

LIMITED OFFERING MEMORANDUM DATED NOVEMBER 4, 2024

NEW ISSUE

NOT RATED

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

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations.

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



\$36,907,000

CITY OF FRIENDSWOOD, TEXAS,

(a municipal corporation of the State of Texas located in Harris and Galveston Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024

**(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT
INITIAL MAJOR IMPROVEMENTS PROJECT)**

Dated Date: November 1, 2024

Interest to Accrue from Date of Delivery (defined below)

Due: September 15, as shown on the inside cover

The City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) (the “Bonds”), are being issued by the City of Friendswood, Texas (the “City”). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 15 and September 15, commencing March 15, 2025, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by Wilmington Trust, National Association, as trustee (the “Trustee”), to DTC as the registered owner thereof. See “BOOK-ENTRY ONLY SYSTEM.” Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance adopted by the City Council of the City (the “City Council”) on November 4, 2024, and an Indenture of Trust, dated as of November 1, 2024 (the “Indenture”), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying or reimbursing a portion of the Actual Costs of the “Initial Major Improvements” which consist of certain major infrastructure benefitting the Friendswood City Center Public Improvement District (the “District”), (ii) funding the Bond Reserve Account of the Reserve Fund, (iii) funding the Delinquency and Prepayment Reserve Account, (iv) paying capitalized interest on the Bonds, (v) paying the costs of the organization and administration of the District, and (vi) paying the costs of issuance of the Bonds. See “THE INITIAL MAJOR IMPROVEMENTS” and “APPENDIX A — Form of Indenture.”

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

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

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

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

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

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Bracewell LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX C — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the Underwriter by its counsel, Locke Lord LLP, and for the Developer by its counsel, Winstead PC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about November 27, 2024 (the “Date of Delivery”).

FMSbonds, Inc.

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

CUSIP Prefix: 358591 ^(a)

\$36,907,000

CITY OF FRIENDSWOOD, TEXAS,

(a municipal corporation of the State of Texas located in Harris and Galveston Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024

(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR IMPROVEMENTS
PROJECT)

\$36,907,000 7.000% Term Bonds, Due September 15, 2054, Priced to Yield 7.000%; CUSIP Suffix: AA3 ^{(a) (b) (c)}

-
- ^(a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services and managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- ^(b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 15, 2034, at the redemption price of 100% of the principal amount plus accrued interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- ^(c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

**CITY OF FRIENDSWOOD, TEXAS
CITY COUNCIL**

<u>Council</u>	<u>Position</u>	<u>Term Expires (May)</u>
Mike Foreman	Mayor	2027
Joe Matranga	Mayor Pro Tem	2026
John Ellisor	Councilmember	2027
Sally Branson	Councilmember	2026
Trish Hanks	Councilmember	2027
Robert J. Griffon	Councilmember	2025
Brent Erenwert	Councilmember	2025

CITY MANAGER
Morad Kabiri

CITY SECRETARY
Leticia Brysch

DIRECTOR OF FINANCE
Rhonda Bloskas

ADMINISTRATOR
P3 Works, LLC

FINANCIAL ADVISOR TO THE CITY
BOK Financial Securities, Inc.

BOND COUNSEL
Bracewell LLP

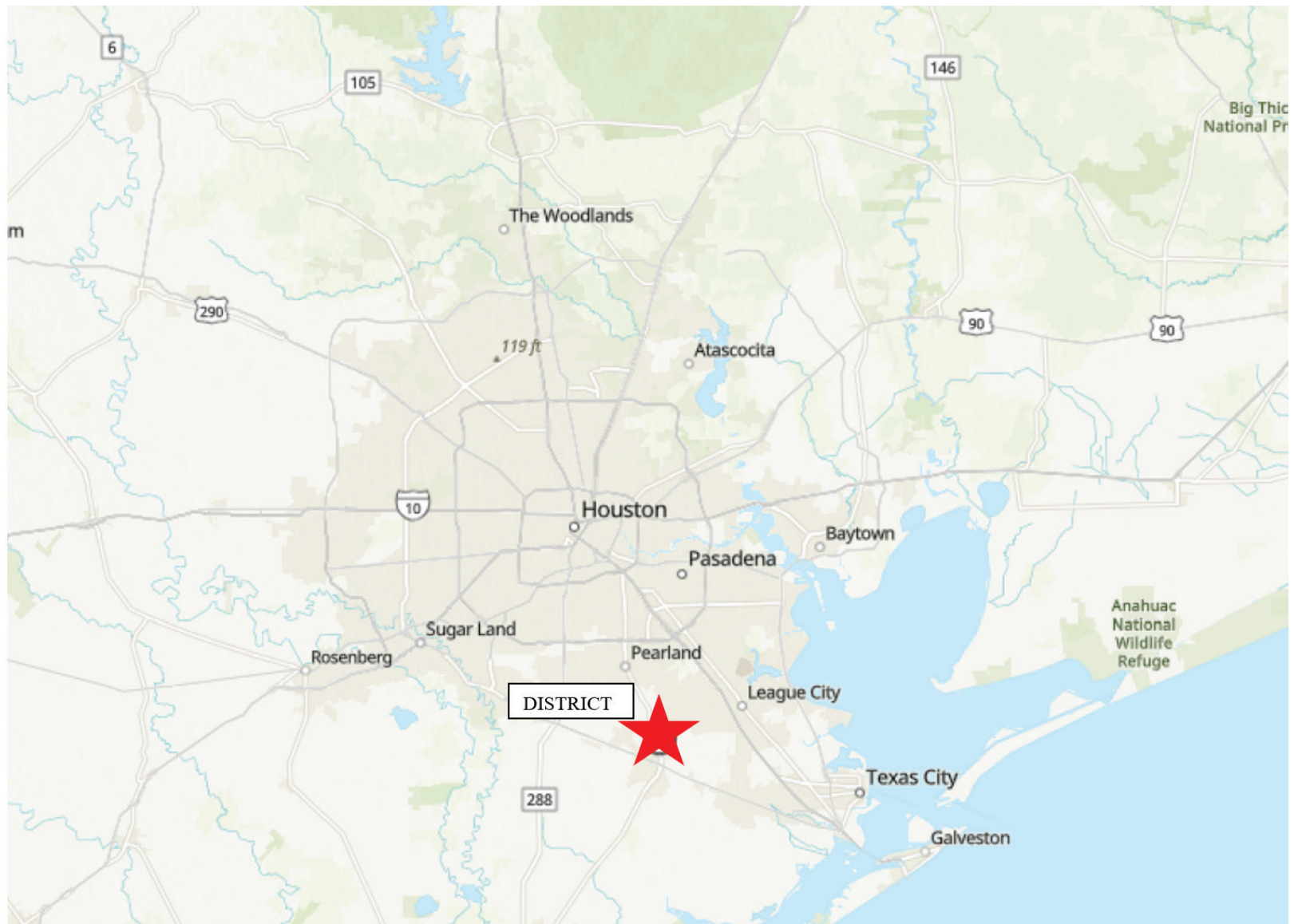
UNDERWRITER'S COUNSEL
Locke Lord LLP

For additional information regarding the City, please contact:

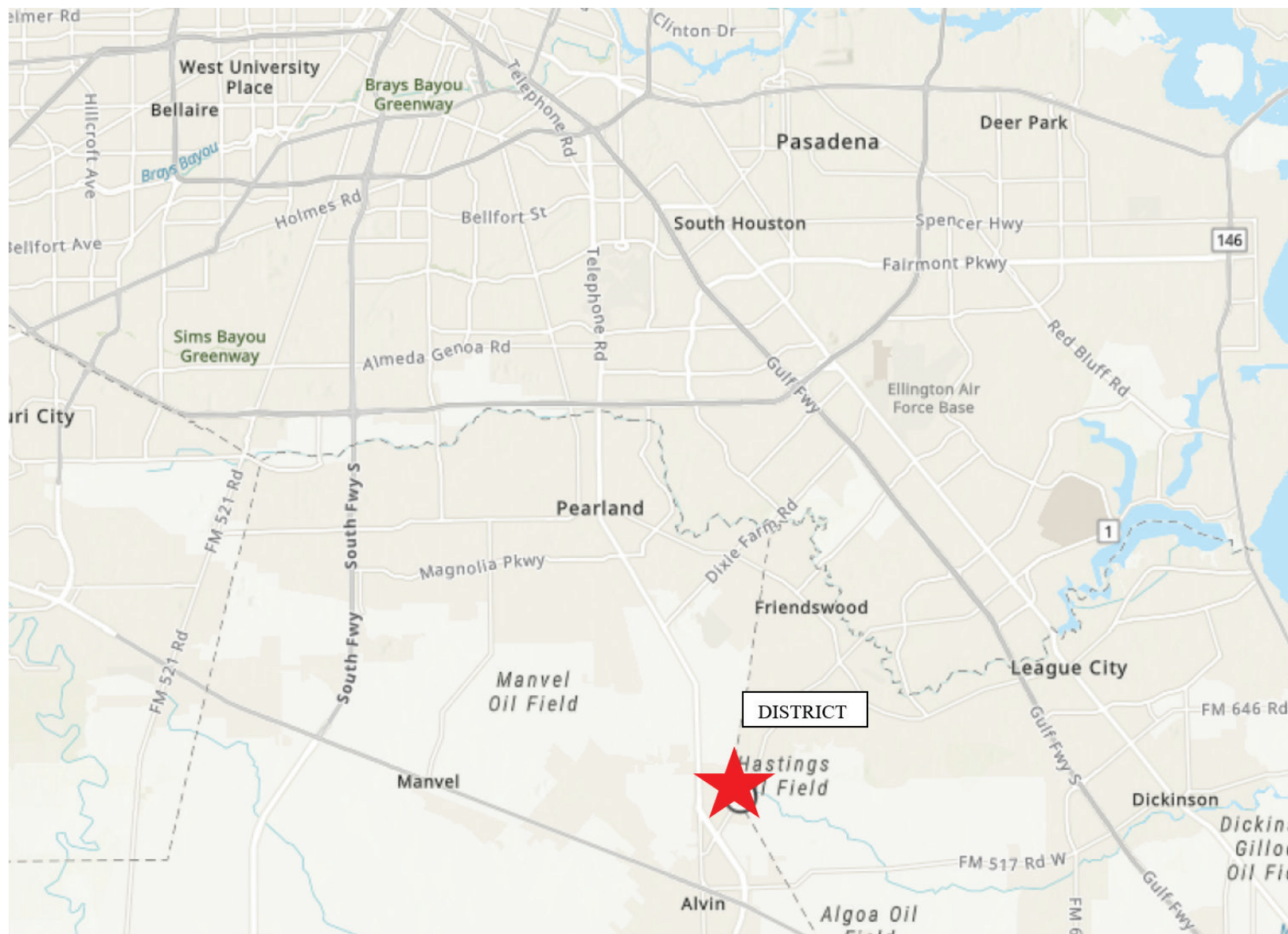
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REGIONAL LOCATION MAP OF THE DISTRICT



AREA LOCATION MAP OF THE DISTRICT



MAP SHOWING BOUNDARIES OF THE DISTRICT



CONCEPT PLAN FOR DEVELOPABLE LAND IN THE DISTRICT



AERIAL PHOTOGRAPH OF THE DISTRICT

(Taken August 24, 2024)



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

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

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

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

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

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

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED

TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

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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LIMITED OFFERING MEMORANDUM

\$36,907,000

CITY OF FRIENDSWOOD, TEXAS,

(a municipal corporation of the State of Texas located in Harris and Galveston Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024

(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR IMPROVEMENTS PROJECT)

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Friendswood, Texas (the “City”), of its \$36,907,000 aggregate principal amount of Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) (the “Bonds”).

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

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds enacted by the City Council of the City (the “City Council”) on November 4, 2024 (the “Bond Ordinance”), and an Indenture of Trust, dated as of November 1, 2024 (the “Indenture”), entered into by and between the City and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds will be secured by a pledge of and a lien upon the Trust Estate (as defined in the Indenture), consisting primarily of revenue from assessments (“Assessments”) levied for the Initial Major Improvements (as defined herein) against assessable property (the “Assessed Property”) located within the Friendswood City Center Public Improvement District (the “District”) pursuant to a separate ordinance enacted by the City Council on November 4, 2024 (the “Assessment Ordinance”). The City created the District pursuant to a resolution adopted by the City Council on January 8, 2024 (the “Creation Resolution”).

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

Set forth herein are brief descriptions of the City, the District, the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the Friendswood City Center Development Agreement between the City and Madison Development Corp., LLC, a Texas limited liability company (the “Developer”) dated January 22, 2024 (the “Development Agreement”), and P3 Works, LLC (the “Administrator”), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas, 75034, Phone: (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed in this Limited Offering Memorandum.

PLAN OF FINANCE

The District

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

Development Plan and Plan of Finance

The District contains approximately 106 acres which are being developed as a master-planned mixed-use development expected to consist of approximately 76,408 square feet of building space as inline retail or food retail, 268,800 square feet of mixed use space which includes ground floor retail and condominium/multifamily above ground floor retail, an approximately 115-room hotel with convention space, 194,050 square feet of office/medical building space, and approximately 500 multifamily units (in approximately 750,000 square feet) and a fire station. See “THE DEVELOPMENT — Development Plan.” The boundaries of the District are shown on the “MAP SHOWING BOUNDARIES OF THE DISTRICT” on page v. The District is located entirely within the corporate limits of the City. The Developer will develop the District to provide the necessary infrastructure to achieve vertical development on 12 separate lots, Lots 1-12 as shown on the “CONCEPT PLAN FOR DEVELOPABLE LAND IN THE DISTRICT” appearing on page vi hereof. Vertical development in the District will occur on approximately 40.237 acres. The remainder of land in the District will be parkland, open space, and amenities, all of which will be located in the flood plain.

The Developer purchased the property in the District on February 23, 2023 from Clear Creek Community Church at a purchase price of \$10,000,000. The purchase price was financed with a loan (the “Acquisition Loan”) from b1 Bank (the “Lender”) in the amount of \$6,500,000 and Developer equity. As of October 1, 2024, the outstanding balance on the Acquisition Loan is \$415,458.42.

Subsequent to its purchase of property in the District, the Developer sold five lots (Lot 1, Lot 2, Lot 3, Lot 4 and Lot 5) as more particularly described under “THE DEVELOPER – History and Financing of the District – Acquisition and Subsequent Sales of Land in the District” at a collective sale price of \$6,169,838. The sale of Lot 1 was to a related entity, Lone Star Campus R1 LLC, a special purpose entity affiliated with Wolfram Capital (“Wolfram”), the manager of the Class D Member of the Developer. The purchase of Lot 1 was funded with an additional loan from the Lender to Lone Star Campus R1 LLC. As of October 1, 2024, such loan is outstanding in the amount of \$1,609,000. See “THE DEVELOPER – History and Financing of the District.” In addition, the Developer is under contract to sell Lot 12 in the District to Lone Star Campus MFH LLC, an additional special purpose entity affiliated with Wolfram, pursuant to the Lot 12 Contract (as defined herein), at a sale price of \$20,000,000. See “THE DEVELOPMENT – Expected Vertical Development in the District.”

The infrastructure benefitting the District will be constructed in two phases. The Developer expects to construct improvements consisting of certain roadway, earthwork, paving and grading, clearing, grubbing and demolition, and detention improvements that will benefit the District (the “Initial Major Improvements”) as the first phase of development. Construction of the Initial Major Improvements began in Q2 2024 and is expected to be completed by Q3 2025. As of October 1, 2024, the Developer had expended \$7,580,742 on the costs of the Initial Major Improvements, which was funded with Developer equity and funds provided by the City Contribution (as defined herein).

The Developer expects to construct improvements consisting of certain additional roadway, earthwork, paving and grading, water, wastewater, storm drainage, landscaping, parks and public amenity improvements as well as a fire station, all of which will benefit the District as more particularly described in the Service and Assessment Plan (the “Additional Major Improvements”) as the second phase of development. Such Additional Major Improvements are more particularly described in the Service and Assessment Plan. See “APPENDIX B — Form of

Service and Assessment Plan.” Construction of the Additional Major Improvements other than the fire station is expected to begin in Q2 2025 and be completed in Q2 2026.

Due to the location of Lots 1-5 (abutting FM 528), vertical construction on Lots 1-5 in the District can begin without the completion of the Initial Major Improvements or the Additional Major Improvements. Such vertical construction is expected to begin in Q4 2024 and is currently anticipated to be completed in Q2 2025. The Developer indicates there is a finalized five-year lease for approximately 1,500 sf of office space on Lot 1 and an executed ten-year lease for a 3,000 sf (plus patio space) restaurant on Lot 2. Vertical construction on Lot 8 is expected to begin in December 2025 and be completed in Q4 2027. Vertical construction on Lot 10 is expected to begin in December 2024 and be completed Q4 2026. A two phase vertical construction period is expected for Lot 12 in the District. Vertical construction on Lot 12 is expected to commence in Q1 2025, and phase one of such vertical construction is expected to be completed in Q2 2027. Phase two of such vertical construction is expected to be completed by Q1 2028. The Developer does not currently have a timeline for vertical construction on Lots 6, 7, 9, and 11 in the District. Except for Lot 2, Lot 3, Lot 4 and Lot 5, all lots in the District are expected to be owned by entities affiliated with the Developer and Wolfgramm and vertical construction on such lots is expected to be completed by such entities. See “THE DEVELOPMENT – Expected Vertical Development in the District” and “THE DEVELOPER.”

The total costs of the Initial Major Improvements (exclusive of any costs of issuance related to the Bonds) are expected to be approximately \$33,840,197. The City will pay a portion of the project costs for the Initial Major Improvements, in the expected amount of \$25,598,351.67, from proceeds of the Bonds. The Developer will submit payment requests for costs actually incurred in developing and constructing the Initial Major Improvements and be paid in accordance with the Indenture and the Development Agreement. See “THE INITIAL MAJOR IMPROVEMENTS – General,” “THE DEVELOPMENT – Development Plan” and “THE DEVELOPMENT AGREEMENT.” In addition, a portion of the costs of the Initial Major Improvements has been paid or will be paid from lawfully available funds of the City set aside for a portion of the drainage improvements included in the Initial Major Improvements (the “City Contribution”). The remaining costs of the Initial Major Improvements will be funded by the Developer using Developer equity.

Construction of the Additional Major Improvements is expected to initially be funded by Developer equity, and, if issued, the Additional Major Improvement Bonds (as defined herein). The City is also expected to contribute funds from the TIRZ (as defined herein) to fund a portion of the fire station pursuant to the TIRZ Development Agreement (as defined herein). See “THE DEVELOPMENT – TIRZ Development Agreement.”

The City and the Developer have entered into the “Friendswood City Center Public Improvement District Reimbursement Agreement” (the “Reimbursement Agreement”) pursuant to which the City has agreed to reimburse the Developer for the costs of “Authorized Improvements” benefitting the District, including the Initial Major Improvements and the Additional Major Improvements. The City levied the Assessments with respect to the Initial Major Improvements pursuant to the Assessment Ordinance, and an additional assessment with respect to the Additional Major Improvements (the “Additional Major Improvement Assessments”) in the amount of \$17,746,000 pursuant to a separate ordinance adopted on November 4, 2024 (the “Additional Major Improvement Assessment Ordinance”). The Additional Major Improvement Assessments will secure the City’s reimbursement obligation to the Developer for the Additional Major Improvements (the “Additional Major Improvements Reimbursement Obligation”). **The Additional Major Improvement Assessments constitute a lien on the property in the District that is on parity with the lien for the Assessments; however, the Additional Major Improvement Assessments are not pledged to and do not secure the Bonds.** See “BONDHOLDERS’ RISKS – Assessment Limitations.” The Service and Assessment Plan provides that the Additional Major Improvement Assessments will not begin to be collected until that date which is the earlier of (i) the date on which bonds secured by the Additional Major Improvement Assessments are issued and (ii) at the date which is two years after the date on which the Additional Major Improvement Assessment Ordinance is adopted (the “Additional Major Improvement Assessments Trigger Date”). The Developer expects the City to issue an additional series of bonds secured by the Additional Major Improvement Assessments (the “Additional Major Improvement Bonds”) approximately 18 months after the issuance of the Bonds. Such Additional Major Improvement Bonds are expected to refund the Additional Major Improvements Reimbursement Obligation. The Indenture contains certain restrictions on the issuance of the Additional Major Improvement Bonds as described under “SECURITY FOR THE BONDS – Additional Obligations; Other Obligations or Other Liens.”

The Bonds

Proceeds of the Bonds will be used primarily to provide funds for (i) paying or reimbursing a portion of the Actual Costs of the Initial Major Improvements, (ii) funding the Bond Reserve Account of the Reserve Fund, (iii) funding the Delinquency and Prepayment Reserve Account, (iv) paying capitalized interest on the Bonds, (v) paying the costs of the organization and administration of the District, and (vi) paying the costs of issuance of the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess may be transferred, at the discretion of the City, to (i) to the Initial Major Improvement Account of the Project Fund or (ii) to the Bond Fund to be used to pay interest on the Bonds. See “THE INITIAL MAJOR IMPROVEMENTS,” “APPENDIX A – Form of Indenture” and “SOURCES AND USES OF FUNDS.”

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

The Bonds and any Additional Major Improvement Bonds, if issued, shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”), or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds. Any Additional Major Improvement Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.

