material	\$134,786	\$95,844	\$37,972	\$133,816	\$187,883	\$194,579	\$194,555	\$271,222	
Concrete Paving	\$1,550,926	\$1,011,150	\$676,400	\$1,687,550	\$2,197,741	\$2,428,679	\$2,335,221	\$3,981,000	
Left Turn Lane or Asphalt Overlay	\$279,007	\$302,088	\$3,000	\$305,088	\$0	\$0	\$30,900	\$0	
ADA (Barrier Free) Ramps	\$7,734	\$7,563	\$133,200	\$140,763	\$59,435	\$64,094	\$38,600	\$144,000	
Sawcut & Connect to Existing Paving	\$0	\$2,018	\$2,700	\$4,718	\$0	\$10,175	\$14,200	\$34,000	
Street Signs	\$10,000	\$0	\$45,000	\$45,000	\$46,000	\$46,000	\$31,000	\$48,000	
Street Lights	\$7,500	\$0	\$57,500	\$57,500	\$58,000	\$58,000	\$15,500	\$48,000	
Erosion Control and Storm Water Pollution Prevention	\$220,633	\$0	\$243,593	\$243,593	\$38,095	\$38,095	\$63,348	\$71,768	
Maintenance Bond	\$0	\$32,500	\$25,622	\$58,122	\$0	\$19,250	\$76,400	\$160,869	
Contingency	\$185,773	\$0	\$130,674	\$130,674	\$170,857	\$0	\$373,741	\$570,807	
Surveying and Engineering	\$222,036	\$137,676	\$140,148	\$277,824	\$296,379	\$287,398	\$359,726	\$549,402	
City Inspection Fee 4%	\$0	\$62,937	\$37,497	\$120,434	\$0	\$131,382	\$157,171	\$251,155	
Capital Improvement Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Geotechnical and Materials Testing	\$33,955	\$0	\$59,205	\$59,205	\$109,950	\$109,950	\$43,750	\$43,750	
Right-of way costs (15.45 acres Governor's Blvd)	\$772,500	\$772,500	\$0	\$772,500	\$0	\$0	\$0	\$0	
Drainage Easements (43.8% of 21.09 acres @ \$55,000 est.)	\$0	\$0	\$0	\$0	\$528,294	\$528,294	\$0	\$0	
Subtotal - Road Costs	\$3,833,866	\$2,846,849	\$1,932,398	\$4,478,947	\$4,193,650	\$4,341,578	\$4,671,801	\$7,123,181	
Less: Developer Contribution to Clubhouse	(\$98,567)	(\$98,567)	\$0	\$0	\$0	\$0	\$0	\$0	
Developer Contribution to Golf Course	(\$60,696)	(\$60,696)	\$0	\$0	\$0	\$0	\$0	\$0	
Developer Contribution to 40 Acre Undeveloped Tract North	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Developer Contribution to 21 Acre Undeveloped Tract South	(\$4,554)	(\$4,554)	\$0	\$0	\$0	\$0	\$0	\$0	
Subtotal - Net Road Costs	\$3,670,049	\$2,382,732	\$1,932,398	\$4,478,947	\$4,193,650	\$4,341,578	\$4,671,801	\$7,123,181	

Engineers Notes to Appendix B-1 & B-2:
 Completed Major Improvement Costs are compiled from contractor approved pay requests including: Chase Excavation, LH Lacy, Sister's Asphalt.
 Completed Major Improvements Onsite include: Governors Blvd (Paving, Drainage, Water and Sanitary Sewer).
 Completed Major Improvements Offsite include: Both Left turn lanes into the Project, FM 740 18" waterline to Existing Water Tower, 15" Sanitary Sewer Line from Antigua Bay to South side Lift Station.
 Future Major improvements include: Hubbard Drive (pavement widening, 12" waterline and Drainage improvements) and the Capital Improvement fee of \$4.0 Million.

Completed Area Improvement #1 (HGYC Phase 1A - Tracts 2,3,6 and the Lakes addition) costs are compiled from contractor approved pay requests including: Chase excavation and LH Lacy.
 Completed Area Improvement #1 (HGYC Phase 1B - Tracts 1,4,5 & Trophy Drive) costs are compiled from contractor approved pay requests including: Chase excavation, LH Lacy and Double R.

Completed Area Improvement #1 (HGYC Phase 1A & 1B) include: Tracts 1,2,3,4,5, 6 & Lakes Addition consisting of 332 lots. Improvements include: Foremain relocation, section of Hubbard Dr. & Trophy Dr. extension.

Substantially Completed Area Improvement #2 (HGYC Phase 2) costs are compiled from original contractor contracts including: Chase Excavation, RPMX, Double R, Haws Concrete.
 Substantially Completed Area Improvement #2 (HGYC Phase 2) include: Tracts 2B, 7,8,9,11,16 & 17 consisting of 447 lots. Improvements include: Sanitary Sewer extension along south section of Governors Blvd.

Area Improvement #3 (HGYC Phase 3) costs are based on an Opinion of Probable Cost (OPC) utilizing Area Improvement 2 Unit Prices. These improvement projects are currently out to Bid as of February 22, 2021.
 Area Improvement #3 (HGYC Phase 3) include: Tracts 10, 12, 13, 14, 18 and 19, consisting of 427 lots.

Improvement costs for all areas exclude concrete trails.
 Improvement costs for all areas exclude lot grading.

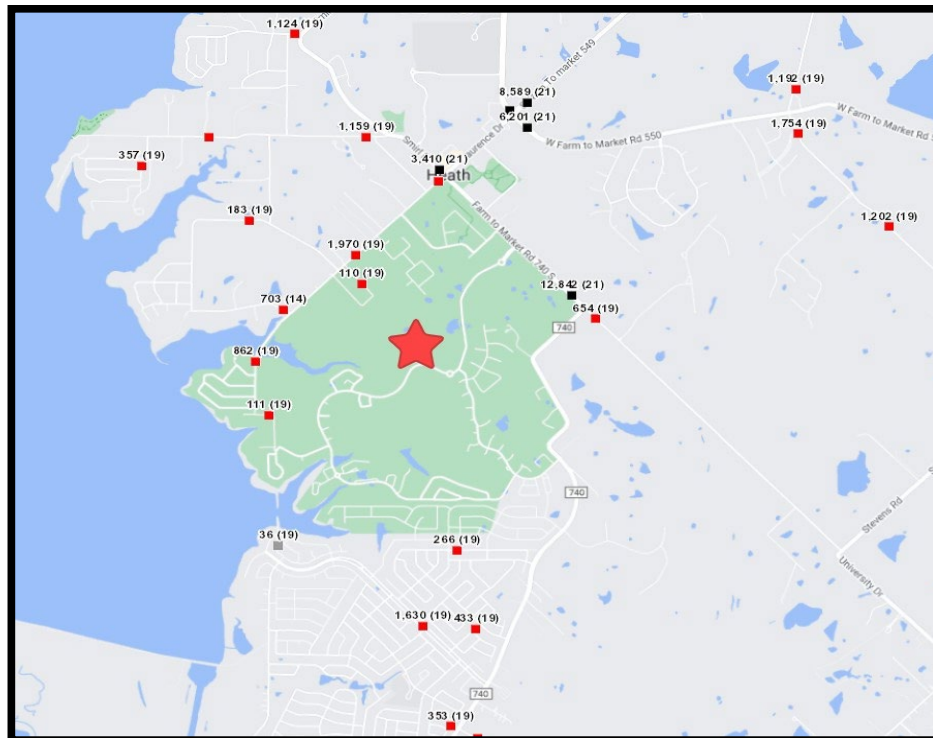
The preceding general descriptions of the subject's characteristics are based on review of available maps and data sources, as well as our physical on-site observations. Please refer to copies of the maps, photographs, and renderings for a visual perspective of the subject's physical characteristics.

ACCESSIBILITY, FRONTAGE, AND STREETS

The subject property is primarily accessed by Farm to Market Road 740 South which is a north/south bound major thoroughfare that transverses through the City of Heath, and by Hubbard Drive which is an east/west bound major thoroughfare in the subject's neighborhood. The subject site is approximately five miles south of Interstate 30, which is a major state highway that transverses through the northwestern portion of the City of Heath and through the city of Rockwall and extends east into the Dallas-Fort Worth CBD. The subject is also five miles north of U.S. Highway 80 which runs through the city of Forney.

A map below from TXDOT shows traffic counts from 2022 near the subject property. Farm to Market Road 740 South, which is the north/south nearby thoroughfare reports an estimated 20,000 average daily vehicles.

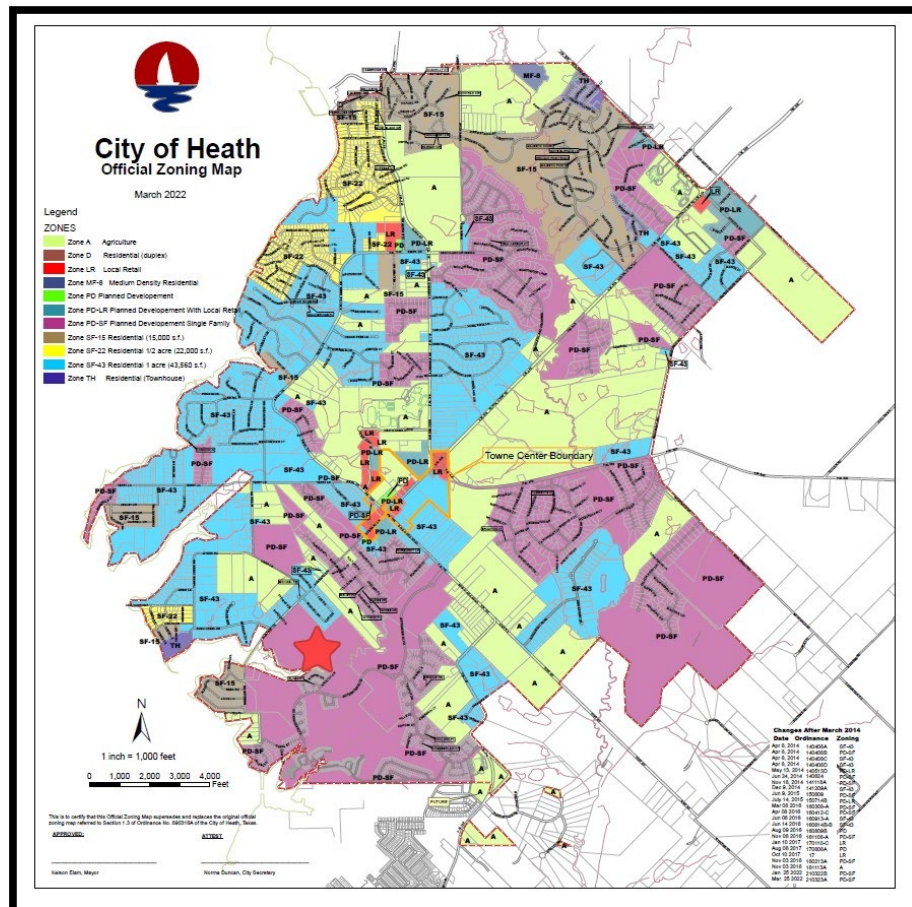
TXDOT Traffic Web Viewer



Traffic			
Collection Street	Cross Street	Traffic Volume	Count Year
Bois D Arc	Stanford Ct NW	7,519	2022
Bois D'Arc	Stanford Ct NW	8,205	2020
Lee Dr	Lee Cir SE	118	2022
Hubbard Dr	Dunford Dr NE	2,114	2022
Hubbard Dr	Victoria Pl W	93	2022
Rush Creek Dr	Emerald Cv W	700	2022
Hubbard Dr	Scenic Pl N	738	2022
Hubbard Dr	Larry Dr SW	2,760	2022
Smirl Drive	Darr Rd NW	2,257	2020
Lake Ray Hubbard Dr	FM 740 S	69	2022

The subject property is zoned Planned Development District (Planned Development - Single Family) by the City of Heath. The Planned Development zoning in the City of Heath is intended to provide for combining and mixing of uses to permit flexibility in the use and design of land and buildings; however, our subject property (Heath Club MMD IA #3) only encompasses single-family land. The subject must adhere to the City of Heath's ordinance for Planned Development - Single Family zoning which was zoned on November 26, 2013, by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition.

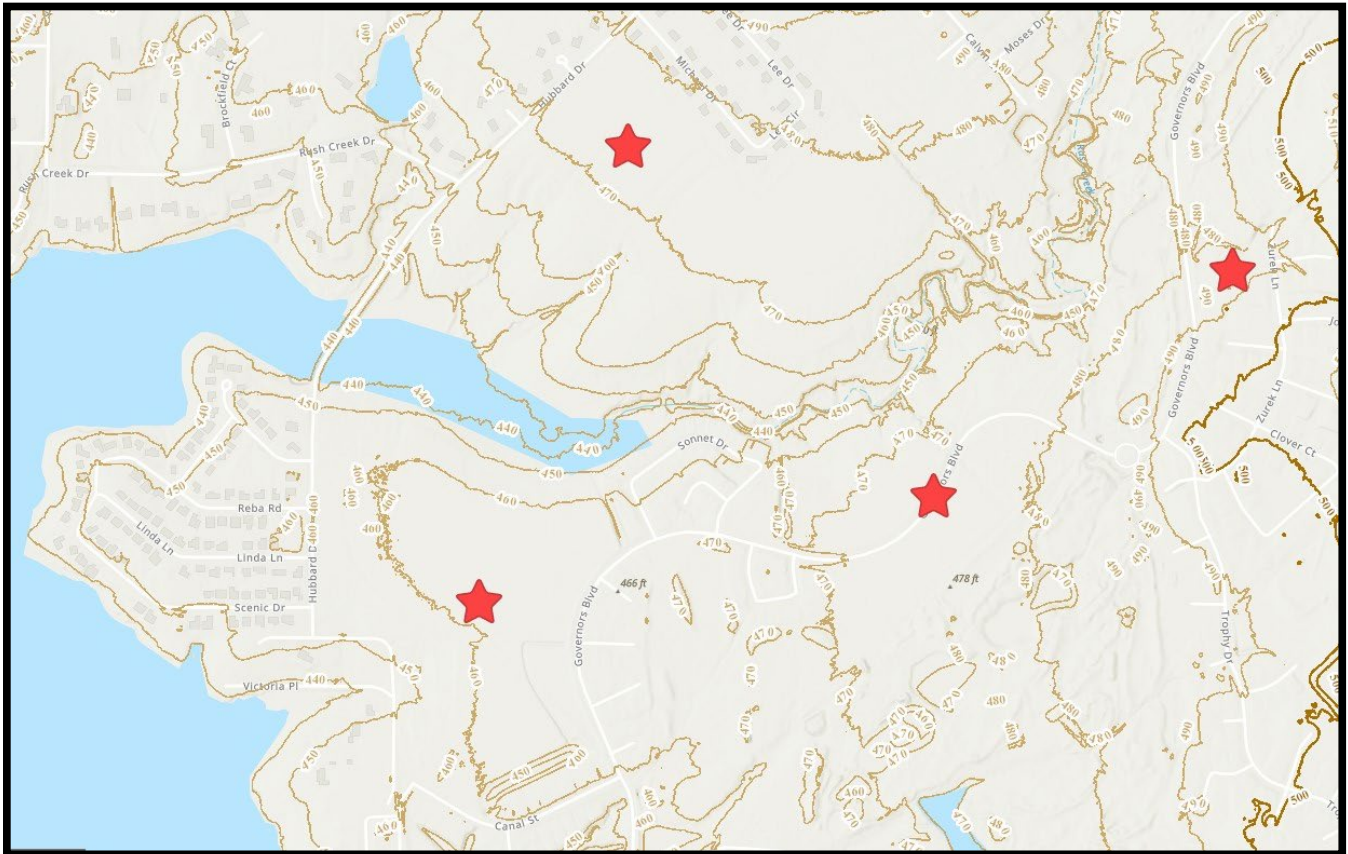
CITY OF HEATH ZONING MAP



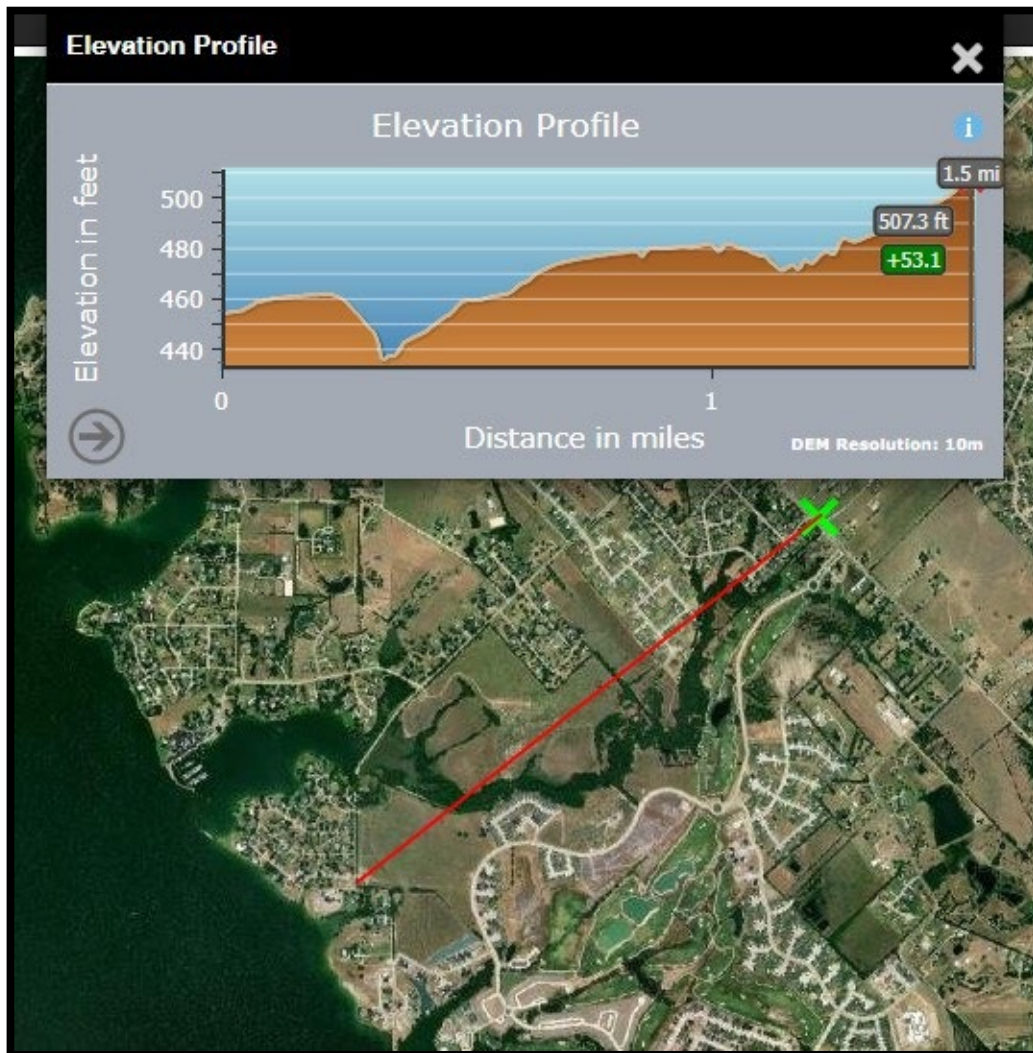
TOPOGRAPHY

The topography of the subject property is described as gently sloping and was partially cleared as of the date of inspection. As of the inspection date, May 24, 2023, these topographic maps showing the contours are slightly out-of-date as the site is in the process of being improved for single-family lots with streets, storm sewer, and utilities in place. Topographic information is provided by the North Central Texas Council of Governments and Texas A&M Forest Service.

TOPOGRAPHIC MAP *Contours At 2'; Bold at 10'*

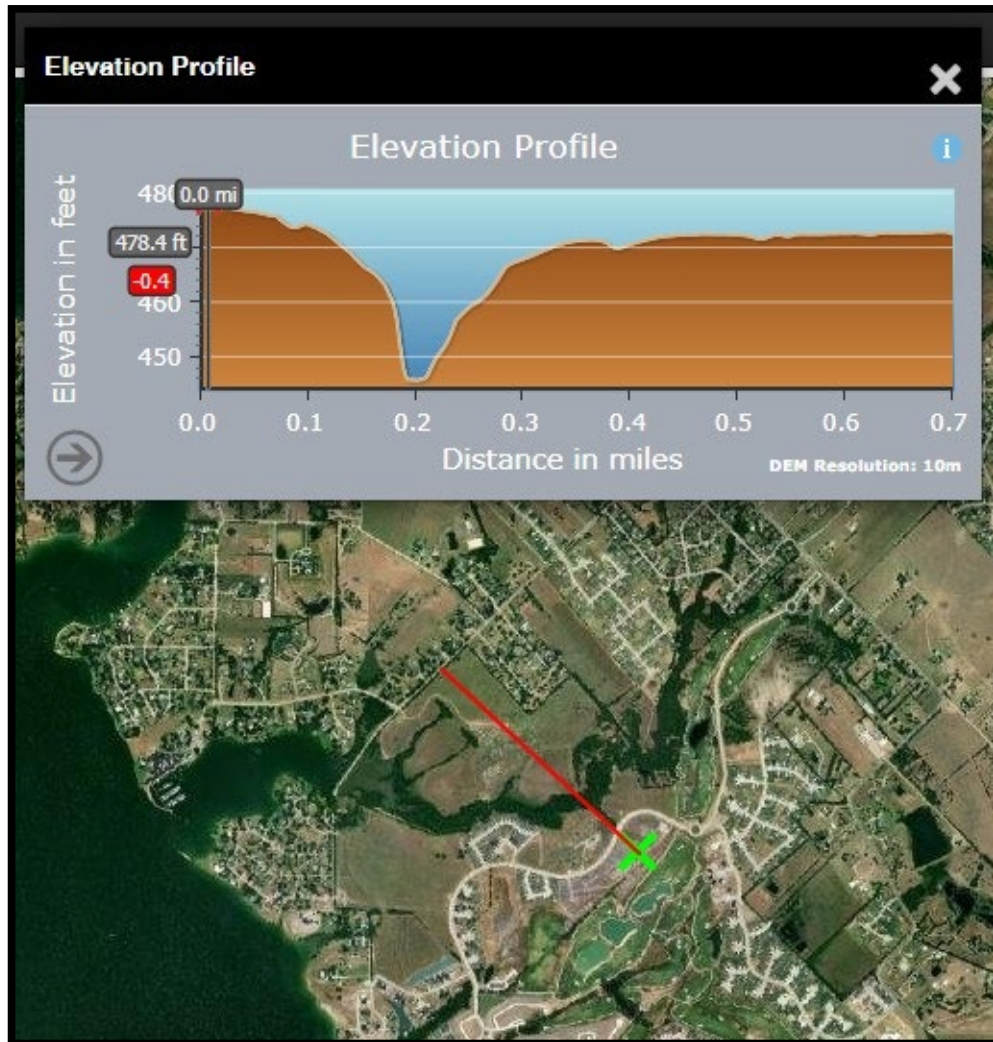


TEXAS A&M UNIVERSITY FOREST SERVICE – MAP MY PROPERTY



General Slope of the Property Moving from East to West

- *Note that measurements are in miles for readability rather than feet*
- *Elevation profile is represented along illustrated axis*
- *Property slopes west to east with approximately 53 feet of variation over approximately 1.5 miles of run*



General Slope of the Property Moving from North to South

- *Note that measurements are in miles for readability rather than feet*
- *Elevation profile is represented along illustrated axis*
- *Property slopes north to south with approximately 40 feet of variation over approximately 0.7 miles of run*

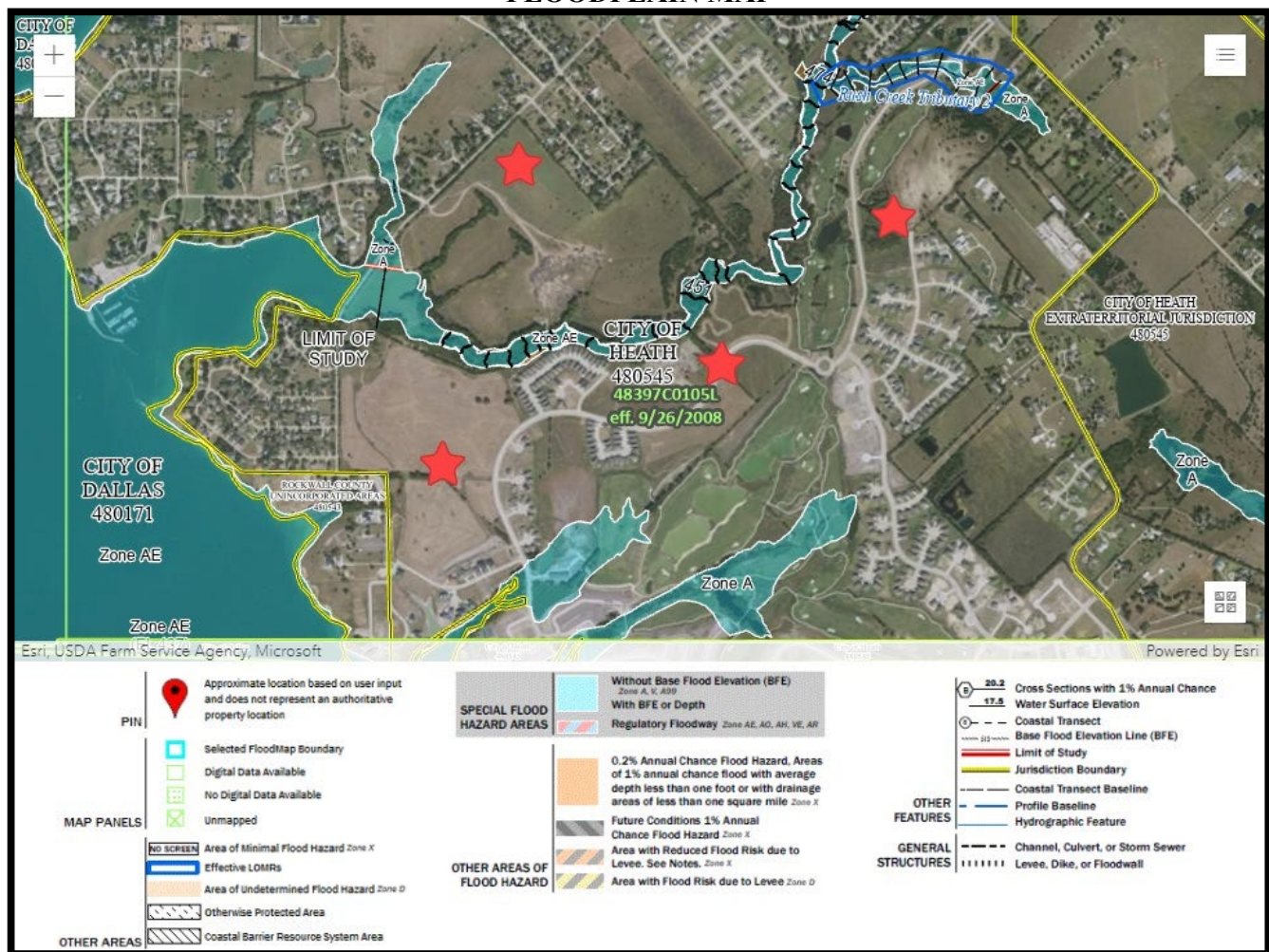
SOIL AND SUB-SOIL CONDITIONS

No soil engineer's report was available to the appraisers and no recent soil tests are known to have been performed. We have assumed a stable soil condition that would ensure the structural integrity of any improvement to be constructed. As of the report date the developer has excavation and earthwork underway. Our value conclusions are subject to revision should assumptions that land is stable prove incorrect. We caution and advise the user of this report to obtain engineering studies which may be required to ascertain any structural integrity.

FEMA FLOOD ZONE

Heath Club MMD IA #3 is approximately 99% within Unshaded Zone X (outside the floodplain) and 1% within Zone A (within the 100-year floodplain) according to Map 48397C0105L, effective September 26, 2008. Per the provided Concept Plan, it appears that the improvements within Improvement Area #3 will be developed entirely within Unshaded Zone X. Development within Unshaded Zone X does not appear to be detrimental to the development of the subject property. The areas within Zone A are undevelopable, however, those areas may provide areas of waterflow streams and ponds that may be aesthetically appealing in developed communities.

FLOODPLAIN MAP



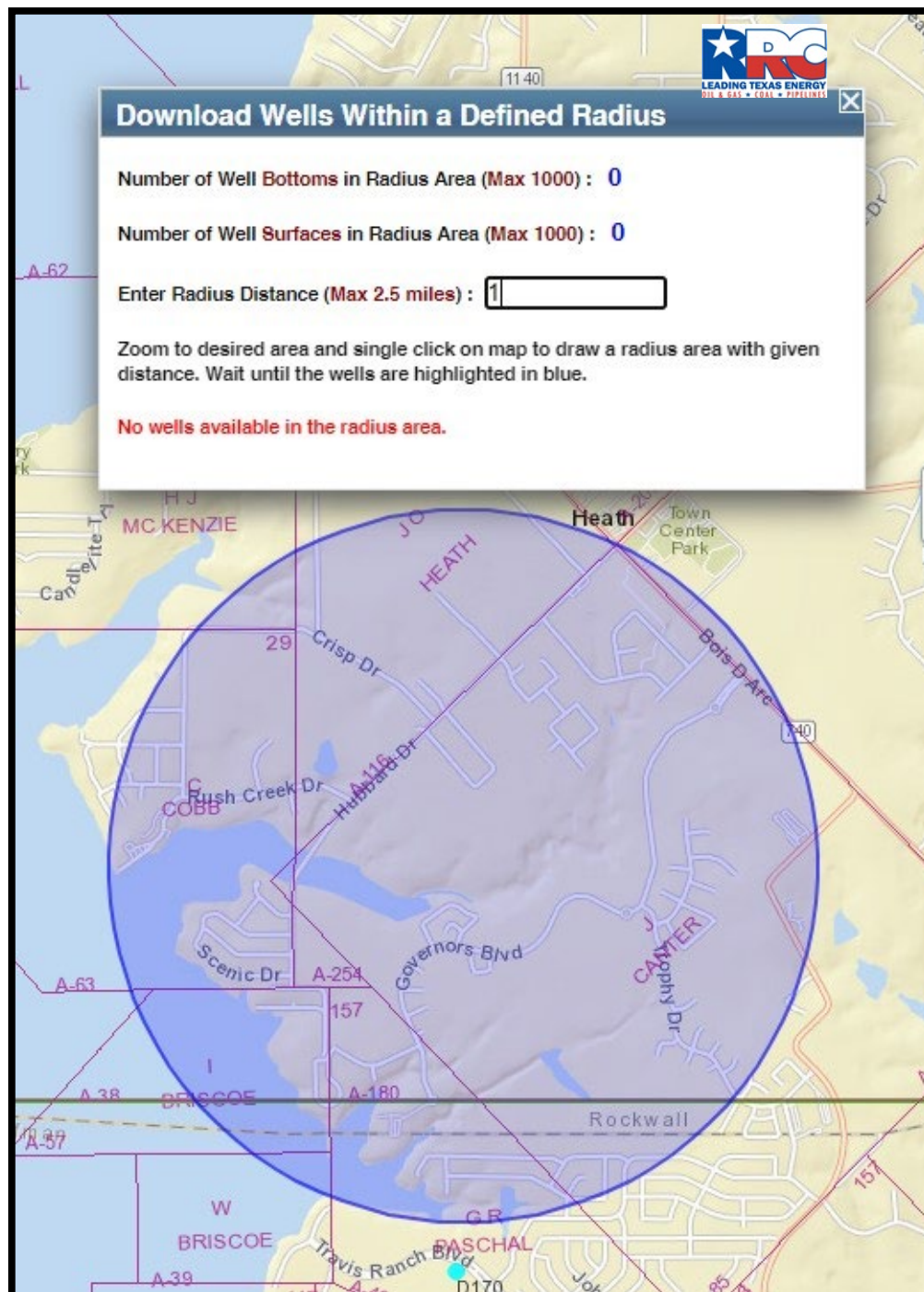
UTILITIES

Electricity to the property is maintained by Oncor and natural gas is maintained by Atmos. Water and sanitary sewer services are provided by the City of Heath which provides water and sewer to other residential communities within the city limits. The subject property is served by the Heath Police Department and the Heath Fire Department for fire and emergency medical services. Telephone, fiber-optic, and internet are available through AT&T, Spectrum, T-Mobile, Optimum, and Nextlink.