DESCRIPTION OF THE BONDS

General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 15 and September 15, commencing March 15, 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 \$100,000 of principal and any integral multiple of \$1,000 in excess thereof (“Authorized Denominations”); provided, however, that if the total principal amount of any Outstanding Bond is less than \$100,000 as a result of partial redemption, then the Authorized Denomination of such Bonds shall be the amount of such Outstanding Bond not less than \$1,000. Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

Redemption Provisions

Optional Redemption. The City reserves the right and option to redeem the Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 15, 2034, such redemption date or dates to be fixed by the City, at the redemption price of par plus accrued and unpaid interest to the date of redemption (the “Redemption Price”).

Extraordinary Optional Redemption. Notwithstanding any provision in the Indenture to the contrary, but subject to the provisions of the Indenture, the City reserves the right and option to redeem Bonds before their scheduled maturity date, in whole or in part, on any Business Day, at a Redemption Price of 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 provided in the Indenture) or any other transfers to the Redemption Fund under the terms of the Indenture, including from transfers of Foreclosure Proceeds and transfers pursuant to various provisions of the Indenture. The City written direction for such redemption shall include details with regard to a corresponding reduction in the Bond Reserve Account Requirement. Notwithstanding the foregoing, the Trustee will not be required to make an extraordinary optional redemption unless it has at least \$1,000 available in the Redemption Fund with which to redeem the Bonds. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments” and “APPENDIX A — Form of Indenture.”

Mandatory Sinking Fund Redemption. The Bonds (referred to as the “Term Bonds” below) are subject to mandatory sinking fund redemption prior to their stated maturity and will be redeemed by the City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account pursuant to the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

\$36,907,000 Term Bonds Maturing September 15, 2054

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 15, 2027	\$ 468,000
September 15, 2028	499,000
September 15, 2029	533,000
September 15, 2030	570,000
September 15, 2031	609,000
September 15, 2032	650,000
September 15, 2033	695,000
September 15, 2034	742,000
September 15, 2035	793,000
September 15, 2036	847,000
September 15, 2037	906,000
September 15, 2038	968,000
September 15, 2039	1,034,000
September 15, 2040	1,106,000
September 15, 2041	1,182,000
September 15, 2042	1,263,000
September 15, 2043	1,351,000
September 15, 2044	1,444,000
September 15, 2045	1,544,000
September 15, 2046	1,650,000
September 15, 2047	1,764,000
September 15, 2048	1,886,000
September 15, 2049	2,017,000
September 15, 2050	2,157,000
September 15, 2051	2,306,000
September 15, 2052	2,466,000
September 15, 2053	2,637,000
September 15, 2054†	2,820,000

† Stated maturity.

At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to the mandatory sinking fund redemption described above, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at any price and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional or extraordinary optional redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

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

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

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

The City reserves the right, in the case of an optional or extraordinary optional redemption pursuant to the Indenture, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Additional Provisions with Respect to Partial Redemption. If less than all of the Bonds are to be redeemed pursuant to the Indenture, 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 such Bond by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

If less than all of the Bonds are to be redeemed pursuant to optional or extraordinary optional redemption, such redemption shall be effected by redeeming Bonds in such manner as may be specified by the City in a City Certificate; provided, however that in the absence of such instruction from the City by the date required for the sending of notice of redemption pursuant to the Indenture, the Bonds shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding maturities, treating each date on which a Sinking Fund Installment is due as a separate maturity for such purpose.

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

NONE OF THE CITY, THE TRUSTEE, THE PAYING AGENT/REGISTRAR, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY

WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

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

- 1) The Investor has authority and is duly authorized to purchase the Bonds and to execute any instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.
- 2) The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
- 3) The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
- 4) The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.
- 5) The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Initial Major Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for, or in connection with the Investor’s decision to purchase the Bonds except for fraud or willful misconduct, to the extent permitted by law. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.
- 6) The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid by the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the District (which has no taxing power), the State or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit

of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Indenture.

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

SECURITY FOR THE BONDS

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

NOTWITHSTANDING THE FOREGOING, THE CITY HAS CREATED “REINVESTMENT ZONE NUMBER ONE, CITY OF FRIENDSWOOD” (THE “TIRZ”), WHICH INCLUDES THE LAND WITHIN THE DISTRICT AND CERTAIN ADDITIONAL ADJACENT ACREAGE, AND INTENDS TO USE ANNUAL TAX INCREMENT REVENUE COLLECTED, WHICH TAX INCREMENT REVENUE WILL CONSIST OF AN AMOUNT EQUAL TO 70% OF ALL REAL PROPERTY TAXES LEVIED, ASSESSED AND COLLECTED BY THE CITY WITHIN THE TIRZ ON ALL REAL PROPERTY IN THE DISTRICT TAXABLE BY THE CITY THEREIN, TO PAY A PORTION OF THE COSTS OF CERTAIN INFRASTRUCTURE BENEFITTING THE DISTRICT AND THE TIRZ (INCLUDING THE INITIAL MAJOR IMPROVEMENTS AND CERTAIN ADDITIONAL INFRASTRUCTURE) AS SET FORTH IN THE SERVICE AND ASSESSMENT PLAN AND THE TIRZ PROJECT AND FINANCE PLAN (AS DEFINED HEREIN). SUCH TAX INCREMENT REVENUE, TO THE EXTENT AVAILABLE, IS EXPECTED TO BE USED BY THE CITY TO OFFSET, ON A PARCEL-BY-PARCEL BASIS, ASSESSMENTS USED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS. ANY AMOUNT OF SUCH TAX INCREMENT REVENUE USED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS WILL RESULT IN A REDUCTION IN ANNUAL INSTALLMENTS OF ASSESSMENTS RELATED TO THE BONDS BY A CORRESPONDING AMOUNT. SUCH TAX INCREMENT REVENUE IS NOT PLEDGED TO THE BONDS UNDER THE INDENTURE. SEE “— TIRZ REVENUES MAY REDUCE ASSESSMENTS” BELOW.

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the Trust Estate, consisting primarily of the Pledged Revenues, which consist primarily of Assessments levied against the Assessed Property within the District and other funds comprising the Trust Estate, all to the extent and upon the

conditions described herein and in the Indenture. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (the “Service and Assessment Plan”), which describes the special benefit received by the property within the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX B — Form of Service and Assessment Plan.”

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Initial Major Improvements by levying Assessments upon in the Assessed Property of the District benefitted thereby. For a description of the assessment methodology and the amounts of assessments levied in the District, see “ASSESSMENT PROCEDURES” and “APPENDIX B — Form of Service and Assessment Plan.”

Pledged Revenues

The Indenture refers to the Assessments as the “Initial Major Improvement Assessments” and such defined term is sometimes used under this “SECURITY FOR THE BONDS” section to refer to the Assessments. The Indenture refers to the Annual Installments as the “Initial Major Improvement Annual Installments” and such defined term is sometimes used under this “SECURITY FOR THE BONDS” section to refer to the Annual Installments. In addition, pursuant to the Indenture, the following terms are assigned the following meanings:

“Pledged Revenues” are the sum of (i) Initial Major Improvement Annual Installments (excluding the portion of the Initial Major Improvement Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs), (ii) the moneys held in any of the Pledged Funds and Accounts, and (iii) any additional revenues that the City may pledge to the payment of Bonds.

“Initial Major Improvement Annual Installment” means the Annual Installment of the Initial Major Improvement Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Additional Interest, when collected; and; (4) the pro rata portion of the Annual Collection Costs based on the outstanding Initial Major Improvement Assessments as shown in the Service and Assessment Plan.

“Additional Interest” is the up to 0.50% additional interest that may be charged on the Initial Major Improvement Assessments pursuant to Section 372.018 of the PID Act and the Indenture.

In the Indenture, the City covenants that it will take all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. 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, counties, school districts, or municipalities for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged) and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See “ASSESSMENT PROCEDURES” herein.

TIRZ Revenues May Reduce Assessments

The Assessments were levied by the City according to the Assessment Ordinance and described in the Service and Assessment Plan are set at a level sufficient to fund a portion of the costs of the Initial Major Improvements.

The City created the TIRZ on December 4, 2023 through the adoption of Ordinance No. 2023-31 (the “TIRZ Creation Ordinance”) pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”) over an area comprising approximately 124.612 acres, which area included the land within the District. The City and the Board of Directors of the TIRZ approved a preliminary project and finance plan for the TIRZ (the “Preliminary Project Plan and Financing Plan”) in December 2023.

The City Council approved a final Project and Finance Plan for the TIRZ (the “TIRZ Project and Finance Plan”) on November 4, 2024. The TIRZ Project and Finance Plan authorizes the use of TIRZ Revenues (defined below) for project costs under the TIRZ Act, including those relating to the Initial Major Improvements, the fire station (which constitutes a portion of the Additional Major Improvements), and other projects as provided for in the TIRZ Project and Finance Plan (including amendments or supplements thereto) (such projects, the “TIRZ Projects”).

Pursuant to the TIRZ Act, the tax increment base of the City is the total taxable value of all real property taxable by the City within the TIRZ, determined as of January 1 the year in which the TIRZ was designated as a reinvestment zone (the “Tax Increment Base”). As described in the TIRZ Creation Ordinance, the “Tax Increment” for a year includes 70% of property taxes (based on the ad valorem tax rate in effect on the date of establishment of the TIRZ), levied and collected by the City within the boundaries of the TIRZ on the Captured Appraised Value. The portion of the Tax Increment derived from the District is expected to be used to reduce Assessments within the District, as described below. Consistent with Section 311.012(b) of the TIRZ Act, the “Captured Appraised Value” of real property taxable by the City for a year is the total appraised value of all real property taxable by the City and located in the TIRZ for that year less the Tax Increment Base.

Pursuant to the Development Agreement, the Service and Assessment Plan, and the TIRZ Project and Finance Plan, the City intends to hold the annual TIRZ Revenues collected from property within the District (the “TIRZ Revenues”) in a dedicated fund (the “TIRZ Fund”) and to dedicate the City ad valorem tax revenue in such TIRZ Fund to pay costs required to administer the TIRZ and to pay a portion of the costs of the Initial Major Improvements through an offset or credit against the Assessments, on a parcel-by-parcel basis, in an amount equal to the TIRZ Annual Credit Amount (as defined in “ASSESSMENT PROCEDURES – Assessment Amounts – *TIRZ Annual Credit Amount*” herein). In the Service and Assessment Plan, the City has established a maximum annual TIRZ credit per Unit/square foot for each Lot Type as described under “ASSESSMENT PROCEDURES – Assessment Amounts – *TIRZ Annual Credit Amount*”. The TIRZ Annual Credit Amount shall not exceed the TIRZ Maximum Annual Credit Amount (as such term is defined in the Service and Assessment Plan).

After the TIRZ Annual Credit Amount is applied to provide a credit towards a portion of the Annual Installment for the Assessed Property, any excess TIRZ Revenues available from the TIRZ Fund shall be held in a segregated account by the City and shall be used to reimburse the Developer for certain public improvements not paid or financed through the District and to provide the Chapter 380 Economic Development Grant to the Developer, as provided for in the TIRZ Development Agreement, or in a manner determined by the City. See “THE DEVELOPMENT – TIRZ Development Agreement.”

THE TIRZ REVENUES, IF AVAILABLE, WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT THERE WILL EVER BE SUFFICIENT TIRZ REVENUES TO GENERATE THE MAXIMUM TIRZ ANNUAL CREDIT AMOUNT. THE TIRZ ANNUAL CREDIT AMOUNT WILL NOT BE APPLIED IN ANY MANNER THAT WOULD AFFECT THE COLLECTION AND CONTINUOUS ENFORCEMENT OF ASSESSMENTS COLLECTED FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND ADMINISTRATIVE EXPENSES AND THE FUNDING OF THE DELINQUENCY AND PREPAYMENT RESERVE ACCOUNT REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. TIRZ REVENUES GENERATED FROM THE CAPTURED APPRAISED VALUE FOR EACH LOT OR PARCEL IN THE DISTRICT DURING THE DEVELOPMENT OF SUCH LOT OR PARCEL WILL RESULT IN A TIRZ ANNUAL CREDIT AMOUNT WHICH IS NOT SUFFICIENT TO ACHIEVE THE TARGETED AD VALOREM TAX RATE EQUIVALENT. THE TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE SUFFICIENT TO PROVIDE FOR THE TARGETED AD VALOREM TAX RATE EQUIVALENT ON ANY PARCEL OR LOT UNTIL THE SECOND YEAR THAT FULL BUILDOUT ON ANY SUCH LOT OR PARCEL IS ASSESSED, ASSUMING SUCH PARCEL OR LOT IS DEVELOPED UNDER THE ASSUMPTIONS PROVIDED BY THE DEVELOPER AS

DESCRIBED UNDER THE HEADING “THE DEVELOPMENT – DEVELOPMENT PLAN.” SEE ALSO “OVERLAPPING TAXES AND DEBT.”

Collection and Enforcement of Assessments

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

The City will determine or cause to be determined, no later than April 1 of each year, whether or not any Initial Major Improvement Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Initial Major Improvement Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Initial Major Improvement Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Initial Major Improvement Assessment or the corresponding Assessed Property.

Unconditional Levy of Assessments

The City has imposed Assessments on the property within the District to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds and pursuant to the terms of the Indenture and Service and Assessment Plan may also include an additional 0.50%, calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated on September 1 and shall be billed on or about October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments will be due when billed in October 2026, and will be delinquent if not paid prior to February 1, 2027.

As authorized by Section 372.018(b) of the PID Act, the City will calculate and collect each year while the Bonds are Outstanding and unpaid, an Assessment to pay the annual costs incurred by the City in the administration and operation of the District. The portion of each Annual Installment of an Assessment used to pay such annual administrative costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount of the levy after an annual review in any year pursuant to Section 372.013 of the PID Act. The Assessments to pay Annual Collection Costs shall be due in the manner set forth in the Assessment Ordinance when billed each year and shall be delinquent if not paid by February 1 of the following year. The portion of the Assessments to pay Annual Collection Costs does not secure repayment of the Bonds and does not constitute Pledged Revenues for payment of the Bonds.

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

The Assessment Lien for Assessments and penalties and interest began on the effective date of the Assessment Ordinance and will remain in place until the Assessments are paid or until all Bonds are finally paid (or otherwise discharged) and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See “ASSESSMENT PROCEDURES” herein.

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

Perfected Security Interest

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. In the Indenture, the City covenants that should State law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of such revenues is subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City will take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur. See “APPENDIX A — Form of Indenture.”

Pledged Revenue Fund

The City has created a Pledged Revenue Fund under the Indenture to be held by the Trustee. On or before February 1 (provided that Pledged Revenues have been received by the City, or if not, then as soon available) while the Bonds are Outstanding, beginning February 1, 2027 (or the first February 1 when such Pledged Revenues are available), the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Initial Major Improvement Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs, which shall be deposited pursuant to the Indenture) into the Pledged Revenue Fund. Specifically, the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority:

- (1) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund amounts sufficient to pay debt service on the Bonds coming due on each Interest Payment Date in the in the current Bond Year,
- (2) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement,
- (3) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account in an amount sufficient to allow the funds on deposit therein to equal the Delinquency and Prepayment Reserve Requirement, and
- (4) fourth, in accordance with the written direction of the City, to pay other costs permitted by the PID Act.

Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (1) through (3) above are made, the City shall have the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in the Indenture.

The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to the Indenture as Additional Interest, Prepayments or Foreclosure Proceeds. For the avoidance of doubt, all portions of the Initial Major Improvements Annual Installment collected as Additional Interest shall be deposited pursuant only to (3) above.

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 of the Pledged Revenue Fund and transfer to the Principal and Interest Account, 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 paragraph above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds.

Notwithstanding the paragraphs above: (i) when and if collected, the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer all or a portion of such Additional Interest to the Delinquency and Prepayment Reserve Account as set forth above and as otherwise directed by the Indenture; (ii) 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; and (iii) 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 Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund.

Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Annual Collection Costs shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

After satisfaction of the requirements to (i) provide for the payment of the principal and interest on the Bonds and (ii) to fund any deficiency that may exist in the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account), the City may direct the Trustee by City Certificate to apply Initial Major Improvement Assessments for any lawful purposes permitted by the PID Act for which Initial Major Improvement Assessments may be paid.

Initial Major Improvement Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

Any Initial Major Improvement Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Initial Major Improvement Assessments may be used under the PID Act and such payments shall be applied in accordance with written direction from a City Representative to the Trustee.

Bond Fund

No later than 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 paragraph above, the Trustee shall withdraw *first* from the Delinquency and Prepayment Reserve Account of the Reserve Fund and *second* from the Bond 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>
March 15, 2025	\$775,047
September 15, 2025	\$1,291,745
March 15, 2026	\$1,291,745
September 15, 2026	\$1,291,745

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed in the Indenture shall be transferred, at the direction of the City, to (i) the Initial Major Improvement Account of the Project Fund or (ii) to the Redemption Fund to be used to redeem the Bonds and the Capitalized Interest Account shall be closed.

Project Fund

Money on deposit in the Initial Major Improvement Account, and Costs of Issuance Account shall be used for the purposes specified in the Indenture. Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates or pursuant to a closing memo drafted by the City's financial advisor for disbursement at closing of the Bonds. Moneys disbursed at closing to pay for the costs of creating the District shall be paid pursuant to a Closing Disbursement Request or pursuant to a closing memo drafted by the City's financial advisor for disbursement at closing of the Bonds.

Except as otherwise provided in the Indenture, money on deposit in the Initial Major Improvement Account, of the Project Fund shall be used solely to pay the costs of the Initial Major Improvements. Upon receipt of a reviewed and approved Certificate for Payment for any Initial Major Improvement Costs, the Trustee shall make payment for the costs set forth therein, from the Initial Major Improvement Account of the Project Fund. Except as provided in the Indenture, money on deposit in the Initial Major Improvement Account shall be used solely to pay the Initial Major Improvement Costs as set forth in the applicable Certificate for Payment.

If the City Representative determines in his or her sole discretion that amounts then on deposit in the Initial Major Improvement Account are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Initial Major Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Initial Major Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Initial Major Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate currently on deposit in the Initial Major Improvement Account 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 and the Initial Major Improvement Account shall be closed.

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

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

Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account may be transferred, at the City's discretion, to (1) the Bond Fund and used to pay interest on the Bonds, or (2) to the Initial Major Improvement Account of the Project Fund and used to pay Initial Major Improvement Costs, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Bond Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Bond Reserve Account was 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 Bond Reserve Account Requirement. The City agrees with the Owners of the Bonds to maintain in the Bond Reserve Account an amount equal to not less than the Bond Reserve Account Requirement.

Pursuant to the Indenture, the "Bond Reserve Account Requirement" for the Bonds shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds as of the Closing Date, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date, or (iii) 10% of the stated principal amount of the Bonds as of the Closing Date; provided, however that subsequent to the Closing Date of the Bonds, such Bond Reserve Account Requirement shall be recalculated and adjusted for compliance with the above upon (a) any transfers made pursuant to the terms of the Indenture, (b) a mandatory sinking fund redemption pursuant to the terms of the Indenture, (c) an optional redemption pursuant to the terms of the Indenture or (d) an extraordinary optional redemption pursuant to the

terms of the Indenture. As of the date of issuance of the Bonds, the Bond Reserve Account requirement is \$3,051,490, which is an amount equal to the Maximum Annual Debt Service on the Bonds.

Subject to the subsequent paragraph below, all amounts deposited in the Bond 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 in the event of any deficiency in such Principal and Interest Account on any Interest Payment Date or any date on which principal of the Bonds is due. Whenever a transfer is made from the Bond Reserve Account to the Principal and Interest Account due to a deficiency in the Principal and Interest Account, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn.

Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the amount in the Bond Reserve Account exceeds the Bond Reserve Account Requirement, the Trustee shall provide written notice to the City Representative and the Administrator of the amount of the excess. Upon receipt of a City Certificate, the Trustee shall transfer such excess to (i) the Principal and Interest Account, (ii) the Redemption Fund or (iii) the Administrative Fund, as set forth in the City Certificate. The excess amounts transferred from the Bond Reserve Account to the Administrative Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds).

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

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

If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund and the Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount 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.

Whenever Bonds are to be redeemed with the proceeds of Prepayments, a proportionate amount in the Bond Reserve Account 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 the Bonds as detailed in a City Certificate. The amount so transferred from the Bond Reserve Account shall be a proportional amount 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 Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Bond Reserve Account, 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 on the Bonds, 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 Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund, Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount 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.

The cumulative amount of any Bond proceeds (including investment earnings on such proceeds) that are transferred to the Administrative Fund and subsequently used for the payment of operating costs directly relating to the Initial Major Improvements will not exceed 5% of sale proceeds of the Bonds.

Delinquency and Prepayment Reserve Account of the Reserve Fund

The Delinquency and Prepayment Reserve Account shall be funded with the proceeds of the Bonds in the amount of the Delinquency and Prepayment Reserve Requirement. "Delinquency and Prepayment Reserve Requirement" means an amount equal to 2.5% of the principal amount of the Outstanding Bonds.

In addition to the initial deposit to the Delinquency and Prepayment Reserve Account from Bond proceeds shown under "SOURCES AND USES OF FUNDS" herein, Additional Interest shall be collected and deposited to the Delinquency and Prepayment Reserve Account until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. When, at the written request of the City Representative on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account is less than the Delinquency and Prepayment Reserve Requirement, Additional Interest shall be again collected and deposited to the Delinquency and Prepayment Reserve Account pursuant to the Indenture until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement, (ii) the Administrative Fund for payment of Annual Collection Costs (in compliance with the Indenture), or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to the Indenture. The excess amounts transferred from the Delinquency and Prepayment Reserve Account of the Reserve Fund to the Administrative Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds). In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Redemption Fund and provide the City with written notification of the transfer.

Whenever Bonds are to be redeemed with the proceeds of Prepayments, if there are insufficient funds in the Redemption Fund from such Prepayments to redeem the Bonds on their redemption date, the Trustee shall transfer funds from the Delinquency and Prepayment Reserve Account to the Redemption Fund in the amount of the deficiency and such funds shall be used to redeem Bonds pursuant to the Indenture.

Administrative Fund

The City has created under the Indenture an Administrative Fund held by the Trustee. The City shall deposit or cause to be deposited to the Administrative Fund the amounts collected each year to pay Annual Collection Costs and Delinquent Collection Costs. The City or the Administrator, on behalf of the City, shall direct the Trustee pursuant to the City Certificate with respect to the portions of the Initial Major Improvement Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs to be deposited pursuant to the Indenture.

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered pursuant to the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs.

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

In accordance with the Indenture, the Trustee shall transfer its authorized fees and expenses from the Administrative Fund to pay the foregoing unless the Trustee receives written objection from the City within 10 Business Days of its delivery of notice of such costs to the City. No City Certificate is necessary for the Trustee to receive compensation for the services rendered under the Indenture.

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 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 maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys 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 maturity date 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. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that that no adverse federal tax consequences will result from reinvesting such cash. 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.

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

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

Events of Default

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

- (i) the failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;

(ii) the failure of the City to enforce the collection of the Initial Major Improvement Assessments including the prosecution of foreclosure proceedings;

(iii) 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; and

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

Immediate Remedies in Event of Default

Upon the happening and continuance of any of the Events of Default described above, the Owners of at least 25% aggregate outstanding principal amount of the Bonds then Outstanding, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

THE 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 under the Indenture, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms, as the Trustee may deem appropriate, and as may be required by Applicable Laws and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or proper for the purpose which may be designated in such request.

Restriction on Owner's Actions

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 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 or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee written evidence of indemnity as provided in the Indenture, (iv) the Trustee has for 90 days after such notice failed or

refused to exercise the powers granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds 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 in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy under the Indenture.

Subject to provisions of the Indenture with respect to certain liabilities of the City, nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City 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 registered 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 registered owners of Bonds, then and in every such case the City, the Trustee and the registered 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 Trustee's counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or redemption price then due on Bonds, as follows:

- (i) FIRST: To the payment to the registered owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference; and
- (ii) SECOND: To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or redemption price 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 registered owners of Bonds.

In the event funds are not adequate to cure an Event of Default, the available funds will 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 City to its prior position after any and all defaults have been cured, as provided above, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Investment of Funds

Money in any Fund established pursuant to the Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) Business Days in advance of the making of

such investment in time deposits, other bank deposit products, or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act Chapter 2256 Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times set forth in the Indenture. Such investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds 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 City, the Trustee shall hold monies held by it uninvested and shall have no obligation to invest or reinvest such monies.

Against Encumbrances

Other than bonds issued to refund all or a portion of the Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, other than that specified in the Indenture, or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

So long as Bonds are Outstanding, the City shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds or Refunding Bonds issued to refund the Bonds secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

Additional Obligations; Other Obligations or Other Liens

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

So long as Bonds are Outstanding, the City 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 the Indenture other than (i) a lien or pledge subordinate to the lien and pledge of such property related to the Bonds, and (ii) Refunding Bonds.

Other than Refunding Bonds issued to refund all or a portion of the Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be 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 and Accounts; provided, however, that nothing in the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would adversely affect the ability of the City to timely pay the debt service due and owing on the Bonds.

Notwithstanding anything contained in the Indenture, the City shall not issue Additional Major Improvement Bonds to refund the Additional Major Improvement Reimbursement Obligation unless the Trustee has received one the following:

(1) an Independent Appraisal evidencing that (i) that the aggregate value of the assessed parcels in the District for which assessments have been or will be levied is not less than 4.0:1. In establishing such appraised value, an “Independent Appraisal” means (i) the appraised value of the property in the District as established by publicly available data from the county appraisal district (ii) an appraisal from an MAI appraiser, or (iii) sales contracts to third-party end users; or

(2) a certificate from the Developer certifying that building permits have been issued and vertical construction has commenced, for at least seven (7) of the total units, as applicable, in the District for which bonds (not including the Bonds) have been issued, in part or whole, to fund improvements within the District.

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SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount	\$36,907,000.00
Total Sources	<u>\$36,907,000.00</u>

Uses of Funds:

Deposit to Initial Major Improvement Account of the Project Fund	\$25,598,351.67
Deposit to Capitalized Interest Account of Bond Fund	4,650,282.00
Deposit to Bond Reserve Account of the Reserve Fund	3,051,490.00
Deposit to Delinquency and Prepayment Reserve Account of the Reserve Fund	639,210.00
Deposit to Costs of Issuance Account of the Project Fund	1,531,991.33
Deposit to the Administrative Fund	328,465.00
Underwriter's Discount ⁽¹⁾	<u>1,107,210.00</u>
Total Uses	<u>\$36,907,000.00</u>

⁽¹⁾ Includes Underwriter's Counsel's fee of \$369,070.

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DEBT SERVICE REQUIREMENTS

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

<u>Year Ending (September 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	-	\$2,066,792.00	\$2,066,792.00
2026	-	2,583,490.00	2,583,490.00
2027	\$ 468,000.00	2,583,490.00	3,051,490.00
2028	499,000.00	2,550,730.00	3,049,730.00
2029	533,000.00	2,515,800.00	3,048,800.00
2030	570,000.00	2,478,490.00	3,048,490.00
2031	609,000.00	2,438,590.00	3,047,590.00
2032	650,000.00	2,395,960.00	3,045,960.00
2033	695,000.00	2,350,460.00	3,045,460.00
2034	742,000.00	2,301,810.00	3,043,810.00
2035	793,000.00	2,249,870.00	3,042,870.00
2036	847,000.00	2,194,360.00	3,041,360.00
2037	906,000.00	2,135,070.00	3,041,070.00
2038	968,000.00	2,071,650.00	3,039,650.00
2039	1,034,000.00	2,003,890.00	3,037,890.00
2040	1,106,000.00	1,931,510.00	3,037,510.00
2041	1,182,000.00	1,854,090.00	3,036,090.00
2042	1,263,000.00	1,771,350.00	3,034,350.00
2043	1,351,000.00	1,682,940.00	3,033,940.00
2044	1,444,000.00	1,588,370.00	3,032,370.00
2045	1,544,000.00	1,487,290.00	3,031,290.00
2046	1,650,000.00	1,379,210.00	3,029,210.00
2047	1,764,000.00	1,263,710.00	3,027,710.00
2048	1,886,000.00	1,140,230.00	3,026,230.00
2049	2,017,000.00	1,008,210.00	3,025,210.00
2050	2,157,000.00	867,020.00	3,024,020.00
2051	2,306,000.00	716,030.00	3,022,030.00
2052	2,466,000.00	554,610.00	3,020,610.00
2053	2,637,000.00	381,990.00	3,018,990.00
2054	<u>2,820,000.00</u>	<u>197,400.00</u>	<u>3,017,400.00</u>
Total	<u>\$36,907,000.00</u>	<u>\$52,744,412.00</u>	<u>\$89,651,412.00</u>

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OVERLAPPING TAXES AND DEBT

Overlapping Taxes and Debt

The District is located in the corporate limits of the City. The land within the District has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments levied by the City. Harris County, Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, Port of Houston Authority, and Clear Creek Independent School District (“Clear Creek ISD”) may each levy ad valorem taxes upon land in the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities.

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

OVERLAPPING TAX RATES

<u>Taxing Entity</u>	<u>Tax Year 2024 Ad Valorem Tax Rate⁽¹⁾</u>
The City	\$0.514172
Harris County	0.385290
Harris Co. Flood Control District	0.048970
Harris Co. Hospital District	0.163480
Harris Co. Department of Education	0.004799
Port of Houston Authority	0.006150
Clear Creek ISD	<u>0.969000</u>
Total Existing Tax Rate	<u>\$ 2.091861</u>
Estimated Average Annual Installment of Assessments as a tax rate equivalent ⁽²⁾	<u>\$0.404019</u>
Less Maximum TIRZ Annual Credit Amount as tax rate equivalent ^{(2),(3)}	<u>\$(0.359920)</u>
Net Average Annual Installment as tax rate equivalent⁽²⁾	<u>\$0.044099</u>
Estimated average annual installment of Additional Major Improvement Assessments as tax rate equivalent ^{(2), (4)}	<u>\$0.196584</u>
Net Estimated Total Tax Rate, Average Annual Installment, and average annual installment of Additional Major Improvement Assessments in the District as tax rate equivalent⁽²⁾	<u>\$2.332544</u>

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

⁽²⁾ Source: P3Works, LLC. Derived from information presented in the Service and Assessment Plan. See “APPENDIX B — Service and Assessment Plan.” Includes the portion of the Additional Interest expected to be collected as shown on the Assessment Roll until the Delinquency and Prepayment Reserve Account reaches the Delinquency and Prepayment Reserve Requirement.

⁽³⁾ See “SECURITY FOR THE BONDS — TIRZ Revenues May Reduce Assessments.”

⁽⁴⁾ Additional Major Improvement Assessments are not expected to be collected until the Additional Major Improvements Assessment Trigger Date. See “PLAN OF FINANCE.”

Source: Taxing entities and the Administrator.

OVERLAPPING DEBT

<u>Taxing or Assessing Entity</u>	<u>Gross Outstanding Debt as of 10/1/2024</u>	<u>Estimated Percentage Applicable⁽¹⁾</u>	<u>Direct and Estimated Overlapping Debt⁽¹⁾</u>
The City (Assessments - The Bonds)	\$ 36,907,000	100.000%	\$36,907,000
The City (Additional Major Improvement Assessments) ⁽²⁾	17,746,000	100.000%	17,746,000
The City (General Obligation)	83,990,000	1.549%	1,301,230
Harris County	2,171,789,039	0.013%	273,270
Harris County Flood Control District	968,445,000	0.013%	124,541
Harris County Hospital District	65,285,000	0.013%	8,325
Harris County Dpt. of Education	28,960,000	0.013%	3,657
Port of Houston Authority	406,509,397	0.013%	51,851
Clear Creek ISD	<u>1,065,675,000</u>	<u>0.263%</u>	<u>2,802,340</u>
TOTAL	<u>\$4,845,306,436</u>		<u>\$59,218,214</u>

⁽¹⁾ Based on the Appraisal for the District and on the Tax Year 2024 Net Taxable Assessed Valuations for the taxing entities.

⁽²⁾ Additional Major Improvement Assessments are not expected to be collected until the Additional Major Improvements Assessment Trigger Date. See "PLAN OF FINANCE."

Source: Municipal Advisory Council of Texas

Property Owner's Association

In addition to the Assessments and taxes described above, the Developer anticipates that each lot owner in the District will pay a maintenance and operation fee to a property owners association ("POA") formed within the District.

ASSESSMENT PROCEDURES

General

As required by the PID Act, when the City determines to defray a portion of the costs of the Initial Major Improvements through Assessments, it must adopt a resolution generally describing the Initial Major Improvements and the land within the District to be subject to Assessments to pay the cost therefor.

Capitalized terms used under this "ASSESSMENT PROCEDURES" caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. See "APPENDIX B — Form of Service and Assessment Plan."

The City has caused an assessment roll to be prepared (the "Assessment Roll"), which Assessment Roll shows the land within the District assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of Annual Installments in which the Assessment is divided. The Assessment Roll has been filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Initial Major Improvements and funding a portion of the same with Assessments. The City approved the Service and Assessment Plan as part of the Assessment Ordinance. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments of Assessments (referred to the Service and Assessment Plan as "Initial Major Improvement Annual Installments") due in a given year.

The City has also caused an assessment roll to be prepared (the "Additional Major Improvements Assessment Roll"), and the Additional Major Improvements Assessment Roll shows the land within the District assessed, the amount of the benefit to and the Additional Major Improvement Assessments against each lot or parcel of land and the number of Additional Major Improvement Annual Installments in which the Additional Major Improvement

Assessments is divided. The Additional Major Improvement Assessments will secure the Additional Major Improvements Reimbursement Obligation. The Additional Major Improvement Assessments will not begin to be collected until that date which is the earlier of (i) the date on which bonds secured by the Additional Major Improvement Assessments are issued and (ii) on the Additional Major Improvement Assessments Trigger Date. The Developer expects the City to issue the Additional Major Improvement Bonds approximately 18 months after the issuance of the Bonds. Such Additional Major Improvement Bonds are expected to refund the Additional Major Improvements Reimbursement Obligation. **The Additional Major Improvement Assessments constitute a lien on the property in the District that is on parity with the lien for the Assessments; however, the Additional Major Improvement Assessments are not pledged to and do not secure the Bonds.** See “BONDHOLDERS’ RISKS – Assessment Limitations.” The Indenture contains certain restrictions on the issuance of the Additional Major Improvement Bonds as described under “SECURITY FOR THE BONDS – Additional Obligations; Other Obligations or Other Liens.”

Under the PID Act, the costs of the Initial Major Improvements may be assessed by the City against the assessable property in the District so long as the special benefit conferred upon the Assessed Property in the District by the Initial Major Improvements equals or exceeds the Assessments and the costs of the Additional Major Improvements may be assessed by the City against the assessable property in the District so long as the special benefit conferred upon the property assessed in the District by the Additional Major Improvements equals or exceeds the Additional Major Improvement Assessments. The costs of the Initial Major Improvements and the Additional Major Improvements may be assessed against property in the District using any methodology that results in the imposition of equal shares of cost on property similarly benefited. The allocation of benefits and assessments to the benefited land within the District is set forth in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX B — Form of Service and Assessment Plan.” The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District.

The City levied the Assessments and adopted the Assessment Ordinance immediately prior to adopting the Bond Ordinance. After such adoption, the Assessments became legal, valid and binding liens upon the property against which the Assessments are made. The City levied the Additional Major Improvement Assessments and adopted the Additional Major Improvement Assessment Ordinance at the same meeting at which the Assessment Ordinance was adopted. After such adoption, the Additional Major Improvement Assessments became legal, valid and binding liens upon the property against which the Additional Major Improvement Assessments are made.

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 Initial Major Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments levied, and establishes the methodology by which the City allocates the special benefit of the Initial Major Improvements to parcels in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Initial Major Improvements are being funded with proceeds of the Bonds, which are payable from and secured by the Trust Estate, which includes the Pledged Revenues (and consists primarily of the Assessment Revenues). As set forth in the Service and Assessment Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Initial Major Improvements and the Additional Major Improvements will be allocated to the parcels within the District against which the Assessments and the Additional Major Improvement Assessments are levied pro rata based on the estimated build-out value of each.

The Service and Assessment Plan uses classifications of final building lots with similar characteristics (“Lot Type”) as determined by the Administrator and confirmed and approved by the City Council. As used below, the following terms have the following meanings:

“Lot Type 1” means a Lot within the District designated as inline retail or food retail by the Developer.

“Lot Type 2” means a Lot within the District designated as a mixed use building by the Developer.

“Lot Type 3” means a Lot within the District designated as a hotel by the Developer.

“Lot Type 4” means a Lot within the District designated as an office/medical building by the Developer.

“Lot Type 5” means a Lot within the District designated as multi-family which includes corridor retail by the Developer.

The following table provides additional analysis with respect to the assessment methodology and the estimated allocation of the Assessments and the Additional Major Improvement Assessments based on the various lot types as described above. See “APPENDIX B — Service and Assessment Plan.”

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LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND LEVERAGE PER UNIT IN THE DISTRICT

Lot/Lot Type	Planned No. of Units/ SF	Estimated Lot Value⁽¹⁾	Estimated Buildout Value⁽²⁾	Assessment	Average Annual Installment^{(3),(4)}	Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value)^{(3), (4)}	Tax Rate Equivalent of Average Annual Installment (per \$100 Estimated Buildout Value)^{(3),(4)}	Leverage (Lot Value)	Leverage (Estimated Buildout Value)
1 (Lot Type 1)	15,000	\$1,450,000	\$8,665,323	\$417,033.68	\$35,009.58	\$2.414454	\$0.404019	3.48	20.78
2 (Lot Type 1)	14,500	\$1,280,000	\$8,376,479	\$403,132.56	\$33,842.59	\$2.643953	\$0.404019	3.18	20.78
3 (Lot Type 1)	16,500	\$1,440,000	\$9,531,855	\$458,737.05	\$38,510.54	\$2.674343	\$0.404019	3.14	20.78
4 (Lot Type 1)	14,500	\$1,390,000	\$8,376,479	\$403,132.56	\$33,842.59	\$2.434719	\$0.404019	3.45	20.78
5 (Lot Type 1)	14,000	\$1,270,000	\$8,087,635	\$389,231.44	\$32,675.61	\$2.572883	\$0.404019	3.26	20.78
6 (Lot Type 2)	100,000	\$3,050,000	\$48,037,840	\$2,311,904.27	\$194,082.20	\$6.363351	\$0.404019	1.32	20.78
7 (Lot Type 1 & 2)	68,800 1,908	\$2,720,000	\$34,152,263	\$1,643,636.83	\$137,981.77	\$5.072859	\$0.404019	1.65	20.78
8 (Lot Type 3)	115	\$2,090,000	\$25,000,000	\$1,203,168.29	\$101,004.85	\$4.832768	\$0.404019	1.74	20.78
9 (Lot Type 2)	100,000	\$3,080,000	\$48,037,840	\$2,311,904.27	\$194,082.20	\$6.301370	\$0.404019	1.33	20.78
10 (Lot Type 4)	125,000	\$2,890,000	\$50,634,749	\$2,436,885.01	\$204,574.19	\$7.078692	\$0.404019	1.19	20.78
11 (Lot Type 4)	69,050	\$1,240,000	\$27,970,632	\$1,346,135.14	\$113,006.78	\$9.113450	\$0.404019	0.92	20.78
12 (Lot Type 5)	750,000	\$16,020,000	\$490,000,000	\$23,582,098.90	\$1,979,694.75	\$12.357645	\$0.404019	0.68	20.78

Source: P3 Works, LLC, and information presented in the Service and Assessment Plan

⁽¹⁾ Per the Appraisal. See “APPRAISAL” and APPENDIX E.

⁽²⁾ Developer estimates.

⁽³⁾ Does not reflect application of TIRZ Annual Credit Amount. See “SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments.”

⁽⁴⁾ Includes the portion of the Additional Interest expected to be collected as shown on the Assessment Roll until the Delinquency and Prepayment Reserve Account reaches the Delinquency and Prepayment Reserve Requirement. After the Delinquency and Prepayment Reserve Account reaches the Delinquency and Prepayment Reserve Requirement, Additional Interest may be collected in the future to replenish the Delinquency and Prepayment Reserve Account as set forth in the Service and Assessment Plan and Indenture.

Set forth in the table below is a combined lien to value analysis reflecting the Assessments and the Additional Major Improvement Assessments.

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**LIEN TO VALUE ANALYSIS, ASSESSMENT AND ADDITIONAL MAJOR IMPROVEMENT ASSESSMENTS ALLOCATION, EQUIVALENT TAX RATE AND LEVERAGE
PER UNIT IN THE DISTRICT**

Lot/Lot Type	Planned No. of Units/ SF	Estimated Lot Value⁽¹⁾	Estimated Buildout Value ⁽²⁾	Assessment	Additional Major Improvements Assessment	Combined Average Annual Installment of Assessments and Additional Major Improvement Assessments^{(3),(4)}	Tax Rate Equivalent of Average Annual Installment of Assessments and Additional Major Improvement Assessments (per \$100 Lot Value) ^{(3),(4)}	Tax Rate Equivalent of Average Annual Installment of Assessment and Additional Major Improvement Assessments (per \$100 Estimated Buildout Value) ^{(3),(4)}	Total Leverage (Lot Value)	Total Leverage (Estimated Buildout Value)
1 (Lot Type 1)	15,000	\$1,450,000	\$8,665,323	\$417,033.68	\$200,522.39	\$52,044.18	\$3.589254	\$0.600603	2.35	14.03
2 (Lot Type 1)	14,500	\$1,280,000	\$8,376,479	\$403,132.56	\$193,838.31	\$50,309.37	\$3.930420	\$0.600603	2.14	14.03
3 (Lot Type 1)	16,500	\$1,440,000	\$9,531,855	\$458,737.05	\$220,574.63	\$57,248.60	\$3.975597	\$0.600603	2.12	14.03
4 (Lot Type 1)	14,500	\$1,390,000	\$8,376,479	\$403,132.56	\$193,838.31	\$50,309.37	\$3.619379	\$0.600603	2.33	14.03
5 (Lot Type 1)	14,000	\$1,270,000	\$8,087,635	\$389,231.44	\$187,154.23	\$48,574.57	\$3.824769	\$0.600603	2.20	14.03
6 (Lot Type 2)	100,000	\$3,050,000	\$48,037,840	\$2,311,904.27	\$1,111,633.38	\$288,516.70	\$9.459564	\$0.600603	0.89	14.03
7 (Lot Type 1 & 2)	68,800 1,908	\$2,720,000	\$34,152,263	\$1,643,636.83	\$790,310.21	\$205,119.51	\$7.541158	\$0.600603	1.12	14.03
8 (Lot Type 3)	115	\$2,090,000	\$25,000,000	\$1,203,168.29	\$578,519.64	\$150,150.68	\$7.184243	\$0.600603	1.17	14.03
9 (Lot Type 2)	100,000	\$3,080,000	\$48,037,840	\$2,311,904.27	\$1,111,633.38	\$288,516.70	\$9.367425	\$0.600603	0.90	14.03
10 (Lot Type 4)	125,000	\$2,890,000	\$50,634,749	\$2,436,885.01	\$1,171,727.89	\$304,113.81	\$10.522969	\$0.600603	0.80	14.03
11 (Lot Type 4)	69,050	\$1,240,000	\$27,970,632	\$1,346,135.14	\$647,262.42	\$167,992.47	\$13.547780	\$0.600603	0.62	14.03
12 (Lot Type 5)	750,000	\$16,020,000	\$490,000,000	\$23,582,098.90	\$11,338,985.21	\$2,942,954.25	\$18.370501	\$0.600603	0.46	14.03

Source: P3 Works, LLC, and information presented in the Service and Assessment Plan

⁽¹⁾ Per the Appraisal. See "APPRAISAL" and APPENDIX E.