EASEMENTS/ENCROACHMENTS

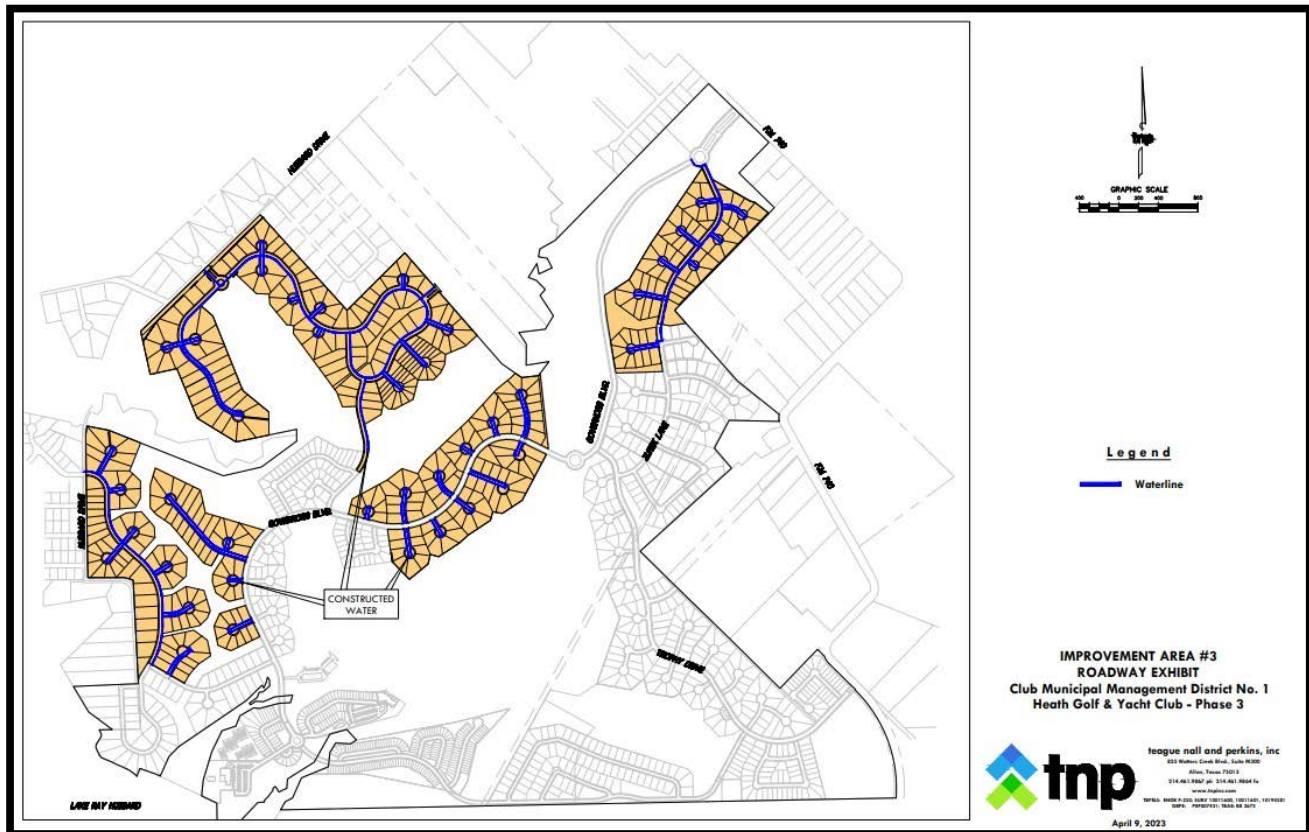
Based on our physical site visit, and review of available maps of the surrounding area it is reasonable to suspect that there are typical setbacks and easements that exist on the property which have been approved by the City of Heath. The appraisers assume the property is free from any detrimental easements or encroachments and specifically reserves the right to alter the conclusion of this analysis should a survey be provided that indicates detrimental easements or encroachments.

**OIL AND GAS WELLS
Texas Railroad Commission**

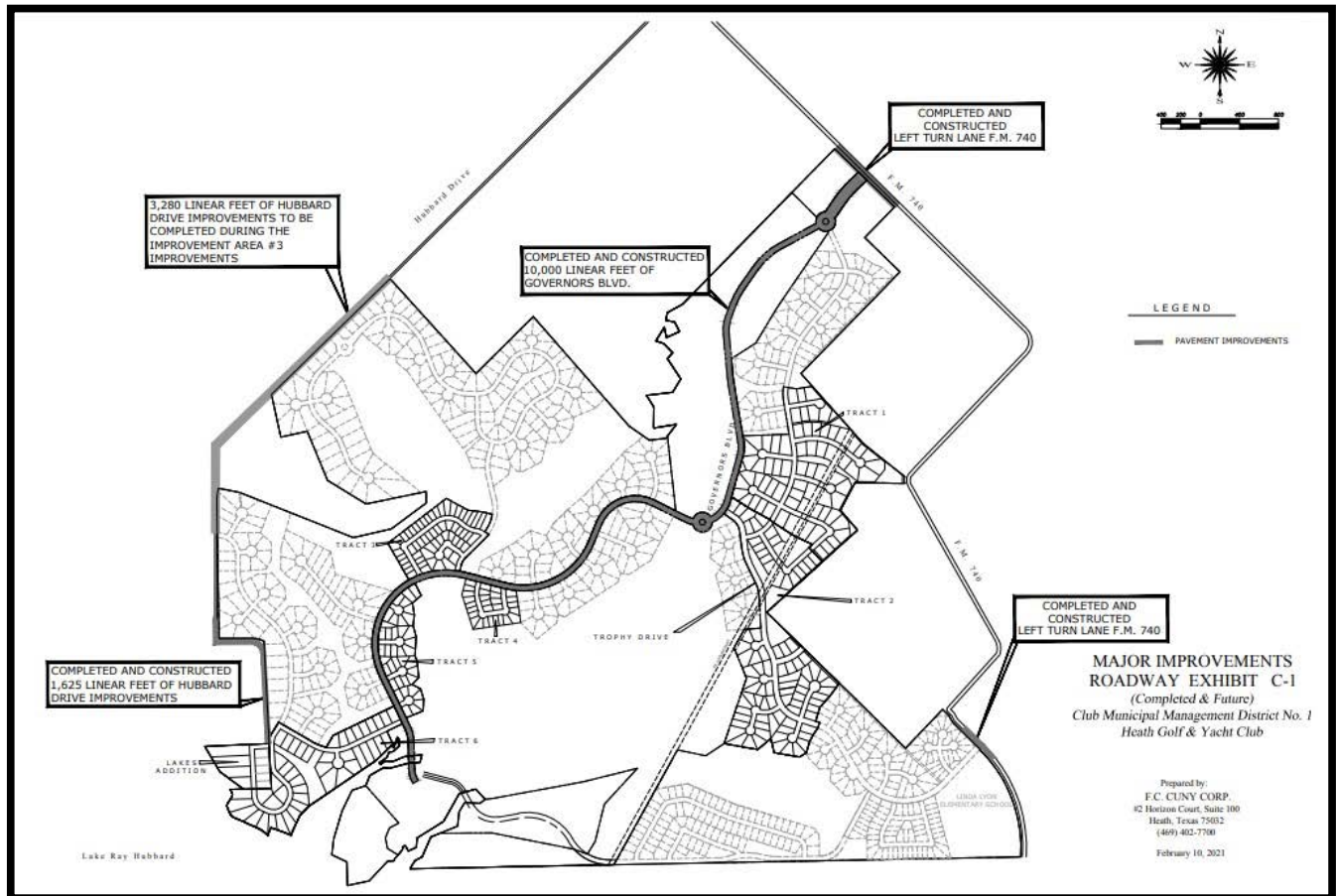


There are 0 well bottom sites and 0 well surface sites within 1 mile from the subject property according to the above referenced map from the Texas Railroad Commission. The subject site does not appear to be encumbered by any detrimental restrictions due to the proximity to surface or subsurface well locations because this area of DFW is minimally active in mineral extraction.

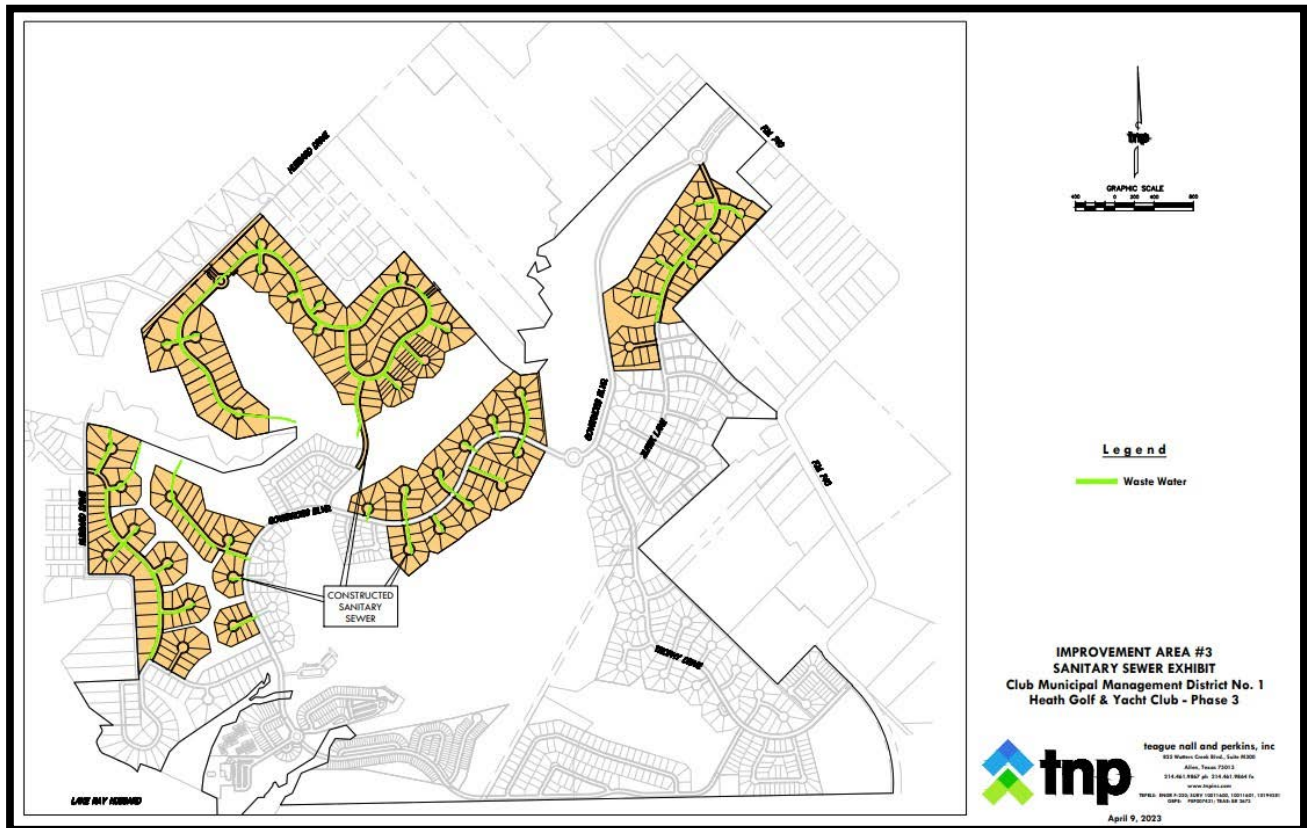
HEATH CLUB MMD IA #3 ROADWAY EXHIBIT



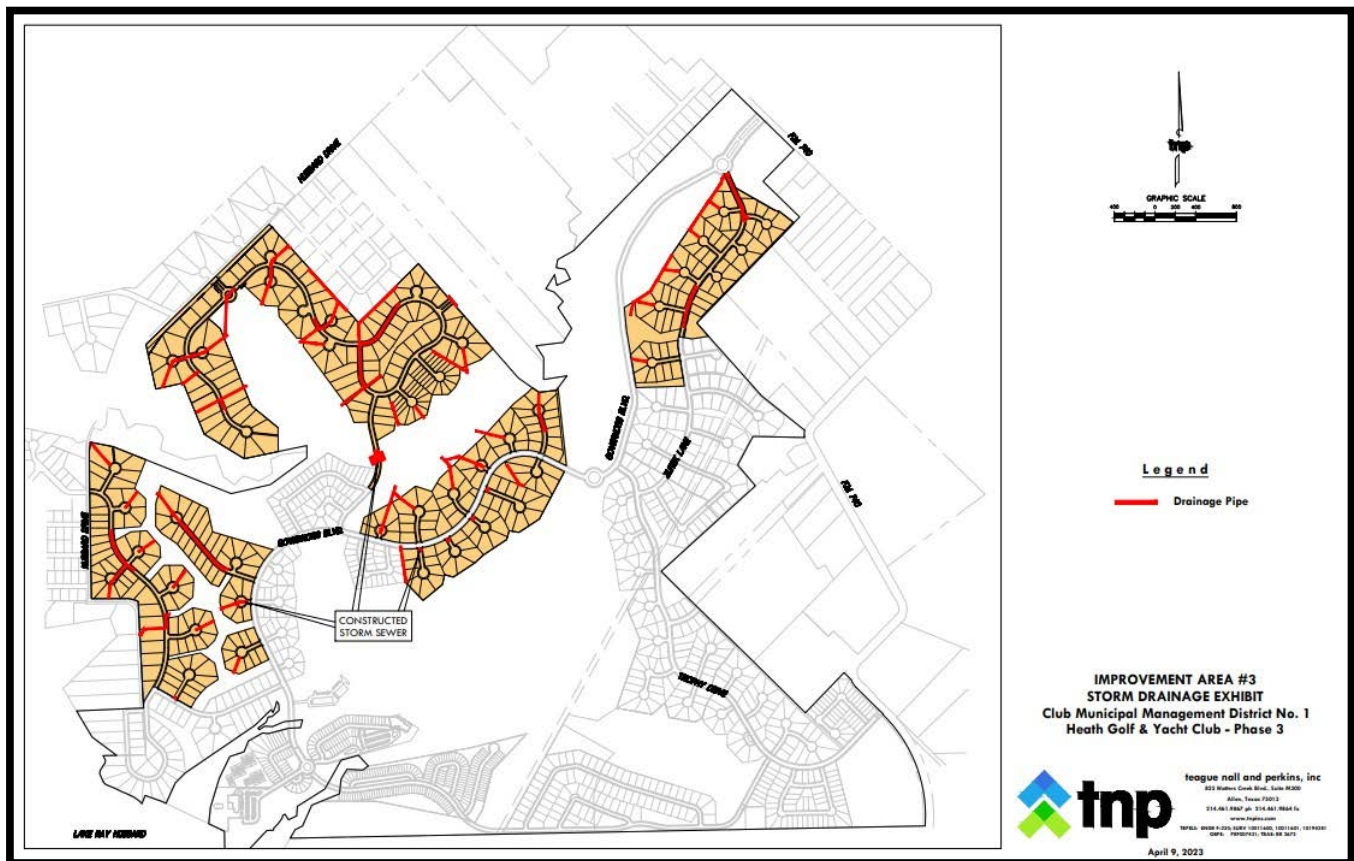
HEATH CLUB MMD MAJOR IMPROVEMENTS ROADWAY EXHIBIT



HEATH CLUB MMD IA #3 SANITARY SEWER EXHIBIT



HEATH CLUB MMD IA #3 STORM DRAINAGE EXHIBIT



PROPERTY PHOTOGRAPHS



Entrance from FM740 on Governors Boulevard
Facing North



Facing Northeast across FM 470



Facing South towards Zurek Lane



Fire hydrant along Governors Boulevard



From Governors Boulevard facing East



From Governors Boulevard facing north from
circle

SUBJECT PHOTOGRAPHS



From Governors Boulevard facing north



Golf and Yacht Club



Golf course from Governors Boulevard facing
south



Golf course from Governors Boulevard facing
north



Governors Boulevard at entrance of FM 470
facing northeast

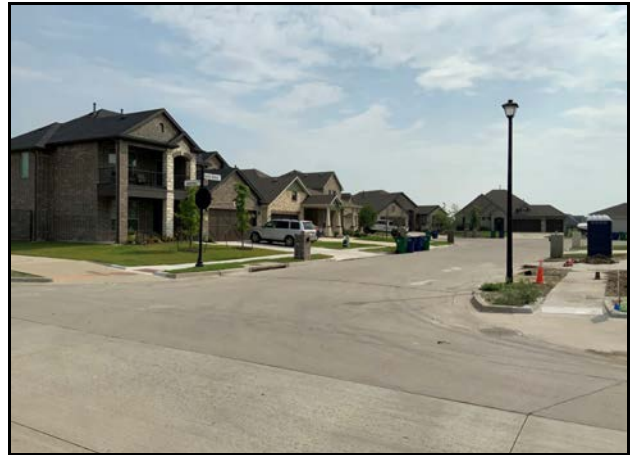


Governors Boulevard facing north

SUBJECT PHOTOGRAPHS



Governors Boulevard facing from FM 740 facing southwest



Intersection of Governors Boulevard and Gentle Breeze



Rear of golf and yacht club facing lake



Rear of golf and yacht club facing lake



Subject at Clubhouse Drive



Subject facing east

SUBJECT PHOTOGRAPHS



Subject facing north



Subject facing north



Subject facing north



Subject pickle ball courts



Subject tennis courts



Subject facing south

HIGHEST AND BEST USE

The highest and best use may be defined as the most profitable or likely profitable legal use for which a property may be utilized. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. Also, that reasonable and probable use that will support the highest present value, as defined, as of the Effective Date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, is found to be:

- | | |
|------------------------|-------------------------|
| a. Physically Possible | c. Financially Feasible |
| b. Legally Permissible | d. Maximally Productive |

The definition, immediately above, applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

There are two distinct types of highest and best use, that being the highest and best use as if the site were vacant, and the highest and best use as improved. Both use determinations require consideration of the physical, legal, financial feasibility and maximal productivity for the site and improvements.

HIGHEST AND BEST USE ANALYSIS

Highest and Best Use “As-Vacant”

Physically Possible

Considering the subject’s physical characteristics including jurisdiction, location, size, shape, and availability of utilities, the site is capable of numerous uses which are physically possible without being constrained by the property itself.

Legally Permissible

The subject property is within the City of Heath and zoned Planned Development District (Planned Development - Single Family) which is residential PD that *at the subject property* allows for detached single-family residential use.

No private deed restrictions were uncovered during a normal investigation, which would further limit the potential uses of the subject site. No other legal restrictions or covenants were found to be imposed on the subject property at the time of the appraisal which would further restrict development.

Given surrounding land use patterns in the area, only detached single-family residential use is given further consideration in determining the highest and best use of the site as vacant.

Financially Feasible

In order to be economically feasible, the improvements should conform to the surrounding land uses. To meet the test of being financially feasible, the project must provide a net return over a reasonable period of time. The area surrounding the subject property is suburban and development of the surrounding area has accelerated considerably over the past decade as development east of Dallas and along major highways has shown almost endless demand. Developers and home builders have moved further away from the center of the Metroplex to quasi-rural areas of Rockwall County like those surrounding the subject property are being developed with

middle-to-upper class housing stock. Based on review of homes on the market, we would expect home prices between \$300,000-\$1,200,000 would be in demand in Heath Club MMD IA #3.

Based on our analysis of the market, it is reasonable to expect a reduction in demand for vacant developed lots (VDLs) in 2023 as homebuilders sell fewer homes when mortgage rates rise precipitously as they have in 2022; however, due to the lack of supply for VDLs and the long-term prospects of the subject's area, we expect ample demand for single-family lots in the next 2-5 years. When looking at the longer time horizon, it appears that a newly developed single-family residential use on the site would have a value commensurate with its cost. Therefore, single-family residential use is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the subject property that would generate a higher residual land value than single-family residential use. Accordingly, it is our opinion that single-family residential use, developed to the normal market density allowed by the planned development is the maximally productive use of the property.

The resilient business climate in North Texas and the continual development of neighborhoods in Heath and Rockwall County has created increased demand for homes in the area. Coupled with increasing movement into DFW, and eastward in the Metroplex in particular, it is our opinion that the highest and best use of the property "As-Vacant" would be for the development of single-family residential community. Thus, the highest and best use of the property "As-Vacant" is for development of single-family residential use.

Highest and Best Use "As-Improved"

Development of the subject property, as proposed utilizing our extraordinary assumptions, is the only use that meets the four tests of highest and best use. Therefore, we conclude that the highest and best use of the property "As-Improved" is similar to our conclusion "As-Vacant" which is for single-family residential use.

We believe that the **most probable buyers** would be a developer of large single-family communities or a large homebuilder who is active in the DFW Metroplex market.

VALUATION – IMPROVED RESIDENTIAL LOTS IN IMPROVEMENT AREA #3

Three approaches to value are typically considered when developing a market value opinion for real property. These are the Cost Approach, the Sales Comparison Approach, and the Income (Subdivision Development) Approach. Use of the approaches in this assignment is summarized as follows:

<i>Approach</i>	<i>Applicability to Subject</i>	<i>Use in Assignment</i>
Cost Approach	<i>Not Appropriate Since Much of Heath Club Municipal Management District No. 1 is Built-Out</i>	<i>Not Utilized</i>
Income (Subdivision Development) Approach	<i>Appropriate in Determining Residential Subdivision Value</i>	<i>Utilized</i>
Sales Comparison Approach	<i>Aspects Used in Subdivision Valuation to Determine Retail Market Value of the 40-FF, 70-FF, 80-FF, 90-FF, 100-FF, 120-FF Lots</i>	<i>Partially Utilized</i>

Residential Subdivision (427 Improved Lots)

Cost Approach

The Cost Approach involves research, verification, and comparison of sales of other vacant land with the subject land. The sales are then adjusted for value-related differences. Cost figures are obtained from the developer and engineer and compared to cost figures on competing developments. A developer's profit is based on profit expectations reported by developers as well as actual profit on similar developments.

The Cost Approach provides information that contrasts with information from the Income Capitalization and Sales Comparison Approaches. It allows the appraiser to address the feasibility and highest and best use issues inherent in new construction. This approach is most beneficial when appraising a proposed or recently built project and is typically used when finished lots make up a substantial portion of the entire project. Since the subject property is being developed in multiple phases and most of the major improvements are in place, *the Cost Approach is not the most appropriate and thus was not utilized* for the 427 Improved Residential Lots in Improvement Area #3 of Heath Club Municipal Management District No. 1.

Income (Subdivision Development) Approach

In the Income Capitalization Approach, the retail value of the residential lots is estimated. The individual lot values are based on lot sales in competing developments. The absorption rates, expenses, and discount rates are also based on competing developments. Since sales of individual lots to an end-user homeowner is exceedingly rare in tract home subdivisions in this market, the value of an individual retail lot is effectively the same value of a portion of lots to a homebuilder because homebuilders tend to be the exclusive buyers of vacant developed lots from land developers. In addition, discussions with developers and homebuilders as well as review of contracts indicate that lots are typically received by the builders on a takedown schedule with annual price escalations of approximately 6% so the lots are not released in bulk to the home builders. The indicated value by the Income (Subdivision) Approach is based on the sellout of the lots with deductions for holding costs and discounted to a net present value.

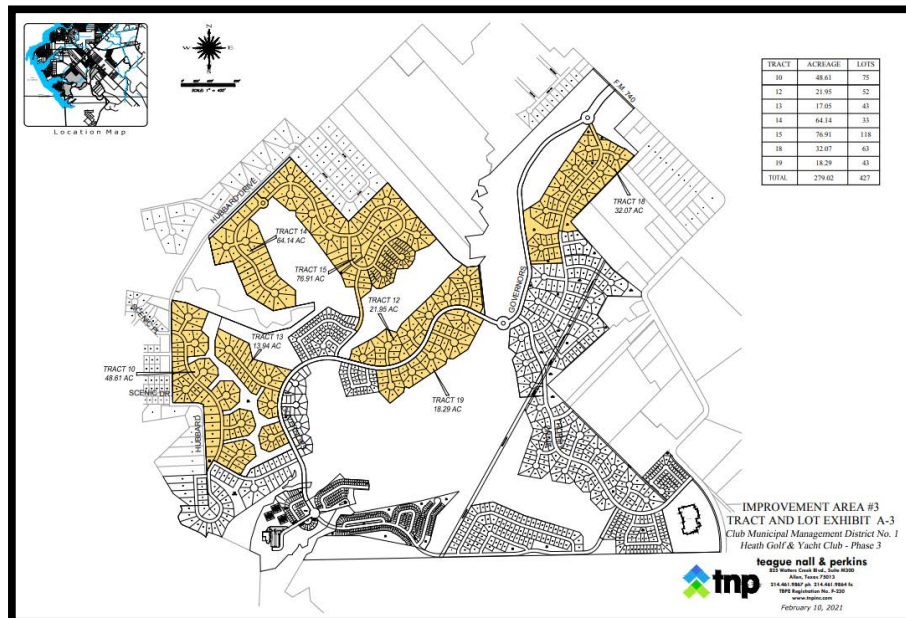
The Income (Subdivision Development) Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases a subdivision or large group of lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value

of a group of lots or units, which is different from the sum of the retail lot prices. Since the problem to be solved in this assignment is to determine the bulk sale value of 427 lots, as of the date of Substantial Completion (Effective Date), *the Income (Subdivision Development) Approach is appropriate and was developed.*

Sales Comparison Approach

The Sales Comparison Approach involves comparing recent sales of entire subdivisions or a large group of lots that involved a single purchaser. The sales are then adjusted for value-related differences. Determining market values for the subdivision or the group of lots is the objective of the analysis, and that determination requires recent and relevant similar bulk sales for the comparison. Finding highly similar and recent sales of improved subdivisions to a single buyer in most markets can be difficult, perhaps impossible. Comparison requires comparable sales with about the same or similar remaining absorption period, a similar mix of lots or unit types, location, home price points, and other characteristics. As Texas is a non-disclosure state, sales data available is limited to sales confirmed by associated parties. Since data on highly similar bulk sales to a single purchaser is difficult to find and verify, *the Sales Comparison Approach was not fully developed by the appraisers.*

INCOME (SUBDIVISION DEVELOPMENT) APPROACH - IMPROVED RESIDENTIAL LOTS IN IMPROVEMENT AREA #3



NOTE: Improvement Area #3 comprises 427 improved residential lots completed as vacant developed lots (VDLs) with a projected Substantial Completion Date of January 1, 2024.

Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. The income methodology applied in subdivision analysis has been adapted to simulate what occurs in a bulk sale where one buyer purchases a group of lots at a discount. It provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices.

In order to complete the analysis, the appraisers:

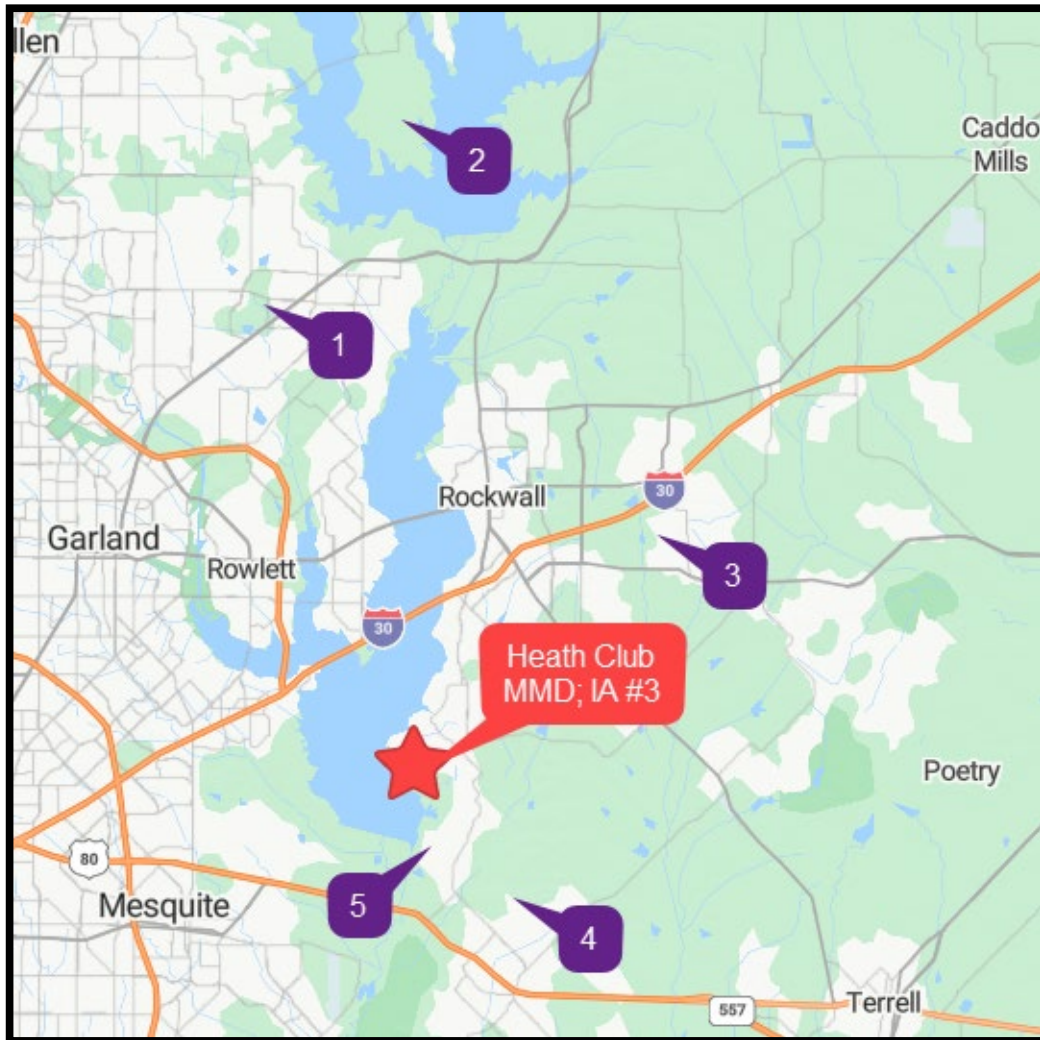
- Determined the value of the lots through aspects of the Sales Comparison Approach based on the concept plan provided by the developers
- Calculated the absorption period (earlier in the report) for the finished lots after construction is complete
- Analyzed the effect of appreciation, taxes, and sales costs over the absorption period
- Estimated the appropriate discount rate necessary to undertake the risks associate with the project
- Utilized discount cash flow (DCF) analysis to determine the present value of future cash flows realized by selling the lots at market prices over time

We utilized the following unit of comparison which is the measure most commonly found in the market:

Sales Price Per Front Foot – Obtained by dividing sale price by the front footage of the lot.