⁽²⁾ Developer estimates.

⁽³⁾ Does not reflect application of TIRZ Annual Credit Amount. See "SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments."

⁽⁴⁾ Includes the portion of the Additional Interest expected to be collected as shown on the Assessment Roll until the Delinquency and Prepayment Reserve Account reaches the Delinquency and Prepayment Reserve Requirement. After the Delinquency and Prepayment Reserve Account reaches the Delinquency and Prepayment Reserve Requirement, Additional Interest may be collected in the future to replenish the Delinquency and Prepayment Reserve Account as set forth in the Service and Assessment Plan and Indenture.

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

Collection and Enforcement of Assessment Amounts

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

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

In the Indenture, the City covenants, agrees and warrants that, for so long as any Bonds are Outstanding, that it will take and pursue all actions permissible under Applicable Laws to cause the Initial Major Improvement 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 Initial Major Improvement Assessments. Notwithstanding the foregoing, the City shall be permitted to reduce the Assessments by the TIRZ Annual Credit Amount pursuant to the Development Agreement, the TIRZ Project and Finance Plan and the Service and Assessment Plan; provided, however, that no such reduction shall operate to reduce the amounts levied for the payment of the Annual Collection Costs.

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

The City will determine or cause to be determined, no later than April 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced, as soon as practicable, any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property.

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

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

Administrative Fund.

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

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

Assessment Payer Concentration

The information appearing in the following table illustrates current concentration of Assessment payers in the District and the percentage of Assessments and Additional Major Improvement Assessments to be paid by such property owners.

Property Owner	Acres	Projected SF/Units	Estimated Buildout Value ⁽¹⁾	Percentage of Assessments and Additional Major Improvement Assessments	Assessment	Additional Major Improvement Assessments
Developer	98.634 ⁽²⁾	1,908 SF Retail 268,800 SF Mixed Use Building 115 Hotel Units 194,050 SF Office 750,000 SF Multi-family/Ground Floor Retail	\$723,833,323	94.388%	\$34,835,732.71	\$16,750,072.15
Lone Star Campus R1 LLC	1.659	15,000 SF Retail	\$8,665,323	1.130%	\$417,033.68	\$200,522.39
Tima Holdings, LLC	1.474	14,500 SF Retail	\$8,376,479	1.092%	\$403,132.56	\$193,838.31
Hill Gage Development, LLC	1.654	16,500 SF Retail	\$9,531,855	1.243%	\$458,737.05	\$220,574.63
Ajay Jain	3.051	28,500 SF Retail	\$16,464,114	2.147%	\$792,364.00	\$380,992.53
TOTAL			\$766,871,094	100.00%	\$36,907,000.00	\$17,746,000.00

⁽¹⁾ Totals may not sum due to rounding. Estimated Buildout Value derived from values provided in the Service and Assessment Plan, which values are based on the Appraisal and Developer estimates. See "APPRAISAL," "APPENDIX B – Form of Service and Assessment Plan," and "APPENDIX E – Appraisal." It is noted that building values set forth in the Appraisal for Lots 1-5 are based on as estimated maximum building square footage based on schematics provided for Lots 1-5 and such square footages differ from the projected square footage of vertical retail development shown above.

⁽²⁾ Includes approximately 52.07 undevelopable acres expected to be located in the flood plain after the elevation activities described under "THE DEVELOPMENT – Flood Plain Designation," a portion of which will include the development of parks and trails, but will not include any vertical development.

The Developer is currently the majority owner of property in the District. It is expected that entities owned and/or controlled by the Developer, Wolfgramm, or a joint venture between the Developer and Wolfgramm will develop and own the majority of property in the District in the future and, accordingly, payment of the Assessments and the Additional Major Improvement Assessments is expected to be concentrated in entities controlled by the Developer and/or Wolfgramm for the foreseeable future. See “THE DEVELOPMENT – Expected Vertical Development in the District” and “BONDHOLDERS’ RISKS – Dependence Upon Developer and Related Entities.”

Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments are reflected by the methodology described in the Service and Assessment Plan as shown below under “— Maximum Assessment.” The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property consisting of (i) the annual payment allocable to the Bonds, including the Additional Interest for the Initial Major Improvements for each Assessed Property, if such Additional Interest is collected, and (ii) the annual payment allocable to Annual Collection Costs. The Annual Installments for the Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments have been levied against the parcels comprising the Assessed Property as indicated on the Assessment Roll. See “APPENDIX B — Form of Service and Assessment Plan.”

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds (which amount may include Additional Interest if collected) and actual Annual Collection Costs (as provided for in the definition of such term), taking into consideration any other available funds that the City determines for these costs, such as interest income on account balances.

Maximum Assessment. The Service and Assessment Plan establishes a “Maximum Assessment” per Unit/square foot for each Lot Type. See “APPENDIX B — Form of Service and Assessment Plan” and “BONDHOLDERS RISKS – Exceedance of Maximum Assessment Could Trigger Assessment Prepayment and Optional Redemption.” In the District, the Maximum Assessment per Unit/square foot for the Initial Major Improvements for each Lot Type is as follows:

<u>Lot Type</u>	<u>Maximum Assessment per Unit/Sq. Ft.</u>
1	\$27.80
2	\$23.12
3	\$10,462.33
4	\$19.50
5	\$31.44

TIRZ Annual Credit Amount. The City Council, in accordance with the TIRZ Project and Finance Plan, has agreed to use a portion of TIRZ Revenues generated from each Assessed Property to offset a portion of the principal and interest of the Assessments through the TIRZ Annual Credit Amount. The TIRZ Annual Credit Amount shall be applied solely to the Assessments and in no event shall a TIRZ Annual Credit Amount be applied to the Additional Major Improvement Assessments. The TIRZ Annual Credit Amount shall be applied as described below.

1. The principal and interest portion of the Annual Installment for an Assessed Property shall receive a TIRZ Annual Credit Amount equal to the TIRZ Revenue generated by the Assessed Property for the previous Tax Year up to the Maximum TIRZ Annual Credit Amount for the applicable Lot Type (e.g. TIRZ Revenue collected from the Assessed Property for Tax Year 2025 shall be applied as the TIRZ Annual Credit Amount applicable to the Assessed Property’s Annual Installment collected in Tax Year 2026), but in no event shall the TIRZ Annual Credit Amount exceed the TIRZ Maximum Annual Credit Amount shown in the Service and Assessment Plan.
2. The TIRZ Maximum Annual Credit Amount available to reduce the principal and interest portion of the Annual Installment of the Assessments for an Assessed Property is calculated for each Lot Type, as shown in the Service and Assessment Plan. The TIRZ Maximum Annual Credit Amount is calculated so that the average Annual Installment minus the TIRZ Maximum Annual Credit Amount for each Lot Type does not produce an equivalent tax rate for such Lot Type which exceeds the competitive,

composite equivalent ad valorem tax rate (\$2.34 per \$100 of assessed value) (the “Targeted Ad Valorem Tax Rate Equivalent”) taking into consideration the 2024 tax rates of all applicable overlapping taxing units and the equivalent tax rate of the Annual Installment based on the Estimated Buildout Values at the time Assessment Ordinance is approved. The resulting TIRZ Maximum Annual Credit Amount for Unit/square foot for each Lot Type is shown below.

TIRZ Maximum Annual Credit Amount per Unit/Sq. Ft. for each Lot Type in the District

<u>Lot Type</u>	<u>Maximum TIRZ Annual Credit Amount per Unit/Sq. Ft.</u>
1	\$2.079
2	\$1.729
3	\$782.436
4	\$1.458
5	\$2.351

3. After the TIRZ Annual Credit Amount is applied to provide a credit towards the principal and interest portion of the Annual Installments for the Assessed Property, any excess TIRZ Revenues available from the TIRZ Fund shall be applied pursuant to the TIRZ Project Plan.

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraised value of property within the District in the TIRZ in any year. Consequently, TIRZ Revenues are generated only if the appraised value of real property in the District in any year is greater than the base value. Any delay or failure of Developer or other property owners to develop the District or construct vertical improvements in the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. **TIRZ Revenues generated from the captured appraised value for each Lot or parcel in the District during the development of such Lot or parcel will result in a TIRZ Annual Credit Amount which is not sufficient to achieve the Targeted Ad Valorem Tax Rate Equivalent. The TIRZ Annual Credit Amount is not expected to be sufficient to provide for the Targeted Ad Valorem Tax Rate Equivalent on any parcel or Lot until the second year that full buildout on any on such Lot or parcel is assessed, assuming such parcel or Lot is developed under the assumptions provided by the Developer as described under the heading “THE DEVELOPMENT – Development Plan.” See also “OVERLAPPING TAXES AND DEBT.” Such TIRZ Revenues, if available, are not pledged as security for the Bonds under the Indenture.**

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments will be initially allocated to the Assessed Property within the District pro rata based on the estimated build-out value of each Parcel.

Reallocation of Assessments. The Assessments and Major Improvement Area Assessments levied on an Assessed Property shall be reallocated upon subdivision or consolidation of an Assessed Property as follows.

Upon Division Prior to Recording of Subdivision Plat or Declaration. Upon the division of any Assessed Property (without the recording of a subdivision plat), the Administrator shall reallocate the Assessment for the Assessed Property prior to the division among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for the newly divided Assessed Property
- B = the Assessment for the Assessed Property prior to division
- C = the Estimated Buildout Value of the newly divided Assessed Property
- D = the sum of the Estimated Buildout Value for all of the newly Assessed Properties

The calculation of the Assessment of an Assessed Property shall be performed by the Administrator and shall be based on the Estimated Buildout Value of that Assessed Property, as provided by the Owner, relying on information from builders, market studies, appraisals, Official Public Records of the County, and any other relevant information regarding the Assessed Property. The Estimated Buildout Values for each Lot Type are shown above under “— Assessment Methodology” and in the Service and Assessment Plan and will not change in future Annual Service Plan Updates, however, the number of Lot Types may change in future Annual Service Plan Updates to account for additional Lot Types, if any. The calculation as confirmed by the City Council shall be conclusive and binding.

The sum of the Assessments for all newly divided Assessed Properties shall equal the Assessment for the Assessed Property prior to subdivision. The calculation shall be made separately for each newly divided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under State law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update immediately following such reallocation.

Upon Subdivision by a Recorded Subdivision Plat or Recorded Declaration. Upon the subdivision of any Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots based on Estimated Buildout Value according to the following formula:

$$A = [B \times (C \div D)]/E$$

Where the terms have the following meanings:

A = the Assessment for the newly subdivided Lot

B = the Assessment for the Parcel prior to subdivision

C = the sum of the Estimated Buildout Value of all newly subdivided Lots with same Lot Type

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

E = the number of newly subdivided Lots with the same Lot Type

Prior to the recording of a subdivision plat, the Owner shall provide the City an Estimated Buildout Value as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat or recorded declaration. The calculation of the Assessment for a Lot shall be performed by the Administrator and confirmed by the City Council based on Estimated Buildout Value information provided by the Owner, builders, third party consultants, and/or the Official Public Records of the County regarding the Lot. The Estimated Buildout Values for each Lot Type are shown above under “— Assessment Methodology” and in the Service and Assessment Plan and will not change in future Annual Service Plan Updates. The calculation as confirmed by the City Council shall be conclusive and binding.

The sum of the Assessments for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Assessed Property. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update immediately following such reallocation.

Upon Consolidation. If two or more Lots or Parcels are consolidated into a single Lot or Parcel, the Administrator shall allocate the Assessments against the Lots or Parcels before the consolidation to the consolidated Lot or Parcel, which allocation shall be approved by the City Council in the next Annual Service Plan Update immediately following such consolidation. The Assessment for any resulting Lot may not exceed the Maximum Assessment for the applicable Lot Type and compliance may require a mandatory Prepayment of Assessments pursuant to the Service and Assessment Plan.

Reduction of Assessments. If the Actual Costs of completed Initial Major Improvements are less than the Assessments, then, the Trustee shall apply amounts on deposit in the Project Fund as directed by the City pursuant to the terms of the Indenture, and the TIRZ Annual Credit Amount will be reduced in the same proportion as Assessments. Such excess Bond proceeds may be used for any purpose authorized by the Indenture. Assessments shall

never be reduced to an amount less than the amount required to pay all outstanding debt service requirements on all outstanding Bonds.

The Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Assessment Roll and corresponding Annual Installments to reflect the reduced Assessments.

Prepayment of Assessments

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. In addition to such voluntary prepayments, the Service and Assessment Plan provides for certain mandatory prepayments or “true ups” of Assessments upon the occurrence of such certain events (such voluntary or mandatory prepayments/true ups, a “Prepayment”). 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

Voluntary Prepayment. The owner of any Assessed Property may, at any time, pay all or any part of an Assessment in accordance with the PID Act. Prepayment Costs, if any, may be paid from a reserve established under the applicable Indenture. If an Annual Installment has been billed, or the Annual Service Plan Update has been approved by the City Council prior to the Prepayment, the Annual Installment shall be due and payable and shall be credited against the Prepayment.

If an Assessment on an Assessed Property is prepaid in full, with Prepayment Costs, (1) the Administrator shall cause the Assessment to be reduced to zero on said Assessed Property and the applicable Assessment Rolls revised accordingly; (2) the Administrator shall prepare the revised Assessment Rolls and submit such revised Assessment Roll to the City Council for review and approval as part of the next Annual Service Plan Update; (3) the obligation to pay the Assessment and corresponding Annual Installments shall terminate with respect to said Assessed Property; and (4) the City shall provide the owner with a recordable “Notice of Assessment Termination.”

If an Assessment on an Assessed Property is prepaid in part, with Prepayment Costs: (1) the Administrator shall cause the Assessment to be reduced to reflect the amount of the Assessment remaining after such partial prepayment on said Assessed Property and the Assessment Roll revised accordingly; (2) the Administrator shall prepare the revised Assessment Roll and submit such revised Assessment Roll to the City Council for review and approval as part of the next Annual Service Plan Update; and (3) the obligation to pay the Assessment will be reduced to the extent of the Prepayment made.

Transfer of Property to Exempt Person or Entity. If Assessed Property is transferred to a person or entity that is exempt from payment of the Assessments under applicable law or any portion of Assessed Property becomes Non-Benefitted Property, the owner transferring the Assessed Property or causing the portion to become Non-Benefitted Property shall pay to the City or the Administrator on behalf of the City the full amount of the outstanding Assessment, plus Prepayment Costs and Delinquent Collection Costs, if any, for such Assessed Property, prior to the transfer; provided that, however, such mandatory Prepayment of the Assessment shall not be required for portions of a Parcel that are dedicated or conveyed to the City, a property owner association, any other governmental entity or utility provider for use as internal roads, utilities, parks, drainage and detention facilities, and other similar public improvements, in which case the Assessment that was allocated to the Parcel will be reallocated to the remainder of the Parcel. If a reallocation to the remainder of the Parcel as provided in the foregoing sentence causes the Assessment for such remainder to exceed the Maximum Assessment, the owner of the remainder of the Parcel must partially prepay the Assessment to the extent it exceeds the Maximum Assessment in an amount sufficient to reduce the Assessment to the Maximum Assessment.

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

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

In all instances the Assessment remaining on the Remaining Property shall not exceed the applicable Maximum Assessment.

By way of illustration, if an owner owns 100 acres of Assessed Property subject to a \$100 Assessment and 10 acres is taken through a Taking, the 10 acres of Taken Property shall be reclassified as Non-Benefitted Property and the remaining 90 acres constituting the Remaining Property shall be subject to the \$100 Assessment (provided that this \$100 Assessment does not exceed the Maximum Assessment on the Remaining Property). If the Administrator determines that the \$100 Assessment reallocated to the Remaining Property would exceed the Maximum Assessment, as applicable, on the Remaining Property by \$10, then the owner shall be required to pay \$10 as a Prepayment of the Assessment against the Remaining Property and the Assessment on the Remaining Property shall be adjusted to \$90.

Notwithstanding the previous paragraphs in this subsection, if the owner of the Remaining Property notifies the City and the Administrator that the Taking prevents the Remaining Property from being developed for any use which could support the Estimated Buildout Value requirement, the owner shall, upon receipt of the compensation for the Taken Property, be required to prepay the amount of the Assessment required to buy down the outstanding Assessment to the applicable Maximum Assessment on the Remaining Property to support the Estimated Buildout Value requirement. The owner will remain liable to pay the Assessment on both the Taken Property and the Remaining Property until such time that such Assessment has been prepaid in full.

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

True-Up of Assessments if Maximum Assessment Exceeded. Upon submission of a preliminary plat and/or site plan by the Owner to the City, the Owner shall provide the City the gross building square footage and use type for land included in the preliminary plat and/or site plan for each Lot anticipated to be created by the preliminary plat and/or site plan considering factors that may impact value. The Administrator will review the preliminary plat and/or site plan to determine if such plat and/or site plan will or will not result in the Assessment per Lot for any Lot Type within the preliminary plat and/or site plan exceeding the Maximum Assessment. If the Administrator determines the preliminary plat and/or site plan results in an Assessment per Lot for any Lot Type exceeding the Maximum Assessment, prior to the City issuing any building permit for any such Lot described in the reviewed preliminary plat or site plan, the Owner will make a Prepayment in an amount sufficient to reduce the Assessment for each Lot within such preliminary plat and/or site plan to the Maximum Assessment. The

City's approval of an Annual Service Plan Update, a preliminary plat, or a site plan without payment of such Prepayment amounts does not eliminate the obligation of the Owner to pay such amounts.

By way of illustration, if a block is initially anticipated to contain 1,000 square feet of commercial property subject to a Maximum Assessment of \$10 per square foot, the block would initially be allocated a total Assessment of \$10,000. If the Developer then submits to the City and Administrator a Preliminary Site Plan showing only 800 square feet of commercial property on said block, the Owner will be required to make or cause to be made a Prepayment in an amount sufficient to reduce the Assessment allocated to said block to the Maximum Assessment of \$10 per square foot, which is calculated using the following formula:

$$A = B - (C * D)$$

Where the terms have the following meanings:

A = the Prepayment amount

B = the Assessment originally allocated to the Assessed Property

C = the number of units in the Assessed Property per the Preliminary Site Plan

D = the Maximum Assessment per unit

	Square Footage	Assessment	Assessment per Square Foot ^[a]
Initially Anticipated:	1,000	\$ 10,000.00	\$ 10.00
Site Plan:	800	\$ 10,000.00	\$ 12.50
Post-Prepayment ^[b] :	800	\$ 8,000.00	\$ 10.00

Footnotes:

[a] The Maximum Assessment per square foot is \$10.00.

[b] The Mandatory Prepayment amount required in this example to reduce the Assessment per square foot back down to the maximum of \$10.00 is \$2,000.00 (10,000 - (800 * 10) = 2,000).

See "BONDHOLDERS RISKS' – Exceedance of Maximum Assessment Could Trigger Assessment Prepayment and Optional Redemption." See also "APPENDIX B – Form of 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 Ordinance until the Assessment is paid, and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any property assessed may pay the entire Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time.

Foreclosure Proceedings

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

Any sale of property for nonpayment of an installment or installments of an Assessment will be subject to the lien established for remaining unpaid installments of the Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Assessments against such property as they become due and payable. Judicial foreclosure

proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase the property or to pay the delinquent Assessment on the corresponding Assessed Property.

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

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

THE CITY

Background

The City is located in Galveston and Harris Counties, 22 miles south of the City of Houston. Access to the City is provided by Interstate 45 and TX-35. The City covers approximately 21 square miles. The City’s location as part of the growing Houston – The Woodlands – Sugar Land metropolitan area has resulted in continuous growth over the last several years. The City’s 2020 census population was 41,213. The City’s current population estimate is 42,757.

City Government

The City is a political subdivision and home-rule municipal corporation of the State of Texas, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Charter in 1971, and operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Council Members. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are police, emergency medical services, including all facilities, equipment and personnel, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The current members of the City Council and their respective expiration of terms of office are set forth on page ii hereof.

City Water and Wastewater Systems

The City will provide both water and wastewater service to the District. The City’s water distribution system and wastewater collection and discharge systems have sufficient capacity to provide water and wastewater service to the District.

The City purchases water from the City of Houston which provides water to the City through the Southeast Water Purification Plant. The City’s surface water comes from Lake Livingston and the Trinity River, which is treated

at two surface water plants. The City also provides water through water production facilities consisting of 6 water wells with a total capacity of 9.39 million gallons per day (“MGD”) and 2 surface water booster stations capable of pumping 12.0 MGD. The system’s total water capacity available to the City is 21.39 MGD. The distribution system consists of over 226.5 miles of 4” – 24” water lines, two 1 million gallon elevated tanks and 10 ground storage tanks with a total capacity of over 5.5 MGD.

The City is in the process of designing and engineering a new 24” water line to improve the City’s water pressure and quality, and will also increase the amount of water that can travel through the City. Construction of the new water line began in 2024 and is expected to be completed in 2027. In addition, the City of Houston is partnering with member cities participating in the Southeast Water Purification Plant to upgrade the facilities transmission line to the Southeast Water Purification Plant. Design and engineering work on such line is underway, and construction is expected to be bid for such line in 2025.

The City has entered into an agreement with the Gulf Coast Waste Disposal Authority for the operation and maintenance of a joint treatment plant known as the Blackhawk Regional Waste Treatment Plant which serves the City and certain surrounding areas. The Blackhawk Regional Waste Treatment Plant has a capacity of 9.25 MGD. Additional sewer facilities consist of 42 lift stations and over 182 miles of sewer lines ranging in size from 4” – 36” diameter.

Several new lift stations will be constructed by developers in residential communities within the City within the next 5 years. Such lift stations will be maintained by the City upon completion and acceptance of the developments/subdivisions.

Major Employers

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

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Friendswood ISD	Education	817
HEB	Retail	505
City of Friendswood	Government	258
Kroger	Retail	226
Clear Creek ISD	Education	173
McDonalds	Restaurant	102
Friendship Haven Nursing Home	Nursing Home	100
U.S. Post Office	Mailing Service	75
Morada (Formerly Atria)	Nursing Homes	72

Source: 2023 City of Friendswood Comprehensive Annual Financial Report

Historical Employment in the City

	<u>Average Annual</u>				
	<u>2024⁽¹⁾</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Civilian Labor Force	21,284	20,652	20,001	19,455	19,070
Total Employed	20,439	19,892	19,283	18,463	17,818
Total Unemployed	845	760	718	992	1,252
Unemployment Rate	4.0%	3.7%	3.6%	5.1%	6.6%

⁽¹⁾ Source: Texas Workforce Commission.

⁽²⁾ Data through August 2024.

Surrounding Economic Activity

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

City of Houston		City of Galveston		City of Baytown	
Approximately 22 miles from the City		Approximately 10 miles from the City		Approximately 25 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Amazon	Unpublished	University of Texas Medical Branch	9,627	Goose Creek Consolidated ISD	4,000
CHI St. Luke's Health	Unpublished	Landry's Seafood Restaurants Inc.	1,980	Exxon Mobil-Baytown Complex	3,785
ExxonMobil	Unpublished	Galveston ISD	1,218	Houston Methodist Baytown Hospital	1,975
HCA Houston Healthcare	Unpublished	Schlitterbahn	1,035	Covestro	1,110
HEB	Unpublished	Galveston County (Island only)	991	Chevron Phillips	990
Houston Methodist	Unpublished	American National Insurance Co.	934	City of Baytown	930
Kroger	Unpublished	Moody Gardens	883	Lee College	700
Memorial Hermann Health System	Unpublished	City of Galveston	812	Wal-Mart Distribution Center	600
Schlumberger	Unpublished	Texas A&M University at Galveston	731	JSW Steel	450
Wal-Mart	Unpublished	USACOE	415	Borusan Mannesmann	342

City of Lake Jackson	
Approximately 42 miles from the City	
Employer	Employees
The Dow Chemical Company	3,452
Texas Dept. of Criminal Justice	2,052
Brazosport ISD	1,950
Olin Corporation	1,126
Phillips 66	1,017
Marquis Construction Services	950
BASF Corporation	900
Wood Group	800
ICS	614
Turner Industries	576

City of Sugarland	
Approximately 37 miles from the City	
Employer	Employees
Methodist Sugar Land Hospital	2,459
Schlumberger	2,118
Memorial Hermann Sugar Land	1,035
Fluor Enterprises Inc.	925
ChampionX	800
Accredo Packaging	576
QuVa Pharma Inc.	518
St. Luke's Hospital Sugar Land	500
HCSS	425
Applied Optoelectronics	357

Source: Municipal Advisory Council of Texas

THE DISTRICT

General

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

Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake, or pay a developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The PID Act provides that the City may levy and collect

Assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or pay a developer for the costs of, the financing, acquisition, construction or improvement of the Initial Major Improvements. See “THE INITIAL MAJOR IMPROVEMENTS.” Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain public improvements within the District, including the Initial Major Improvements, and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See “ASSESSMENT PROCEDURES” herein and “APPENDIX B — Form of Service and Assessment Plan.”

THE INITIAL MAJOR IMPROVEMENTS

General

The Initial Major Improvements consist of the costs of a portion of the major infrastructure benefitting the District. The Initial Major Improvements will be dedicated to the City. The Developer is responsible for the completion of the construction, acquisition or purchase of the Initial Major Improvements, and the Developer or its designee will act as construction manager. The City will pay project costs for the Initial Major Improvements from proceeds of the Bonds and amounts due to the Developer under the terms of the Development Agreement and the Reimbursement Agreement. The Developer will submit payment requests for costs actually incurred in developing and constructing the Initial Major Improvements and be paid in accordance with the Indenture, the Reimbursement Agreement and the Development Agreement. See “THE DEVELOPMENT – Development Plan” and “THE DEVELOPMENT AGREEMENT.”

The Initial Major Improvements, a portion of which are being financed with proceeds of the Bonds, include the following improvements benefitting the District.

Roadway Improvements

▪ *FM 528 Traffic Improvements*

Signalization improvements at F.M. 528 and Townes Rd. include upgrading the existing flashing traffic signal to full operation to current Texas Department of Transportation specifications. Includes the addition of a southbound left turn lane on Townes Rd. to balance the new (widening) approach to F.M. 528 northbound from the new development.

Includes signalization improvements at F.M. 528 and Blackhawk Blvd. consisting of upgrades to the existing traffic signal to full operation to current Texas Department of Transportation specifications with a new south leg of the intersection, and addition of southbound left turn lane at West Bay Area Blvd. where it meets with the extension of Blackhawk Blvd. to balance the new widening approach to F.M. 528 for access management purposes. The signalization improvements will be owned and operated by the TxDOT and will provide benefit to each Lot within the District.

▪ *Phase 1 Blackhawk Boulevard Improvements*

Improvements include 4 lane arterial street construction to serve as an extension of the existing Blackhawk Boulevard from F.M. 528 to the southern point of the roundabout at Larrabee Way and Blackhawk Boulevard and includes the construction of the roundabout. The extension will provide connection to Larrabee Way, as well as multiple local streets and is calculated to be approximately 3,512 square yards of roadway construction. Also includes the addition of a southbound left turn lane on Blackhawk Blvd. to balance the new (widening) approach to F.M. 528 for access management purposes. The Phase 1 Blackhawk Boulevard Improvements will provide benefit to each lot within the District.

- *Phase 1 Townes Road Improvements*

Includes the construction of 4,276 square yards of reinforced concrete street to include subgrade and a roundabout at the intersection of Townes Road and Larrabee Way, that serves as a continuation of the existing Townes Road located north of F.M. 528. The construction of the new section will begin at F.M. 528 and terminates at Larrabee Way at the southern end of the roundabout at Larrabee Way. The street improvements will provide benefit to each Lot within the District.

- *Phase 1 Madison Avenue Improvements*

Includes the construction of 1,543 square yards of a reinforced concrete street to include subgrade that will provide 2 travel lanes beginning at F.M. 528 and terminating at the 4-way stop at Larrabee Way. The street improvements will provide benefit to each Lot within the District.

- *Phase 1 Larrabee Way Improvements*

Includes the construction of 2 lanes, 12,275 square yards, of a reinforced concrete street to include subgrade which will transverse perpendicular to Madison Avenue and includes a 4-way stop at the intersection of Madison Avenue and Larrabee Way. The street improvements will provide benefit to each Lot within the District.

Earthwork, Paving and Grading.

- *Phase 1 Earthwork, Paving and Grading*

Improvements include erosion control measures, earthwork, subgrade stabilization, concrete pavement with curb, concrete sidewalk with ADA ramps, signage, lighting, and construction testing relating to the street and roadway improvements described above. Improvements also include the excavation related to the Phase 1 Storm Drainage improvements, Detention Pond 1 and Detention Pond 2, along with the hauling and removal of dirt. In addition, there will be sidewalk improvements for the benefit of walkability within the site, as well as better access from F.M. 528 for pedestrian traffic. Only a portion of the cost of earthwork, paving and grading will be funded by the Initial Major Improvement Assessment. The remaining costs will be paid from the City Contribution.

Clearing, Grubbing and Demolition

- *District Clearing, Grubbing and Demolition*

Includes light and heavy clearing for the construction and installation of the Initial Major Improvements to include heavy clearing for the construction of Detention Pond 1, along with the removal and disposal of 3" public force main and 12" public water line. The improvements are necessary for the construction of the Initial Major Improvements and will provide benefit to each Lot within the District. A portion of the costs of Clearing, Grubbing and Demolition is being funded with the City Contribution and approximately 27.07% of the costs of such improvements (\$873,609) is apportioned to the District as part of the Initial Major Improvements.

Detention Improvements

- *Detention Pond 1*

Improvements Include the excavation and construction of Detention Pond 1, a 4' retaining wall cast in place, an 8' retaining wall cast in place, installation of a backslope interceptor and swale, application of fertilizer seeds for stabilization, dewatering, sheet piling, riprap, collection screen structure and haul and disposal of utility spoils. The Detention Pond 1 Improvements will provide benefit to each Lot within the District. A portion of the costs of Detention Pond 1 are being funded by the City Contribution and approximately 94.73% of the costs of such improvements (\$13,983,801) is apportioned to the District as part of the Initial Major Improvements.

- *Detention Pond 2*

Improvements include the excavation and construction of Detention Pond 2, installation of a backslope interceptor and swale, and application of hydro mulch for stabilization. The Detention Pond 2 Improvements will provide benefit to each Lot within the District.

- *Phase I Storm Drainage*

Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, manholes and junction boxes, curb inlets, headwalls, testing and all necessary appurtenances required to provide drainage services from F.M. 528 and terminating at the point of the proposed bridge connection at Blackhawk Boulevard. The improvements will provide a benefit to all Lots within the District.

Contingency

Estimated potential cost fluctuations for construction costs. The Contingency is calculated as 13% of the hard improvement costs for the Initial Major Improvements.

Soft Costs

Costs related to designing, constructing, and installing the Initial Major Improvements including land planning and design, engineering, soil testing, consultant fees, project coordination, and survey. A portion of the soft costs are being funded by the City Contribution and approximately 4.84% of the costs of such Initial Major Improvements (\$83,010) is apportioned to the Initial Major Improvements within the District.

The cost of the Initial Major Improvements is expected to be approximately \$33,840,197. A portion of such costs in the amount of \$25,598,351.67 is expected to be paid with proceeds of the Bonds. The balance of the costs of the Initial Major Improvements will be paid by the Developer with Developer equity, and by the City Contribution. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS.” As of October 1, 2024, the Developer had expended \$7,580,742 on the costs of the Initial Major Improvements, which was funded with Developer equity and funds provided by the City Contribution.

The following table reflects the total expected costs of the Initial Major Improvements as well as the Additional Major Improvements, which Additional Major Improvements are as more particularly described in the Service and Assessment Plan and will be funded as described under “PLAN OF FINANCE.” See “APPENDIX B — Form of Service and Assessment Plan.”

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		Non-District Costs ^[b]		District	
	Total Costs ^[a]	%	\$	%	\$
Initial Major Improvements					
FM 528 Traffic Improvements	\$1,200,000	0.00%	\$ -	100.00%	\$1,200,000
Phase 1 Blackhawk Boulevard Improvements	240,923	0.00%	-	100.00%	240,923
Phase 1 Townes Road Improvements	271,984	0.00%	-	100.00%	271,984
Phase 1 Madison Avenue Improvements	98,159	0.00%	-	100.00%	98,159
Larrabee Way Improvements	817,556	0.00%	-	100.00%	817,556
Phase 1 Earthwork, Paving and Grading	649,796	36.51%	237,253	63.49%	412,543
Clearing, Grubbing and Demolition	3,226,758	72.93%	2,353,150	27.07%	873,609
Detention Pond 1	14,761,896	5.27%	778,095	94.73%	13,983,801
Detention Pond 2	2,018,477	0.00%	-	100.00%	2,018,477
Phase 1 Storm Drainage	5,144,261	0.00%	-	100.00%	5,144,261
Contingency ^[c]	3,695,875	0.00%	-	100.00%	3,695,875
Soft Costs ^[d]	1,714,512	95.16%	1,631,502	4.84%	83,010
	\$ 33,840,197		\$ 5,000,000		\$ 28,840,198
Additional Major Improvements					
Phase 2 Blackhawk Blvd. Improvements	\$3,703,530	0.00%	\$ -	100.00%	\$3,703,530
Phase 2 Townes Rd. Improvements	323,993	0.00%	-	100.00%	323,993
Phase 2 Madison Ave. Improvements	213,654	0.00%	-	100.00%	213,654
Bennett Blvd. Improvements	804,530	0.00%	-	100.00%	804,530
Phase 2 Earthwork, Paving & Grading	1,417,727	0.00%	-	100.00%	1,417,727
Water	1,007,036	0.00%	-	100.00%	1,007,036
Wastewater	862,879	0.00%	-	100.00%	862,879
Sanitary Sewer Lift Station	1,330,700	0.00%	-	100.00%	1,330,700
Phase 2 Storm Drainage	179,101	0.00%	-	100.00%	179,101
Landscaping, Parks and Amenities	5,597,472	0.00%	-	100.00%	5,597,472
Fire Station ^[e]	8,300,000	87.57%	7,268,310	12.43%	1,031,690
Contingency ^[f]	2,141,400	0.00%	-	100.00%	2,141,400
Soft Costs ^[g]	2,981,848	0.00%	-	100.00%	2,981,848
	\$ 28,863,870		\$ 7,268,310		\$ 21,595,560
Initial Major Improvement Bond Issuance Costs					
Delinquency and Prepayment Reserve Fund	\$ 639,210	\$ -		\$ 639,210	
Debt Service Reserve Fund	3,051,490	-		3,051,490	
Capitalized Interest	4,650,282	-		4,650,282	
Underwriter Discount	1,107,210	-		1,107,210	
Cost of Issuance	1,531,991	-		1,531,991	
	\$ 10,980,183	\$ -		\$ 10,980,183	
Additional Major Improvement Bond Issuance Costs ^[h]					
Delinquency and Prepayment Reserve Fund	\$ 443,650	\$ -		\$ 443,650	
Debt Service Reserve Fund	1,470,400	-		1,470,400	
Underwriter Discount	532,380	-		532,380	
Cost of Issuance	862,922	-		862,922	
	\$ 3,309,352	\$ -		\$ 3,309,352	
Other Costs					
Deposit to Administrative Fund	\$ 363,465	\$ -		\$ 363,465	
	\$ 363,465	\$ -		\$ 363,465	
Total	\$ 77,357,067	\$ 12,268,310		\$ 65,088,757	

Footnotes:

[a] Costs were determined by the Engineer's Report attached hereto as **Appendix A**.

[b] Funding for the Non-District Costs are being provided by other lawfully available revenue of the City and will not be reimbursed by the PID Bonds, Initial Major Improvement Assessments or Additional Major Improvement Assessments.

[c] Calculated at 13% of hard construction costs for the Initial Major Improvements as approved by the City.

[d] Includes District Formation Expenses, professional services fees related to drainage and flood mitigation, Land Planning, Design, Engineering, Geotechnical Engineering, and Surveying for the Initial Major Improvements.

[e] Apportionment of Costs for the Fire Station is based on the estimated Assessed Valuation for the District as a percentage of the City's 2023 Assessed Valuation.

[f] Calculated at 13% of hard construction costs for the Additional Major Improvements as approved by the City.

[g] Includes professional services fees related to Engineering, Geotechnical Engineering, Surveying, Land Planning and Design of the Additional Major Improvements.

[h] Preliminary estimates. Actual costs will be determined at the time of bond issuance for the Additional Major Improvements.

Ownership and Maintenance of Initial Major Improvements

The Initial Major 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 Initial Major Improvements constructed and conveyed, as outlined in the Service and Assessment Plan.

THE DEVELOPMENT AGREEMENT

The City and the Developer entered in the Development Agreement, which sets forth certain agreements between the City and the Developer relating to the Developer's and the City's respective contributions to the Development, the issuance of bonds for development in the District, the City's contribution to the project from the Drainage Bonds, and the formation of the TIRZ. Capitalized terms used but not defined under this heading have the meanings ascribed to them in the Development Agreement. See "APPENDIX F – Development Agreement."

Under the Development Agreement, the Developer will undertake or cause the undertaking of the design, development, construction, maintenance, management, use and operation of the Development, and will undertake the design, development and construction of certain improvements including the Initial Major Improvements and the Additional Major Improvements. In accordance with the PD Ordinance (as defined herein), the Development will consist of the following elements:

- (i) Approximately 500 multi-family units;
- (ii) Approximately 191,000 square feet of medical/office use;
- (iii) A maximum 150 room hotel and approximately 5,000 square foot conference facility;
- (iv) Approximately 63,800 square feet of restaurant and retail space;
- (v) Approximately 52 acres of public parks and approximately 5.2 miles of public trails;
- (vi) A maximum of 300 condominium units;
- (vii) A minimum 2,188 spaces in parking garages;
- (viii) A City fire station; and
- (ix) The dedication of land to the City along Clear Creek for a future flood mitigation project, such acreage to be mutually agreed to by the Parties.

In addition to the Initial Major Improvements and the Additional Major Improvements, the Developer shall design, construct and install certain City Improvements and the City shall reimburse the Developer for the Actual Costs of the City Improvements from various sources including the Bonds, any revenues from assessments levied in the District, other bonds issued and secured by assessments in the District or TIRZ Revenues. "City Improvements" means the City's fire station within the District, public water, storm sewer and sanitary improvements, public drainage facilities, traffic signals, public parkland, and public roadways to include the City-owned public road providing additional access to Brookside Intermediate School.

The Development Agreement also sets forth the City's commitment to make up to \$5,000,000 available for construction of drainage improvements.

Under the Development Agreement, the City has agreed to issue up to \$100,000,000 in public improvement district assessment revenue bonds for the District and to form the TIRZ encompassing the property in the District. Pursuant to the Development Agreement, the maximum tax rate for the District, including all overlapping taxing jurisdictions and including the equivalent tax rate of any assessments, shall be no greater than \$3.05 per \$100 of assessed value at the time the assessments are levied based on the estimated buildout value of each parcel.

The City and the Developer may terminate the Development Agreement upon the occurrence of certain events of default as described in the Development Agreement.

The Developer and the City have entered into a TIRZ Development Agreement which provides that the TIRZ Revenues shall be distributed as follows up to the TIRZ Cap:

- (i) To subsidize Assessments in each year in order to lower the Annual Installments of the Assessments to a level that produces an overall tax equivalent tax rate equal to the rate set forth in the Service and Assessment Plan for each parcel within the PID and to pay the City's costs to administer the TIRZ;
- (ii) To reimburse the Developer for certain non-PID public improvements including certain detention improvements and the costs of a City fire station not financed through the Bonds;
- (iii) To pay the Developer an economic development grant; and
- (iv) To reimburse the Developer for excess Initial Major Improvement and Additional Major Improvement costs that have not been and will not be paid for or reimbursed from another funding source.

Any costs of the Public Improvements (as such term is defined in the Development Agreement) in excess of the available PID Bond Proceeds or assessments pursuant to a Reimbursement Agreement may be paid or reimbursed by the City from TIRZ Revenues up to the amount set forth in the TIRZ Project and Finance Plan or the TIRZ Cap. Any costs of the City Improvements in excess of the amounts set forth in the Service and Assessment Plan shall be reimbursed from TIRZ Revenues, up to the amount set forth in the TIRZ Project and Finance Plan or the TIRZ Cap. Any costs of the Drainage Improvements in excess of the City's \$5,000,000 shall be reimbursed from TIRZ Revenues, up to the amount set forth in the TIRZ Project and Finance Plan or the TIRZ Cap.

THE DEVELOPMENT

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

Overview

The land within the District will be developed as a development to be known as "Friendswood City Center" (the "Development"). The District consists of approximately 106 acres located in the corporate limits of the City, approximately 2.5 miles from the intersection of IH 45 and FM 528. The City is in the Houston-The Woodlands-Sugarland Metropolitan Statistical Area. The Development is approximately 26 miles south of Houston, Texas, 31 miles north of Galveston, Texas, 15 miles south of Houston Hobby Airport and 45 miles south of George W. Bush Intercontinental Airport. The Development is located in the Clear Creek Independent School District. Nearby attractions include Space Center Houston, Texas Avenue Park and Kemah Boardwalk.

Development Plan

The infrastructure benefitting the District will be constructed in two phases. The Developer expects to construct the Initial Major Improvements as the first phase of development. Construction of the Initial Major Improvements began in Q2 2024 and is expected to be completed by Q3 2025. The cost of the Initial Major Improvements is expected to be approximately \$33,840,197. A portion of such costs in the amount of \$25,598,351.67 is expected to be paid with proceeds of the Bonds. See "SOURCES AND USES OF FUNDS." The Developer will finance the balance of the Initial Major Improvements not paid with proceeds of the Bonds with Developer equity, to the extent such improvements are not financed with the City Contribution. As of October 1, 2024, the Developer had expended \$7,580,742 on the costs of the Initial Major Improvements, which was funded with Developer equity and funds provided by the City Contribution.