Following is our analysis of the 40-FF, 70-FF, 80-FF, 90-FF, 100-FF, and 120-FF lots for Improvement Area #3 of Heath Club MMD.

MAP OF COMPARABLE LOT SALES –40' LOTS



Subject: Heath Club MMD IA #3, Heath, TX 75126

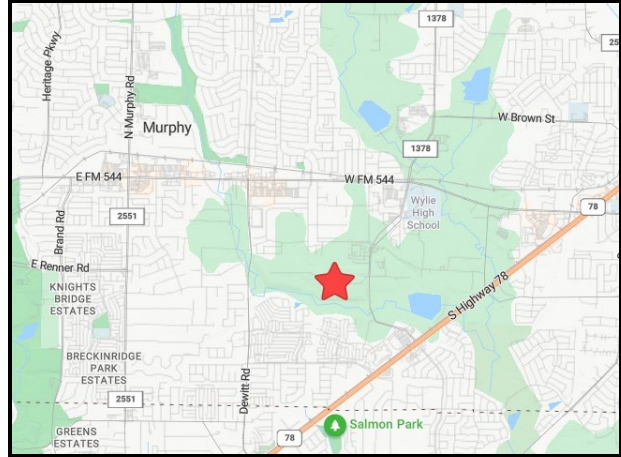
We selected the best and most recent comparable lot sales for our analysis of the 40-FF lots. Our five comparable sales are shown below:

SUMMARY OF LOT SALES - 40' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Manors at Woodbridge	Wylie	Wylie	May-2023	Aug-2023	\$77,500	40	\$ 1,938
2	Tillage Farms	Princeton	Princeton	Aug-2023	In-Contract	\$70,656	40	\$ 1,766
3	Edgewater	Fate	Rockwall	May-2022	May-2022	\$54,000	40	\$ 1,350
4	Devonshire Village	Dallas ETJ	Forney	Mar-2022	Mar-2022	\$55,440	45	\$ 1,232
5	Clements Ranch	Dallas ETJ	Forney	Jun-2021	Jun-2021	\$56,000	40	\$ 1,400
Subject	Heath Club MMD; IA #3	Heath	Rockwall	-	-	-	40	-

SALE COMPARABLE 1 – 40' LOTS



Comparable 1 Aerial



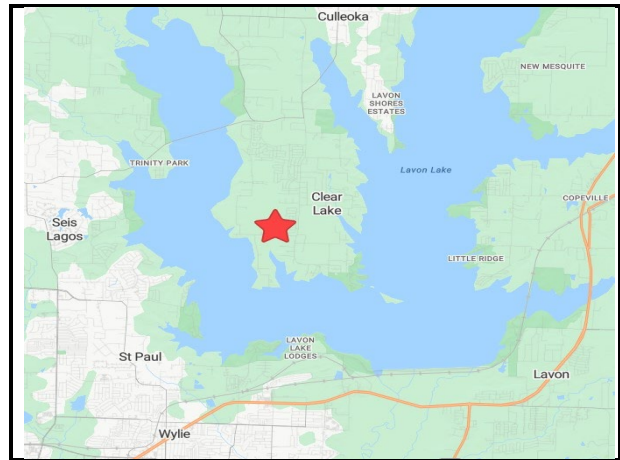
Comparable 1 Map

40-FF Sale Comparable 1						
Property Information						
Subdivision Name		Manors at Woodbridge				
Property Class		Residential Lot				
Address		West side of Woodbridge Parkway, south of Hensley Lane				
County		Collin				
Property Type		Residential / Multiple Units				
Site Information						
Site Size		4,400	SF	0.10	Acres	40-FF
Zoning Code		Planned Development				
Shape		Rectangular				
Topography		Basically level				
Available Utilities		All available				
Transaction Information						
Sale Status		Closed				
Sale/Contract Date		Aug-2023				
Seller		Manors at Woodbridge, Ltd				
Buyer		Windsor Homes (Skorburg Company)				
Sale Price		\$77,500				
Price per SF Land		\$17.61				
Price per Front Foot		\$1,938				

SALE COMPARABLE 2 – 40' LOTS



Comparable 2 Aerial



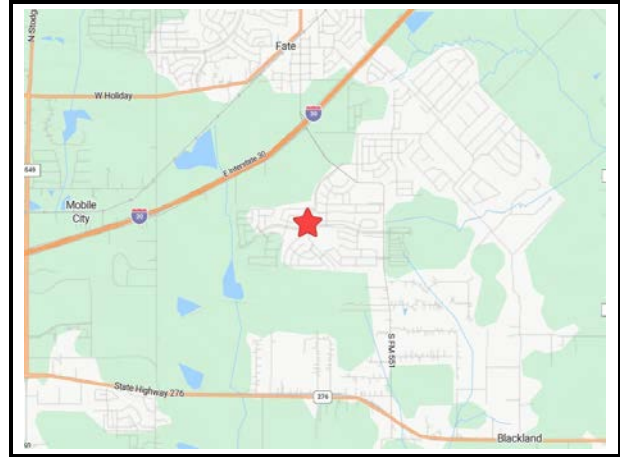
Comparable 2 Map

40-FF Sale Comparable 2						
Property Information						
Subdivision Name	Tillage Farms					
Property Class	Residential Lot					
Address	Northwest corner of CR-437 and FM-982					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	4,600	SF		0.11	Acres	40-FF
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	In-Contract					
Sale/Contract Date	Aug-2023					
Seller	TCL Land Bk 3 (2022) LP					
Buyer	Lennar Homes of Texas Land and Construction, Ltd					
Sale Price	\$70,656					
Price per SF Land	\$15.36					
Price per Front Foot	\$1,766					

SALE COMPARABLE 3 – 40' LOTS



Comparable 3 Aerial



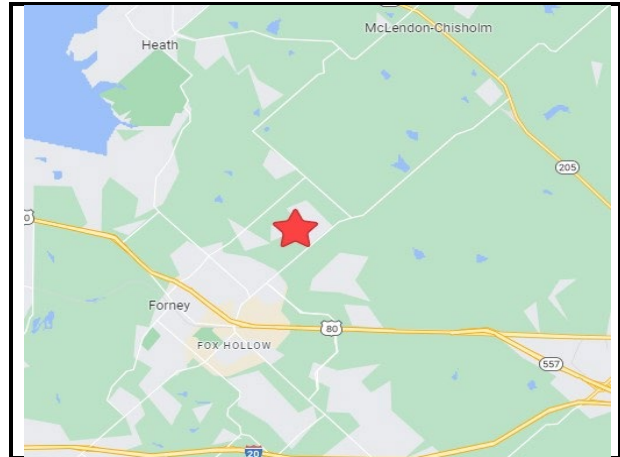
Comparable 3 Map

40-FF Sale Comparable 3					
Property Information					
Subdivision Name	Edgewater				
Property Class	Residential Lot				
Address	East side of FM-551 at Gettysburg Boulevard				
County	Rockwall				
Property Type	Residential / Multiple Units				
Site Information					
Site Size	4,400	SF	0.10	Acres	40-FF
Zoning Code	Planned Development				
Shape	Rectangular				
Topography	Basically level				
Available Utilities	All available				
Transaction Information					
Sale Status	Closed				
Sale/Contract Date	May-2022				
Seller	New Sheridan Dev Co Phase 1, LLC				
Buyer	Shaddock Homes, Ltd				
Sale Price	\$54,000				
Price per SF Land	\$12.27				
Price per Front Foot	\$1,350				

SALE COMPARABLE 4 – 40' LOTS



Comparable 4 Aerial



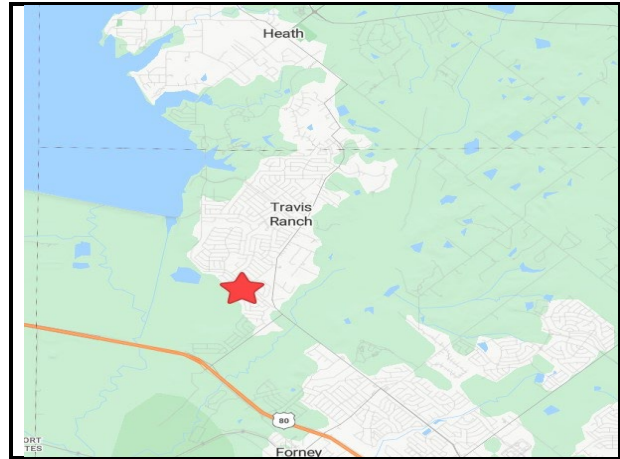
Comparable 4 Map

40-FF Sale Comparable 4						
Property Information						
Subdivision Name	Devonshire Village					
Property Class	Residential Lot					
Address	South side of Brightling Bend, west of FM-548					
County	Kaufman					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	5,400	SF		0.12	Acres	45-FF
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	March-2022					
Seller	Devonshire Dallas ASLI VIII, LLC					
Buyer	Highland Homes Dallas, LLC					
Sale Price	\$55,440					
Price per SF Land	\$10.27					
Price per Front Foot	\$1,232					

SALE COMPARABLE 5 – 40' LOTS



Comparable 5 Aerial



Comparable 5 Map

40-FF Sale Comparable 5						
Property Information						
Subdivision Name	Clements Ranch					
Property Class	Residential Lot					
Address	Southeast side of Pettus Drive, east of Lake Ray Hubbard Drive					
County	Kaufman					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	4,400	SF	0.10	Acres	40-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	June-2021					
Seller	Clements Ranch, LLC					
Buyer	Gehan Homes, Ltd					
Sale Price	\$56,000					
Price per SF Land	\$12.73					
Price per Front Foot	\$1,400					

SALES ADJUSTMENT COMPARISON GRID –40’ LOTS

<i>Subdivision</i>	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
	Heath Club MMD; IA #3	Manors at Woodbridge	Tillage Farms	Edgewater	Devonshire Village	Clements Ranch
	Heath	Wylie	Princeton	Fate	Dallas ETJ	Dallas ETJ
<i>Transactional Adjustments</i>						
Sales Price/FF		\$1,938	\$1,766	\$1,350	\$1,232	\$1,400
Rights Conveyed		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,938	\$1,766	\$1,350	\$1,232	\$1,400
Financing Terms		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,938	\$1,766	\$1,350	\$1,232	\$1,400
Conditions of Sale		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,938	\$1,766	\$1,350	\$1,232	\$1,400
Expenditures After Purchase		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,938	\$1,766	\$1,350	\$1,232	\$1,400
Time/Market Conditions		<u>3%</u>	<u>2%</u>	<u>8%</u>	<u>9%</u>	<u>13%</u>
ADJUSTED Price/FF:		\$1,996	\$1,802	\$1,458	\$1,343	\$1,582
<i>Physical Adjustments</i>						
Location/Access	SWQ Laurence Dr. & FM-740 S, Heath	10%	8%	0%	9%	9%
Amenities	Amenity Ctr, pool, golf, tennis, fitness ctr, trails, volleyball, boat slips, on-site elementary	10%	7%	5%	3%	3%
Size	40-FF	0%	0%	0%	2%	0%
Topography/View	Zone X/Improved Lots	0%	0%	0%	0%	0%
Zoning	Planned Development District	0%	0%	0%	0%	0%
Total Net Physical Adj. After Transactional Adj.		20%	15%	5%	14%	12%
ADJUSTED Price/FF:		\$2,395	\$2,072	\$1,531	\$1,531	\$1,772
SUMMARY OF COMPARABLE VALUES						
Value Range/FF		\$1,531	to	\$2,395		
Average Value/FF		\$1,860				
Median Value/FF		\$1,772				
Size		40-FF				
Unit Value Indication		\$1850/FF				
Overall Value Indication		\$74,000				
Rounded		\$74,000				

ANALYSIS OF ADJUSTMENTS –40' LOTS

Our research of comparable lot sales leads us to the determination that there are ample recent transactions within the last few years involving similar properties within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,232 per front foot to \$1,938 per front foot (FF) with all Sales being 40' to 45-FF lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms, and Conditions of Sale

Each of the comparable sales were sold as fee simple interests, sales were transferred in cash equivalency, and under typical sale conditions; thus, no adjustments are made for these three factors.

Expenditures After Purchase

Typically, in a master-planned residential community like the subject, municipalities will require impact fees paid for water, sewer, and roadway. These fees will be the responsibility of the homebuilder rather than the developer. Since purchasers of other lots would typically be expected to pay water, sewer, and roadway impact/connection fees, these are not considered atypical and are not included in our analysis.

Time/Market Conditions

The residential real estate market increased significantly in 2020 through 2022 but now appears to be cooling following ten interest rate increases by the Federal Reserve that has raised mortgage rates by 533 basis points in Aug 2023. Price increases from 2020 to 2022 occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Homebuilders absorbed lots well above the historical norm during this period. Development costs also rose significantly beginning in 2021 as supply chains were disrupted due to the COVID-19 Pandemic, the cost of labor rose, and inflation hit its highest level in decades. We also considered that according to data from Metrostudy there is a shortage of 40-FF vacant developed lots in this market which has driven prices higher even as demand for finished homes has recently diminished.

Considering the residential market data and price increases for recent platted and developed residential lot sales throughout the Metroplex and specifically along the Interstate-30 Corridor which were necessitated based off supply and demand as well as development costs, we believe a market conditions adjustment of 5% year-over-year (YoY) increase throughout 2021, 2022, and for the first three quarters of 2023 is warranted and supported for residential developed lots for sale in platted subdivisions, due to the time it takes to get all the city entitlements approved and engineer and zoning costs paid. Platted developed lots on the ground have a faster market sale value increase than would raw land sold for this use. Based on the preceding, each of the comparable lot sales have been adjusted positively between 2% and 13% for Market Conditions depending on the sale date.

Physical Adjustments

Location/Access

The subject property is located just 25 miles east of Downtown Dallas in the City of Heath. The City of Heath is an upscale lakeside community with parks & recreation, golf courses and city-sponsored entertainment venues. Situated over 12 square miles on the Eastern shore of Lake Ray Hubbard, Heath is one of the fastest-growing cities in Rockwall and Kaufman Counties. Strategic development has helped retain the highly desired rural area with views of rolling hills and pastures, horses and cattle, sail boats skimming the lake, and the Dallas skyline. The subject property is located approximately 5 miles from Interstate 30 to the north, and approximately 5 miles from US-80 to the south, making access easy for travelers to enter and exit the city. The area around the subject is primarily new residential development and undeveloped rural land. Accessibility is considered average for this area.

The subject property feeds into the Rockwall Independent School District (ISD), which has an “A” rating by the Texas Education Agency (TEA). The city is served by Dorothy Smith Pullen Elementary School, Amy Parks-Heath Elementary School, Linda Lyons Elementary School, Maurine Cain Middle School, and Rockwall Heath High School. Location is considered above average based on the school ratings and access to Lake Ray Hubbard. We have made the following adjustments for Location/Access:

- Sale 1: Inferior; Located in Wylie, which has inferior access to commercial use, however, it is located in Wylie ISD which has an “A” rating district and considered similar rating ISD as subject.; Adjusted + 10%
- Sale 2: Inferior; Located in Princeton, which has inferior access to commercial uses, and similar access to Lavon Lake, however, it is located in Princeton ISD which is an “A” rating district and considered to be similar as the subject; Adjusted + 8%
- Sale 3: Similar; Located in Fate, which feeds into the Rockwall ISD which has an “A” rating and considered to be a similar ISD. Sale 3 also has similar access to commercial development near the Interstate-30 Corridor; Adjusted 0%
- Sale 4: Inferior; Located in Dallas ETJ, which feeds into the Forney ISD which has a “B” rating and considered to be an inferior ISD. However, Sale 4 is considered similar in accessibility to commercial development; Adjusted + 9%
- Sale 5: Inferior; Located in Dallas ETJ, which has similar access to commercial development, however, Sale 5 feeds into the Forney ISD with a “B” rating which is inferior to the subject; Adjusted + 9%

Amenities

The subject property’s amenities will consist of lake access, boat slips, multiple parks, tennis courts, golf courses, volleyball courts, fitness center, a club house, and an on-site elementary school. The subject’s amenities are considered upscale for a master planned community the size of Heath Club MMD IA #3 development being built-out with 427 residential lots. We have made the following adjustments for Amenities:

- Sale 1: Inferior; Manors at Woodbridge Subdivision, which is a smaller community with fewer amenities consisting of only a community center; Adjusted + 10%
- Sale 2: Inferior; Tillage Farms Subdivision which is a smaller development with a community center, pool, basketball court, and a park; Adjusted + 7%
- Sale 3: Inferior; Edgewater Subdivision, which has fewer amenities, such as an amenity center, pool, cabanas, green spaces, playgrounds, pocket parks, fishing ponds, and trails; Adjusted + 5%
- Sale 4: Inferior; Devonshire Village Subdivision, which has slightly inferior amenities such as two resort-style pools, amenity centers, trails, greenbelts, fishing ponds, pocket parks, dog park, splash pad, basketball court, sand volleyball, and cabanas; Adjusted + 3%

Heath Club Municipal Management District No. 1; Improvement Area #3

- Sale 5: Inferior; Clements Ranch Subdivision, which is a smaller community with slightly inferior amenities such as an amenity center, open spaces, sports fields, basketball court, several fishing ponds, horse field, and an on-site elementary school; Adjusted + 3%

Size

Due to economies of scale, smaller lots are expected to sell for a higher price per unit (front footage) and larger lots are expected to sell for a lower price per front foot (FF). Sales 1, 2, 3, and 5 are also 40' lots that can accommodate the same building pad, so no adjustment is made for Size for these sales. Sale 4 is 45-FF, thus, and adjustment of 2% is warranted for Size for Sale 4.

Topography/View

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for Topography. Additionally, each of the comparable sales are located on recently developed former agricultural land that is generally lacking remarkable views due to the basically level topography; thus, there is no adjustment needed for View.

Zoning

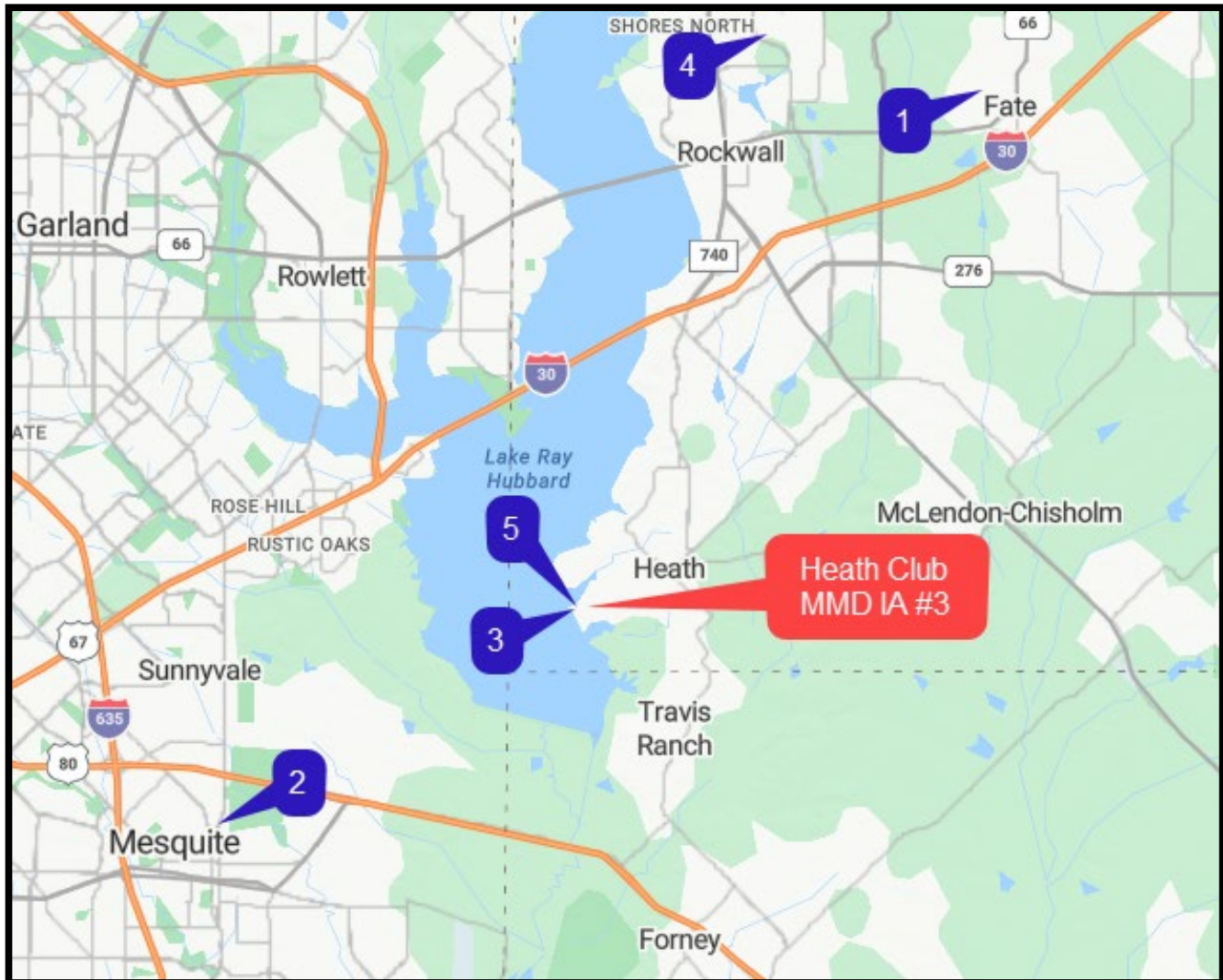
The subject property is in a planned development and each of the comparable sales are in planned developments with residential subdivision zoning for similar sized residential lots; thus, no adjustment is made for zoning.

Conclusion for 40' Lots – The 40' Lot Sales have an adjusted range of \$1,531/FF to \$2,395/FF with an average of \$1,860/FF and a median of \$1,772/FF. We considered each of the five sales as being reflective of the market and considered increasing development land costs due to increases in material (especially concrete) and labor which has increased the cost to develop a property similar to the subject by 20-30% in the past year. We conclude that the retail market value of the **improved 40' lots is \$1850/FF, or \$74,000/Lot.**

Lot Type	Total Lots	Projected Completion Date	Concluded Retail Value Per Lot
40' Detached Lots	34	January 1, 2024	\$74,000

Next, we will analyze the retail market value of the 70' improved residential lots of Heath Club MMD IA #3.

MAP OF COMPARABLE LOT SALES –70’ LOTS



Subject: Heath Club MMD IA #3, Heath, TX 75126

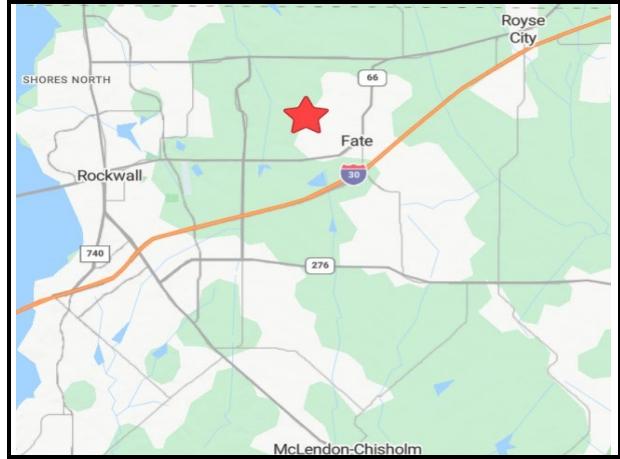
We selected the best and most recent comparable lot sales for our analysis of the 70-FF lots. Our five comparable sales are shown below:

SUMMARY OF LOT SALES - 70' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Monterra	Fate	Rockwall	May-2023	In-Contract	\$101,500	70	\$ 1,450
2	Hillview Addition	Mesquite	Mesquite	Oct-2022	Oct-2022	\$96,000	69	\$ 1,391
3	Heath Club MMD, Phase 2	Heath	Rockwall	Aug-2021	In-Contract	\$94,500	60	\$ 1,575
4	Saddle Star Estates	Rockwall	Rockwall	Jan-2021	Jan-2021	\$94,500	70	\$ 1,350
5	Heath Club MMD, Phase 2	Heath	Rockwall	Feb-2020	Feb-2020	\$94,500	70	\$ 1,350
Subject	Heath Club MMD; IA #3	Heath	Rockwall	-	-	-	70	-

SALE COMPARABLE 1 – 70' LOTS



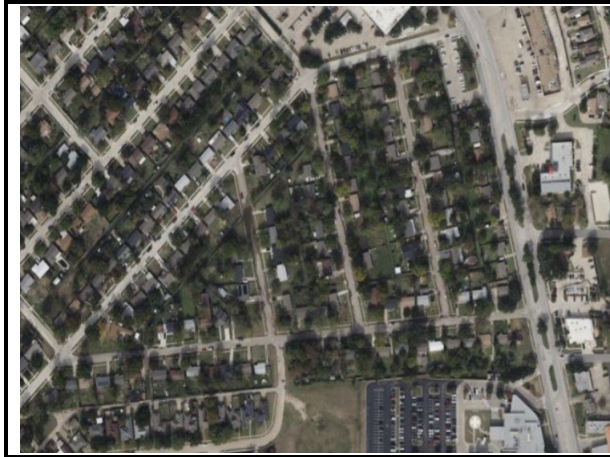
Comparable 1 Aerial



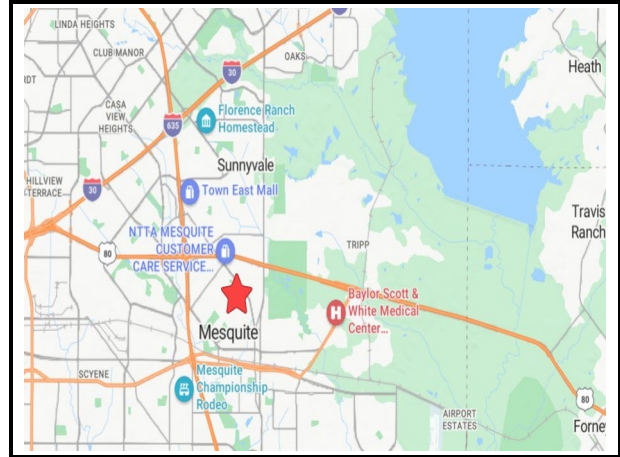
Comparable 1 Map

70-FF Sale Comparable 1						
Property Information						
Subdivision Name	Monterra					
Property Class	Residential Lot					
Address	West side of Ben Payne Road, north of West Holiday Road (SH-66)					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	8,750	SF	0.20	Acres	70-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	In-Contract					
Sale/Contract Date	May-2023					
Seller	WJ Monterra LP					
Buyer	Highland Homes - Dallas, LLC					
Sale Price	\$101,500					
Price per SF Land	\$11.60					
Price per Front Foot	\$1,450					

SALE COMPARABLE 2 – 70' LOTS



Comparable 2 Aerial



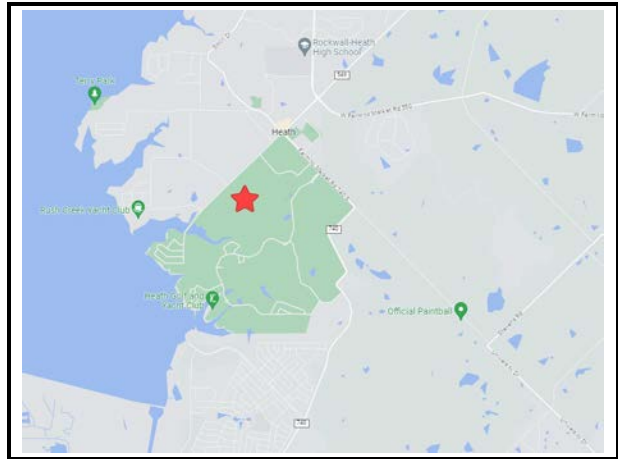
Comparable 2 Map

70-FF Sale Comparable 2						
Property Information						
Subdivision Name	Hillview Addition					
Property Class	Residential Lot					
Address	Southwest corner of North Galloway Avenue and Cresthill Drive					
County	Dallas					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	7,200	SF	0.17	Acres	69-FF	
Zoning Code	Planned Development					
Shape	Mostly Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	Oct-2022					
Seller	Toyola, Inc.					
Buyer	Akinyemi O. Akintoye					
Sale Price	\$96,000					
Price per SF Land	\$13.33					
Price per Front Foot	\$1,391					

SALE COMPARABLE 3 – 70' LOTS



Comparable 3 Aerial



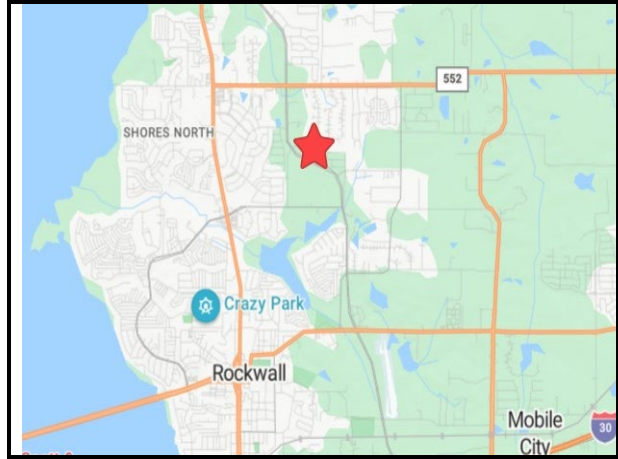
Comparable 3 Map

70-FF Sale Comparable 3						
Property Information						
Subdivision Name	Heath Club MMD, Phase 2					
Property Class	Residential Lot					
Address	West side of FM-740, north of Governors Boulevard					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	7,500	SF	0.17	Acres	60-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	In-Contract					
Sale/Contract Date	Aug-2021					
Seller	HGYC, LLC					
Buyer	Tri Pointe Homes					
Sale Price	\$94,500					
Price per SF Land	\$12.60					
Price per Front Foot	\$1,575					