The Developer expects to construct the Additional Major Improvements as the second phase of development. Construction of the Additional Major Improvements other than the fire station is expected to begin in Q2 2025 and be completed in Q2 2026. See "THE INITIAL MAJOR IMPROVEMENTS" and "APPENDIX B — Form of Service and Assessment Plan."

Construction of the Additional Major Improvements is expected to initially be funded by Developer equity, and, if issued, the Additional Major Improvement Bonds. The City is also expected to contribute funds from the TIRZ to fund a portion of the fire station pursuant to the TIRZ Development Agreement. See “THE DEVELOPER – TIRZ Development Agreement.”

Expected Vertical Development in the District

The District contains approximately 106 acres which are being developed as a master-planned mixed-use development expected to consist of approximately 76,408 square feet of building space as inline retail or food retail, 268,800 square feet of mixed use space which includes ground floor retail and condominium/multifamily above ground floor retail, an approximately 115-room hotel with convention space, 194,050 square feet of office/medical building space, and approximately 500 multifamily units (in approximately 750,000 square feet) and a fire station. The Developer will develop the District to provide the necessary infrastructure to achieve vertical development on 12 separate lots, Lots 1-12 as shown on the “CONCEPT PLAN FOR DEVELOPABLE LAND IN THE DISTRICT” appearing on page vi hereof. Vertical development in the District will occur on approximately 40.237 acres. The remainder of land in the District will be parkland, open space, and amenities, all of which will be located in the flood plain. See “— Amenities.” Except for Lot 2, Lot 3, Lot 4 and Lot 5, all lots in the District are expected to be owned by entities affiliated with the Developer and Wolfgramm and vertical construction on such lots is expected to be completed by such entities as described below and under “THE DEVELOPER – History and Financing of the District – Vertical Development Financing.”

Lot 1, Lot 2, Lot 3, Lot 4 and Lot 5 were sold by the Developer in 4 separate transactions occurring between March and July 2024 as more particularly described under “THE DEVELOPER – History and Financing of the District – Acquisition and Subsequent Sales of Land in the District” at a collective sale price of \$6,169,838. Lot 1 was sold to Lone Star Campus R1 LLC, a special purpose entity affiliated with Wolfgramm, and the purchase was funded with an additional loan from the Lender to Lone Star Campus R1 LLC. See “THE DEVELOPER – History and Financing of the District.”

The Developer has not entered into any contracts for, and does not expect to enter into any sale contracts for, the sale of Lot 6, Lot 7, Lot 9, or Lot 11. The Developer expects that Lot 6, Lot 7 and Lot 9 will be contributed to a joint venture entity formed between the Developer and a Wolfgramm affiliated entity. The Developer expects to own and complete vertical development on Lot 11.

Wolfgramm has received a Letter of Intent (the “B&B Letter of Intent”) from B&B Theaters Operating Company D.B.A. as B&B Theaters (“B&B Theaters”) pursuant to which Wolfgramm and B&B Theaters expect to enter into a management agreement for a portion of the vertical square footage expected to be located on Lot 7 (22,000 sf of horizontal square footage and 80,000 sf of vertical square footage, respectively), which is expected to be used as a full service luxury movie theater with a luxury entertainment center featuring a bar and grill. The B&B Letter of Intent provides that the management agreement is expected to be for a term of 10 years and the opening date of the theater and entertainment center will be within 90 days following receipt of a certificate of occupancy for the theater and entertainment center. No assurance can be given that the final management agreement will be executed, or that it will be on the terms specified above.

Pursuant to the Developer’s operating agreement, the Developer is required to transfer Lot 8 (the hotel lot) and Lot 10 (a medical office building lot) to Lone Star Campus LLC, the Class D member of the Developer and a special purpose entity affiliated with Wolfgramm, as a contribution to such entity upon the release of such lots from the deed of trust securing the Acquisition Loan. See “THE DEVELOPER – Description of the Developer.”

Lone Star Campus LLC is expected to complete the vertical development of the hotel in the District. A hotel flag has not been chosen, but it is expected to be a full-service hotel with a Marriott or Hilton flag. Vertical development of the hotel is expected to be financed with investor equity and bank debt in addition to key money provided by the hotel brand. See “THE DEVELOPER – Executive Biographies” for information on the hotel development experience of the principals of Wolfgramm.

The Developer is under contract to sell Lot 12 (consisting of approximately 17.515 acres) to Lone Star Campus MFH LLC, a special purpose entity affiliated with Wolfgramm, pursuant to a Purchase and Sale Agreement

(the “Lot 12 Contract”) at a sale price of \$20,000,000. Such purchase price is to be paid with \$6,000,000 cash (a \$50,000 portion of which has been deposited as earnest money) and \$6,000,000 may be financed with a note in favor of the Developer payable six months after the closing date. The Lot 12 Contract requires the certain pre-conditions be met for Lone Star Campus MFH LLC to close, including issuance of the Bonds and adequate road/life safety access available to the site for concurrent building permit issuance and for construction to begin on Lot 12. Although the Lot 12 Contract provided for an initial closing date of July 16, 2024, the Lot 12 Contract provides that the closing of such lot will be abated until such time as the conditions to close have been met. As of the date hereof, closing has not occurred. Closing is expected to occur on December 15, 2024.

Due to the location of Lots 1-5 (abutting FM 528), vertical construction on Lots 1-5 in the District can begin without the completion of the Initial Major Improvements or the Additional Major Improvements. Such vertical construction is expected to begin in Q4 2024 and is currently anticipated to be completed in Q2 2025. The Developer indicates there is a finalized five-year lease for approximately 1,500 sf of office space on Lot 1 and an executed ten-year lease for a 3,000 sf (plus patio space) restaurant on Lot 2. Vertical construction on Lot 8 is expected to begin in December 2025 and be completed in Q4 2027. Vertical construction on Lot 10 is expected to begin in December 2024 and be completed Q4 2026. A two phase vertical construction period is expected for Lot 12 in the District. Vertical construction on Lot 12 is expected to commence in Q1 2025, and phase one of such vertical construction is expected to be completed in Q2 2027. Phase two of such vertical construction is expected to be completed by Q1 2028. The Developer does not currently have a timeline for vertical construction on Lots 6, 7, 9, and 11 in the District.

Set forth below is a summary of the current ownership and expected uses on each expected lot in the District, along with the expected vertical buildout, sale and leasing status of such parcels.

<u>Lot</u>	<u>Acres</u>	<u>Current Owner</u>	<u>Expected Use/SF⁽¹⁾</u>	<u>Expected Start/Completion of Vertical Construction</u>	<u>Leasing or Sale Status</u>
1	1.659	Lone Star Campus R1, LLC	Retail (Appx. 15,000 sf)	Start: Q1 2025 Completion: May 2025	Sold in July 2024 Approximately 1,500 sf leased for a 5 year lease expected to commence June 2025.
2	1.474	Tima Holdings, LLC	Retail/Shopping (Appx. 14,500 sf)	Start: Q4 2024 Completion: Q2 2025	Sold in March 2024 Approximately 3,000 sf (plus patio space) leased for a 10 year lease expected to commence 120 days after shell completion.
3	1.654	Hill Gage Development	Retail/Shopping (Appx. 16,500 sf)	Start: Q4 2024 Completion: Q2 2025	Sold in March 2024 No formal leases have been executed.
4	1.597	Ajay Jain	Retail/Shopping (Appx. 14,500 sf)	Start: Q4 2024 Completion: Q2 2025	Sold in March 2024 No formal leases have been executed.
5	1.454	Ajay Jain	Convenience Store/Gas Station (Appx. 14,000 sf)	Start: Q4 2024 Completion: Q2 2025	Sold in March 2024 No leases are expected on this site.
6	2.750	Developer	Mixed Use 1 (Ground Floor Retail and Condominium) (Appx. 100,000 sf retail and condo units)	Unknown	Expected to be contributed to a joint venture entity formed between the Developer and a Wolfgramm affiliated entity for vertical development No future sale or leasing activity has occurred for Lot 6.
7	2.716	Developer	Mixed Use 2 (Ground Floor Retail and Condominium) (Appx. 68,800 sf retail and	Unknown	Expected to be contributed to a joint venture entity formed between the Developer and a Wolfgramm affiliated entity for vertical development

			condo units and 1,908 of additional outlying retail)		No future sale or leasing activity has occurred for Lot 7.
8	2.660	Developer	Hotel (Appx. 115 Keys)	Start: Q4 2025 Completion: Q4 2027	Expected to be transferred to Lone Star Campus LLC (Wolfgramm controlled entity) under Developer operating agreement for vertical development
9	3.072	Developer	Mixed Used 3 (Ground Floor Retail and Condominium) (100,000 sf Retail and condo units)	Unknown	Expected to be contributed to a joint venture entity formed between the Developer and a Wolfgramm affiliated entity for vertical development A portion of the retail square footage on Lot 9 is subject to the B&B Letter of Intent.
10	3.687	Developer	Medical/Office (125,000 sf) (MOB 1)	Start: December 2024 Completion: Q4 2026	Expected to be transferred to Lone Star Campus LLC (related entity) under Developer operating agreement for vertical development No future leasing activity has occurred for Lot 10.
11	1.806	Developer	Medical/Office (69,050 sf) (MOB 2)	Unknown	Developer expects to own and complete vertical development on Lot 11. A sale of such lot is not expected. No future leasing activity has occurred for Lot 11.
12	17.515	Developer	Multifamily/Mixed Use Retail (750,000 sf, including approximately 500 MF units)	Start: Q1 2025 Completion (Phase One): Q2 2027 Completion (Phase Two): Q1 2028	Under contract for sale to Lone Star Campus MFH LLC

⁽¹⁾ It is noted that estimated square footages set forth above for Lots 1-5 differ from the estimated building square footages utilized for the purposes of the in the Appraisal, which are based on as estimated maximum building square footage based on schematics provided for Lots 1-5. See "APPRAISAL" and APPENDIX E.

Photographs of Development in the District

Photographs of development in the District appear in APPENDIX G hereto.

TIRZ Development Agreement

The City, the Board of Directors of the TIRZ, and the Developer have entered into a TIRZ Development Agreement (the "TIRZ Development Agreement") pursuant to which the Developer has agreed to construct, and the City has agreed to fund a portion of certain costs, including the costs of a City fire station in the Development not otherwise paid for by the District, certain playing fields and a Chapter 380 economic development grant in the maximum amount of \$1,250,000, as set forth in the TIRZ Development Agreement and the TIRZ Project and Finance Plan. The Developer shall be reimbursed from "Available Tax Increment" in the TIRZ. "Available Tax Increment" means City Tax Increment (as defined in the TIRZ Reimbursement Agreement) deposited into a segregated fund other than those funds required to be used to: (i) subsidize the Assessments and (ii) pay Administrative Costs of the TIRZ up to a cap of \$100,000,000.

The TIRZ Development Agreement provides that the City and the Zone, in their sole and absolute discretion, shall have the right, upon thirty (30) days' prior written notice to Developer, to terminate the TIRZ Development Agreement if: (a) Developer does not commence construction of certain detention and road improvements within the Development and the playing fields on or before the date that is six months from the effective date of the TIRZ Development Agreement; or (b) Developer does not complete construction of the detention and road improvements on or before three years from the Commencement of Construction of those detention and road improvements and the

playing fields; or (c) Developer does not commence construction of the fire station on or before the date that is five years from the effective date of the TIRZ Development Agreement, (d) Developer does not complete construction of the fire station on or before the date that is three years from the commencement of construction of the fire station, or (e) Developer becomes insolvent, or all or a substantial part of Developer's assets are assigned for the benefit of its creditors, or a receiver or trustee is appointed for Developer.

The TIRZ Development Agreement provides that during the term of the TIRZ Development Agreement, following completion of the Project, the Developer shall not protest Harris Central Appraisal District's assessed taxable value of the Project or the taxable real property within the TIRZ. If the Developer does not comply such covenant with, the City, at its sole discretion, may suspend performance of the City under the TIRZ Development Agreement and begin procedures to terminate the TIRZ Development Agreement for default, and the Developer shall repay to the City all portions of the TIRZ Contribution paid to the Developer under the TIRZ Development Agreement.

Concept Plan

Set forth on page vi is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City's zoning and subdivision regulations. See "– Zoning" below.

Zoning

The property within the District is currently zoned as Planned Unit Development per Ordinance No. 2023-28 approved on November 6, 2023 (the "PUD Ordinance"). The current zoning allows for a mixed-use development with a variety of commercial and multi-family uses and establishes guidelines pertaining to purpose, height, area, setbacks, landscaping, garages and the like. The Developer expects to pursue an amendment to the existing PUD Ordinance to allow for additional square footage and density on certain parcels in the District. No assurance can be given that the City will approve such amendment, or how much additional square footage of any particular use will be approved.

Amenities

The Developer expects to construct approximately 45 acres of public parks, and approximately 5.2 miles of hike and bike trails, exercise stations, public restrooms, and a fishing lake to serve the entire Development (collectively, the "Amenities"). Construction of the Amenities is expected to begin in Q2 2025 and be completed in Q4 2026. The Amenities are part of the Additional Major Improvements, and are expected to cost approximately \$5,597,472. The Amenities are expected to be funded initially with Developer equity and reimbursed through the Additional Major Improvements Reimbursement Obligation and, if issued, the Additional Major Improvement Bonds.

Private Improvements

The Developer also plans to construct certain private improvements to serve the entire District including gas and electric franchises utilities (collectively, the "Private Improvements"). The approximate cost of the Private Improvements in the District is \$1,415,000, which is expected to be funded by CenterPoint.

Education

Children in the Development will attend schools in Clear Creek ISD which encompasses an area of approximately 120 square miles and is located midway between Houston, Texas and Galveston, Texas. Clear Creek ISD enrolls over 40,000 students in 27 elementary schools, 10 intermediate schools, an educational alternative high school campus, an early college high school campus, and 5 comprehensive high schools. According to the Texas Education Agency ("TEA"), Clear Creek ISD received a "District Accountability Rating" of B from the TEA for 2021-2022. Students in the District will attend (i) Landolt Elementary School (approximately 2.1 miles from the District), which received a "District Accountability Rating" of A from the TEA for 2021-2022, (ii) Brookside Intermediate School (approximately 0.8 miles from the District), which received a "District Accountability Rating" of B from the TEA for 2021-2022, and (iii) Clear Springs High School (approximately 4.8 miles from the District), which received a "District Accountability Rating" of A from the TEA for 2021-2022. 2021-2022 is the latest year for

which ratings are available from the TEA. GreatSchools.org currently rates Landolt Elementary School a 7/10, Brookside Intermediate School a 6/10 and Clear Springs High School a 7/10.

Existing Mineral Rights, Easements and Other Third Party Property Rights

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

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

Although the Developer does not expect the above-described Third Party 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 the District, or the ability of landowners within the District to pay Assessments, the Developer makes no guarantee as to such expectation. See “BONDHOLDERS’ RISKS — Exercise of Third Party Property Rights.”

Environmental

Environmental. The Developer indicates that no Phase I Environmental Site Assessment was performed with respect to the property in the District. The Developer has provided an environmental records search performed by Environmental Resources, Inc. (“ERI”) for review (the “ERS Search Report”). For the ERS Search Report ERI searched environmental records for the property in the District as well as certain adjacent properties containing a dry cleaner, a gas station and a bank (the adjacent sites, the “Mapped Sites”). The ERS Search Report indicated that neither the District property nor the Mapped Sites appeared on a list of federal Superfund sites, CERCLA sites, Delisted National Priority List Sites, RCRA sites, or other federal or state environmental site registries. The records search also revealed that certain of the Mapped Sites (located between 0.25 and 0.4 miles from the District) were leaking petroleum storage tank sites. According to the ERS Search Report, a “final concurrence” has been issued for both sites, and a release determination report was filed for the removal of an underground storage tank from one such site. The ERS Search Report also indicated that the dry cleaner Mapped Site is in the Voluntary Cleanup Program Database.

Jurisdictional Waters of the United States; Endangered Species. WGA Consulting Engineers (“WGA”) conducted a comprehensive wetlands and Jurisdictional Waters of the US (“WOTUS”) delineation of the land in the District in February 2024, and identified one intermittent stream that was an assumed Jurisdictional WOTUS. As part of the development in the District, the Developer intends to install fill material for bank line stabilization and erosion protection, which activities were determined by WGA to fall within Nationwide Permit 18 and did not require any special permit from the U.S. Army Corps of Engineers. WGA also conducted a Threatened and Endangered Species desktop review in December 2023 and a Cultural Resources desktop review in June 2023 to ensure that all Nationwide Permit General Conditions were satisfied. WGA did not observe any federally or state listed endangered species or their preferred habitats in the District. No vertical development is expected to occur within the flow of any WOTUS.

Flood Plain Designation

According to Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Map (“FIRM”) No. 48167C0018G revised on August 15, 2019 approximately 87.95 acres of land in the District, which includes Lots 6-12 in the District, is located in special flood hazard areas subject to inundation by a 100-year and 500-year flood. The Initial Major Improvements and Additional Major Improvements will include drainage and detention infrastructure to

assist with flood control and flood mitigation, and the Developer is expected to utilize fill dirt to raise the elevation of Lots 6-12 out of flood plain elevations and allow for all buildings on such lots to be constructed above the flood plain. The Developer expects to apply for a Letter Of Map Revision Based on Fill (a “LOMR-F”), which LOMR-F may be applied for during construction. The Developer expects the process to receive a LOMR-F to take approximately 6 months. Subsequent to the LOMR-F, the Developer expects to apply for a formal Letter of Map Revision (“LOMR”) to allow for removal of Lots 6-12 from special flood hazard areas subject to inundation by a 100-year and 500-year flood. The Developer expects that such process will take approximately 1-2 years. No assurance can be given as to if or when FEMA will approve a LOMR-F or a LOMR. Irrespective of whether FEMA approves a LOMR-F or LOMR, the Developer indicates flood insurance is and will continue to be required by any lender for all properties in the District.

Approximately 50 acres of the District lying within the floodplain is in the Clear Creek watershed and is located in a regulatory floodway. All of the acreage lying in the regulatory floodway is expected to be utilized as open space. Clear Creek watershed is maintained by the Harris County Flood Control District.

Utilities

Water and Wastewater. It is expected that the City will provide water and sewer service to the District, and all existing and future water and sewer improvements will be dedicated to, and owned and operated by, the City. The City’s water and sewer systems currently have sufficient capacity to provide water and wastewater service to the District. See “THE CITY – City Water and Wastewater Systems.”

Other Utilities. Additional utilities in the District are provided as follows: (1) Electric – CenterPoint, (2) Natural Gas – CenterPoint and (3) Phone, Data and Cable – AT&T and Comcast.

THE DEVELOPER

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

General

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

Description of the Developer

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

The Developer has two Class A members: (1) Louis Tannos and (2) Eric Langan, who each have a 45% equity stake. There is one Class B member, HWC Friendswood LLC, a Delaware limited liability company, which has a 10% equity stake. The individual members of HWC Friendswood LLC are Phil Wolfgramm, Koloa Wolfgramm, and Russell Handy. There is also one class D member of the Developer, Lone Star Campus LLC, a Delaware limited liability company, which contributed acquisition capital in exchange for two parcels of the Property (Lot 8 and Lot 10). Lone Star Campus LLC has no right to any other profits or property. Lone Star Campus LLC's members include 24 Class A members which have limited rights that collectively own 90% of the equity in Lone Star Campus LLC's portion of property. The remaining 10% of Lone Star Campus LLC is a Class B interest owned by Wolfgramm in exchange for non-capital contributions to Lone Star Campus LLC. The manager of Lone Star Campus LLC is Wolfgramm.

The Developer is currently the majority owner of the property in the District. Its 45% member, Louis Tannos, a general contractor, is overseeing the day-to-day development of the property. HWC Friendswood LLC has minority voting rights and plays a consulting role with some shifting control rights if the Developer defaults on commitments in the Developer's operating agreement to use its best efforts to deliver Lot 8 and Lot 10 to Lone Star Campus LLC by September 15, 2023 and to complete site work on the property by December 18, 2024. The Developer did not meet the September 15, 2023 transfer deadline for Lot 8 and Lot 10, and Lone Star Campus LLC is awaiting the transfer of the two parcels upon their release from the deed of trust securing the Acquisition Loan. It is not expected that the Developer will meet site work completion deadline set forth in the operating agreement of the Developer. However, HWC has provided consent resolution indicating it does not intend to exercise its change in control right set forth in the Developer's operating agreement.

Set forth below is a list of developments that Wolfgramm and Wolfgramm's principals (which are collectively identified in the chart below as "Wolfgramm Entities") and Louis Tannos have completed.

<u>Developing Entity</u>	<u>Name of Development</u>	<u>Location</u>	<u>Property Type</u>	<u>Status of Development</u>
Wolfgramm Entities	Brookhurst Triangle	Anaheim, CA	Luxury apartments	Completed and stabilized.
Wolfgramm Entities	Ritz Carlton Rancho Mirage	Rancho Mirage, CA	5-star luxury hotel with for-sale condos	Completed and stabilized.
Wolfgramm Entities	Embassy Suites Glendale	Glendale, CA	272-key hotel	Completed and stabilized.
Wolfgramm Entities	Sheraton Garden Grove/Anaheim South	Garden Grove, CA	285-key hotel	Completed and stabilized. Part of multi-phase development including additional resort-style amenities.
Wolfgramm Entities	Ascent Park City by Hilton	Park City, UT	120-key 4-star luxury hotel with for-sale condos	75% completed, expected completion within 90 days.
Wolfgramm Entities	Waldorf Astoria Park City	Park City, UT	269-key 5-star luxury hotel with for-sale condos	Existing 160-key resort with planned \$80MM expansion set to break ground in 2025.
Tannos	TLH III	Friendswood, TX	Mixed-use / medical office	100% Occupied
Tannos	THL II	Friendswood, TX	Mixed-use / retail	100% Occupied
Tannos	TLH I	Friendswood, TX	Mixed-use / retail	100% Occupied
Tannos	1715 LLC	Friendswood, TX	Mixed-use / Medical office	Final stage build out and occupancy
Tannos	Albritton	Friendswood, TX	Mixed-use / residential-retail-office	Under Construction
Tannos	Del-Monte	Galveston, TX	Industrial / International Port	Fully Operational
Tannos	RCI	Houston, TX	Mixed-use Office – warehouse - Industrial	Fully Operational

The principals associated with the Developer have created and expect to create affiliated entities (including but not limited to Lone Star Campus LLC, Lone Star Campus R1 LLC, and Lone Star Campus MFH LLC) that will be partially owned and controlled by various principals of the Developer and Wolfgramm in order to own and vertically develop the majority of the property within the District. It is expected, then, that entities partially owned and controlled by principals of the Developer and Wolfgramm will have the responsibility for the payment of the

majority of the Assessments and the Additional Major Improvement Assessments for the foreseeable future. See “BONDHOLDERS’ RISKS – Dependence Upon Developer and Related Entities.”

Executive Biographies

Phil Wolfgramm (Co-Founder and Chief Executive Officer, Wolfgramm Capital): Phil Wolfgramm has 25+ years of experience in hospitality and real estate. He started his career in hospitality as a hotel shuttle driver and night auditor. He moved up through the hotel accounting track as an assistant controller and controller until he became a General Manager in 2003 at various IHG, Choice, Starwood, and Marriott full-service hotels. Phil also led the ground-up development, and served as the Opening GM, of the 285-key Sheraton Garden Grove Anaheim South and the 272-key Embassy Suites Glendale.

In 2008, Phil became the Head of Acquisitions and Asset Management at Kam Sang Company. Over the last 13 years, Phil spearheaded over 2 billion dollars’ worth of real estate acquisitions, refinances, and developments. In addition, Phil asset managed all of Kam Sang’s brand managed properties: Ritz Carlton Rancho Mirage, JW Marriott Palm Desert, and Waldorf Astoria Las Vegas. He was also responsible for overseeing the financial performance of the company’s self-managed properties which included Residence Inn, Courtyard, and Embassy Suites hotels.

Some of Phil’s notable hospitality acquisitions include:

- Ravelle Lake Las Vegas (formerly Ritz Carlton Lake Las Vegas) with a rebrand to the Hilton Resort and Spa
- Ritz Carlton Rancho Mirage along with leading the ongoing development of an adjacent 100+ condominium wing
- JW Marriott Resort and Spa Palm Desert with an extensive 30M+ renovation
- Mandarin Oriental Las Vegas with an extensive renovation and rebrand to a Waldorf Astoria

During Phil's tenure as Head of Acquisitions and Asset Management, Kam Sang's portfolio grew from 75 million to over 2 billion. He left Kam Sang in July 2021 to co-found Wolfgramm Capital. Wolfgramm Capital is a real estate investment firm specializing in hotel acquisitions and management, while also seeking, acquiring, and developing opportunistic and ground-up mixed use, residential, and suburban master-planned projects.

Koloa Wolfgramm (Co-Founder and Chief Operating Officer, Wolfgramm Capital): Koloa Wolfgramm oversees acquisitions, financing, investment structuring, and deal due diligence. He also assists in asset management and ground-up development. He has led over 350MM of commercial real estate acquisitions in the last 18 months.

Koloa formerly worked for a community economic development organization where he advised for- and nonprofit entities in their acquisition, financing, development, and divestiture of various real estate asset classes including retail, commercial, and mixed-use properties. Koloa also previously worked at Kirkland & Ellis, LLP where he gained deal experience in the private equity and investment funds groups. He has assisted on multiple billion-dollar private equity transactions.

Prior to co-founding Wolfgramm Capital, Koloa was the co-founder and COO of a venture-backed PropTech startup. He was also a partner at a venture capital firm in New York City where he managed an eight-figure fund as a specialist in LegalTech and PropTech companies.

Koloa graduated with a B.A. from Brigham Young University as a salutatorian and received a J.D. from Yale Law School where he served as an editor on the Yale Journal on Regulation. He is also a former bobsled pilot and competed for Team USA from 2011-2013

Russell Handy (Co-Founder and Chief Legal Officer, Wolfgramm Capital): Russell Handy oversees the company's litigation, risk management, and compliance. He is a former law professor and clerked on the Ninth Circuit for Judge Thompson. In the last year alone, he has advised on over 300MM of hospitality acquisitions.

Russell is a seasoned hospitality litigator and has consulted in the hotel space for over a decade. He regularly teaches and lectures on property level compliance and has won numerous awards for his trial and appellate advocacy. He founded Potter Handy LLP and is a recognized, and oft-cited, expert in civil litigation. He has argued in front of the Ninth Circuit, California Courts of Appeal, and the California Supreme Court. He was awarded the California Lawyer Magazine's Attorney of the Year in 2010 and was named one of San Diego's top attorneys in 2011. Russell is also a former Certified Contract Advisor to the NFL Players Association.

Prior to entering the law, Russell served in the United States Army where he participated in over 48 live-fire missions and received numerous military recognitions and awards, including two Bronze Service Stars. He holds a B.A. from Brigham Young University and a J.D., magna cum laude, from California Western School of Law where he was an associate editor of the Law Review.

Eric Langan (Chairman of the Board / Director / Chief Executive Officer / President (RCI Hospitality): Eric S. Langan has been a director of 1998, and President, CEO and Chairman of RCI Hospitality since 1999. He began his career in the hospitality industry in 1989 and has developed significant expertise in sports bar/restaurants and adult entertainment nightclubs, including related areas of real estate development and finance. Mr. Langan built the XTC Cabaret nightclub brand and merged it into RCI in 1998, expanding the scope of the company. He has been instrumental in bringing professional marketing, management, finance, and technology practices and systems to the gentlemen's club industry. As one of the original founders of the National Association of Club Executives (ACE), Mr. Langan has been an active member of its Board of Directors since 1999. Through these activities, Mr. Langan has acquired the knowledge and skills necessary to successfully operate adult entertainment businesses.

Louis Tannos (President of Madison Development Corp. LLC): Louis began his construction career in the offshore oil and gas industry as a commercial construction diver. After leaving the industry and starting his first company in 2000, he quickly moved into remodeling, then custom homes, commercial projects, industrial and eventually full design and build of commercial and mixed-use developments. As President of Tannos Development Group, Louis Tannos is the engine behind all new developments. From locations, to plans, designs and construction process, Louis creates the new deals and opportunities for growth.

History and Financing of the District

Land Acquisition and Subsequent Sales of Land in the District. The Developer purchased the property in the District on February 23, 2023 from Clear Creek Community Church at a purchase price of \$10,000,000. The purchase price was financed with the Acquisition Loan from the Lender, b1 Bank, in the amount of \$6,500,000 and Developer equity.

Subsequent to its acquisition of the Property in the District, the Developer made the following sales of parcels in the District:

<u>Buyer</u>	<u>Lot/Pad Site Size</u>	<u>Sale Price</u>	<u>Closing Date</u>
Tima Holdings, LLC	Lot 2: 1.474 acres	\$1,155,734	March 21, 2024
Hill Gage Development, LLC	Lot 3: 1.654 acres	\$1,440,965	March 26, 2024
Ajay Jain	Lot 4 and Lot 5: 3.051 acres	\$2,127,819	March 27, 2024
Lone Star Campus R1 LLC	Lot 1: 1.659 acres	\$1,445,320	July 12, 2024

As of October 1, 2024, the outstanding balance on the Acquisition Loan is \$415,458.42. The Acquisition Loan bears interest at a rate of 8.50%. Interest is payable monthly, and principal is due at maturity. The Acquisition Loan currently matures on December 15, 2024. The Acquisition Loan is personally guaranteed by Eric Langan and Louis Tannos.

The Acquisition Loan is secured by a lien on all property in the District. The Developer expects to obtain a release of Lot 8 and Lot 10 from the deed of trust securing the Acquisition Loan to facilitate the contribution of Lot 8 and Lot 10 to Lone Star Campus LLC as described in the Developer's operating agreement. The Acquisition Loan is also secured by assignments of the Developer's rights under certain contracts, including the Development Agreement.

Lone Star Campus R1 LLC (an entity owned 50% by Russell Handy, a Developer principal, and managed by Wolfgramm) utilized a loan from the Lender (the “LSCR1 Acquisition Loan”) in the original principal amount of \$1,609,000 for its purchase of Lot 1 in the District. As of October 1, 2024, the outstanding balance of the LSCR1 Acquisition Loan is \$1,609,000. The LSCR1 Acquisition Loan bears interest at a rate of 8.25%. Interest is payable monthly, and principal is due at maturity. The LSCR1 Acquisition Loan currently matures on July 12, 2025. The LSCR1 Acquisition Loan is personally guaranteed by Russell Handy, Koloa Wolfgramm, and Phillip Wolfgramm.

The LSCR1 Acquisition Loan is secured by a lien on Lot 1 (which is approximately 1.659 acres) in the District and an additional approximately 1.6 acres of land located outside the District.

The PID Act provides that the Assessment Lien is a first and prior lien against an Assessed Property within the District and is superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes. Additionally, at or prior to delivery of the Bonds, the Lender shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Acquisition Loan and the LSCR1 Acquisition Loan to the assessment lien on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over the lien on the property within the District securing the Acquisition Loan and the LSCR1 Acquisition Loan.

According to records obtained from the Harris County property records, to finance his purchase of Lots 4 and 5 in the District, Ajay Jain obtained a loan from Cadence Bank in an original principal amount of \$1,489,473. Such Cadence Bank loan is evidenced by a note that matures on March 27, 2026 and is secured by a lien on Lots 4 and 5 in the District. Ajay Jain has not participated in the issuance of the Bonds or in the preparation of this Limited Offering Memorandum and, accordingly, it is not expected that Cadence Bank will provide any acknowledgement or consent to the Assessments. As noted above, however, the PID Act provides that the Assessment Lien is a first and prior lien against an Assessed Property within the District and is superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes.

After the release of Lot 8 and Lot 10 from the deed of trust securing the Acquisition Loan, the Developer does not expect that there will be liens associated with the acquisition of Lot 8 and Lot 10 by Lone Star Campus LLC, which lots are expected to be contributed to Lone Star Campus LLC in accordance with the Developer’s operating agreement.

Financing of Initial Major Improvements. The Initial Major Improvements will be financed with proceeds of the Bonds, the City Contribution, and equity and other contributions from the Developer and Louis Tannos. Louis Tannos has obtained a personal, unsecured revolving line of credit with Hometown Bank in the amount of \$4,000,000, which matures on October 11, 2027 (the “Revolving Line of Credit”). As of October 24, 2024, the Revolving Line of Credit has been drawn in the amount of \$2,622,887.27, and such funds constitute the Developer equity portion of funds spent on the Initial Major Improvements as of October 1, 2024. It is expected that the Developer will submit a request for reimbursement of funds spent on the Initial Major Improvements other than those provided by funds from the City Contribution from the proceeds of the Bonds at closing. The Developer will also execute a completion agreement for the Initial Major Improvements at the closing of the Bonds in which the Developer agrees to certify it has available funds to complete the Initial Major Improvements at the submission of each draw request.

Vertical Development Financing. Vertical development in the District is expected to be funded through a combination of equity, joint venture financing, or by one or more loans acquired by the various property owners in the District. It is expected that all lots in the District other than Lot 2, Lot 3, Lot 4 and Lot 5 will be owned and developed by various entities owned and/or controlled by the Developer, Wolfgramm or a joint venture entity formed between Wolfgramm and the Developer as described below and under “THE DEVELOPMENT – Expected Vertical Development in the District.”

For Lot 1, Wolfgramm has approached Cotecons USA, a construction company to which Wolfgramm has close ties, to carry the construction financing for vertical development. Finalization of such arrangement is currently awaiting biddable construction documents; however, if the financing arrangement with Cotecons USA is not finalized, Lone Star Campus R1 LLC will either self-finance or pursue a traditional construction loan for vertical

construction on Lot 1. The construction loan may be with the Lender as part of upsizing the LSCR1 Acquisition Loan, or a separate construction loan that will take out the LSCR1 Acquisition Loan.

The owners of Lot 2, Lot 3, Lot 4 and Lot 5 have not participated in the preparation of this Limited Offering Memorandum or provided information regarding the financing of vertical development thereon. A search of the Harris County Property Records indicates that there are no deeds of trust filed in the name of the owners of Lot 2 or Lot 3 reflecting any lender financing of vertical development of Lot 2 or Lot 3. In addition, the deed of trust reflecting the Cadence Bank loan for the acquisition of Lots 4 and 5 reflects only a note in amounts sufficient for the purchase of Lots 4 and 5. The Developer does not have additional information relating to the financing arrangements for construction of the vertical improvements on Lot 2, Lot 3, Lot 4 and Lot 5. No assurance can be given that the owners of Lot 2, Lot 3, Lot 4 and Lot 5 will have or be able to obtain sufficient capital to complete vertical development on such Lots.

The Developer has not entered into any contracts for, and does not expect to enter into any contracts for the sale of Lot 6, Lot 7, or Lot 9. The Developer expects that Lot 6, Lot 7 and Lot 9 will be contributed to a joint venture entity formed between the Developer and a Wolfgramm affiliated entity that will complete the vertical development. Vertical development on Lot 6, Lot 7, and Lot 9 is expected to be financed with investor equity and bank debt.

Lone Star Campus LLC is expected to be the initial owner of Lot 8 and Lot 10 after the transfers pursuant to the Developer's operating agreement. It is expected that Lone Star Campus LLC will transfer such lots to a separate single purpose "Lone Star" entity, which will similarly be controlled by Wolfgramm, in order to finance vertical development on Lot 8 and Lot 10. Vertical development of the hotel on Lot 8 is expected to be financed with investor equity and bank debt in addition to key money provided by the hotel brand. Vertical development on Lot 10 is expected to be financed with investor equity and bank debt.

The Developer has not entered into any contracts for, and does not expect to enter into any contracts for, the sale of Lot 11. The Developer expects to own and complete vertical development on Lot 11. Vertical development on Lot 11 is expected to be financed with investor equity and bank debt.

Lone Star Campus MFH LLC, which is controlled by Wolfgramm, is expected to own and finance vertical development on Lot 12. Vertical development on Lot 12 is expected to be financed with investor equity and bank debt.

THE ADMINISTRATOR

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

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

The Administrator's duties will include:

- Preparation of the annual update to the Service and Assessment Plan
- Preparation of assessment rolls for City billing and collection
- Establishing and maintaining a database of all City parcel IDs within the District
- Trust account analysis and reconciliation
- Property owner inquiries
- Determination of Prepayment amounts
- Preparation and review of disclosure notices with Dissemination Agent

- Review of developer draw requests for reimbursement of authorized improvement costs.

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

APPRAISAL

The Appraisal

General. Integra Realty Resources – Dallas (the “Appraiser”), prepared an appraisal report for the City based upon a physical inspection of the property in the District conducted on July 5, 2024 (the “Appraisal”). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to 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 Appraiser estimated the aggregate market value of the fee simple interest in various tracts of land in the District, effective as of July 5, 2024 with respect to Lots 1-5 and as of May 31, 2025 with respect to Lots 6-12. The Appraiser used certain extraordinary assumptions in its valuation, including the extraordinary assumption that the Initial Major Improvements and the Additional Major Improvements are completed as of the effective date thereof and the extraordinary assumption that Lots 6-12, which currently sit in the flood plain have been elevated out of the flood zone as part of the development process. See “THE INITIAL MAJOR IMPROVEMENTS,” “PLAN OF FINANCE” and “THE DEVELOPMENT – Development Plan.” The Appraisal does not reflect the as-is condition of the District as the Initial Major Improvements and the Additional Major Improvements have not yet been constructed and the property in Lots 6-12 has not yet been raised out of the flood plain. See “THE DEVELOPMENT – Flood Plain Designation” and “BONDHOLDERS’ RISKS – 100-Year and 500-Year Flood Plain.” The Appraisal additionally estimated the value of the constructed buildings on Lots 1-5, effective as of May 31, 2025, under the extraordinary assumption that the buildings are complete and stabilized as of such effective date. The Appraisal does not reflect the as-is condition of the buildings on Lots 1-5 as such buildings have not yet been constructed.

The Appraisal sets forth the following values for each Lot and the expected buildings on Lots 1-5 as shown below:

<u>Lot</u>	<u>Estimated Appraised Market Value</u>	<u>Lot Total with Building Value</u>
Lot 1	\$ 1,450,000	\$ 9,780,000
Lot 2	1,280,000	9,350,000
Lot 3	1,440,000	10,410,000
Lot 4	1,390,000	9,450,000
Lot 5	1,270,000	11,980,000
Lot 6	3,050,000	
Lot 7	2,720,000	
Lot 8	2,090,000	
Lot 9	3,080,000	
lot 10	2,890,000	
Lot 11	1,240,000	
Lot 12	16,020,000	
Total Estimated Land Value	<u>\$37,920,000</u>	

<u>Building/Lot</u>	<u>Estimated Appraised Market Value</u>
Building 1 (Lot 1) (Estimated 15,374 sf)	8,330,000
Building 2 (Lot 2) (Estimated 14,880 sf)	8,070,000
Building 3 (Lot 3) (Estimated 16,608 sf)	8,970,000
Building 4 (Lot 4) (Estimated 14,862 sf)	8,060,000
Building 5 (Lot 5) (Estimated 14,684 sf)	10,710,000
Total Estimated Building Value	<u>\$44,140,000</u>

It is noted that building values set forth in the Appraisal for Lots 1-5 are based on as estimated maximum building square footage based on schematics provided for Lots 1-5 and such square footages differ from the projected square footage of vertical retail development on such lots shown under “THE DEVELOPMENT – Expected Vertical Development in the District” and on the CONCEPT PLAN FOR DEVELOPABLE LAND IN THE DISTRICT set forth on page vi hereof. Further, the Appraisal’s analysis predated the execution of the leases and the B&B Letter of Intent described under “THE DEVELOPMENT – Expected Vertical Development in the District” and such leases and letters of intent are not reflected in the Appraiser’s analysis.

The collective value estimate for the assessable land within the District and the expected buildings on Lots 1-5 using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of the respective effective dates for each portion of the Appraisal, is \$82,060,000.

For additional description of the valuation methodologies, extraordinary assumptions and hypothetical conditions underlying the Appraisal, see “APPENDIX E — APPRAISAL.”

None of the City, the Developer nor the Underwriter makes any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the City, the Developer and the Underwriter make no representation as to the reasonableness of such assumptions. Prospective investors should read the complete Appraisal in order to make an informed decision regarding any contemplated purchase of the Bonds. The complete Appraisal is attached hereto as APPENDIX E.

BONDHOLDERS’ RISKS

General

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

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

THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

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

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

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

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

Deemed Representations and Acknowledgment by Investors

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

Assessment Limitations

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

In order to pay debt service on the Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in the District, the City has established a Bond Reserve Account and a Delinquency and Prepayment 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 Bond Reserve Account and the Delinquency and Prepayment 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 the District, any Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

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

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

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

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

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

The Assessments levied for the payment of the Bonds and the Additional Major Improvement Assessments levied for and pledged to the payment of the Additional Major Improvements Reimbursement Obligation have a lien of equal dignity of the parcels assessed therefor. In the event of partial payments of the Annual Installments of the Assessments and the Additional Major Improvement Assessments, the Harris County Tax Assessor/Collector advises that such partial payments will be applied to the payment of the Annual Installments of the Assessments and the Additional Major Improvement Assessments on a pro rata basis unless otherwise directed by the payer of such Annual Installments of the Assessments and the Additional Major Improvement Assessments.

Exceedance of Maximum Assessment Could Trigger Assessment Prepayment and Optional Redemption

The Service and Assessment Plan establishes the Maximum Assessment per Unit/square foot for each Lot Type in the District. In the District, the Maximum Assessment per Unit/square foot for the Initial Major Improvement for each Lot Type is as follows:

<u>Lot Type</u>	<u>Maximum Assessment per Unit/Sq. Ft.</u>
1	\$27.80
2	\$23.12
3	\$10,462.33
4	\$19.50
5	\$31.44

See “APPENDIX B — Form of Service and Assessment Plan.”

Prior to the City approving a final subdivision plat, the Administrator will certify that such plat will not result in the Assessment per lot for any Lot Type exceeding the Maximum Assessment. If the Administrator determines that the resulting Assessment per lot for any Lot Type will exceed the Maximum Assessment, the Service and Assessment Plan provides that the person or entity filing the plat shall make a mandatory prepayment of the Assessments. See “ASSESSMENT PROCEDURES – Assessment Amounts – Maximum Assessment.”

No plat has been filed for lots in the District. In the event that the estimated build out value of lots or parcels in the District falls prior to the filing of a plat for the District, 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 may trigger an optional redemption of the Bonds by the City. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

Competition

Development in the Houston area is very competitive, and none of the Developer, the City, the City’s Financial Advisor or the Underwriter can give any assurance that the vertical 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 commercial or multifamily pad lots or of the end users in the leasing or use of commercial, office or multifamily space or the construction and sale of condominium 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 competitive project near the Development is below.