SALE COMPARABLE 4 – 70' LOTS



Comparable 4 Aerial



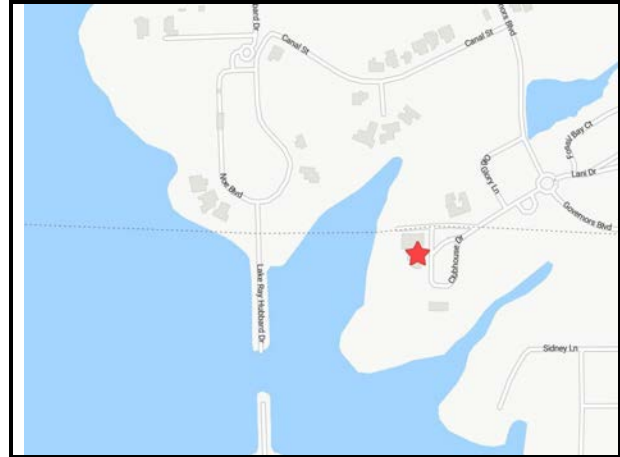
Comparable 4 Map

70-FF Sale Comparable 4						
Property Information						
Subdivision Name		Saddle Star Estates				
Property Class		Residential Lot				
Address		East side of North John King Boulevard, south of FM-552				
County		Rockwall				
Property Type		Residential / Multiple Units				
Site Information						
Site Size		8,750	SF	0.20	Acres	70-FF
Zoning Code		Planned Development				
Shape		Rectangular				
Topography		Basically level				
Available Utilities		All available				
Transaction Information						
Sale Status		Closed				
Sale/Contract Date		Jan-2021				
Seller		Saddle Star South Holdings, LLC (aka Hines Development)				
Buyer		Highland Homes - Dallas, LLC				
Sale Price		\$94,500				
Price per SF Land		\$10.80				
Price per Front Foot		\$1,350				

SALE COMPARABLE 5 – 70' LOTS



Comparable 5 Aerial



Comparable 5 Map

70-FF Sale Comparable 5						
Property Information						
Subdivision Name		Heath Club MMD, Phase 2				
Property Class		Residential Lot				
Address		East of Trophy Club Drive, west side of FM-740				
County		Rockwall				
Property Type		Residential / Multiple Units				
Site Information						
Site Size		10,710	SF	0.25	Acres	70-FF
Zoning Code		Planned Development				
Shape		Mostly Rectangular				
Topography		Basically level				
Available Utilities		All available				
Transaction Information						
Sale Status		Closed				
Sale/Contract Date		Feb-2020				
Seller		HGYC, LLC				
Buyer		Gehan Homes, LTD				
Sale Price		\$94,500				
Price per SF Land		\$8.82				
Price per Front Foot		\$1,350				

SALES ADJUSTMENT COMPARISON GRID –70’ LOTS

Subdivision	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
	Heath Club MMD; IA #3	Monterra	Hillview Addition	Heath Club MMD, Phase 2	Saddle Star Estates	Heath Club MMD, Phase 2
	Heath	Fate	Mesquite	Heath	Rockwall	Heath
Transactional Adjustments						
Sales Price/FF		\$1,450	\$1,391	\$1,575	\$1,350	\$1,350
Rights Conveyed		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,450	\$1,391	\$1,575	\$1,350	\$1,350
Financing Terms		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,450	\$1,391	\$1,575	\$1,350	\$1,350
Conditions of Sale		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,450	\$1,391	\$1,575	\$1,350	\$1,350
Expenditures After Purchase		<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Sales Price/FF		\$1,450	\$1,391	\$1,575	\$1,350	\$1,350
Time/Market Conditions		<u>3%</u>	<u>6%</u>	<u>12%</u>	<u>15%</u>	<u>20%</u>
ADJUSTED Price/FF:		\$1,494	\$1,475	\$1,764	\$1,553	\$1,620
Physical Adjustments						
Location/Access	SWQ Laurence Dr. & FM-740 S, Heath	10%	5%	0%	10%	0%
Amenities	Amenity Ctr, pool, golf, tennis, fitness ctr, trails, volleyball, boat slips, on- site elementary	12%	20%	0%	12%	0%
Size	70-FF	0%	0%	5%	0%	0%
Topography/View	Zone X/Improved Lots	0%	0%	0%	0%	0%
Zoning	Planned Development District	0%	0%	0%	0%	0%
Total Net Physical Adj. After Transactional Adj.		22%	25%	5%	22%	0%
ADJUSTED Price/FF:		\$1,822	\$1,843	\$1,852	\$1,894	\$1,620
SUMMARY OF COMPARABLE VALUES						
Value Range/FF		\$1,620	to	\$1,894		
Average Value/FF	\$1,806					
Median Value/FF	\$1,843					
Size	70-FF					
Unit Value Indication	\$1825/FF					
Overall Value Indication	\$127,750					
Rounded	\$127,750					

ANALYSIS OF ADJUSTMENTS –70' LOTS

Our research of comparable lot sales leads us to the determination that there are ample recent transactions within the last few years involving similar properties within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,350 per front foot to \$1,575 per front foot with all Sales being between 60-FF to 70-FF lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms, and Conditions of Sale

Each of the comparable sales were sold as fee simple interests, sales were transferred in cash equivalency, and under typical sale conditions; thus, no adjustments are made for these three factors.

Expenditures After Purchase

Typically, in a master-planned residential community like the subject, municipalities will require impact fees paid for water, sewer, and roadway. These fees will be the responsibility of the homebuilder rather than the developer. Since purchasers of other lots would typically be expected to pay water, sewer, and roadway impact/connection fees, these are not considered atypical and are not included in our analysis.

Time/Market Conditions

The residential real estate market increased significantly in 2020 through 2022 but now appears to be cooling following ten interest rate increases by the Federal Reserve that has raised mortgage rates by 533 basis points in Aug 2023. Price increases from 2020 to 2022 occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Homebuilders absorbed lots well above the historical norm during this period. Development costs also rose significantly beginning in 2021 as supply chains were disrupted due to the COVID-19 Pandemic, the cost of labor rose, and inflation hit its highest level in decades. We also considered that according to data from Metrostudy there is a significant shortage of 70-FF vacant developed lots in this market which has driven prices higher even as demand for finished homes has recently diminished.

Considering the residential market data and price increases for recent platted and developed residential lot sales throughout the Metroplex and specifically along the Interstate-30 Corridor which were necessitated based off supply and demand as well as development costs, we believe a market conditions adjustment of 5% year-over-year (YoY) increase throughout 2021, 2022, and for the first three quarters of 2023 is warranted and supported for residential developed lots for sale in platted subdivisions, due to the time it takes to get all the city entitlements approved and engineer and zoning costs paid. Platted developed lots on the ground have a faster market sale value increase than would raw land sold for this use. Based on the preceding, each of the comparable lot sales have been adjusted positively between 3% and 20% for Market Conditions depending on the sale date.

Physical Adjustments

Location/Access

The subject property is located just 25 miles east of Downtown Dallas in the City of Heath. The City of Heath is an upscale lakeside community with parks & recreation, golf courses and city-sponsored entertainment venues. Situated over 12 square miles on the Eastern shore of Lake Ray Hubbard, Heath is one of the fastest-growing cities in Rockwall and Kaufman Counties. Strategic development has helped retain the highly desired rural area with views of rolling hills and pastures, horses and cattle, sail boats skimming the lake, and the Dallas skyline. The subject property is located approximately 5 miles from Interstate 30 to the north, and approximately 5 miles from US-80 to the south, making access easy for travelers to enter and exit the city. The area around the subject is primarily new residential development and undeveloped rural land. Accessibility is considered average for this area.

The subject property feeds into the Rockwall Independent School District (ISD) which has an “A” rating by the Texas Education Agency (TEA). The city is served by Dorothy Smith Pullen Elementary School, Amy Parks-Heath Elementary School, Linda Lyons Elementary School, Maurine Cain Middle School, and Rockwall Heath High School. Location is considered above average based on the school ratings and access to Lake Ray Hubbard. We have made the following adjustments for Location/Access:

- Sale 1: Inferior; Located in Fate, which has inferior access to commercial uses and is much farther to the DFW metroplex, however, this sale feeds into the Rockwall ISD which has an “A” rating and similar to the subject; Adjusted + 10%
- Sale 2: Inferior; Located in Mesquite, which is superior in location due to the property being closer to the DFW metroplex, however, this sale is considered inferior as it feeds into Mesquite ISD which has a “B” rating and considered to be an inferior ISD; Adjusted + 5%
- Sale 3: Similar; Located in Heath and feeds into the Rockwall ISD; Adjusted 0%
- Sale 4: Inferior; Located in Rockwall, which feeds into the Rockwall ISD which is a similar ISD; however, Sale 4 is considered inferior in accessibility to commercial development; Adjusted + 10%
- Sale 5: Similar; Located in Heath, and feeds into the Rockwall ISD; Adjusted 0%

Amenities

The subject property’s amenities will consist of lake access, boat slips, multiple parks, tennis courts, golf courses, volleyball courts, fitness center, a club house, and an on-site elementary school. The subject’s amenities are considered upscale for a master planned community the size of Heath Club MMD IA #3 development being built-out with 427 residential lots. We have made the following adjustments for Amenities:

- Sale 1: Inferior; Monterra Subdivision, which has fewer amenities such as an amenity center, pool with a splash pad, pickleball courts, and cabanas; Adjusted + 12%
- Sale 2: Inferior; Hillview Addition Subdivision, which is a smaller community with no amenities; Adjusted + 20%
- Sale 3: Similar; Heath Club MMD, Phase 2 Subdivision, which is the same as the subject property; Adjusted 0%
- Sale 4: Inferior; Saddle Star Estates Subdivision, which has fewer amenities such as an amenity center, resort-style pool, playground, and trails; Adjusted + 12%
- Sale 5: Similar; Heath Club MMD, Phase 2 Subdivision, which is the same as the subject property; adjusted 0%

Size

Due to economies of scale, smaller lots are expected to sell for a higher price per unit (foot frontage). Sale 2 is slightly smaller at 69-FF; however, this Sale is considered similar in Size and an adjustment is not warranted for Sale 2. Sale 3 was 60-FF. An adjustment of + 5% was applied for Size to Sale 3. Sales 1, 4 and 5 are also 70' lots that can accommodate the same building pad, so no adjustment is made for Size to those comparable sales.

Topography/View

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for Topography. Additionally, each of the comparable sales are located on recently developed former agricultural land that is generally lacking remarkable views due to the basically level topography; thus, there is no adjustment needed for View.

Zoning

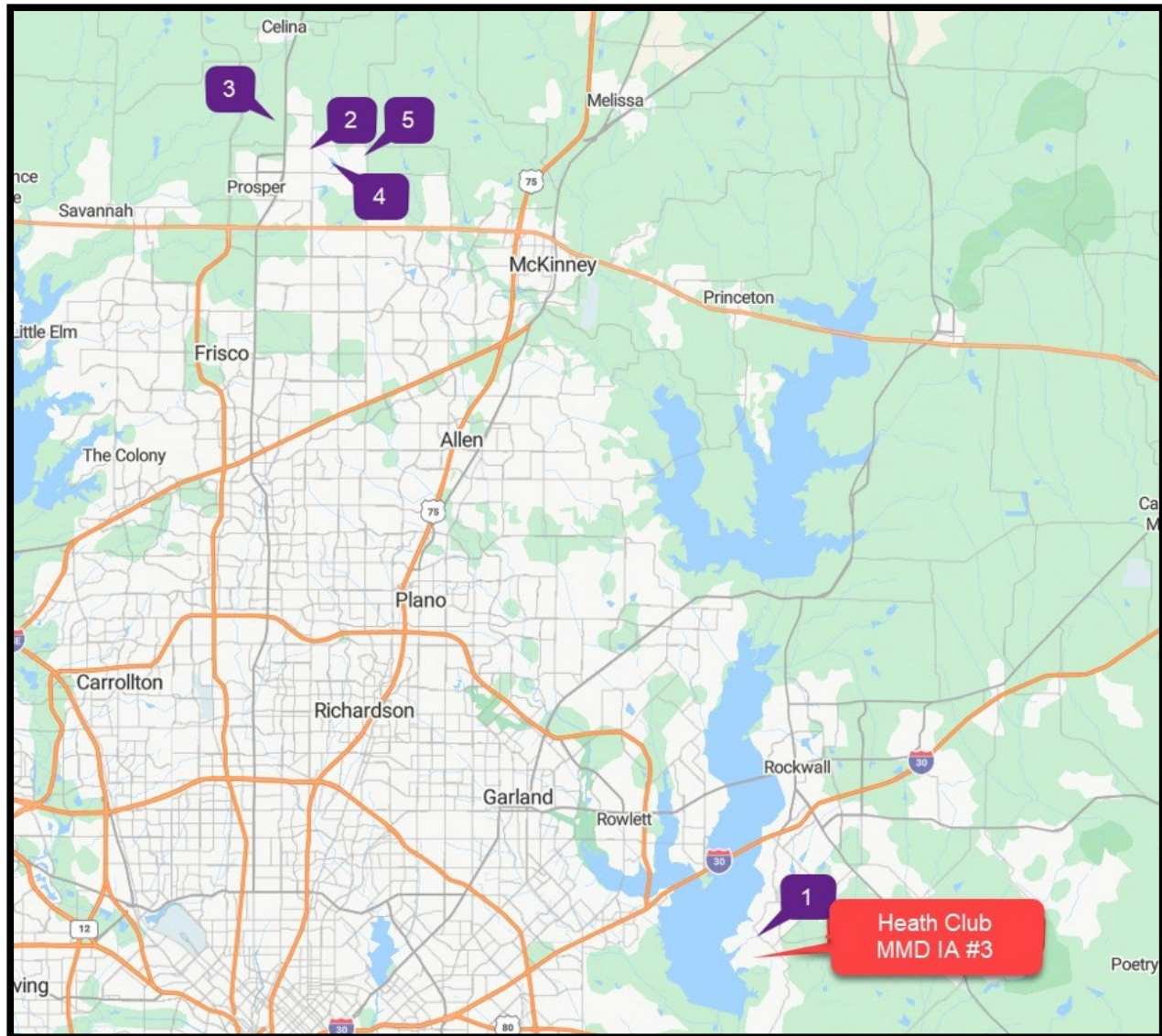
The subject property is in a planned development and each of the comparable sales are in planned developments with residential subdivision zoning for similar sized residential lots; thus, no adjustment is made for zoning.

Conclusion for 70' Lots – The 70' Lot Sales have an adjusted range of \$1,620/FF to \$1,894/FF with an average of \$1,806/FF and a median of \$1,843/FF. We considered each of the five sales as being reflective of the market and considered increasing development land costs due to increases in material (especially concrete) and labor which has increased the cost to develop a property similar to the subject by 20-30% in the past year. We conclude that the retail market value of the **improved 70' residential lots is \$1825/FF, or \$127,750/Lot.**

Lot Type	Total Lots	Projected Completion Date	Concluded Retail Value Per Lot
70' Detached Lots	25	January 1, 2024	\$127,750

Next, we will analyze the retail market value of the 80' improved lots within Heath Club MMD IA #3.

MAP OF COMPARABLE LOT SALES –80’ LOTS



Subject: Heath Club MMD IA #3, Heath, TX 75126

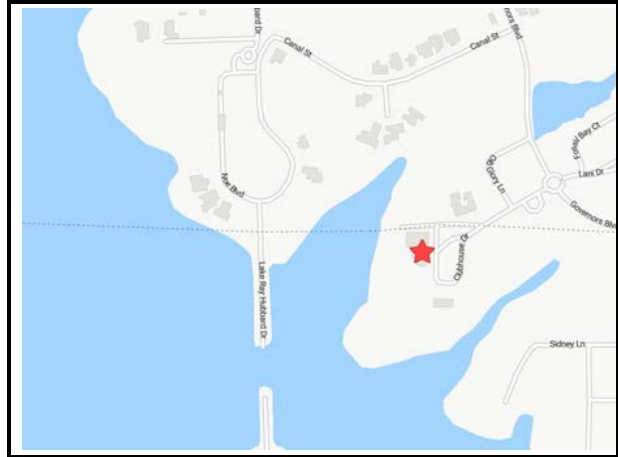
We selected the best and most recent comparable lot sales for our analysis of the 80-FF lots. Our five comparable sales are shown below:

SUMMARY OF LOT SALES - 80' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Heath Club MMD, Phase 1A	Heath	Heath	Sept-2022	Sept-2022	\$280,000	80	\$ 3,500
2	Bluewood	Celina	Celina	Mar-2021	Mar-2021	\$87,515	74	\$ 1,183
3	Cambridge Crossing	Celina	Celina	Feb-2021	Feb-2021	\$118,141	74	\$ 1,597
4	Mustang Lakes	Celina	Prosper	Feb-2021	Feb-2021	\$125,504	74	\$ 1,696
5	Lilyana	Celina	Prosper	May-2021	May-2021	\$92,752	74	\$ 1,253
Subject	Heath Club MMD; IA #3	Heath	Rockwall	-	-	-	80	-

SALE COMPARABLE 1 – 80' LOTS



Comparable 1 Aerial



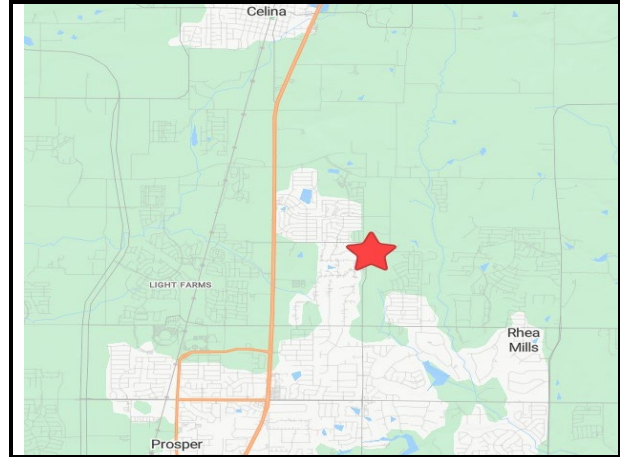
Comparable 1 Map

80-FF Sale Comparable 1						
Property Information						
Subdivision Name	Heath Club MMD, Phase 1A					
Property Class	Residential Lot					
Address	1711 Canal Court, Heath					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	13,068	SF	0.30	Acres	80-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	Sept-2022					
Seller	James & Renate Sanders					
Buyer	Faisal Khan					
Sale Price	\$280,000					
Price per SF Land	\$21.43					
Price per Front Foot	\$3,500					

SALE COMPARABLE 2 – 80' LOTS



Comparable 2 Aerial



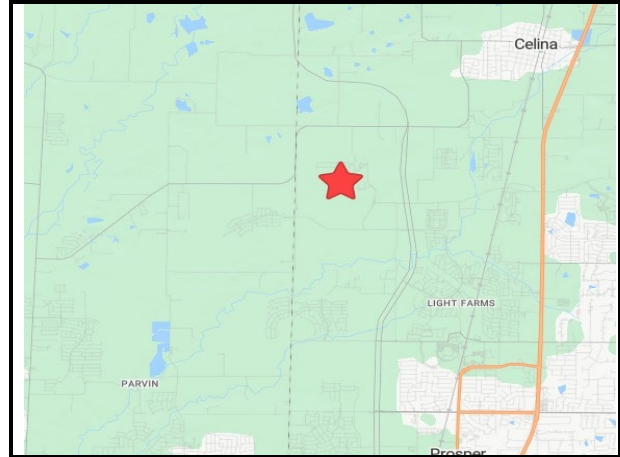
Comparable 2 Map

80-FF Sale Comparable 2						
Property Information						
Subdivision Name	Bluewood					
Property Class	Residential Lot					
Address	3328 Puffin Lane, Celina					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	8,510	SF	0.20	Acres	74-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	Mar-2021					
Seller	Bluewood Phase 4, LLC					
Buyer	First Texas Homes, Inc					
Sale Price	\$87,515					
Price per SF Land	\$10.28					
Price per Front Foot	\$1,183					

SALE COMPARABLE 3 – 80' LOTS



Comparable 3 Aerial



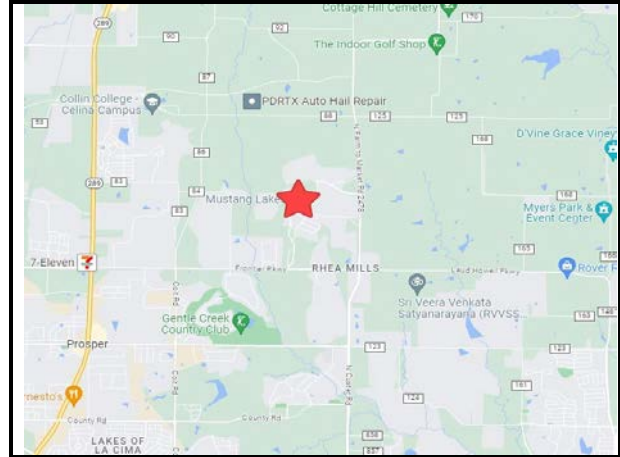
Comparable 3 Map

80-FF Sale Comparable 3						
Property Information						
Subdivision Name	Cambridge Crossing					
Property Class	Residential Lot					
Address	South side of Camden Court, southeast of Coventry Drive					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	8,880	SF	0.20	Acres	74-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	Feb-2021					
Seller	Tollway/Outer Loop, LP					
Buyer	Highland Homes - Dallas LLP					
Sale Price	\$118,141					
Price per SF Land	\$13.30					
Price per Front Foot	\$1,597					

SALE COMPARABLE 4 – 80' LOTS



Comparable 4 Aerial



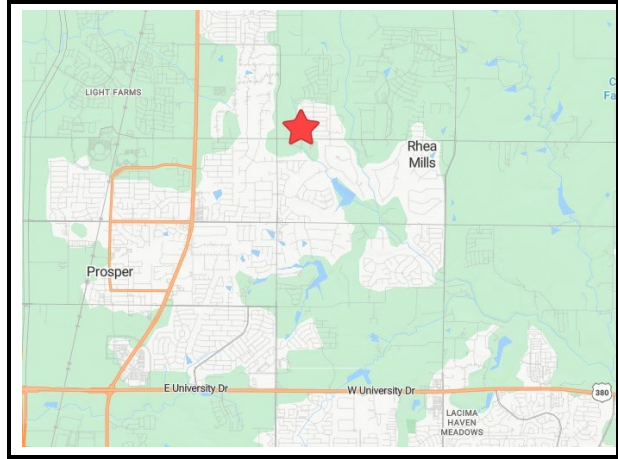
Comparable 4 Map

80-FF Sale Comparable 4						
Property Information						
Subdivision Name	Mustang Lakes					
Property Class	Residential Lot					
Address	East side of Sable Falls Way, south of Ownsby Parkway					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	10,360	SF	0.24	Acres	74-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	Feb-2021					
Seller	Celina 682 Partners, LP					
Buyer	Highland Homes - Dallas, LP					
Sale Price	\$125,504					
Price per SF Land	\$12.11					
Price per Front Foot	\$1,696					

SALE COMPARABLE 5 – 80' LOTS



Comparable 5 Aerial



Comparable 5 Map

80-FF Sale Comparable 5						
Property Information						
Subdivision Name	Lilyana					
Property Class	Residential Lot					
Address	East side of Indian Grass Lane, west of Wells Road (CR-84)					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	9,620	SF	0.22	Acres	74-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	May-2021					
Seller	Lilyana Phase 3, LLC					
Buyer	M/I Homes of DFW, LLC					
Sale Price	\$92,752					
Price per SF Land	\$9.64					
Price per Front Foot	\$1,253					

SALES ADJUSTMENT COMPARISON GRID –80’ LOTS

<i>Subdivision</i>	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
	Heath Club MMD; IA #3	Heath Club MMD, Phase 1A	Bluewood	Cambridge Crossing	Mustang Lakes	Lilyana
	Heath	Heath	Celina	Celina	Celina	Celina
<i>Transactional Adjustments</i>						
Sales Price/FF		\$3,500	\$1,183	\$1,597	\$1,696	\$1,253
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$3,500	\$1,183	\$1,597	\$1,696	\$1,253
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$3,500	\$1,183	\$1,597	\$1,696	\$1,253
Conditions of Sale		-25%	0%	0%	0%	0%
Sales Price/FF		\$2,625	\$1,183	\$1,597	\$1,696	\$1,253
Expenditures After Purchase		0%	0%	0%	0%	0%
Sales Price/FF		\$2,625	\$1,183	\$1,597	\$1,696	\$1,253
Time/Market Conditions		7%	14%	15%	15%	13%
ADJUSTED Price/FF:		\$2,809	\$1,348	\$1,836	\$1,950	\$1,416
<i>Physical Adjustments</i>						
Location/Access	SWQ Laurence Dr. & FM-740 S, Heath	0%	-10%	-10%	-10%	-10%
Amenities	Amenity Ctr, pool, golf, tennis, fitness ctr, trails, volleyball, boat slips, on- site elementary	0%	8%	0%	0%	8%
Size	80-FF	0%	4%	4%	4%	4%
Topography/View	Zone X/Improved Lots	-5%	0%	0%	0%	0%
Zoning	Planned Development District	0%	0%	0%	0%	0%
<i>Total Net Physical Adj. After Transactional Adj.</i>		-5%	2%	-6%	-6%	2%
ADJUSTED Price/FF:		\$2,668	\$1,375	\$1,726	\$1,833	\$1,445
SUMMARY OF COMPARABLE VALUES						
Value Range/FF		\$1,375	to	\$2,668		
Average Value/FF		\$1,809				
Median Value/FF		\$1,726				
Size		80-FF				
Unit Value Indication		\$1800/FF				
Overall Value Indication		\$144,000				
<i>Rounded</i>		\$144,000				

ANALYSIS OF ADJUSTMENTS –80' LOTS

Our research of comparable lot sales leads us to the determination that there are ample recent transactions within the last few years involving similar properties within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,183 per front foot to \$3,500 per front foot with all Sales being between 74-FF to 80-FF lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms

Each of the comparable sales were sold as fee simple interests, and sales were transferred in cash equivalency; thus, no adjustments are made for these two factors.

Conditions of Sale

Typically, in a master-planned residential community like the subject, residential lots are sold in bulk sale from the developer to builders thereby discounting the sales prices to the builder-buyers. Sale 1 was sold as a re-sale from an individual (non-developer) via the Multiple Listing Service (MLS) and was not a bulk sale; thus Sale 1 warranted an adjustment of -25%. Sales 2-5 were sold under typical sale conditions directly from the developer; thus, no adjustments are made for Conditions of Sale for Sales 2-5.

Expenditures After Purchase

Typically, in a master-planned residential community like the subject, municipalities will require impact fees paid for water, sewer, and roadway. These fees will be the responsibility of the homebuilder rather than the developer. Since purchasers of other lots would typically be expected to pay water, sewer, and roadway impact/connection fees, these are not considered atypical and are not included in our analysis.

Time/Market Conditions

The residential real estate market increased significantly in 2020 through 2022 but now appears to be cooling following ten interest rate increases by the Federal Reserve that has raised mortgage rates by 533 basis points in Aug 2023. Price increases from 2020 to 2022 occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Homebuilders absorbed lots well above the historical norm during this period. Development costs also rose significantly beginning in 2021 as supply chains were disrupted due to the COVID-19 Pandemic, the cost of labor rose, and inflation hit its highest level in decades. We also considered that according to data from Metrostudy there is a significant shortage of 80-FF vacant developed lots in this market which has driven prices higher even as demand for finished homes has recently diminished.

Considering the residential market data and price increases for recent platted and developed residential lot sales throughout the Metroplex and specifically along the Interstate-30 Corridor which were necessitated based off supply and demand as well as development costs, we believe a market conditions adjustment of 5% year-over-year (YoY) increase throughout 2021, 2022, and for the first three quarters of 2023 is warranted and supported

for residential developed lots for sale in platted subdivisions, due to the time it takes to get all the city entitlements approved and engineer and zoning costs paid. Platted developed lots on the ground have a faster market sale value increase than would raw land sold for this use. Based on the preceding, each of the comparable lot sales have been adjusted positively between 7% and 15% for Market Conditions depending on the sale date.

Physical Adjustments

Location/Access

The subject property is located just 25 miles east of Downtown Dallas in the City of Heath. The City of Heath is an upscale lakeside community with parks & recreation, golf courses and city-sponsored entertainment venues. Situated over 12 square miles on the Eastern shore of Lake Ray Hubbard, Heath is one of the fastest-growing cities in Rockwall and Kaufman Counties. Strategic development has helped retain the highly desired rural area with views of rolling hills and pastures, horses and cattle, sail boats skimming the lake, and the Dallas skyline. The subject property is located approximately 5 miles from Interstate 30 to the north, and approximately 5 miles from US-80 to the south, making access easy for travelers to enter and exit the city. The area around the subject is primarily new residential development and undeveloped rural land. Accessibility is considered average for this area.

The subject property feeds into the Rockwall Independent School District (ISD) which has an “A” rating by the Texas Education Agency (TEA). The city is served by Dorothy Smith Pullen Elementary School, Amy Parks-Heath Elementary School, Linda Lyons Elementary School, Maurine Cain Middle School, and Rockwall Heath High School. Location is considered above average based on the school ratings and access to Lake Ray Hubbard. We have made the following adjustments for Location/Access:

- Sale 1: Similar; Located in Heath, and feeds into the Heath ISD which has an “A” rating and considered to be a similar ISD; Adjusted 0%
- Sale 2: Superior; Located in Celina. This portion of Celina feeds into Celina ISD which has an “A” rating and considered to be a similar ISD, however, Sale 2 is considered superior due to the property being within the expansion of the Dallas North Tollway Corridor with superior access to the DFW metroplex; Adjusted -10%
- Sale 3: Superior; Located in Celina. This portion of Celina feeds into the Celina ISD which has an “A” rating and considered to be a similar ISD, however, Sale 2 is considered superior due to the property being within the expansion of the Dallas North Tollway Corridor with superior access to the DFW metroplex; Adjusted -10%
- Sale 4: Superior; Located in Celina. This portion of Celina feeds into the Prosper ISD which has an “A” rating and considered to be a similar ISD, however, Sale 2 is considered superior due to the property being within the expansion of the Dallas North Tollway Corridor with superior access to the DFW metroplex; Adjusted -10%
- Sale 5: Superior; Located in Celina. This portion of Celina feeds into the Prosper ISD which has an “A” rating and considered to be a similar ISD, however, Sale 2 is considered superior due to the property being within the expansion of the Dallas North Tollway Corridor with superior access to the DFW metroplex; Adjusted -10%

Amenities

The subject property’s amenities will consist of lake access, boat slips, multiple parks, tennis courts, golf courses, volleyball courses, fitness center, a club house, and an on-site elementary school. The subject’s amenities are considered upscale for a master planned community the size of Heath Club MMD IA #3 development being built-out with 427 residential lots. We have made the following adjustments for Amenities:

- Sale 1: Similar; Heath Club MMD, Phase 1A Subdivision, which has the same amenities as the subject;

Heath Club Municipal Management District No. 1; Improvement Area #3

Adjusted 0%

- Sale 2: Inferior; Bluewood Subdivision, which has fewer amenities such as trails, a pool, cabanas, and an on-site elementary school; Adjusted + 8%
- Sale 3: Similar; Cambridge Crossing Subdivision, which has similar amenities, such as seven fully-stocked fishing ponds, 6,700-SF amenity center, fitness center, pickleball courts, half-court basketball, 8-miles of trails, playground, lap pool, resort-style pool, cabanas, event lawn, and a future amenity center; Adjusted 0%
- Sale 4: Similar; Mustang Lakes Subdivision, which has similar amenities such as front yard maintenance included with the HOA fees, a 5-acre stocked lake with an island, fishing deck, junior Olympic pool, resort and tot pool with waterfalls, tennis and basketball courts, an amphitheater, 18 miles of trails, and a playground; Adjusted 0%
- Sale 5: Inferior; Lilyana Subdivision, which has fewer amenities such as 50-acres of green space, multiple parks, miles of trails, pool, outdoor kitchen and a pavilion; adjusted + 8%

Size

Due to economies of scale, smaller lots are expected to sell for a higher price per unit (foot frontage). Sales 2-5 are slightly smaller at 74-FF each. An adjustment of + 4% was applied to Sales 2-5 for Size. Sale 1 is also an 80' lot that can accommodate the same building pad, so no adjustment is made for Size to Sale 1.

Topography/View

The subject and the comparable Sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for Topography on Sales 1-5. Additionally, Sales 2-5 are located on recently developed former agricultural land that is generally lacking remarkable views due to the basically level topography; thus, there is no adjustment needed for View on these sales. However sale 1 (Phase 1 of Heath Club MMD) does have superior views as it has unobstructed views of Lake Ray Hubbard, so a -5% adjustment was made to Sale 1 for superior view.

Zoning

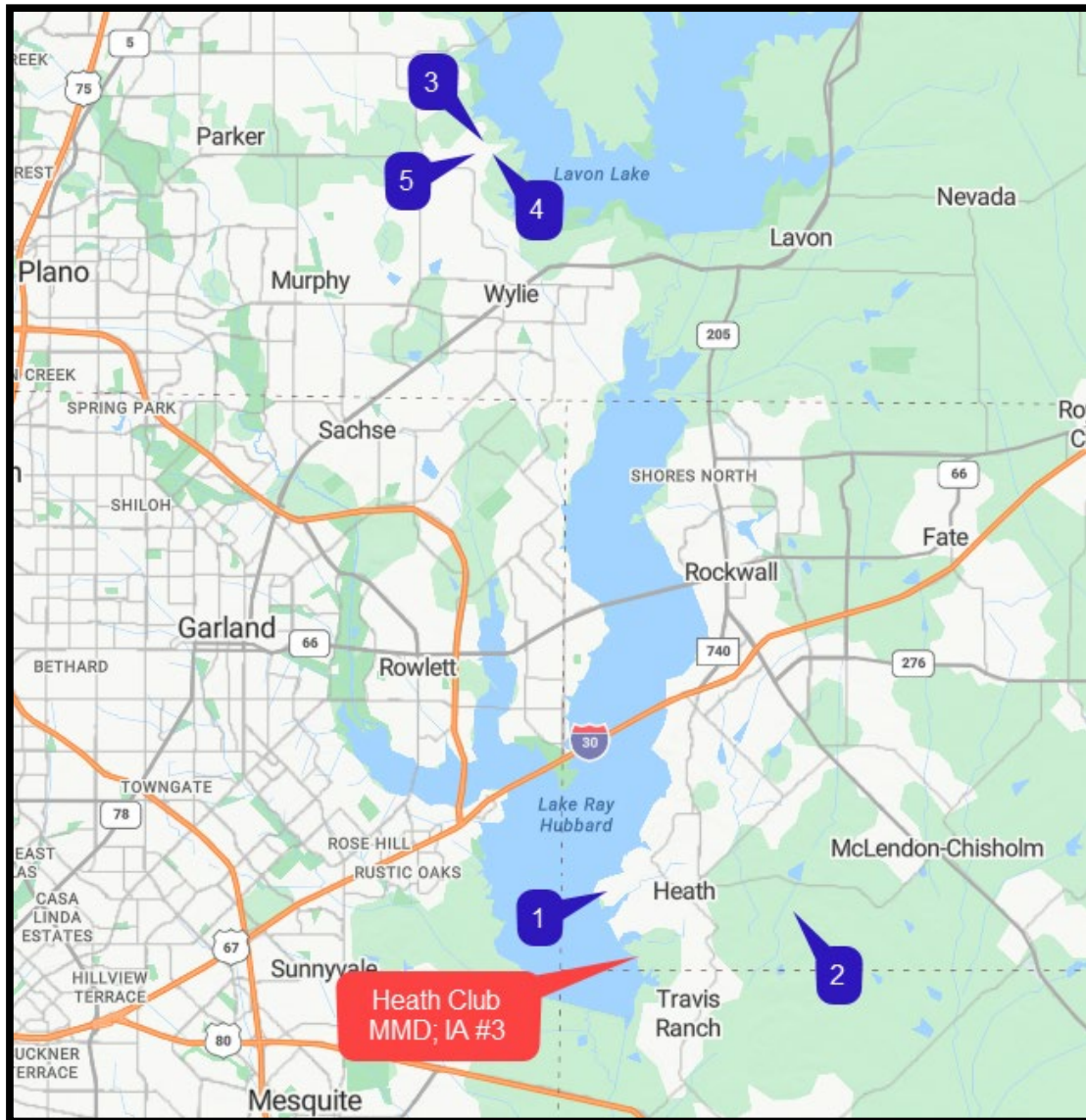
The subject property is in a planned development and each of the comparable sales are in planned developments with residential subdivision zoning for similar sized residential lots; thus, no adjustment is made for Zoning.

Conclusion for 80' Lots – The 80' Lot Sales have an adjusted range of \$1,375/FF to \$2,668/FF with an average of \$1,809/FF and a median of \$1,726/FF. We considered each of the five sales as being reflective of the market and considered increasing development land costs due to increases in material (especially concrete) and labor which has increased the cost to develop a property similar to the subject by 20-30% in the past year. We conclude that the retail market value of the **improved 80' residential lots is \$1800/FF, or \$144,000/Lot.**

Lot Type	Total Lots	Projected Completion Date	Concluded Retail Value Per Lot
80' Detached Lots	107	January 1, 2024	\$144,000

Next, we will analyze the retail market value of the 90' improved residential lots within Heath Club MMD IA #3.

MAP OF COMPARABLE LOT SALES –90’ LOTS

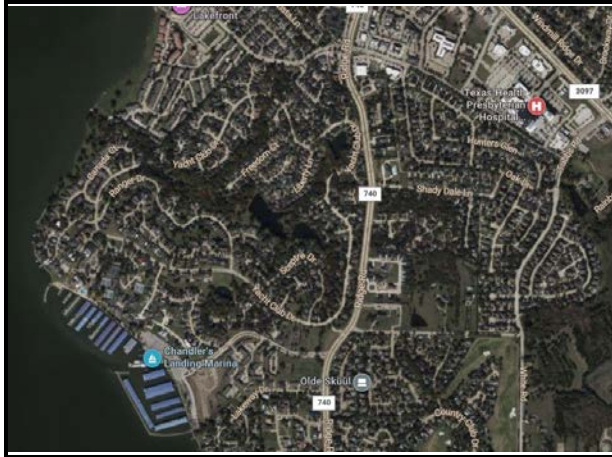


Subject: Heath Club MMD IA #3, Heath, TX 75126

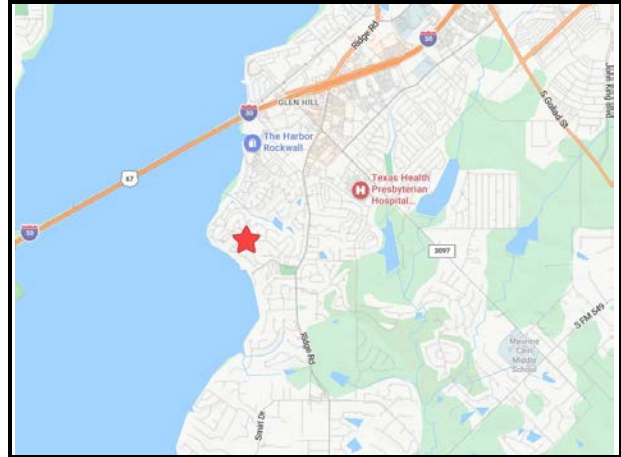
We selected the best and most recent comparable lot sales for our analysis of the 90-FF lots. Our five comparable sales are shown below:

SUMMARY OF LOT SALES - 90' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Chandlers Landing	Rockwall	Rockwall	Aug-2023	Aug-2023	\$300,000	90	\$ 3,333
2	Sonoma Verde	McLendon-Chisholm	Rockwall	Feb-2022	Feb-2022	\$100,500	100	\$ 1,005
3	Inspiration	St Paul	Wylie	Feb-2022	Mar-2022	\$220,000	88	\$ 2,500
4	Inspiration	St Paul	Wylie	Jan-2022	July-2021	\$220,000	88	\$ 2,500
5	Inspiration	St Paul	Wylie	Nov-2021	Feb-2022	\$220,000	88	\$ 2,500
Subject	Heath Club MMD; IA #3	Heath	Rockwall	-	-	-	90	-

SALE COMPARABLE 1 – 90' LOTS



Comparable 1 Aerial



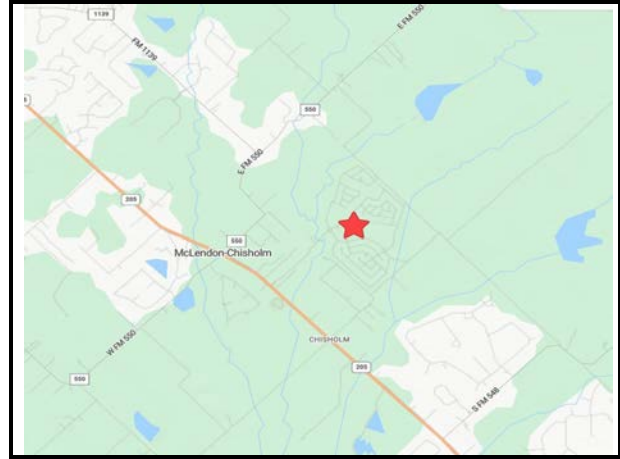
Comparable 1 Map

90-FF Sale Comparable 1						
Property Information						
Subdivision Name	Chandlers Landing					
Property Class	Residential Lot					
Address	333 Yacht Club Drive, Rockwall					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	11,456	SF	0.26	Acres	90-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	August - 2023					
Seller	Elite Dev Group Services LLC					
Buyer	Anthony J Branco					
Sale Price	\$300,000					
Price per SF Land	\$26.19					
Price per Front Foot	\$3,333					

SALE COMPARABLE 2 – 90' LOTS



Comparable 2 Aerial



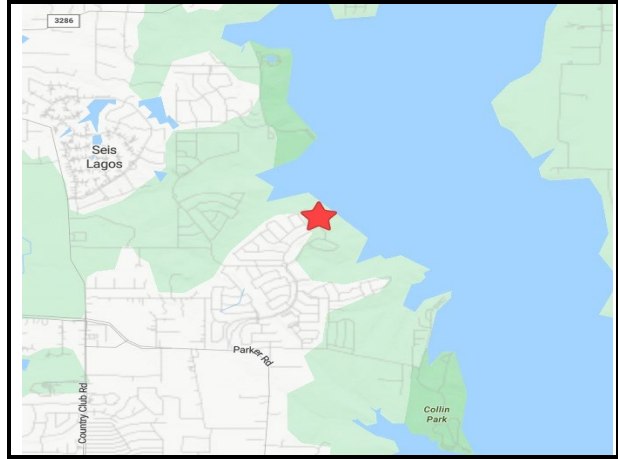
Comparable 2 Map

90-FF Sale Comparable 2						
Property Information						
Subdivision Name	Sonoma Verde					
Property Class	Residential Lot					
Address	Southwest quadrant of Via Toscana Lane and Ripasso Way					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	20,000	SF	0.46	Acres	100-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	April-2022					
Seller	Land Solutions SV, LLC					
Buyer	Perry Homes, LLC					
Sale Price	\$100,500					
Price per SF Land	\$5.03					
Price per Front Foot	\$1,005					

SALE COMPARABLE 3 – 90' LOTS



Comparable 3 Aerial



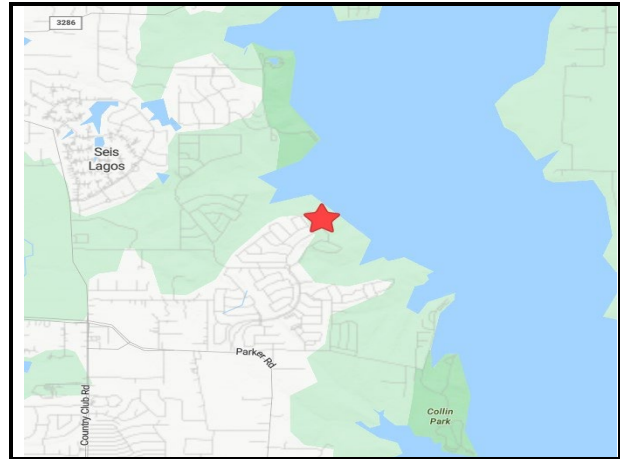
Comparable 3 Map

90-FF Sale Comparable 3						
Property Information						
Subdivision Name	Inspiration					
Property Class	Residential Lot					
Address	1326 Azure Pearl Trail, St Paul					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	12,327	SF	0.28	Acres	88-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	February - 2022/March - 2022					
Seller	St Paul Inspiration LLC					
Buyer	Greenbriar Homes LLC					
Sale Price	\$220,000					
Price per SF Land	\$17.85					
Price per Front Foot	\$2,500					

SALE COMPARABLE 4 – 90' LOTS



Comparable 4 Aerial



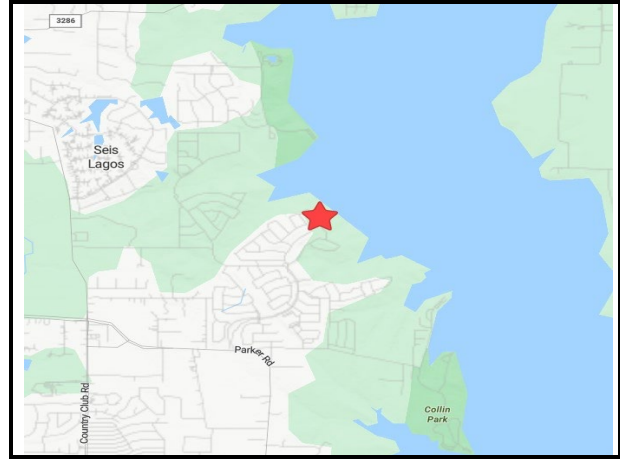
Comparable 4 Map

90-FF Sale Comparable 4						
Property Information						
Subdivision Name	Inspiration					
Property Class	Residential Lot					
Address	1322 Azure Pearl Trail, St Paul					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	12,372	SF	0.28	Acres	88-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	January - 2021/July - 2022					
Seller	St Paul Inspiration LLC					
Buyer	Sami Bouaazzi					
Sale Price	\$220,000					
Price per SF Land	\$17.78					
Price per Front Foot	\$2,500					

SALE COMPARABLE 5 – 90’ LOTS



Comparable 5 Aerial



Comparable 5 Map

90-FF Sale Comparable 5						
Property Information						
Subdivision Name	Inspiration					
Property Class	Residential Lot					
Address	1318 Azure Pearl Trail, St Paul					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	12,372	SF	0.28	Acres	88-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	November - 2021/February - 2022					
Seller	St Paul Inspiration Llc					
Buyer	Koh Davd & Jenniffer Trust					
Sale Price	\$220,000					
Price per SF Land	\$17.78					
Price per Front Foot	\$2,500					

SALES ADJUSTMENT COMPARISON GRID –90’ LOTS

<i>Subdivision</i>	Heath Club MMD; IA #3	Chandlers Landing	Sonoma Verde	Inspiration	Inspiration	Inspiration
	Heath	Rockwall	McLendon-Chisholm	St Paul	St Paul	St Paul
<i>Transactional Adjustments</i>						
Sales Price/FF		\$3,333	\$1,005	\$2,500	\$2,500	\$2,500
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$3,333	\$1,005	\$2,500	\$2,500	\$2,500
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$3,333	\$1,005	\$2,500	\$2,500	\$2,500
Conditions of Sale		-25%	0%	-25%	-25%	-25%
Sales Price/FF		\$2,500	\$1,005	\$1,875	\$1,875	\$1,875
Expenditures After Purchase		0%	0%	0%	0%	0%
Sales Price/FF		\$2,500	\$1,005	\$1,875	\$1,875	\$1,875
Time/Market Conditions		2%	10%	10%	10%	11%
ADJUSTED Price/FF:		\$2,550	\$1,106	\$2,063	\$2,063	\$2,081
<i>Physical Adjustments</i>						
Location/Access	SWQ Laurence Dr. & FM-740 S, Heath	0%	0%	0%	0%	0%
Amenities	Amenity Ctr, pool, golf, tennis, fitness ctr, trails, volleyball, boat slips, on-site elementary	-15%	6%	-12%	-12%	-12%
Size	90-FF	0%	3%	0%	0%	0%
Topography/View	Zone X/Improved Lots	0%	0%	0%	0%	0%
Zoning	Planned Development District	0%	0%	0%	0%	0%
Total Net Physical Adj. After Transactional Adj.		-15%	9%	-12%	-12%	-12%
ADJUSTED Price/FF:		\$2,168	\$1,205	\$1,815	\$1,815	\$1,832
SUMMARY OF COMPARABLE VALUES						
Value Range/FF		\$1,205	to	\$2,168		
Average Value/FF		\$1,767				
Median Value/FF		\$1,815				
Size		90-FF				
Unit Value Indication		\$1800/FF				
Overall Value Indication		\$162,000				
Rounded		\$162,000				

ANALYSIS OF ADJUSTMENTS –90’ LOTS

Our research of comparable lot sales leads us to the determination that there are ample recent transactions within the last few years involving similar properties within the subject’s general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,005 per front foot to \$3,333 per front foot with all Sales being between 88-FF to 100-FF lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms

Each of the comparable sales were sold as fee simple interests, and sales were transferred in cash equivalency; thus, no adjustments are made for these two factors.

Conditions of Sale

Typically, in a master-planned residential community like the subject, residential lots are sold in bulk sale from the developer to builders thereby discounting the sales prices to the builder-buyers. Sales 1, 3, 4, and 5 were sold by the developer via the Multiple Listing Service (MLS) and were not sold in bulk to a builder; thus Sales 1, 3, 4, and 5 warranted an adjustment of -25% each for Conditions of Sale. Sale 2 was sold under typical sale conditions directly from the developer; thus, no adjustments are made for Conditions of Sale for Sale 2.

Expenditures After Purchase

Typically, in a master-planned residential community like the subject, municipalities will require impact fees paid for water, sewer, and roadway. These fees will be the responsibility of the homebuilder rather than the developer. Since purchasers of other lots would typically be expected to pay water, sewer, and roadway impact/connection fees, these are not considered atypical and are not included in our analysis.

Time/Market Conditions

The residential real estate market increased significantly in 2020 through 2022 but now appears to be cooling following ten interest rate increases by the Federal Reserve that has raised mortgage rates by 533 basis points in Aug 2023. Price increases from 2020 to 2022 occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Homebuilders absorbed lots well above the historical norm during this period. Development costs also rose significantly beginning in 2021 as supply chains were disrupted due to the COVID-19 Pandemic, the cost of labor rose, and inflation hit its highest level in decades. We also considered that according to data from Metrostudy there is a significant shortage of 90-FF vacant developed lots in this market which has driven prices higher even as demand for finished homes has recently diminished.

Considering the residential market data and price increases for recent platted and developed residential lot sales throughout the Metroplex and specifically along the Interstate-30 Corridor which were necessitated based off supply and demand as well as development costs, we believe a market conditions adjustment of + 5% year-over year (YoY) increase throughout 2021, 2022, and for the first three quarters of 2023 is warranted and supported

for residential developed lots for sale in platted subdivisions, due to the time it takes to get all the city entitlements approved and engineer and zoning costs paid. Platted developed lots on the ground have a faster market sale value increase than would raw land sold for this use. Based on the preceding, each of the comparable lot sales have been adjusted positively between 2% and 11% for Market Conditions depending on the sale date.

Physical Adjustments

Location/Access

The subject property is located just 25 miles east of Downtown Dallas in the City of Heath. The City of Heath is an upscale lakeside community with parks & recreation, golf courses and city-sponsored entertainment venues. Situated over 12 square miles on the Eastern shore of Lake Ray Hubbard, Heath is one of the fastest-growing cities in Rockwall and Kaufman Counties. Strategic development has helped retain the highly desired rural area with views of rolling hills and pastures, horses and cattle, sail boats skimming the lake, and the Dallas skyline. The subject property is located approximately 5 miles from Interstate 30 to the north, and approximately 5 miles from US-80 to the south, making access easy for travelers to enter and exit the city. The area around the subject is primarily new residential development and undeveloped rural land. Accessibility is considered average for this area.

The subject property feeds into the Rockwall Independent School District (ISD) which has an “A” rating by the Texas Education Agency (TEA). The city is served by Dorothy Smith Pullen Elementary School, Amy Parks-Heath Elementary School, Linda Lyons Elementary School, Maurine Cain Middle School, and Rockwall Heath High School. Location is considered above average based on the school ratings and access to Lake Ray Hubbard. We have made the following adjustments for Location/Access:

- Sale 1: Similar; Located in Rockwall, which has similar access to commercial uses and feeds into the Rockwall ISD; Adjusted 0%
- Sale 2: Similar; Located in McLendon-Chisholm, which has similar access to commercial uses and feeds into Rockwall ISD; Adjusted 0%
- Sale 3: Similar; Located in St Paul, which has similar access to commercial uses and feeds into the Wylie ISD which has an “A” rating and considered to be a similar ISD; Adjusted 0%
- Sale 4: Similar; Located in St Paul, which has similar access to commercial uses and feeds into the Wylie ISD which has an “A” rating and considered to be a similar ISD; Adjusted 0%
- Sale 5: Similar; Located in St Paul, which has similar access to commercial uses and feeds into the Wylie ISD which has an “A” rating and considered to be a similar ISD; Adjusted 0%

Amenities

The subject property’s amenities will consist of lake access, boat slips, multiple parks, tennis courts, golf courses, volleyball courses, fitness center, a club house, and an on-site elementary school. The subject’s amenities are considered upscale for a master planned community the size of Heath Club MMD IA #3 development being built-out with 427 residential lots. We have made the following adjustments for Amenities:

- Sale 1: Superior; Chandlers Landing Subdivision, which has superior amenities such as 24-hour on-site security, 4 fishing ponds, 2 community pools, 2 tennis courts, playgrounds, basketball courts, walking trails, greenbelt, on-site restaurant/bar, community center, lake and marina access; Adjusted -15%
- Sale 2: Inferior; Sonoma Verde Subdivision, which has fewer amenities such as a resort-style pool with lap lanes, trails, sand volleyball, basketball court, and parks; Adjusted + 6%
- Sale 3: Superior; Inspiration Subdivision, which has superior amenities, such as 4 resort-style pools, a lazy river, snack bar, playgrounds, fitness center, amenity center, sports fields, fishing ponds, trail system, putting green, sand volleyball, dog park, and frontage to Lake Lavan; Adjusted -12%

Heath Club Municipal Management District No. 1; Improvement Area #3

- Sale 4: Superior; Inspiration Subdivision, which has superior amenities, such as 4 resort-style pools, a lazy river, snack bar, playgrounds, fitness center, amenity center, sports fields, fishing ponds, trail system, putting green, sand volleyball, dog park, and frontage to Lake Lavon; Adjusted -12%
- Sale 5: Superior; Inspiration Subdivision, which has superior amenities, such as 4 resort-style pools, a lazy river, snack bar, playgrounds, fitness center, amenity center, sports fields, fishing ponds, trail system, putting green, sand volleyball, dog park, and frontage to Lake Lavon; adjusted -12%

Size

Due to economies of scale, smaller lots are expected to sell for a higher price per unit (foot frontage). Sale 1 is a 90' lot that can accommodate the same building pad, so no adjustment is made for Size to Sale 1. Sale 2 was 100-FF. An adjustment of + 3% was applied for Size to Sale 2. Sales 3, 4, and 5 are slightly smaller at 88-FF, however, these Sales are considered similar to the subject, thus, no adjustment was applied to Sales 3, 4, and 5 for Size.

Topography/View

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for Topography. Additionally, each of the comparable sales are located on recently developed former agricultural land that is generally lacking remarkable views due to the basically level topography; thus, there is no adjustment needed for View.

Zoning

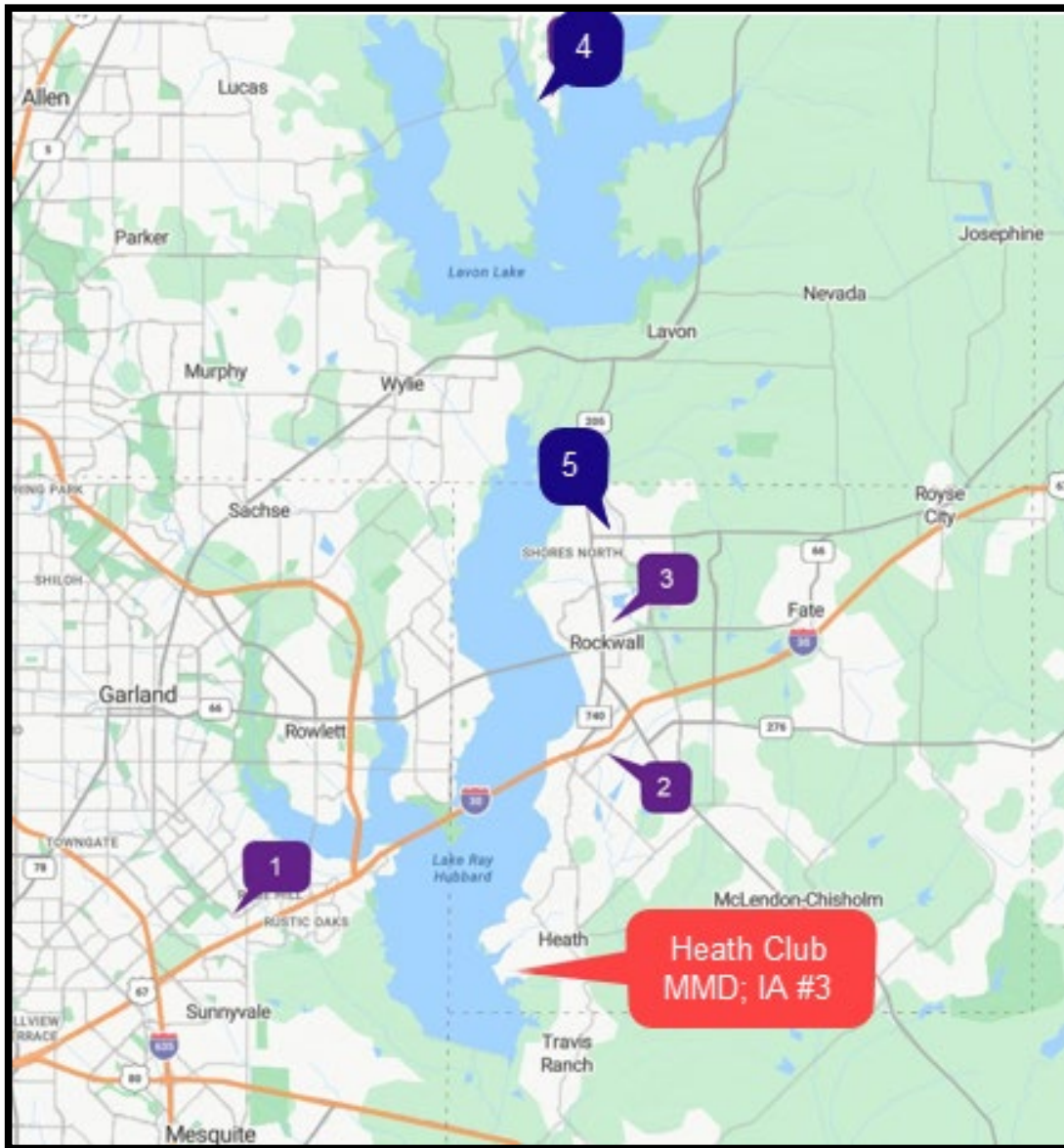
The subject property is in a planned development and each of the comparable sales are in planned developments with residential subdivision zoning for similar sized residential lots; thus, no adjustment is made for Zoning.

Conclusion for 90' Lots – The 90' Lot Sales have an adjusted range of \$1,205/FF to \$2,168/FF with an average of \$1,767/FF and a median of \$1,815/FF. We considered each of the five sales as being reflective of the market and considered increasing development land costs due to increases in material (especially concrete) and labor which has increased the cost to develop a property similar to the subject by 20-30% in the past year. We conclude that the retail market value of the **improved 90' lots is \$1800/FF, or \$162,000/Lot.**

Lot Type	Total Lots	Projected Completion Date	Concluded Retail Value Per Lot
90' Detached Lots	83	January 1, 2024	\$162,000

Next, we will analyze the retail market value of the 100' improved residential lots within Heath Club MMD IA #3.

MAP OF COMPARABLE LOT SALES –100’ LOTS

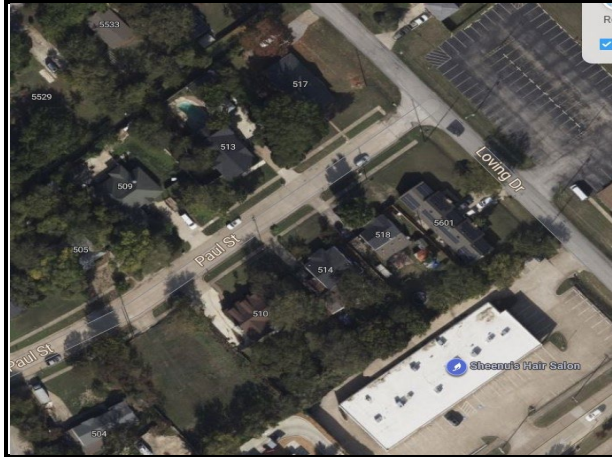


Subject: Heath Club MMD IA #3, Heath, TX 75126

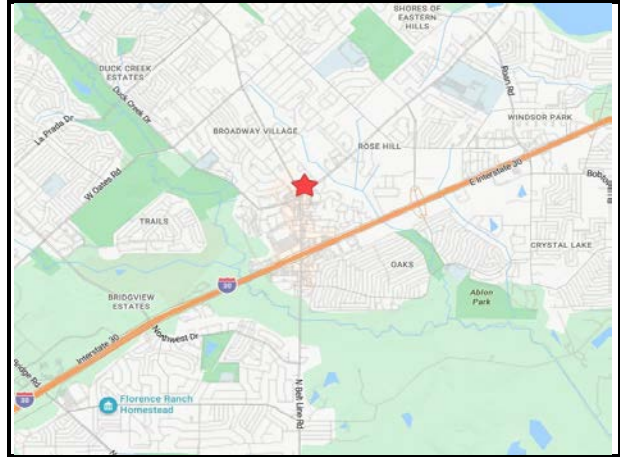
We selected the best and most recent comparable lot sales for our analysis of the 100-FF lots. Our five comparable sales are shown below:

SUMMARY OF LOT SALES - 100' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Cox Paul Street Addition	Garland	Garland	Aug-2023	Sept-2023	\$115,000	100	\$ 1,150
2	Heath Crossing	Heath	Rockwall	July-2023	July-2023	\$255,000	97	\$ 2,629
3	Lowe & Allen	Rockwall	Rockwall	July-2022	July-2022	\$157,000	109	\$ 1,440
4	Lavon Shores	Princeton	Princeton	May-2021	June-2021	\$200,000	109	\$ 1,835
5	Breezy Hill	Rockwall	Rockwall	May-2020	May-2020	\$115,500	100	\$ 1,155
Subject	Heath Club MMD; IA #3	Heath	Rockwall	-	-	-	100	-

SALE COMPARABLE 1 – 100' LOTS



Comparable 1 Aerial



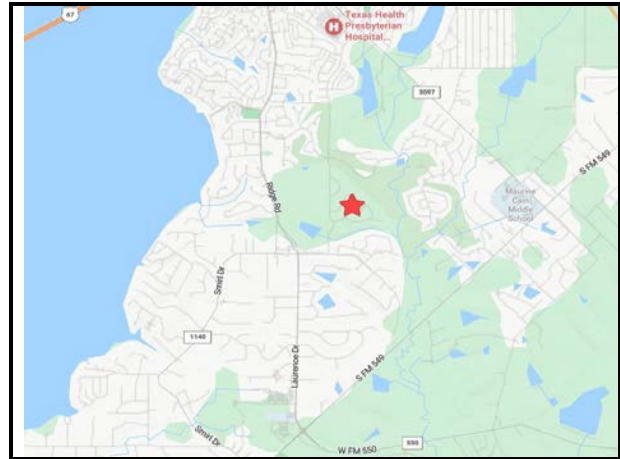
Comparable 1 Map

100-FF Sale Comparable 1						
Property Information						
Subdivision Name	Cox Paul Street Addition					
Property Class	Residential Lot					
Address	504 Paul Street, Garland					
County	Dallas					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	14,113	SF	0.32	Acres	100-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	May-2023					
Seller	Estex Homes Inc					
Buyer	Jose D M Ramirez					
Sale Price	\$115,000					
Price per SF Land	\$8.15					
Price per Front Foot	\$1,150					

SALE COMPARABLE 2 – 100' LOTS



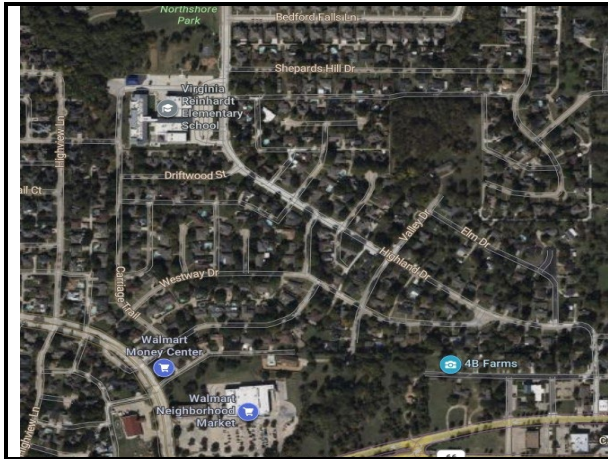
Comparable 2 Aerial



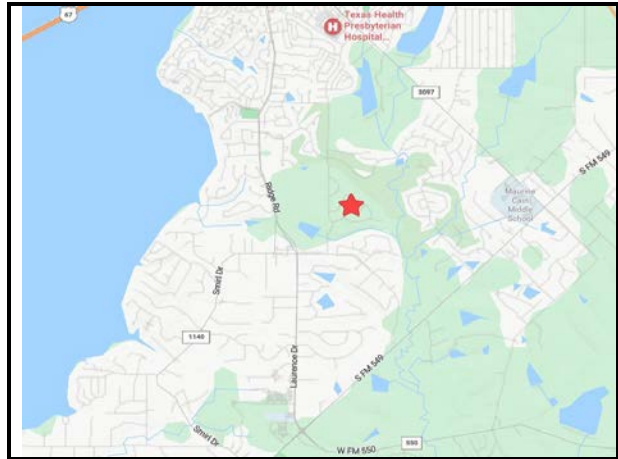
Comparable 2 Map

100-FF Sale Comparable 2						
Property Information						
Subdivision Name	Heath Crossing					
Property Class	Residential Lot					
Address	129 Sawgrass Drive, Heath					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	14,985	SF	0.34	Acres	97-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	May-2023					
Seller	Lindsey & Cory Fleck					
Buyer	Lcrp LP					
Sale Price	\$255,000					
Price per SF Land	\$17.02					
Price per Front Foot	\$2,629					

SALE COMPARABLE 3 – 100' LOTS



Comparable 3 Aerial



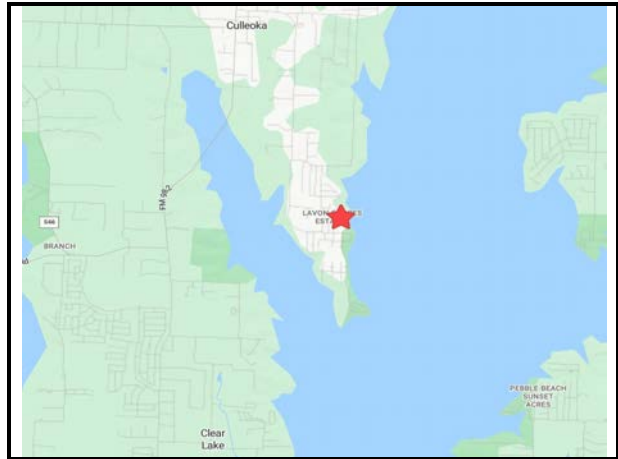
Comparable 3 Map

100-FF Sale Comparable 3						
Property Information						
Subdivision Name	Lowe & Allen					
Property Class	Residential Lot					
Address	508 West Kaufman Street, Rockwall					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	11,979	SF	0.28	Acres	109-FF	
Zoning Code	Planned Development					
Shape	Irregular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	July-2022					
Seller	Adair Amery W Trust					
Buyer	Dioselina & Paul Curbow					
Sale Price	\$157,000					
Price per SF Land	\$13.11					
Price per Front Foot	\$1,440					

SALE COMPARABLE 4 – 100' LOTS



Comparable 4 Aerial



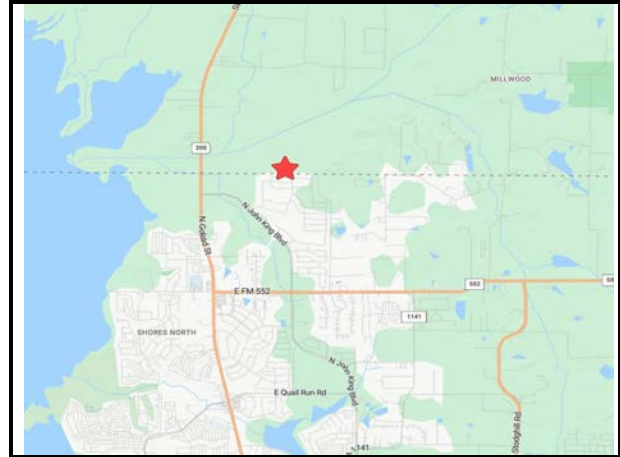
Comparable 4 Map

100-FF Sale Comparable 4						
Property Information						
Subdivision Name	Lavon Shores					
Property Class	Residential Lot					
Address	0000 County Road 895, Princeton					
County	Collin					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	17,947	SF	0.41	Acres	109-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	May-2021/June-2021					
Seller	Mary J & Paul D Hawthorne					
Buyer	Hua Yi Construction Inc					
Sale Price	\$200,000					
Price per SF Land	\$11.14					
Price per Front Foot	\$1,835					

SALE COMPARABLE 5 – 100' LOTS



Comparable 5 Aerial



Comparable 5 Map

100-FF Sale Comparable 5						
Property Information						
Subdivision Name	Breezy Hill					
Property Class	Residential Lot					
Address	648 Windy Ridge Lane, Rockwall					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	20,000	SF	0.46	Acres	100-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	May-2020					
Seller	BH Phase VI SF LTD					
Buyer	Windsor Homes Cumberland					
Sale Price	\$200,000					
Price per SF Land	\$10.00					
Price per Front Foot	\$1,155					

SALES ADJUSTMENT COMPARISON GRID –100’ LOTS

<i>Subdivision</i>	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
	Heath Club MMD; IA #3	Cox Paul Street Addition	Heath Crossing	Lowe & Allen	Lavon Shores	Breezy Hill
	Heath	Garland	Heath	Rockwall	Princeton	Rockwall
<i>Transactional Adjustments</i>						
Sales Price/FF		\$1,150	\$2,629	\$1,440	\$1,835	\$1,155
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$1,150	\$2,629	\$1,440	\$1,835	\$1,155
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$1,150	\$2,629	\$1,440	\$1,835	\$1,155
Conditions of Sale		-5%	-5%	-5%	-5%	0%
Sales Price/FF		\$1,093	\$2,497	\$1,368	\$1,743	\$1,155
Expenditures After Purchase		0%	0%	0%	0%	0%
Sales Price/FF		\$1,093	\$2,497	\$1,368	\$1,743	\$1,155
Time/Market Conditions		2%	3%	8%	13%	18%
ADJUSTED Price/FF:		\$1,114	\$2,572	\$1,478	\$1,970	\$1,363
<i>Physical Adjustments</i>						
Location/Access	SWQ Laurence Dr. & FM-740 S, Heath	5%	0%	-2%	5%	-2%
Amenities	Amenity Ctr, pool, golf, tennis, fitness ctr, trails, volleyball, boat slips, on- site elementary	15%	10%	15%	15%	6%
Size	100-FF	0%	0%	3%	3%	0%
Topography/View	Zone X/Improved Lots	0%	0%	0%	-5%	0%
Zoning	Planned Development District	0%	0%	0%	0%	0%
<i>Total Net Physical Adj. After Transactional Adj.</i>		20%	10%	16%	18%	4%
ADJUSTED Price/FF:		\$1,337	\$2,830	\$1,714	\$2,324	\$1,417
SUMMARY OF COMPARABLE VALUES						
Value Range/FF		\$1,337	to	\$2,830		
Average Value/FF		\$1,925				
Median Value/FF		\$1,714				
Size		100-FF				
Unit Value Indication		\$1775/FF				
Overall Value Indication		\$177,500				
Rounded		\$177,500				

ANALYSIS OF ADJUSTMENTS –100’ LOTS

Our research of comparable lot sales leads us to the determination that there are ample recent transactions within the last few years involving similar properties within the subject’s general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,150 per front foot to \$2,629 per front foot with all Sales being between 97-FF to 109-FF lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms

Each of the comparable sales were sold as fee simple interests, and sales were transferred in cash equivalency; thus, no adjustments are made for these two factors.

Conditions of Sale

Typically, in a master-planned residential community like the subject, residential lots are sold in bulk sale from the developer to builders thereby discounting the sales prices to the builder-buyers. However, our research indicates that builders are more prevalent to market larger lots on the MLS which attracts a larger market pull. Therefore, a smaller adjustment is needed for Conditions of Sale for residential lots that are 100+ in front footage. Sales 1, 2, 3, and 4 were sold by the developer via the Multiple Listing Service (MLS) and were not sold in bulk to a builder; thus Sales 1, 2, 3, and 4 warranted an adjustment of -5% each for Conditions of Sale. Sale 5 was sold under typical sale conditions directly from the developer; thus, no adjustment was made for Conditions of Sales for Sale 5.

Expenditures After Purchase

Typically, in a master-planned residential community like the subject, municipalities will require impact fees paid for water, sewer, and roadway. These fees will be the responsibility of the homebuilder rather than the developer. Since purchasers of other lots would typically be expected to pay water, sewer, and roadway impact/connection fees, these are not considered atypical and are not included in our analysis.

Time/Market Conditions

The residential real estate market increased significantly in 2020 through 2022 but now appears to be cooling following ten interest rate increases by the Federal Reserve that has raised mortgage rates by 533 basis points in Aug 2023. Price increases from 2020 to 2022 occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Homebuilders absorbed lots well above the historical norm during this period. Development costs also rose significantly beginning in 2021 as supply chains were disrupted due to the COVID-19 Pandemic, the cost of labor rose, and inflation hit its highest level in decades. We also considered that according to data from Metrostudy there is a significant shortage of 100-FF vacant developed lots in this market which has driven prices higher even as demand for finished homes has recently diminished.

Heath Club Municipal Management District No. 1; Improvement Area #3

Considering the residential market data and price increases for recent platted and developed residential lot sales throughout the Metroplex and specifically along the Interstate-30 Corridor which were necessitated based off supply and demand as well as development costs, we believe a market conditions adjustment of + 5% year-over-year (YoY) increase throughout 2021, 2022, and for the first three quarters of 2023 is warranted and supported for residential developed lots for sale in platted subdivisions, due to the time it takes to get all the city entitlements approved and engineer and zoning costs paid. Platted developed lots on the ground have a faster market sale value increase than would raw land sold for this use. Based on the preceding, each of the comparable lot sales have been adjusted positively between 2% and 18% for Market Conditions depending on the sale date.

Physical Adjustments

Location/Access

The subject property is located just 25 miles east of Downtown Dallas in the City of Heath. The City of Heath is an upscale lakeside community with parks & recreation, golf courses and city-sponsored entertainment venues. Situated over 12 square miles on the Eastern shore of Lake Ray Hubbard, Heath is one of the fastest-growing cities in Rockwall and Kaufman Counties. Strategic development has helped retain the highly desired rural area with views of rolling hills and pastures, horses and cattle, sail boats skimming the lake, and the Dallas skyline. The subject property is located approximately 5 miles from Interstate 30 to the north, and approximately 5 miles from US-80 to the south, making access easy for travelers to enter and exit the city. The area around the subject is primarily new residential development and undeveloped rural land. Accessibility is considered average for this area.

The subject property feeds into the Rockwall Independent School District (ISD) which has an “A” rating by the Texas Education Agency (TEA). The city is served by Dorothy Smith Pullen Elementary School, Amy Parks-Heath Elementary School, Linda Lyons Elementary School, Maurine Cain Middle School, and Rockwall Heath High School. Location is considered above average based on the school ratings and access to Lake Ray Hubbard. We have made the following adjustments for Location/Access:

- Sale 1: Inferior; Located in Garland, which has superior access to commercial uses and is much closer to the DFW metroplex, however, this sale is considered inferior as it feeds into the Garland ISD which has a “B” rating and considered to be an inferior ISD; Adjusted + 5%
- Sale 2: Similar; Located in Heath, which feeds into Rockwall ISD which has an “A” rating and a similar ISD, also considered similar due to accessibility to commercial development; Adjusted 0%
- Sale 3: Superior; Located in Rockwall and feeds into the Rockwall ISD, however, Sale 3 is superior as it is more accessible to commercial development; Adjusted -2%
- Sale 4: Inferior; Located in Princeton, which feeds into the Princeton ISD which has an “A” rating and considered to be a similar ISD; however, Sale 4 is considered inferior in accessibility to commercial development; Adjusted + 5%
- Sale 5: Superior; Located in Rockwall, which feeds into the Rockwall ISD, however, Sale 5 is more accessible to commercial development; Adjusted -2%

Amenities

The subject property’s amenities will consist of lake access, boat slips, multiple parks, tennis courts, golf courses, volleyball courts, fitness center, a club house, and an on-site elementary school. The subject’s amenities are considered upscale for a master planned community the size of Heath Club MMD IA #3 development being built-out with 427 residential lots. We have made the following adjustments for Amenities:

- Sale 1: Inferior; Cox Paul Street Addition, which has no amenities; Adjusted + 15%

Heath Club Municipal Management District No. 1; Improvement Area #3

- Sale 2: Inferior; Heath Crossing Subdivision, which has fewer amenities such as a park and a trail; Adjusted + 10%
- Sale 3: Inferior; Lowe & Allen Subdivision, which has no amenities; Adjusted + 15%
- Sale 4: Inferior; Lavon Shores Subdivision, which has no amenities; Adjusted + 15%
- Sale 5: Inferior; Breezy Hill Subdivision, which has inferior amenities such as a community pool, playground, hike and bike trails, tot lot and pavilion, sports field, wildflower trail, and access to Lake Lavon; adjusted + 6%

Size

Due to economies of scale, smaller lots are expected to sell for a higher price per unit (foot frontage). Sales 1 and 5 are 100' lots that can accommodate the same building pad, so no adjustment is made for Size to those comparable sales. Sale 2 was 97-FF. However, Sale 2 was considered similar to the subject and no adjustment was applied for Size to Sale 2. Sales 3 and 4 are larger at 109-FF. An adjustment of + 3% was applied to Sales 3 and 4 for Size.

Topography/View

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for Topography for Sales 1, 2, 3, and 5. Additionally, each of the comparable sales are located on recently developed former agricultural land that is generally lacking remarkable views due to the basically level topography; thus, there is no adjustment needed for View on those Sales. However, for Sale 4, there is a superior view and topography to subject as it has direct access to Lake Lavon, thus, a -5% adjustment was applied on Sale 4.

Zoning

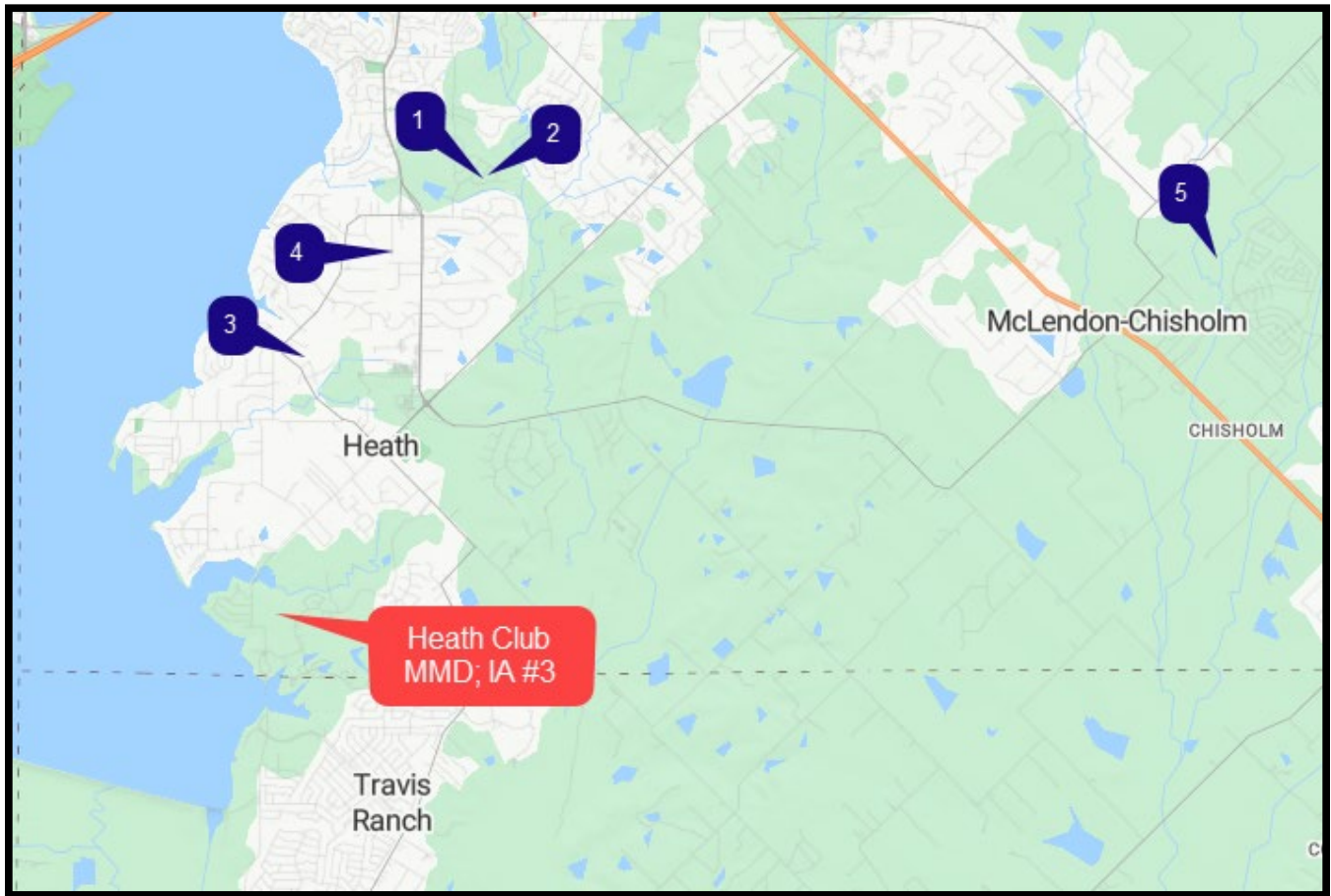
The subject property is in a planned development and each of the comparable sales are in planned developments with residential subdivision zoning for similar sized residential lots; thus, no adjustment is made for Zoning.

Conclusion for 100' Lots – The 100' Lot Sales have an adjusted range of \$1,337/FF to \$2,830/FF with an average of \$1,925/FF and a median of \$1,714/FF. We considered each of the five sales as being reflective of the market and considered increasing development land costs due to increases in material (especially concrete) and labor which has increased the cost to develop a property similar to the subject by 20-30% in the past year. We conclude that the retail market value of the **improved 100' lots is \$1775/FF, or \$177,500/Lot.**

Lot Type	Total Lots	Projected Completion Date	Concluded Retail Value Per Lot
100' Detached Lots	129	January 1, 2024	\$177,500

Next, we will analyze the retail market value of the 120' improved residential lots within Heath Club MMD IA #3.

MAP OF COMPARABLE LOT SALES –120' LOTS



Subject: Heath Club MMD IA #3, Heath, TX 75126

We selected the best and most recent comparable lot sales for our analysis of the 120-FF lots. Our five comparable sales are shown below:

SUMMARY OF LOT SALES - 120' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Heath Crossing	Heath	Rockwall	Mar-2023	Mar-2023	\$220,000	110	\$ 2,000
2	Heath Crossing	Heath	Rockwall	Mar-2023	Mar-2023	\$200,000	110	\$ 1,818
3	The Sanctuary	Heath	Rockwall	Aug-2021	Aug-2021	\$170,000	118	\$ 1,441
4	The Renaissance	Heath	Rockwall	Feb-2021	Aug-2021	\$149,900	132	\$ 1,136
5	Sanoma Verde	McLendon-Chisholm	Rockwall	Aug-2020	Aug-2020	\$95,023	120	\$ 792
Subject	Heath Club MMD; IA #3	Heath	Rockwall	-	-	-	120	-

SALE COMPARABLE 1 – 120' LOTS



Comparable 1 Aerial



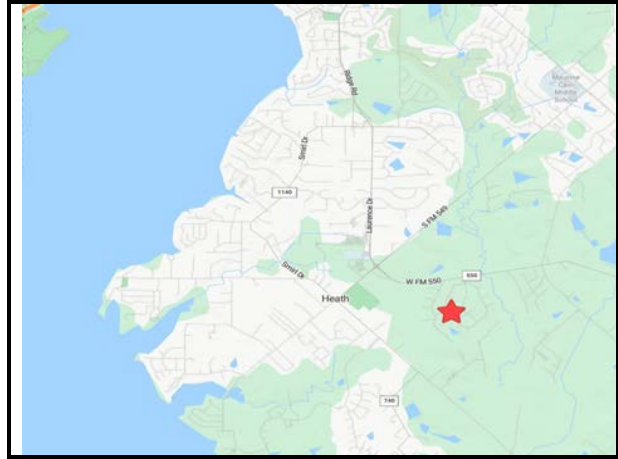
Comparable 1 Map

120-FF Sale Comparable 1						
Property Information						
Subdivision Name	Heath Crossing					
Property Class	Residential Lot					
Address	512 Spyglass Court, Heath					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	16,509	SF	0.38	Acres	110-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	March-2023					
Seller	Jennifer Woods					
Buyer	Tgm Homes Inc					
Sale Price	\$220,000					
Price per SF Land	\$13.33					
Price per Front Foot	\$2,000					

SALE COMPARABLE 2 – 120' LOTS



Comparable 2 Aerial



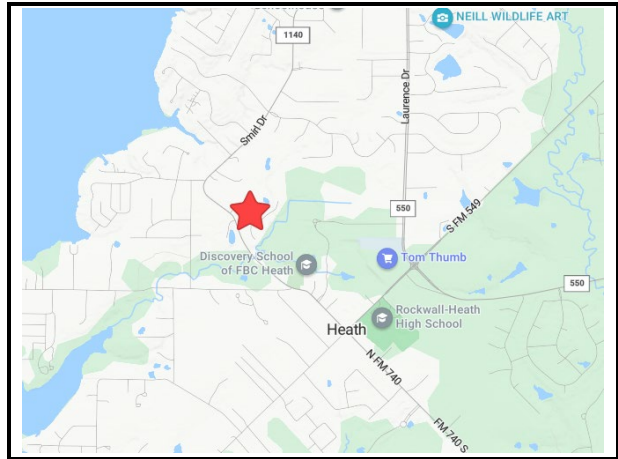
Comparable 2 Map

120-FF Sale Comparable 2						
Property Information						
Subdivision Name	Heath Crossing					
Property Class	Residential Lot					
Address	504 Spyglass Court, Heath					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	16,553	SF	0.38	Acres	110-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	March-2023					
Seller	Cbjc Capital LLC					
Buyer	George Welch Custom Homes LLC					
Sale Price	\$200,000					
Price per SF Land	\$12.08					
Price per Front Foot	\$1,818					

SALE COMPARABLE 3 – 120' LOTS



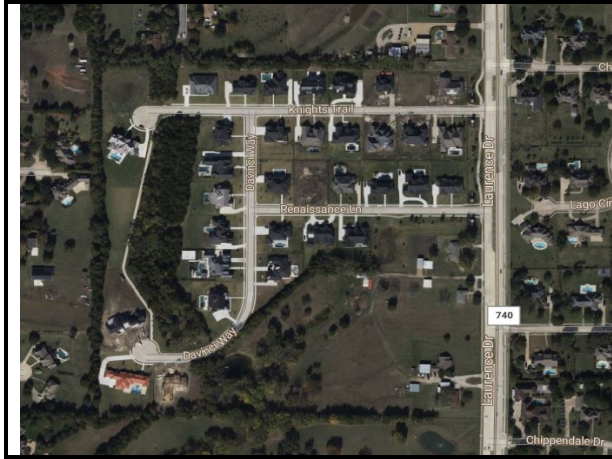
Comparable 3 Aerial



Comparable 3 Map

120-FF Sale Comparable 3						
Property Information						
Subdivision Name	The Sanctuary					
Property Class	Residential Lot					
Address	865 Tranquility Drive, Heath					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	21,780	SF	0.50	Acres	118-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	August-2021					
Seller	Preserve Custom Homes LLC					
Buyer	Forsell Properties LLC					
Sale Price	\$170,000					
Price per SF Land	\$7.81					
Price per Front Foot	\$1,441					

SALE COMPARABLE 4 – 120' LOTS



Comparable 4 Aerial



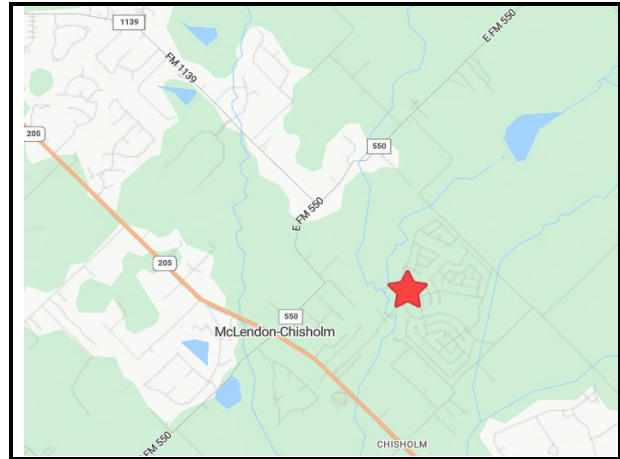
Comparable 4 Map

120-FF Sale Comparable 4						
Property Information						
Subdivision Name	The Renaissance					
Property Class	Residential Lot					
Address	329 Renaissance Lane, Heath					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	23,435	SF	0.54	Acres	132-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	February-2021/August-2021					
Seller	Heath Renaissance LLC					
Buyer	Mark W & Cameron S Gary					
Sale Price	\$149,900					
Price per SF Land	\$6.40					
Price per Front Foot	\$1,136					

SALE COMPARABLE 5 – 120' LOTS



Comparable 5 Aerial



Comparable 5 Map

120-FF Sale Comparable 5						
Property Information						
Subdivision Name	Sanoma Verde					
Property Class	Residential Lot					
Address	1606 Salvatore Lane, McLendon-Chisolm					
County	Rockwall					
Property Type	Residential / Multiple Units					
Site Information						
Site Size	20,000	SF	0.46	Acres	120-FF	
Zoning Code	Planned Development					
Shape	Rectangular					
Topography	Basically level					
Available Utilities	All available					
Transaction Information						
Sale Status	Closed					
Sale/Contract Date	August-2020					
Seller	Land Solutions SV LLC					
Buyer	Castlerock Communities					
Sale Price	\$95,023					
Price per SF Land	\$4.75					
Price per Front Foot	\$792					

SALES ADJUSTMENT COMPARISON GRID –120' LOTS

<i>Subdivision</i>	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
	Heath Club MMD; IA #3	Heath Crossing	Heath Crossing	The Sanctuary	The Renaissance	Sanoma Verde
	Heath	Heath	Heath	Heath	Heath	McLendon- Chisholm
<i>Transactional Adjustments</i>						
Sales Price/FF		\$2,000	\$1,818	\$1,441	\$1,136	\$792
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$2,000	\$1,818	\$1,441	\$1,136	\$792
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$2,000	\$1,818	\$1,441	\$1,136	\$792
Conditions of Sale		-5%	-5%	-5%	-5%	0%
Sales Price/FF		\$1,900	\$1,727	\$1,369	\$1,079	\$792
Expenditures After Purchase		0%	0%	0%	0%	0%
Sales Price/FF		\$1,900	\$1,727	\$1,369	\$1,079	\$792
Time/Market Conditions		4%	4%	12%	15%	17%
ADJUSTED Price/FF:		\$1,976	\$1,796	\$1,533	\$1,241	\$926
<i>Physical Adjustments</i>						
Location/Access	SWQ Laurence Dr. & FM-740 S, Heath	0%	0%	0%	0%	0%
Amenities	Amenity Ctr, pool, golf, tennis, fitness ctr, trails, volleyball, boat slips, on- site elementary	10%	10%	15%	15%	6%
Size	120-FF	-2%	-2%	0%	3%	0%
Topography/View	Zone X/Improved Lots	0%	0%	0%	0%	0%
Zoning	Planned Development District	0%	0%	0%	0%	0%
Total Net Physical Adj. After Transactional Adj.		8%	8%	15%	18%	6%
ADJUSTED Price/FF:		\$2,134	\$1,940	\$1,763	\$1,464	\$982
SUMMARY OF COMPARABLE VALUES						
Value Range/FF		\$982	to	\$2,134		
Average Value/FF		\$1,657				
Median Value/FF		\$1,763				
Size		120-FF				
Unit Value Indication		\$1750/FF				
Overall Value Indication		\$210,000				
Rounded		\$210,000				

ANALYSIS OF ADJUSTMENTS –120’ LOTS

Our research of comparable lot sales leads us to the determination that there are ample recent transactions within the last few years involving similar properties within the subject’s general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$792 per front foot to \$2,000 per front foot with all Sales being between 110-FF to 132-FF lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms

Each of the comparable sales were sold as fee simple interests, and sales were transferred in cash equivalency; thus, no adjustments are made for these two factors.

Conditions of Sale

Typically, in a master-planned residential community like the subject, residential lots are sold in bulk sale from the developer to builders thereby discounting the sales prices to the builder-buyers. However, our research indicates that builders are more prevalent to market larger lots on the MLS which attracts a larger market pull. Therefore, a smaller adjustment is needed for Conditions of Sale for residential lots that are 100+ in front footage. Sales 1, 2, 3, and 4 were sold by the developer via the Multiple Listing Service (MLS) and were not sold in bulk to a builder; thus Sales 1, 2, 3, and 4 warranted an adjustment of -5% each for Conditions of Sale. Sale 5 was sold under typical sale conditions directly from the developer; thus, no adjustment was made for Conditions of Sales for Sale 5.

Expenditures After Purchase

Typically, in a master-planned residential community like the subject, municipalities will require impact fees paid for water, sewer, and roadway. These fees will be the responsibility of the homebuilder rather than the developer. Since purchasers of other lots would typically be expected to pay water, sewer, and roadway impact/connection fees, these are not considered atypical and are not included in our analysis.

Time/Market Conditions

The residential real estate market increased significantly in 2020 through 2022 but now appears to be cooling following ten interest rate increases by the Federal Reserve that has raised mortgage rates by 533 basis points in Aug 2023. Price increases from 2020 to 2022 occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Homebuilders absorbed lots well above the historical norm during this period. Development costs also rose significantly beginning in 2021 as supply chains were disrupted due to the COVID-19 Pandemic, the cost of labor rose, and inflation hit its highest level in decades. We also considered that according to data from Metrostudy there is a significant shortage of 120-FF vacant developed lots in this market which has driven prices higher even as demand for finished homes has recently diminished.

Considering the residential market data and price increases for recent platted and developed residential lot sales throughout the Metroplex and specifically along the Interstate-30 Corridor which were necessitated based off supply and demand as well as development costs, we believe a market conditions adjustment of 5% year-over-year (YoY) increase throughout 2021, 2022, and for the first three quarters of 2023 is warranted and supported for residential developed lots for sale in platted subdivisions, due to the time it takes to get all the city entitlements approved and engineer and zoning costs paid. Platted developed lots on the ground have a faster market sale value increase than would raw land sold for this use. Based on the preceding, each of the comparable lot sales have been adjusted positively between 4% and 17% for Market Conditions depending on the sale date.

Physical Adjustments

Location/Access

The subject property is located just 25 miles east of Downtown Dallas in the City of Heath. The City of Heath is an upscale lakeside community with parks & recreation, golf courses and city-sponsored entertainment venues. Situated over 12 square miles on the Eastern shore of Lake Ray Hubbard, Heath is one of the fastest-growing cities in Rockwall and Kaufman Counties. Strategic development has helped retain the highly desired rural area with views of rolling hills and pastures, horses and cattle, sail boats skimming the lake, and the Dallas skyline. The subject property is located approximately 5 miles from Interstate 30 to the north, and approximately 5 miles from US-80 to the south, making access easy for travelers to enter and exit the city. The area around the subject is primarily new residential development and undeveloped rural land. Accessibility is considered average for this area.

The subject property feeds into the Rockwall Independent School District (ISD) which has an “A” rating by the Texas Education Agency (TEA). The city is served by Dorothy Smith Pullen Elementary School, Amy Parks-Heath Elementary School, Linda Lyons Elementary School, Maurine Cain Middle School, and Rockwall Heath High School. Location is considered above average based on the school ratings and access to Lake Ray Hubbard. We have made the following adjustments for Location/Access:

- Sale 1: Similar; Located in Heath, which has similar access to commercial uses and feeds into the Rockwall ISD which is the same school district as the subject property; Adjusted 0%
- Sale 2: Similar; Located in Heath, which has similar access to commercial uses and feeds into the Rockwall ISD which is the same school district as the subject property; Adjusted 0%
- Sale 3: Similar; Located in Heath, which has similar access to commercial uses and feeds into the Rockwall ISD which is the same school district as the subject property; Adjusted 0%
- Sale 4: Similar; Located in Heath, which has similar access to commercial uses and feeds into the Rockwall ISD which is the same school district as the subject property; Adjusted 0%
- Sale 5: Similar; Located in McLendon-Chisholm, which has similar access to commercial uses and feeds into the Rockwall ISD which is the same school district as the subject property; Adjusted 0%

Amenities

The subject property's amenities will consist of lake access, boat slips, multiple parks, tennis courts, golf courses, volleyball courts, fitness center, a club house, and an on-site elementary school. The subject's amenities are considered upscale for a master planned community the size of Heath Club MMD IA #3 development being built-out with 427 residential lots. We have made the following adjustments for Amenities:

- Sale 1: Inferior; Heath Crossing Subdivision, which has fewer amenities such as a park, and hiking/biking trail; Adjusted + 10%
- Sale 2: Inferior; Heath Crossing Subdivision, which has fewer amenities such as a park, and hiking/biking trail; Adjusted + 10%
- Sale 3: Inferior; The Sanctuary Subdivision, which has no amenities; Adjusted + 15%

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- Sale 4: Inferior; The Renaissance Subdivision, which has no amenities; Adjusted + 15%
- Sale 5: Inferior; Sanoma Verde Subdivision, which has inferior amenities such as a resort-style pool with lap lanes, trails, sand volleyball, basketball court, and parks; adjusted + 6%

Size

Due to economies of scale, smaller lots are expected to sell for a higher price per unit (foot frontage). Sales 1 and 2 are smaller at 110-FF. An adjustment of -2% was applied to Sales 1 and 2 for Size. Sale 3 was 118-FF; however, this size is considered similar to the subject property and no adjustment was made for Size to Sale 3. Sale 4 was 132-FF. An adjustment of + 3% was applied for Size to Sale 4. Sale 5 is 120-FF that can accommodate the same building pad, so no adjustment is made for Size to Sale 5.

Topography/View

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so no adjustment is needed for Topography. Additionally, each of the comparable sales are located on recently developed former agricultural land that is generally lacking remarkable views due to the basically level topography; thus, there is no adjustment needed for View.

Zoning

The subject property is in a planned development and each of the comparable sales are in planned developments with residential subdivision zoning for similar sized residential lots; thus, no adjustment is made for Zoning.

Conclusion for 120' Lots – The 120' Lot Sales have an adjusted range of \$982/FF to \$2,134/FF with an average of \$1,657/FF and a median of \$1,763/FF. We considered each of the five sales as being reflective of the market and considered increasing development land costs due to increases in material (especially concrete) and labor which has increased the cost to develop a property similar to the subject by 20-30% in the past year. We conclude that the retail market value of the **improved 120' residential lots is \$1750/FF, or \$210,000/Lot.**

Lot Type	Total Lots	Projected Completion Date	Concluded Retail Value Per Lot
120' Detached Lots	49	January 1, 2024	\$210,000

Cumulative Retail Lot Value – Improvement Area #3

We believe a current lot market value of \$1850/FF for 40' improved Lots, \$1825/FF for 70' improved Lots, \$1800/FF for 80' improved lots, \$1800/FF for 90' improved lots, \$1775/FF for 100' improved lots, and \$1750/FF for 120' improved lots with an Effective Date of January 1, 2024 is accurate and well-supported. Not only do our compiled recent comparable lot sales indicate that price, but numerous conversations with market participants – land developers and homebuilders – regarding current prices of lots within the subject's market indicate that our concluded values per front foot is supported by the current retail price for 40-FF, 70-FF, 80-FF, 90-FF, 100-FF and 120-FF lots similar to the subject property. Market participants noted that prices for lots rose significantly in late 2020 and throughout 2022 which followed a spike in the residential housing market in DFW that contributed to a scarcity of vacant developed lots for homebuilders.

As of the Effective Date of January 1, 2024, the market value the 40-FF, 70-FF, 80-FF, 90-FF, 100-FF and 120-FF lot prices for Heath Club MMD IA #3 are shown below with a cumulative retail value of **\$67,751,250**:

HEATH CLUB MMD IA #3, HEATH					
Total Lots	Feet Frontage (FF)	Retail Price/Lot	Effective Date	Price/FF (\$/FF)	Total Retail Value (\$)
34	40-FF	\$74,000	January 1, 2024	\$1850/FF	\$2,516,000
25	70-FF	\$127,750	January 1, 2024	\$1825/FF	\$3,193,750
107	80-FF	\$144,000	January 1, 2024	\$1800/FF	\$15,408,000
83	90-FF	\$162,000	January 1, 2024	\$1800/FF	\$13,446,000
129	100-FF	\$177,500	January 1, 2024	\$1775/FF	\$22,897,500
49	120-FF	\$210,000	January 1, 2024	\$1750/FF	\$10,290,000
427					\$67,751,250

Next, we will develop an opinion of value for the residential lots in Heath Club MMD IA #3 using the Discount Cash Flow analysis.

DISCOUNT CASH FLOW ANALYSIS

Having completed the retail lot value conclusions using aspects of the Sales Comparison Approach, we will develop an opinion of the market value of the property to a single purchaser, as of the construction completion date. This value will include a provision for compensating the developer, i.e., profit for risk and expenditure of time. This value contemplates that the developer of the subject property would sell the subject to another developer who would in turn sell the developed lots on a retail basis. This value represents the concept of market value to a single purchaser as of the completed construction date, wherein a portion of the overall real property rights or physical asset would typically be sold to its ultimate users over some future period. Valuations involving such properties must fully reflect all appropriate deductions and discounts as well as the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are those which reflect all expenses associated with the disposition of the property as well as the cost of capital and entrepreneurial profit. **This latter item of entrepreneurial profit is accounted for herein as part of the discount rate.**

The various assumptions necessary to complete our Discounted Cash Flow (DCF) analysis for the developed subject subdivision are discussed in detail in the following paragraphs.

Absorption

As discussed in detail in the “Absorption Analysis” section of the report, our quarterly absorption projections are summarized as follows for the subject:

MARKET ABSORPTION FOR HEATH CLUB MMD IA #3

Projected Quarterly Absorption Summary - Heath Club MMD, IA #3																
Lot Type	Jan-2024	Apr-2024	Jul-2024	Oct-2024	Jan-2025	Apr-2025	Jul-2025	Oct-2025	Jan-2026	Apr-2026	Jul-2026	Oct-2026	Jan-2027	Apr-2027	Jul-2027	TOTAL
40-FF	18	16	-	-	-	-	-	-	-	-	-	-	-	-	-	34
70-FF	9	9	7	-	-	-	-	-	-	-	-	-	-	-	-	25
80-FF	9	9	9	9	9	9	9	9	9	9	9	8	-	-	-	107
90-FF	9	9	9	9	9	9	9	9	9	2	-	-	-	-	-	83
100-FF	9	9	9	9	9	9	9	9	9	9	9	9	9	9	3	129
120-FF	9	9	9	9	9	4	-	-	-	-	-	-	-	-	-	49
Total	63	61	43	36	36	31	27	27	27	20	18	17	9	9	3	427

Note: Typically, quarters start in January, April, October, and December so we have used those baselines in our analysis. Since the Effective Date is January 1, 2024, our analysis starts on the 1st quarter of 2024.

Value Increases During Sellout Period

Historically, in the sales contracts of volume lot sales in the marketplace, the lot prices are typically adjusted upward at rates ranging from the Wall Street Journal prime rate (8.50% as of late July 2023), plus 1% (annually) up to 9.5%. Contracts between land developers and homebuilders typically have a 6% escalation which is consistent with recent improved lot appreciations over many years. Thus, for valuation purposes moving forward, we have estimated an annual appreciation on the subject's lots at 6% per year which is also consistent with residential real estate appreciation over the past decade. This is also considered reasonable given the lack of available lot and housing supply in the area and the historical realization of interest carry/appreciation by developers within DFW and surrounding market areas.

EXPENSES

Taxes are paid by the developer annually. The estimation of taxes paid per period is based upon the principle that taxes are prorated at closing and are paid in arrears. Therefore, we have deducted taxes based upon the estimated retail market value of the unsold lots. The taxes are prorated in each calendar year based upon the projected sales in each period. The current tax rate for the bulk of the property is **1.572693 per \$100 assessed – 1.572693%** for the purpose of our analysis – with taxes due to the City of Heath, Rockwall County, and Rockwall ISD.

Based upon our experience as property tax consultants and information gathered from builders/developers, we do not believe the vacant lots will be assessed for their full market value once Substantial Completion is achieved. We believe the builder will have their lots assessed at approximately 70% of the market value, i.e., if a lot has a retail value of \$100,000 then the assessed value will be \$70,000. We believe this 30% discount is justified as taxing districts do not typically have access to cost data and assessments typically lag the market. In addition, many taxing districts allow for a 20% builder's inventory reduction.

Cost of Sales has been estimated at 1.5% of gross sales proceeds for various closing costs, surveys, commissions, and title policies.

Marketing expenses are not included as there is a shortage of vacant developed lots on the market and we would expect these lots to be absorbed by volume builders.

Discount Rate

The discount rate utilized herein is essentially an anticipated Internal Rate of Return (IRR) for the subject property, as estimated from investment performance realized by market participants. The discount rate used for the subject should be less than the typical land development project because the value we are determining is for a fully entitled project in a city-approved Planned Development which will have less risk exposure than that of a raw land development. Therefore, it is appropriate to utilize a discount rate adjusted for this risk. The appraisers have included a recent discount rate survey published by Realty Rates that considers the market conditions, risk, entrepreneurial profit, and liquidity inherent in a project such as the subject that developers of similar properties would consider.

RealtyRates.com DEVELOPER SURVEY - 3rd Quarter 2023*						
Texas - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	14.93%	32.73%	22.11%	14.34%	31.42%	21.23%
-100 Units	14.93%	28.22%	21.14%	14.34%	27.09%	20.30%
100-500 Units	15.31%	31.04%	22.25%	14.69%	29.80%	21.36%
500+ Units	15.68%	32.45%	22.62%	15.05%	31.15%	21.72%
Mixed Use	16.05%	32.73%	22.44%	15.41%	31.42%	21.54%
Manufactured Housing	15.25%	35.84%	23.69%	14.64%	34.41%	22.75%
-100 Units	15.25%	31.17%	22.75%	14.64%	29.92%	21.84%
100-500 Units	15.63%	34.28%	23.96%	15.01%	32.91%	23.00%
500+ Units	16.02%	35.84%	24.37%	15.37%	34.41%	23.40%
Business Parks	15.21%	33.23%	22.49%	14.60%	31.90%	21.59%
-100 Acres	15.21%	28.89%	21.61%	14.60%	27.74%	20.75%
100-500 Acres	15.59%	31.78%	22.74%	14.97%	30.51%	21.83%
500+ Acres	15.97%	33.23%	23.12%	15.33%	31.90%	22.20%
Industrial Parks	15.30%	28.78%	20.53%	14.69%	27.63%	19.70%
-100 Acres	15.30%	25.02%	19.76%	14.69%	24.02%	18.97%
100-500 Acres	15.68%	27.53%	20.74%	15.06%	26.43%	19.91%
500+ Acres	16.07%	28.78%	21.08%	15.42%	27.63%	20.23%

*2nd Quarter 2023 Data

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As shown, the minimum actual rates in Texas range from 14.93% for less than 100 units; 15.31% for 100 to 500 units; and 15.68% for 500+ units with minimum pro-forma rates ranging from 14.34% to 15.05%.

The 7th Edition of the Dictionary of Real Estate Appraisal defines this term as “a discount rate that is adjusted to offset one or more risk factors, i.e., when a future downswing in the business cycle is likely, the risk associated with a project may increase near the end of its term, necessitating a special adjustment to the discount rate. Such discount rates include all of the elements of risk associated with an income stream for a specified period adjusted to offset additional term risk”. Thus, it is our opinion that a potential purchaser would expect to receive a much lower return on his investment for a completed project similar to the subject, which has numerous purchasers of the end product relative to that of a vacant tract of land awaiting eventual development (higher risk of escalating costs to site development and of the eventual timing of completion).

Based upon the preceding, an IRR that is similar to the minimum pro-forma rates provided by the Realty Rates “Developer Survey” for Texas of 14.69% for 100-500 units; and 15.31% for likewise minimum actual rates is considered reasonable for the subject. Hence, taking into consideration the supply and demand levels within the subject’s submarket area, we have selected a discount rate of **15%** for the subject which takes into consideration the degree of risk, developer profit, and the liquidity inherent in a project such as the subject (assisted by involvement of the PID), as well as the current market conditions. To be consistent with the timing of the cash flows, the annual income stream is discounted quarterly with an annual DCF also included. With each of the required elements now identified, we will analyze the subject in DCF analyses as shown on the following pages.

DISCOUNT CASH FLOW (DCF) ANALYSIS - HEATH CLUB MMD IA #3

The following assumptions are made in our analysis which are supported by other research and analysis found earlier in this report:

- Substantial Complete January 1, 2024
- Retail lot values: \$74,000 for 40-FF lots
- Retail lot values: \$127,750 for 70-FF lots
- Retail lot values: \$144,000 for 80-FF lots
- Retail lot values: \$162,000 for 90-FF lots
- Retail lot values: \$177,500 for 100-FF lots
- Retail lot values: \$210,000 for 120-FF lots
- 6% Appreciation/Year (1.5%/Quarter)
- 40-FF Lots sell at 18/Quarter
- 70-FF Lots sell at 9/Quarter
- 80-FF Lots sell at 9/Quarter
- 90-FF Lots sell at 9/Quarter
- 100-FF Lots sell at 9/Quarter
- 120-FF Lots sell at 9/Quarter
- Discount Rate 15% (3.75%/Quarter)
- Tax Expense on Inventory is 1.572693%/Year, 0.39317325%/Quarter, but is discounted 30%
- Sales and Marketing Expense (1.5% of Revenue)

As Substantial Completion on the improved residential lots in Improvement Area #3 is expected to be completed as of January 1, 2024, we believe lot prices will continue to appreciate closer to their historical average which is closer to 6% per year. Thus, we have concluded that current retail improved lot values will be similar when takedowns begin. Therefore, as of the expected Substantial Completion Date (**January 1, 2024**) the retail lot value for 34 40-FF lots is \$1850/FF, for 25 70-FF lots is \$1825/FF, for 107 80-FF lots is \$1800/FF, for 83 90-FF lots is \$1800/FF, for 129 100-FF lots is \$1775/FF and for 49 120-FF lots is \$1750/FF with a total cumulative value of Number of Lots is \$67,751,250 as shown in the following table:

HEATH CLUB MMD IA #3, HEATH					
Total Lots	Feet Frontage (FF)	Retail Price/Lot	Effective Date	Price/FF (\$/FF)	Total Retail Value (\$)
34	40-FF	\$74,000	January 1, 2024	\$1850/FF	\$2,516,000
25	70-FF	\$127,750	January 1, 2024	\$1825/FF	\$3,193,750
107	80-FF	\$144,000	January 1, 2024	\$1800/FF	\$15,408,000
83	90-FF	\$162,000	January 1, 2024	\$1800/FF	\$13,446,000
129	100-FF	\$177,500	January 1, 2024	\$1775/FF	\$22,897,500
49	120-FF	\$210,000	January 1, 2024	\$1750/FF	\$10,290,000
427					\$67,751,250

Discount cash flow analysis was completed on a quarterly and annual basis as a check for reasonableness. The annual DCF is a more rudimentary calculation, and we consider the quarterly analysis to be more accurate. When applying the DCF on a quarterly basis, the discount rate is divided by 4 and a discount rate of 3.75% is applied to each period. Typically, quarters start in January, April, July, and October so we have used those baselines in our

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analysis. Since the Substantial Completion Date projected to be January 1, 2024, we will analyze on a quarterly basis starting January 2024.

DISCOUNT CASH FLOW DATA – HEATH CLUB MMD IA #3 LOTS (QUARTERLY)

	Jan. 2024			Apr. 2024		
Lot Type	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	34	\$ 74,000	18	16	\$ 75,110	16
70-FF Lot	25	\$ 127,750	9	16	\$ 129,666	9
80-FF Lot	107	\$ 144,000	9	98	\$ 146,160	9
90-FF Lot	83	\$ 162,000	9	74	\$ 164,430	9
100-FF Lot	129	\$ 177,500	9	120	\$ 180,163	9
120-FF Lot	49	\$ 210,000	9	40	\$ 213,150	9
Revenue		\$ 8,723,250			\$ 8,703,879	
<i>Tax Expense</i>		<i>\$ (186,466)</i>			<i>\$ (164,894)</i>	
<i>Sales Expense</i>		<i>\$ (130,849)</i>			<i>\$ (130,558)</i>	
Net Income		\$ 8,405,935			\$ 8,408,426	
Factor		0.982681			0.948939	
Income Net Present Value (NPV)		\$ 8,260,357			\$ 7,979,084	



	Jul. 2024			Oct. 2024		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	7	\$ 131,611	7	0	-	0
80-FF Lot	89	\$ 148,352	9	80	\$ 150,578	9
90-FF Lot	65	\$ 166,896	9	56	\$ 169,400	9
100-FF Lot	111	\$ 182,865	9	102	\$ 185,608	9
120-FF Lot	31	\$ 216,347	9	22	\$ 219,592	9
Revenue		\$ 7,351,428			\$ 6,526,602	
<i>Tax Expense</i>		<i>\$ (143,054)</i>			<i>\$ (124,663)</i>	
<i>Sales Expense</i>		<i>\$ (110,271)</i>			<i>\$ (97,899)</i>	
Net Income		\$ 7,098,103			\$ 6,304,039	
Factor		0.916355			0.884890	
Income Net Present Value (NPV)		\$ 6,504,384			\$ 5,578,383	



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	Jan. 2025			Apr. 2025		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	0	-	0	0	-	0
80-FF Lot	71	\$ 152,836	9	62	\$ 155,129	9
90-FF Lot	47	\$ 171,941	9	38	\$ 174,520	9
100-FF Lot	93	\$ 188,392	9	84	\$ 191,218	9
120-FF Lot	13	\$ 222,886	9	4	\$ 226,230	4
Revenue		\$6,624,501			\$5,592,720	
<i>Tax Expense</i>		<i>\$ (108,301)</i>			<i>\$ (91,420)</i>	
<i>Sales Expense</i>		<i>\$ (99,368)</i>			<i>\$ (83,891)</i>	
Net Income		\$6,416,832			\$5,417,409	
Factor		0.854506			0.825164	
Income Net Present Value (NPV)		\$5,483,219			\$4,470,253	



	Jul. 2025			Oct. 2025		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	0	-	0	0	-	0
80-FF Lot	53	\$ 157,456	9	44	\$ 159,818	9
90-FF Lot	29	\$ 177,138	9	20	\$ 179,795	9
100-FF Lot	75	\$ 194,086	9	66	\$ 196,997	9
120-FF Lot	0	-	0	0	-	0
Revenue		\$4,758,118			\$4,829,490	
<i>Tax Expense</i>		<i>\$ (77,168)</i>			<i>\$ (65,034)</i>	
<i>Sales Expense</i>		<i>\$ (71,372)</i>			<i>\$ (72,442)</i>	
Net Income		\$4,609,578			\$4,692,014	
Factor		0.796831			0.769470	
Income Net Present Value (NPV)		\$3,673,053			\$3,610,363	



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	Jan. 2026			Apr. 2026		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	0	-	0	0	-	0
80-FF Lot	35	\$ 162,215	9	26	\$ 164,648	9
90-FF Lot	11	\$ 182,492	9	2	\$ 185,229	2
100-FF Lot	57	\$ 199,952	9	48	\$ 202,952	9
120-FF Lot	0	-		0	-	0
Revenue		\$4,901,932			\$3,678,857	
<i>Tax Expense</i>		<i>\$ (52,518)</i>			<i>\$ (39,613)</i>	
<i>Sales Expense</i>		<i>\$ (73,529)</i>			<i>\$ (55,183)</i>	
Net Income		\$4,775,885			\$3,584,062	
Factor		0.743048			0.717534	
Income Net Present Value (NPV)		\$3,548,714			\$2,571,687	



	Jul. 2026			Oct. 2026		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	0	-	0	0	-	0
80-FF Lot	17	\$ 167,118	9	8	\$ 169,625	8
90-FF Lot	0	-	0	0	-	0
100-FF Lot	39	\$ 205,996	9	30	\$ 209,086	9
120-FF Lot	0	-	0	0	-	0
Revenue		\$3,358,025			\$3,238,771	
<i>Tax Expense</i>		<i>\$ (29,930)</i>			<i>\$ (20,998)</i>	
<i>Sales Expense</i>		<i>\$ (50,370)</i>			<i>\$ (48,582)</i>	
Net Income		\$3,277,725			\$3,169,191	
Factor		0.692896			0.669104	
Income Net Present Value (NPV)		\$2,271,123			\$2,120,519	



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	Jan. 2027			Apr. 2027		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	0	-	0	0	-	0
80-FF Lot	0	-	0	0	-	0
90-FF Lot	0	-	0	0	-	0
100-FF Lot	21	\$ 212,222	9	12	\$ 215,406	9
120-FF Lot	0	-	0	0	-	0
Revenue		\$1,910,000			\$1,938,650	
<i>Tax Expense</i>		<i>\$ (12,266)</i>			<i>\$ (7,114)</i>	
<i>Sales Expense</i>		<i>\$ (28,650)</i>			<i>\$ (29,080)</i>	
Net Income		\$1,869,084			\$1,902,456	
Factor		0.646129			0.623943	
Income Net Present Value (NPV)		\$1,207,670			\$1,187,024	

	Jul. 2027		
Lot Type	Units Available	Lot Price	Sales
40-FF Lot	0	-	0
70-FF Lot	0	-	0
80-FF Lot	0	-	0
90-FF Lot	0	-	0
100-FF Lot	3	\$ 218,637	3
120-FF Lot	0	-	0
Revenue		\$ 655,910	
<i>Tax Expense</i>		<i>\$ (2,006)</i>	
<i>Sales Expense</i>		<i>\$ (9,839)</i>	
Net Income		\$ 644,066	
Factor		0.609577	
Income Net Present Value (NPV)		\$ 392,607	

Total Net Revenue Over ~15 Quarters	\$70,574,805
Net Present Value (As-Is) at 15% Discount Rate	\$58,858,438
<u>Rounded</u>	\$58,858,000

Note: Quarterly discount and appreciation calculations are averaged to the middle of the period.

DISCOUNT CASH FLOW DATA – HEATH CLUB MMD IA #3 LOTS (ANNUAL)

	2024			2025		
Lot Type	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	34	\$ 76,220	34	0	-	0
70-FF Lot	25	\$ 131,583	25	0	-	0
80-FF Lot	107	\$ 148,320	36	71	\$ 157,219	36
90-FF Lot	83	\$ 166,860	36	47	\$ 176,872	36
100-FF Lot	129	\$ 182,825	36	93	\$ 193,795	36
120-FF Lot	49	\$ 216,300	36	13	\$ 229,278	13
Revenue		\$ 31,596,023			\$ 21,984,485	
<i>Tax Expense</i>		<i>\$ (768,239)</i>			<i>\$ (445,628)</i>	
<i>Sales Expense</i>		<i>\$ (473,940)</i>			<i>\$ (329,767)</i>	
Net Income		\$ 30,353,843			\$ 21,209,090	
Factor		0.932505			0.810874	
Income Net Present Value (NPV)		\$ 28,305,104			\$ 17,197,894	



	2026			2027		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
40-FF Lot	0	-	0	0	-	0
70-FF Lot	0	-	0	0	-	0
80-FF Lot	35	\$ 166,652	35	0	-	0
90-FF Lot	11	\$ 187,484	11	0	-	0
100-FF Lot	57	\$ 205,422	36	21	\$ 217,748	21
120-FF Lot	0	-		0	-	0
Revenue		\$ 15,290,353			\$ 4,572,698	
<i>Tax Expense</i>		<i>\$ (215,820)</i>			<i>\$ (29,365)</i>	
<i>Sales Expense</i>		<i>\$ (229,355)</i>			<i>\$ (68,590)</i>	
Net Income		\$ 14,845,178			\$ 4,474,742	
Factor		0.705108			0.631252	
Income Net Present Value (NPV)		\$ 10,467,448			\$ 2,824,691	



<i>Total Net Revenue Over ~3.5 Years</i>	\$70,882,853
<i>Net Present Value (As-Is) at 15% Discount Rate</i>	\$58,795,138
<i>Rounded</i>	\$58,795,000

Note: Annual discount and appreciation calculations are averaged to the middle of the period

Heath Club Municipal Management District No. 1; Improvement Area #3

DCF Conclusion (427 Improved 40', 70', 80', 90', 100', and 120' Residential Lots in Improvement Area # 3)

Using the Discount Cash Flow analysis on both a quarterly and annual basis suggests the market value for the 427 improved residential lots in Heath Club MMD IA #3 in a bulk sale transaction would be between \$58,795,138 and \$58,858,438, which is approximately \$63,300 or 0.11% different. Both annual and quarterly DCF analyses have relevance and are a check of reasonableness on each other, but we consider the quarterly analysis to be the more accurate and precise calculation. Thus, we have determined that the **market value for Heath Club MMD IA #3 "Upon Completion" with a Prospective Effective Date of January 1, 2024, for 427 improved residential lots is \$58,858,000 (\$137,841 Average/Lot).**

INCOME (SUBDIVISION DEVELOPMENT) APPROACH CONCLUSIONS

Using the Discount Cash Flow Analysis to determine the net present value as of the expected Substantial Completion date (January 1, 2024), we have determined the following value for Heath Club MMD IA #3 as shown in the table below:

INCOME APPROACH VALUE INDICATION	
<i>Fee Simple Interest, Complete January 1, 2024</i>	
Heath Club MMD IA #3 <i>427 Improved Lots in IA #3 on 279.014 Acres</i>	\$58,858,000 (\$137,841 Average/Lot)

RECONCILIATION AND FINAL VALUE CONCLUSION

The Appraisal of Real Estate, Fourteenth Edition, copyright 2013, pages 641-642, published by the Appraisal Institute states,

“Resolving the differences among various value indications is called reconciliation.... The final value opinion is not the average of the different value indications derived. No mechanical formula is used to select one indication over the others...Final reconciliation relies on proper application of appraisal techniques and the appraiser’s judgment.”

Three approaches to value are recognized in the appraisal profession (Sales Comparison Approach, Cost Approach, and Income Approach). All three approaches were analyzed and developed as part of the scope of work of this assignment. A summary of each approach follows:

Cost Approach

The Cost Approach involves research, verification, and comparison of sales of other vacant land with the subject land. The sales are then adjusted for value-related differences. Cost figures are obtained from the developer and engineer and compared to cost figures on competing developments. A developer’s profit is based on profit expectations reported by developers as well as actual profit on similar developments.

The Cost Approach provides information that contrasts with information from the Income Capitalization and Sales Comparison Approaches. It allows the appraiser to address the feasibility and highest and best use issues inherent in new construction. This approach is most beneficial when appraising a proposed or recently built project and is typically used when finished lots make up a substantial portion of the entire project. Since the subject property is being developed in multiple phases and most of the major improvements are in place, *the Cost Approach is not the most appropriate and thus was not utilized* for the 427 Improved Residential Lots in Improvement Area #3 of Heath Club Municipal Management District No. 1.

Income (Subdivision Development) Approach

For the improved residential lots, the Income (Subdivision Development) Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases the bulk of the lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices.

Since the problem to be solved is to determine the bulk sale value of 427 improved residential lots in Heath Club MMD IA #3, as of the Substantial Completion Date, the Income Approach is appropriate and was developed. **Through Discounted Cash Flow Analysis, we determined the market value of the 427 improved residential lots “Upon Completion” in Heath Club MMD IA #3 as of January 1, 2024, is \$58,858,000 (\$137,841 Average/Lot).**

Sales Comparison Approach

For the improved residential lots, the Sales Comparison Approach was not fully developed because finding highly similar and recent sales of improved groups of lots or subdivisions is not available in the market. Aspects of the Sales Comparison Approach were utilized in concluding the retail lot market values for use in the Income Approach for the improved residential lots.

Final Value Conclusion Summary

As a result of our investigations, studies and analysis of the sale, cost, income, and expense data, interpreted within the context of all the factors in the marketplace which effect value, our reconciliation of the indicated values between the utilized approaches to value are listed in the table below. The subject property warranted only a single approach to be developed for our final value conclusion. Our final value conclusion for the subject property is shown below:

FINAL MARKET VALUE CONCLUSION HEATH CLUB MMD IA #3			
	<i>Cost</i>	<i>Sales</i>	<i>Income (Subdivision)</i>
<i>Fee Simple Interest, Complete January 1, 2024</i>			
Improvement Area #3	<i>N/A</i>	<i>N/A</i>	\$58,858,000
427 Improved Lots in IA #3 on 279.014 Acres			

Exposure Time

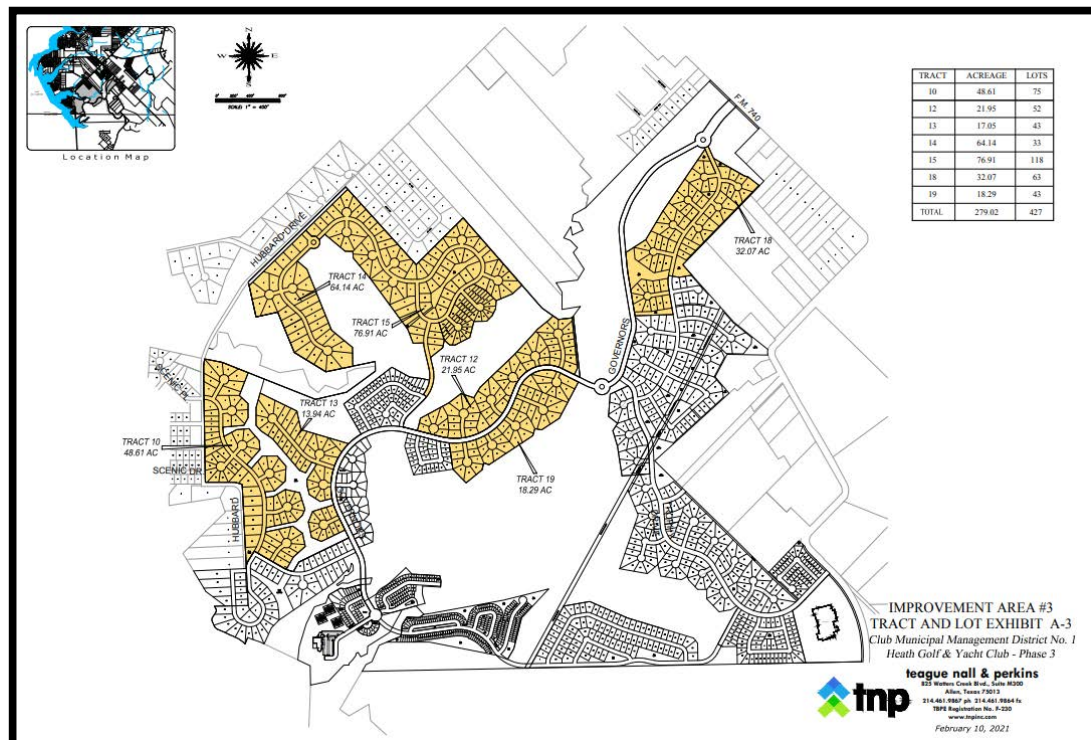
Assuming adequate exposure and normal marketing efforts, the estimated exposure time (i.e. the length of time the subject property would have been exposed for sale in the market had it sold at the market value concluded to in this analysis as of the date of this valuation) would have been at least 6-12 months; the estimated marketing time (i.e. the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of this valuation) is estimated to be between 6-12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the Effective Date of value. Market conditions are presently strong, and we expect no significant changes in the near term. It is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 6-12 months.

ADDENDA

**CONCEPT PLAN – TEAGUE NALL AND PERKINS, INC
FEBRUARY 2021**



ASSUMPTIONS AND LIMITING CONDITIONS

This report is subject to the following assumptions and limiting conditions:

- 1) The value assumes of responsible ownership and competent management. The subject property is assumed to be free and clear of all liens, except as may be otherwise described herein. No responsibility is assumed by the appraiser for matters legal in character, nor is any opinion on the title rendered, which is assumed to be good and marketable.
- 2) The information contained herein has been gathered from sources deemed to be reliable, but the appraiser assumes no responsibility for its accuracy. Correctness of estimates, opinions, dimensions, sketches, and other exhibits that have been furnished and have been used in this report are not guaranteed.
- 3) The value rendered herein is based on preliminary analyses of the subject and market area. The market value is expressed in terms of the current purchasing power of the dollar.
- 4) Any leases, agreements or other written or verbal representations and/or communications and information received by the appraiser have been reasonably relied upon in good faith but have not been analyzed for their legal implications. We urge and caution the user of this report to obtain legal counsel of his/her own choice to review the legal and factual matters, and to verify and analyze the underlying facts and merits of any investment decision in a reasonably prudent manner.
- 5) Appraisers assume no responsibility for any hidden agreements known as "side reports", which may or may not exist relative to this property, which have not been made known to us, unless specifically acknowledged within this report.
- 6) This report is to be used in whole, and not in part. Any separate valuation for land and improvements shall not be used in conjunction with any other valuation and is invalid if so used. Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any purpose by anyone but the client without the previous written consent of the appraiser, and in any event, only in its entirety.
- 7) The appraiser, by reason of this report, is not required to give testimony in court with reference to the property unless notice and proper arrangements have been previously made, therefore.
- 8) Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without prior written consent and approval of the author.
- 9) No subsoil data or analysis based on engineering core borings or other tests were furnished to us. We have assumed that there are no subsoil defects present that would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for engineering, which might be required to discover such factors.
- 10) Any construction and physical condition of the improvements described herein are based on the building construction plans and specifications and construction budgets if provided. No liability is assumed by the appraiser for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition or adequacy of mechanical equipment, plumbing or electrical components. No responsibility is assumed for engineering, which might be required to discover such factors. We urge the user of this report to retain an expert in this field as this is any considered "to-be-built" improvements.

- 11) Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present in or on the property, or other environmental conditions were not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser site visit. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances as asbestos, urea formaldehyde, foam insulation or other hazardous substance or environmental conditions may affect the value of the property, the value is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto as to cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to detect or discover them. We urge the user of this report to retain an expert in the field of environmental impacts on real estate if so desired.
- 12) We have made no survey of the property and assume no responsibility in connected with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
- 13) We accept no responsibility for issues requiring expertise in other fields. Such factors include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic items such as soils and seismic stability; civil, mechanical, electrical, structural, and other engineering and environmental matters. Such issues may also include determinations of compliance with zoning and other federal, state, and local laws, regulations, and codes.
- 14) The projections of income, expenses, terminal values, or future sales prices are not predictions of the future; rather, they are the best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly changing. It is not the task of the appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future, and upon what assumptions of the future investment decisions are based.
- 15) The client or user of this report agrees to notify the appraiser of any error, omission or inaccurate data contained in the report within 15 days of receipt and return the report and all copies thereof to the appraiser for correction prior to any use.
- 16) The acceptance of this report, and its subsequent use by the client or any other party in any manner whatsoever for any purpose, is acknowledgment by the user that the report has been read and understood, and specifically agrees that the data and analyses, to their knowledge, are correct and acceptable.
- 17) We have assumed no extreme fluctuations in the economic cycles will occur over the dates analyzed herein.
- 18) The appraisal report and value conclusions assume the satisfactory development proceeds in a workmanlike manner.

- 19) The conclusions in this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, existing trends, interviews with parties knowledgeable and experienced in the market, data obtained from public records, and research conducted by third parties. Such data is not always completely reliable. The appraisers are not responsible for these and other future occurrences that could not have reasonably been foreseen on the Effective Date of this assignment. In addition, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we hold the opinion that our finding is reasonable based on current market conditions, we do not represent that these estimates will be achieved, as they are forecasts and subject to risk and uncertainty. Additionally, we assume competent and effective management and market for the duration of the projected holding period of this property.
- 20) Prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to risk and uncertainty. Many events could occur that may substantially alter the outcome of our estimates such as changes in the economy, interest rates, capitalization rates, the behavior of consumers, investors, and lenders, and changes in title or conveyances of easements and deed restrictions. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar to the future.
- 21) This assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan. However, it is based on a hypothetical assumption that access to the south tract is achievable in accordance with all applicable regulations, and any building is to be constructed according to the approved plans and specifications provided by a licensed general contractor.
- 22) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more requirements of the act. If so, this fact could have a negative impact upon the value of the property. However, since we have no direct evidence relating to the issue of compliance, we did not consider possible noncompliance with requirements of ADA in forming an opinion of the value of the property.
- 23) In addition to the preceding assumptions and limiting conditions, this appraisal is subject to the following extraordinary assumptions and/or hypothetical conditions:

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the Effective Date of the appraisal, we reserve the right to modify our value conclusions. Extraordinary assumptions are used in this assignment because the improved residential lots to be delivered by the date utilized in this report are currently incomplete for Improvement Area #3 as of the report date.

- Our opinions of prospective market value at substantial completion assumes that the proposed improvements are completed in accordance with plans and specifications provided by the Service and Assessment Plan (SAP) published by MuniCap, Inc. as of May 16, 2023, and the engineering plans published by F.C. Cuny Corporation and Teague Nall and Perkins, Inc. (Professional Engineers and Surveyors), as of February 10, 2021 and April 9, 2023, for 427 improved residential lots in Heath Club MMD IA #3.
- All information relative to the property located within Heath Club MMD IA #3 including land areas, lot totals, lot sizes, and other pertinent data that was provided by HGYC LLC (Owner), F.C. Cuny Corporation and Teague Nall and Perkins, Inc. (Professional Engineers and Surveyors), the City of Heath, Rockwall County, and the Rockwall Central Appraisal District is assumed to be correct.
- The subject is proposed residential lots construction with an expected substantial completion date of January 1, 2024 for Heath Club MMD; Improvement Area #3; therefore, this report contains a prospective opinion of value. Considering this, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable global events that alter market conditions prior to the prospective Effective Date.

The use of these extraordinary assumptions has affected assignment results.

In addition to the Extraordinary Assumptions, the value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the Effective Date of the appraisal but is supposed for the purpose of analysis.

No Hypothetical Conditions are used in this report.

We are not qualified to detect or identify hazardous substances, which may or may not be present on or near this property. The presence of hazardous materials may negatively affect value. We have valued the subject property as though it was free of hazardous materials. We urge the user of this report to obtain the services of a specialist for the purpose of conducting an environmental audit to ensure that the subject property is free of hazardous materials.

ENVIRONMENTAL ASSUMPTIONS

This report is subject to the following environmental assumptions:

- 1) There is a safe, lead-free, adequate supply of drinking water.
- 2) The subject property is free of soil contamination.
- 3) There is no uncontained friable asbestos or other hazardous asbestos material on the property. The appraiser is not qualified to detect such substances.
- 4) There are no uncontained PCB's on or near the property.
- 5) The radon level is at or below EPA recommended levels.
- 6) Any functioning underground storage tanks (UST's) are not leaking and are properly registered; any abandoned UST's are free from contamination and were properly drained, filled, and sealed.
- 7) There are no hazardous waste sites on or near the subject property that negatively affect the value and/or safety of the property.
- 8) There is no significant urea formaldehyde (UFFI) insulation or other urea formaldehyde material on the property.
- 9) There is no flaking or peeling of lead-based paint on the property.
- 10) The property is free of air pollution.
- 11) There are no wetlands/flood plains on the subject property (unless otherwise stated in the report).
- 12) There are no other miscellaneous hazardous substances and/or detrimental environmental conditions on or in the area of the site (excess noise, radiation, light pollution, magnetic radiation, acid mine drainage, agricultural pollution, waste heat, miscellaneous chemical, infectious medical wastes, pesticides, herbicides, and the like).

DEFINITIONS

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Leased Fee Interest

The ownership interest held by the lessor includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The value conclusions expressed within this report are in terms of cash (\$US).

Extraordinary assumptions are assignment-specific assumptions as of the Effective Date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Hypothetical condition a condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the Effective Date of the assignment results but is used for the purpose of analysis.

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a valued opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Prospective Market Value “As Completed” and “As Stabilized”

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an Effective Date that is subsequent to the date of the Appraisal Report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value—as completed - reflects the property’s market value as of the time that development is expected to be completed. The prospective market value - as stabilized - reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (See USPAP Statement 4* and Advisory Opinion 17.) (Interagency Appraisal and Evaluation Guidelines)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a valuable opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.”

Neighborhood

- (1) A group of complementary land users; a congruous grouping of inhabitants, buildings, or business enterprises.
- (2) A developed residential super pad within a master-planned community usually has a distinguishing name and entrance.

Depreciation

1. In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the Effective Date of the appraisal and the market value of the improvement on the same date.
2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset’s life; calculated using a variety of standard techniques.

The three major types of accrued depreciation are:

Physical Deterioration

Physical deterioration is loss in value from actual physical causes and measured either as curable or incurable. The curable items are measured by the actual cost to replace or repair the component parts. The incurable portion is estimated by virtue of an observed condition or ascertaining the used portion by the best estimate of the appraiser. Curable physical deterioration, also referred to as deferred maintenance, is caused by normal wear and tear that should be corrected immediately or is necessary to keep rents at market levels. The cost of curing the condition and bringing the property to a satisfactory and functioning condition is generally the measure of deferred maintenance.

Functional Obsolescence

Functional obsolescence is loss in value from conditions existing within the property which make the property inadequate or less desirable to the typical prudent purchaser. It, too, may be curable or incurable. Incurable obsolescence is normally measured by the loss in income which may accrue to the property by reason thereof.

External Obsolescence

According to the Dictionary of Real Estate Appraisal, Sixth Edition, external obsolescence is “*A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.*”

Paper Lot

Consists of a portion of land with the necessary legal (zoning and platting) and engineering entitlements (site plan approvals) in place but lacking the necessary direct improvements (such as earthwork, erosion control, drainage, retaining walls, and landscaping in addition to lacking direct access from a paved street and utilities) to develop a lot with a residence. The paper lots have access to utilities stubbed nearby and have a status between raw ground and a fully developed lot upon which home construction can begin.

Definition Sources:

- Office of the Comptroller of the Currency (12 CFR Part 34)
- Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Sixth Edition, copyright 2015.
- The Appraisal Foundation: USPAP (Uniform Standards of Professional Appraisal Practice) 2018-2019 edition

Heath Club Municipal Management District No. 1; Improvement Area #3

JAMES L. MAIBACH, CPM - STATE CERTIFIED GENERAL REAL ESTATE APPRAISER

EDUCATION:

Graduate North Quincy High School, Quincy, Massachusetts, 1976
Bachelor of Science in Business Administration (with Honors)
Northeastern University, Boston Massachusetts, 1981
Major: Accounting Minor: Marketing

TECHNICAL TRAINING:

Institute of Real Estate Management Courses:
#303 - Leasing and Management of Shopping Center and Retail Space
#400 - Managing Real Estate as an Investment
#500 - Problem-Solving & Decision-Making for the Property Manager
#800 - Ethics in Real Estate Management
University of Texas at Arlington: Real Estate Courses:
RE 001 Real Estate Finance; RE 004 Real Estate Mathematics;
RE 101 Principles of Real Estate; RE 301 Texas Real Estate Law: Contracts;
RE 501 Texas Real Estate Law; RE 701 Property Management
East Texas Baptist University:
Uniform Standards of Professional Appraisers and Code of Ethics. The Appraisal Foundation:
USPAP Update
Texas Association of Property Tax Professionals, Inc.:
Principles of Property Tax Consulting; A Survey of Texas Property Tax Law
Other: USPAP-97 Instructor's Workshop, USPAP Instructor 1997
TREC Licensed Instructor – Commercial Investment Course, CEI 1998
Continuing Education Institute:
Deceptive Trade Practices Act; Let's Talk-Not Fight; Property Taxes: Rights, Remedies and Responsibilities; USPAP Update
Institute for Real Estate Professionals, Inc.
Preparing & Presenting an Ethical Ad Valorem Property Tax Valuation; Texas Property Tax Law 2007
Texas Association of Realtors:
Tarrant County Appraisal Review Board Determinations

PROFESSIONAL AFFILIATIONS:

Texas Appraiser Licensing and Certification Board - State Certified General Real Estate Appraiser No. TX-1323658-G
Institute of Real Estate Management (IREM)- Certified Property Manager, CPM Designation No. 14942
Texas Real Estate Broker's License, No. 375882
Texas Dept. of Licensing & Regulations - Licensed Property Tax Consultant, License #1360
Texas Property Tax Arbitrator #32020394139
Tarrant Appraisal Review Board Member 1991-1992 Appointment
City of Arlington - Planning and Zoning – Commissioner 1997-2003 (Appointed by Mayor and City Council)
American Planning Association – Member 1997 to 2003
Arlington Chamber of Commerce - Board of Directors 1995 to 2001 – Reappointed 2003 to 2006 – Reappointed 2007 to present
City of Arlington Parks & Recreation – Board of Directors, Appointed 2003 to 2007

EXPERIENCE:

Active field appraiser, property manager, developer, broker, and tax consultant of all types of real property since June, 1986.
Appeared in Texas State Court as an expert witness on real estate values on numerous occasions. A property manager and developer for nineteen years at Peyco Properties, Inc. and twenty-one years through Peyco Southwest Realty, Inc. (formerly Southwest Real Estate Services, Inc.), involved in real estate development, leasing, management, rent analysis and consulting services through the DFW metroplex and Colorado. President and founder of Peyco Southwest Realty, Inc. (Southwest Real Estate Services, Inc.), a full-service brokerage company, real estate appraisal, and ad valorem property tax representation firm.



Certified General Real Estate Appraiser

Appraiser: **James Lawrence Maibach**

License #: **TX 1323658 G**

License Expires: **09/30/2024**

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.


Chelsea Buchholtz
Commissioner

SHERIDAN ENGEL - STATE CERTIFIED GENERAL REAL ESTATE APPRAISER

EDUCATION:

Graduate, 2002 - Brookville High School, Lynchburg, VA

Bachelor of Science in Biochemistry, 2007 - Virginia Polytechnic Institute & State University, Blacksburg, VA

Bachelor of Science in Psychology, 2007 - Virginia Polytechnic Institute & State University, Blacksburg, VA

TECHNICAL TRAINING:

Appraisal Institute Courses – Practicing Affiliate

- Subdivision Valuation
- Business Practices and Ethics

McKissock Learning Appraisal Courses

- Basic Appraisal Principles (30 hours)
- Basic Appraisal Procedures (30 hours)
- 2018-2019 National USPAP Course (15 hours)
- Supervisor-Trainee Course for Texas (4 hours)
- Residential Appraiser Site Valuation and Cost Approach (15 hours)
- Residential Sales Comparison and Income Approaches (30 hours)
- Residential Market Analysis and Best Use (15 hours)
- Residential Report Writing and Case Studies (15 hours)
- Advanced Residential Applications and Case Studies (15 hours)
- Finance, Modeling, and Statistics (15 hours)
- General Appraiser-Highest and Best Use (30 hours)
- General Report Writing & Case Studies (30 hours)
- General Sales Comparison Approach (30 hours)
- General Cost Approach (30 hours)
- General Income Approach (60 hours)
- Expert Witness for Commercial Appraisers (15 hours)
- Commercial Appraisal Review (15 hours)
- Appraisal Subject Matter Electives (20 hours)

EXPERIENCE:

October 2020-Present

Commercial Appraiser with Peyco Southwest Realty, Arlington, TX - #1381232-G

- Wrote reports on commercial office/retail, industrial, subdivision, vacant land, and complex residential appraisals
- Consistently developed three approaches to value in a variety of assignment for a variety of intended users
- Acquired significant knowledge of commercial properties and cap rates for many property types in DFW
- Performed complete administrative tasks to manage and coordinate appraisal department
- Served as liaison between clients, banks, and supervisor
- Trained two appraisal trainees on how to write reports, search and confirm comparable, and understanding appraisal practice

April 2009-October 2020

Field Calibration Technician with Bio-Tek Services, Inc., Dallas, TX

- Serviced laboratory instruments for university research, government, hospital, and biotech laboratories
- Top earning service/sales representative from 2011-2020; sales on average 3 times higher than the mean sales rep
- Worked remotely (main office based in Richmond, VA) and with limited supervision throughout employment
- Organized an extremely busy schedule (along with 75% overnight travel) to assist in maintaining customer compliance with regulatory authorities
- Developed and maintained strong relationships with clients over the course of a decade – many laboratories were constituent throughout the duration of employment
- Followed ISO 17025 guidelines to keep client labs compliant with regulatory standards



LESLIE TOLLIVER – STATE CERTIFIED RESIDENTIAL REAL ESTATE APPRAISER

EDUCATION:

MBA – Masters in Business Administration – *University of Phoenix* (3.95 GPA)
Bachelor of Science in Business Administration - *University of Phoenix*
Graduate *Owings Mills High School*, Owings Mills, Maryland, 1988

TECHNICAL TRAINING:

Appraisal Institute – 300 hours of qualifying education for the Certified General Appraiser license
University of Texas in Arlington – 180 hours of qualifying education for the Texas Real Estate License
Southern Methodist University – qualifying education for the Texas Comptroller Arbitrator registry

PROFESSIONAL AFFILIATIONS:

Texas Appraiser Licensing and Certification Board – State Certified Residential Appraiser No. TX-1361274
Texas Real Estate Commission – Real Estate Broker License, No. 0468343

EXPERIENCE:

- 7 Years' experience as a fee appraiser for residential and commercial properties for *Peyco Southwest Realty*, *Aloft Appraisals*, and *G.S. Zachary Company*
 - Residential appraisals – area of expertise is in north Texas region; FHA certified
 - Commercial appraisals - throughout the states of Texas and Oklahoma
- 24 Years' experience as a residential and commercial real estate broker for multiple firms
 - *Savage Realty Investments* – Founding President
 - Negotiated contracts for clients in over \$50 million dollars of real estate transactions
 - Managed and trained over 25 Real Estate Agents
 - *Fathom Realty* – Broker Team Leader
 - Trained and mentored Real Estate Agents and assisted them with contracts and client transactions
- 24 Years' experience as a Property Tax Consultant
 - Valued properties, prepared cases, and appeared before Appraisal Review Boards to dispute the tax valuations of residential, commercial, and business personal property throughout the nation. Major clientele base included national accounts such as: Sonic restaurants, Church's Chicken restaurants, and Chuck-E-Cheese restaurants
- 9 Years' experience as a Real Estate Arbitrator on the *Texas Comptroller* registry
 - Act as an Arbitrator for real estate cases involving property tax disputes on residential, commercial, and business personal property taxes throughout Texas
 - Made binding valuation determinations for the disputed properties
- 16 Years' experience as a Real Estate Instructor at the *University of Texas in Arlington*
 - Adjunct instructor, teaching real estate classes to students pursuing a Real Estate Agent license in Texas
- 6 Years' experience as a Real Estate Arbitrator Instructor at the *University of Texas in Arlington*
 - Adjunct instructor, teaching continuing education classes to existing Arbitrators on the Texas Comptroller's registry
 - Trained and mentored many Arbitrators
- 3 Year's expectancy as a Real Estate Acquisition and Valuation Analyst for multiple firms
 - *KeyGlee* – Provided valuation of residential real estate for wholesaling to real estate investors
 - *Hyperion Homes* – Provided valuation of residential real estate for rent-to-own clients



Certified Residential Real Estate Appraiser

Appraiser: **Leslie Elizabeth Tolliver**

License #: **TX 1361274 R**

License Expires: **06/30/2024**

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 Residential Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.

Chelsea Buchholtz
Commissioner

BRANDON BRICE – APPRAISER TRAINEE

EDUCATION:

Bachelor of Science in General Business/Marketing, 2006 Oklahoma State University
Master of Science in Sport Administration, 2012 Georgia State University

TECHNICAL TRAINING:

- Basic Residential Appraisal Principles (QE) – 30 hours
- Basic Residential Appraisal Procedures (QE) – 30 hours
- 2022-2023 15 Hour National USPAP Course (QE) – 15 hours
- Appraising for the Supervisor and Trainee – 4 hours
- Residential Inspection for Real Estate Agents (SAE) – 30 hours
- Real Estate Investment (SAE) – 30 hours
- Property Management (SAE) – 30 hours
- Legal Update I and II (CE)- 8 hours
- Law of Agency (QE) – 30 hours
- Law of Contracts (QE) – 30 hours
- Principals of Real Estate I and II (QE) – 60 hours
- Promulgated Contracts Forms (QE) – 30 hours
- Real Estate Finance (QE) – 30 hours

APPRAISAL EXPERIENCE:

April 2023- Present

Appraiser Trainee with Trent Blanchard Appraisers, Arlington TX

- Onsite appraisals on single family, manufactured homes, townhomes, and vacant land
- Utilize technology via Ala mode for mobile app in the field to upload pictures, draw sketches and take comparable sales pictures to increase efficiency, accuracy and ensure reports compliant with USPAP guidelines.
- Texas Appraiser Trainee - #1343748

WORK EXPERIENCE:

Real Estate Investor	Dallas/Fort Worth, TX	05/2021- Present
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Purchase and renovate distressed properties for the purpose of renting or selling. Managing full home restoration projects under tight deadlines and budgets. Managing all pre-contract, due diligences, financing, closing and post- closing processes (via DocuSign) on all real estate transactions as an investor.

Realtor – Sales Agent Dallas/Fort Worth, TX 05/2021- Present

Real Estate agent focused on lead generation, appointment setting and follow-up. Concentration on client's needs and providing solutions to assist in closing transactions. Proficient at negotiating deals, listing properties and finding buyers

American Heart Association Dallas, TX 02/2020-04/2021

Corporate Market Director

Coordinated with prospective donors to receive corporate sponsorships and initiate matching gift campaigns to achieve fundraising goals. Fundraised \$300,000+ during a 3-month time frame to support the AHA mission. Worked closely with team members to deliver project requirements, develop solutions and meet deadlines.



Appraiser Trainee

Trainee: **Brandon Brice**

Authorization #: **TX 1343748 Trainee**

Expires: **04/30/2025**

Review the list of the above Trainee's Supervisors on the License Holder Search at www.talcb.texas.gov.

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title: Appraiser Trainee

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.


Chelsea Buchholtz
Commissioner

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APPENDIX F
PHOTOGRAPHS OF DEVELOPMENT IN THE DISTRICT

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**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024 (IMPROVEMENT AREA #3 PROJECT)**



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