<u>Project Name</u>	<u>Type of Development</u>	<u>Proximity to District (Miles)</u>	<u>Developer/Builders</u>
Flyway (Webster, TX)	Mixed use with entertainment, dining, recreation, and sports entertainment venues anchored by Great Wolf Lodge indoor waterpark resort hotel and conference center	4.3	Medistar Corporation/ Webster EDC

Additional competitive projects may be found in the Appraisal. See “APPENDIX E – Appraisal.”

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

Risks Related to Current Increase in Costs of Building Materials

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

Loss of Tax Exemption

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

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

TIRZ Credit and Marketing of the Development

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraised value of property within the District in the TIRZ in any year. Consequently, TIRZ Revenues are generated only if the appraised value of real property in the District in any year is greater than the base value. Any delay or failure of Developer or other property owners to develop the District or construct vertical improvements in the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. TIRZ Revenues generated from the captured appraised value for each Lot or parcel in the District during the development

of such Lot or parcel will result in a TIRZ Annual Credit Amount which is not sufficient to achieve the Targeted Ad Valorem Tax Rate Equivalent. The TIRZ Annual Credit Amount is not expected to be sufficient to provide for the Targeted Ad Valorem Tax Rate Equivalent on any parcel or Lot until the second year that full buildout on any on such Lot or parcel is assessed, assuming such parcel or Lot is developed under the assumptions provided by the Developer as described under the heading “THE DEVELOPMENT – Development Plan.” See also “OVERLAPPING TAXES AND DEBT.”

It is uncertain what impact, if any, the TIRZ Credit application will have on the competitiveness of leasing rates of commercial properties in the District.

Bankruptcy

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

Direct and Overlapping Indebtedness, Assessments and Taxes

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

Depletion of Reserve Fund

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Bond Reserve Account and the Delinquency and Prepayment 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 Bond Reserve Account or the and the Delinquency and Prepayment Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Bond Reserve Account of the Reserve Fund, the amount in the Bond Reserve Account of the Reserve Fund is less than the Bond Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Bond Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS — Bond Reserve Account of the Reserve Fund” herein.

Hazardous Substances

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

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

respect to such parcel; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

The Developer has not requested a Phase I Environmental Site Assessment on the property in the District. See “THE DEVELOPMENT – Environmental” for a summary of the ERS Report commissioned with respect to the District property.

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

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

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

circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

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

The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

No Acceleration

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

Tax-Exempt Status of the Bonds

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

the resources to settle with the IRS, the Bonds are not required to be redeemed, and the interest rate on the Bonds will not increase.

Bankruptcy Limitation to Bondholders' Rights

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

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

Management and Ownership

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

General Risks of Real Estate Investment and Development

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Developer, including those derived from the Development, are not within the control of the Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the condominiums to be built in the Development, which may render the sale of such condominiums 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 any lot purchase contracts are not met. Contracts that the Developer may have with individual purchasers 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 pad sites, causing the Developer to possibly need to execute a different strategy for the development and sale of pad sites 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.

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

Dependence Upon Developer and Related Entities

The Developer, as the owner of the majority of the parcels in the District, currently has the obligation for payment of approximately 94.388% of the Assessments. See “ASSESSMENT PROCEDURES – Assessment Payer Concentration.” It is expected that entities controlled by the Developer, Wolfgramm, or a joint venture between the Developer and Wolfgramm will develop and own the majority of property in the District and, accordingly, payment of the Assessments and the Additional Major Improvement Assessments will be concentrated in entities controlled by the Developer and/or Wolfgramm for the foreseeable future. See “THE DEVELOPMENT – Expected Vertical Development in the District” and “THE DEVELOPER – History and Financing of the District.”

The ability of the Developer, Developer related entities, and other current property owners, to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. The only assets of the Developer are land within the District, related permits and development rights, and minor operating accounts. The source of funding for future land development activities and infrastructure construction to develop the proposed development in the District consists of proceeds from the Bonds, as well as possible bank financing, investor capital, and equity contributions by the Developer, and proceeds of the Additional Major Improvement Bonds, if such bonds are issued in the future. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

Moreover, the City will pay to the Developer or the Developer’s designee costs for a portion of the Initial Major Improvements from proceeds of the Bonds. The Developer will submit payment requests for costs actually incurred in developing and constructing the Initial Major Improvements, and be paid in accordance with the Development Agreement and the Indenture. See “THE INITIAL MAJOR IMPROVEMENTS – General,” “THE DEVELOPMENT AGREEMENT” and “THE DEVELOPMENT – Development Plan.” There can be no assurances given as to the financial ability of the Developer to complete such improvements.

Neither the Developer nor any other parcel owner in the District will guarantee or otherwise be obligated to pay debt service on the Bonds.

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 Representatives which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. The 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 any certainty the impact that any such future legislation will or may have on the security for the Bonds.

Use of Appraisal

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

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

Exercise of Third Party Property Rights

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

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

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 CITY – City Water and Wastewater Systems" and "THE DEVELOPMENT — Utilities."

Risk from Weather Events

All of the State, including the City and the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, flooding, heavy rains, 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. The City is located approximately 25 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain, and flooding caused by hurricanes, tropical storms, and other tropical disturbances. It is impossible to predict whether similar events will occur in the future and the impact they may have on the City or the District.

In the event of a hurricane, fire, flood, tornado, earthquake, natural disaster, or other cause severely damaging the improvements in the Development, there can be no assurance that such facilities will be rebuilt. In such case, completion of Initial Major Improvements, Additional Major Improvements, and the overall success of the Development could be adversely affected. There can be no assurance that insurance will be properly maintained with adequate coverage or that insurance proceeds will be sufficient or even available to repair or rebuild properties. Further, any insurance proceeds are not assigned as security for the Bonds. The restoration of properties may be delayed by other factors, or the terms of then-applicable mortgage financing could require the application of insurance

proceeds to the reduction of mortgage balances rather than the reconstruction or restoration of damaged facilities. Any of the foregoing circumstances could result in a delay in completion of the Development.

Numerous studies have described changing weather patterns and the potential for increasing extreme weather events. Areas within the Development may be vulnerable to flooding, including stormwater flooding, extreme fluctuations in weather temperature, hurricanes, tornadoes and other damaging winds and other severe weather conditions. The timing, extent or severity of climate change and its impact on the Development cannot be predicted.

100-Year and 500-Year Flood Plain

According to FEMA FIRM No. 48167C0018G revised on August 15, 2019 approximately 87.95 acres of land in the District, which includes Lots 6-12 in the District, is located in special flood hazard areas subject to inundation by a 100-year and 500-year flood. The Initial Major Improvements and Additional Major Improvements will include drainage and detention infrastructure to assist with flood control and flood mitigation, and the Developer is expected to utilize fill dirt to raise the elevation of Lots 6-12 out of flood plain elevations and allow for all buildings on such lots to be constructed above the flood plain. The Developer expects to apply for a LOMR-F (a Letter Of Map Revision Based on Fill), which LOMR-F may be applied for during construction. The Developer expects the process to receive a LOMR-F to take approximately 6 months. Subsequent to the LOMR-F, the Developer expects to apply for a formal LOMR to allow for removal of Lots 6-12 from special flood hazard areas subject to inundation by a 100-year and 500-year flood. The Developer expects that such process will take approximately 1-2 years. No assurance can be given as to if or when FEMA will approve a LOMR-F or a LOMR. Irrespective of whether FEMA approves a LOMR-F or LOMR, the Developer indicates flood insurance is and will continue to be required by any lender for all properties in the District.

FEMA will from time to time revise its Flood Insurance Rate Maps. None of the City, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps in the future, or whether extreme flooding events may occur more often than assumed in FEMA's Flood Insurance Rate Maps, including whether properties in the District which have been raised out of flood plain elevations as described above may be subject to such flooding events.

It is further noted that a portion of the District is located in a regulatory floodway. Such property is expected to be used as open space. See "THE DEVELOPMENT – Flood Plain Designation." No assurance can be given as to what effect, if any, the existence of a regulatory floodway in the District will have on the development or value of the property in the District.

Judicial Foreclosures

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

No Credit Rating

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop

or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limited Secondary Market for the Bonds

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not a specific preference item for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The City has covenanted in the Indenture that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Indenture pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Indenture or if such representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income

tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. If the issue price of a maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount. If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross

income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Limited Offering Memorandum.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Limited Offering Memorandum. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes. Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax counsel.

LEGAL MATTERS

Legal Proceedings

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

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

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

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

Litigation — The City

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

Litigation — The Developer

At the time of delivery and payment for the Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its members or would adversely affect (i) the transactions contemplated

by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Development Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”).

SUITABILITY FOR INVESTMENT

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

ENFORCEABILITY OF REMEDIES

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

NO RATING

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

CONTINUING DISCLOSURE

The City

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

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

The City's Compliance with Prior Undertakings

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

The Developer

The Developer, the Administrator, and the Dissemination Agent entered 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 Initial Major Improvements (collectively, the "Developer Reports"). The specific nature of the information to be contained in the Developer Reports is set forth in "APPENDIX D-2 — Form of Developer Disclosure Agreement." Under certain circumstances, the failure of the Developer or the Administrator to comply with its obligations under the Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance. The Developer Disclosure Agreement is a voluntary agreement made for the benefit of the holders of the Bonds and is not entered into pursuant to the Rule.

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

The Developer's Compliance with Prior Undertakings

The Developer has not entered into any previous undertakings to provide continuing disclosure.

UNDERWRITING

FMSbonds, Inc. (the "Underwriter") has agreed to purchase the Bonds from the City at a purchase price of \$35,799,790 (the par amount of the Bonds, less an underwriting discount of \$1,107,210, which includes Underwriter's Counsel's fee of \$369,070). The Underwriter's obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENTS

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

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

INFORMATION RELATING TO THE TRUSTEE

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

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

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

SOURCES OF INFORMATION

General

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

Source of Certain Information

The information contained in this Limited Offering Memorandum relating to the description of the Initial Major Improvements, the Development and the Developer generally and, in particular, the information included in the sections captioned "THE INITIAL MAJOR IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Initial Major Improvements, the Additional Major Improvements and the Development), "LEGAL MATTERS — Litigation — The Developer," "CONTINUING DISCLOSURE — The Developer" and "— The Developer's Compliance with Prior Undertakings" has been provided by the Developer, and the Developer warrants and represents that the information contained herein is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the City and the Underwriter.

Experts

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

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "anticipate," "budget" or other similar words.

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

AUTHORIZATION AND APPROVAL

In the Bond Ordinance, the City Council approved the form and content of this Limited Offering Memorandum and authorized the use of this Limited Offering Memorandum 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

CITY OF FRIENDSWOOD, TEXAS

and

Wilmington Trust, National Association

as Trustee

DATED AS OF NOVEMBER 1, 2024

SECURING

CITY OF FRIENDSWOOD, TEXAS

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024

(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR
IMPROVEMENTS PROJECT)

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INDENTURE OF TRUST

This Indenture of Trust, dated as of November 1, 2024 is by and between the City of Friendswood, Texas (the “City”), and Wilmington Trust, National Association, a national banking association, as trustee (together with its successors, the “Trustee”). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article 1.

WHEREAS a petition (the "Petition") was submitted and filed with the City Secretary requesting the establishment of a public improvement district pursuant to Chapter 372, Texas Local Government Code, as amended, (the “PID Act”) to be known as the Friendswood City Center Public Improvement District (the "District" or “PID”); and

WHEREAS the Petition was submitted by the record owners of taxable real property representing more than fifty percent (“50%”) of the appraised value of the taxable real property liable for assessment (as determined by the most recent certified appraisal roll for Harris County) in the proposed PID and the record owners of taxable real property that constitute more than 50% of all of the area of all taxable real property that is liable for assessment in the proposed PID; and

WHEREAS, on November 6, 2023, the City Council of the City (the “City Council”) accepted the Petition and called a public hearing for December 4, 2023, on the creation of the District and the advisability of the improvements; and

WHEREAS, on January 9, 2024, the City Secretary of the City filed a copy of Resolution No. R2024-01 with the county clerk of each county in which all or a part of the District is located in accordance with the PID Act; and

WHEREAS, after publication and mailing of notice of a public hearing on the creation of the District and after conducting the public hearing on December 4, 2023, the City Council approved the creation of the District on January 8, 2024, by Resolution No. 2024-01; and

WHEREAS, the City Council, pursuant to Section 372.016 of the PID Act, adopted a resolution accepting preliminary assessment roll of the District and directing that the City Secretary make the same available for inspection, and directing City staff that notice be mailed to the property owners in the District and published in a newspaper of general circulation within the City; and

WHEREAS, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice of a November 4, 2024 public hearing (the “Assessment Hearing”) in a newspaper of general circulation in the City, to consider the proposed Initial Major Improvement Assessment Roll for the Initial Major Improvements and the Service and Assessment Plan and the levy of the Initial Major Improvement Assessments on property within the District; and

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

WHEREAS, the City Council convened the Assessment Hearing on November 4, 2024 and at such public hearing all persons who appeared, or requested to appear, in person or through a representative acting on their behalf, were given the opportunity to contend for or contest the proposed Initial Major Improvement Assessment Roll and the Initial Major Improvement Assessments, and to offer testimony pertinent to any issue presented on the amount of the Initial Major Improvement Assessments, the allocation of the costs of the Initial Major Improvements (defined herein), the purposes of the Initial Major Improvement Assessments, the special benefits of the Initial Major Improvement Assessments, and the penalties and interest on Initial Major Improvement Annual Installments and on delinquent Initial Major Improvement Annual Installments of the Initial Major Improvement Assessments; and

WHEREAS, at the Assessment Hearing, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of Initial Major Improvement Costs, the Initial Major Improvements Assessment Roll, and the levy of the Initial Major Improvement Assessments; and

WHEREAS, on November 4, 2024, the City Council closed the Assessment Hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, approved and accepted the Service and Assessment Plan in conformity with the requirements of the PID Act and adopted the Assessment Ordinance and therein approved the Initial Major Improvements Assessment Roll and levied the Initial Major Improvement Assessments; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Initial Major Improvement Assessments for the purpose of (i) paying or reimbursing a portion of the costs of the Initial Major Improvement Costs, (ii) funding a reserve fund for payment of principal and interest on the revenue bonds, (iii) funding a portion of the Delinquency and Prepayment Reserve Account, (iv) paying capitalized interest on the Bonds, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying costs of issuance; and

WHEREAS, the City Council now desires to issue revenue bonds, in accordance with the PID Act, such bonds to be entitled “City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) (the “Bonds”), such Bonds being payable solely from the Pledged Revenues (defined herein) and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in the preamble of this Indenture; and

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

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

rights and properties described in the Granting Clauses hereof, as follows (collectively, the “Trust Estate”):

FIRST GRANTING CLAUSE

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

SECOND GRANTING CLAUSE

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

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

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the benefit of all present and future Owners of the Bonds 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, that if and to the extent Initial Major Improvement Assessments have been prepaid, the lien on real property associated with such Initial Major Improvement Assessment prepayment shall be released from the Trust Estate and shall no longer constitute a part of the Trust Estate;

PROVIDED, FURTHER, HOWEVER, if the City or its assigns shall well and truly pay, or cause to be paid, the principal or Redemption Price of and the interest on all the Bonds 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 remain in full force and effect;

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

NOW, THEREFORE, the City, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds by the

Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN, and DELIVER to the Trustee for the benefit of the Owners, a security interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the “Trust Estate”):

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 City has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds as follows:

ARTICLE 1

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 5.1 of this Indenture.

“Actual Costs” shall have the meaning assigned to it in the Service and Assessment Plan.

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

“Additional Major Improvement Assessments” shall have the meaning given to it in the Service and Assessments Plan.

“Additional Major Improvement Bonds” mean bonds issued by the City and secured by the Major Improvement Assessments.

“Additional Major Improvement Reimbursement Obligation” shall have the meaning given to it in the Service and Assessments Plan.

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

“Administrative Fund” means that Fund established by Section 6.1 and administered pursuant to Section 6.10 hereof.

“Administrator” means an officer or employee of the City or third party designee of the City who is not an officer or employee thereof, who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the City related to the duties and responsibilities of the administration of the District.

“Annual Collection Costs” mean the actual or budgeted costs and expenses related to the operation of the District, including, but not limited to, costs and expenses for: (1) the Administrator; (2) City staff; (3) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (4) calculating, collecting, and maintaining records with respect to Initial Major Improvement Assessments and Initial Major Improvement Annual Installments; (5) preparing and maintaining records with respect to Assessment Rolls and Annual Service Plan Updates; (6) paying and redeeming Bonds; (7) investing or depositing Initial Major Improvement Assessments and Initial Major Improvement Annual Installments; (8) complying with this Service and Assessment Plan, the PID Act, and any Indenture, with respect to the Bonds, including the City’s continuing disclosure requirements; and (9) the paying agent/registrar and Trustee in connection with the Bonds, including their respective legal counsel.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the 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 Service Plan Update” means an update to the Service and Assessment Plan prepared no less frequently than annually by the Administrator and approved by the City Council.

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

“Assessed Property” means any Parcel within the District against which an Initial Major Improvement Assessment is levied.

“Assessment Hearing” has the meaning set forth in the recitals.

“Assessment Ordinance” means that certain ordinance adopted by the City Council on November 4, 2024, that levied the Initial Major Improvement Assessments on each Assessed Property.

“Authorized Denomination” means \$100,000 and any integral multiple of \$1,000 in excess of \$100,000, or a smaller denomination, if any, resulting from a partial redemption of Bonds as determined in accordance with Section 4.5 hereof or as a result of any partial defeasance of the Bonds.

“Authorized Improvements” means the improvements authorized by Section 372.003 of the PID Act, including Initial Major Improvements, First Year Annual Collection Costs, and Bond Issuance Costs, as described in Section III, of the Service and Assessment Plan and as shown on Exhibit B-1 of the Service and Assessment Plan.

“Bonds” means the City of Friendswood, Texas Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvement Project) issued by the City pursuant to this Indenture and payable from and secured in whole or in part by the Initial Major Improvement Assessments including any Refunding Bonds and any Bonds issued in exchange or replacement thereof as permitted by this Indenture.

“Bond Counsel” means Bracewell LLP or any other attorney or firm of attorneys designated by the City that are nationally recognized for expertise in rendering opinions as to the legality and federal income tax status of securities issued by public entities.

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

“Bond Issuance Costs” means the costs associated with issuing Bonds, including but not limited to, attorney fees, financial advisory fees, consultant fees, appraisal fees, printing costs, publication costs, capitalized interest, reserve fund requirements, underwriter’s discount, fees charged by the Texas Attorney General, and any other cost or expense directly associated with the Bonds.

“Bond Reserve Account” means the Account by such name established within the Reserve Fund pursuant to Section 6.1 and administered as provided in Section 6.7.

“Bond Reserve Account Requirement” means the least of: (i) Maximum Annual Debt Service on the Bonds as of the Closing Date, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date, or (iii) 10% of the stated principal amount of the Bonds as of the Closing Date; provided, however that subsequent to the Closing Date of the Bonds, such Bond Reserve Account Requirement shall be recalculated for compliance with the above upon (a) any transfers made pursuant to Section 6.7(c), (b) a mandatory sinking fund redemption pursuant to the terms of this Indenture, (c) an optional redemption pursuant to the terms of this Indenture or (d) an extraordinary optional redemption pursuant to the terms of a 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.

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

“Certificate for Payment” means a certificate substantially in the form of Exhibit B attached hereto approved by the Developer and the City Representative executed by a Person approved by the City Representative, delivered to the City Representative and the Trustee specifying the amount of work performed with respect to the Initial Major Improvements and the Actual Costs thereof, and requesting payment for such costs from money on deposit in the Project Fund as further described in Section 6.5 herein.

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

“City Representative” means any official or agent of the City authorized by the City Council to undertake the action referenced herein. As of the date hereof, the Director of Finance, the City Manager, and/or their designees are the authorized City Representatives.

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

“Closing Disbursement Request” means a certificate substantially in the form of Exhibit C attached hereto, approved by the Developer and the City Representative, delivered to the Trustee specifying the amounts to be paid on the Closing Date for the costs of establishing the District, as further described in Section 6.5 herein.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

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

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

“Delinquency and Prepayment Reserve Account” means the reserve account established in accordance with Section 6.1 and administered as provided in Section 6.8.

“Delinquency and Prepayment Reserve Requirement” means an amount equal to 2.5% of the principal amount of the Outstanding Bonds which may be funded from Bond proceeds and revenues received from the payment of Additional Interest deposited to the Pledged Revenue Fund pursuant to this Indenture.

“Delinquent Collection Costs” means the costs related to the foreclosure on an Assessed Property and the costs of collection of a delinquent Initial Major Improvement Assessment, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing Delinquent Penalties and Interest.

“Delinquent Penalties and Interest” means any delinquent interest and delinquent penalty interest collected on a delinquent Initial Major Improvement Assessment.

“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 City and such successor.

“Developer” means Madison Development Corp., LLC, a Texas limited liability company, and its respective successors and assigns.

“Development Agreement” means the Friendswood City Center Development Agreement, between the City and the Developer relating to the Bonds, effective as of January 8, 2024, as amended from time to time.

“District” means the Friendswood City Center Public Improvement District.

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

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

“First Year Annual Collection Costs” means the Annual Collection Costs associated with the first year of the District.

“Foreclosure Proceeds” means the proceeds, including Delinquent Penalties and Interest, received by the City from the enforcement of the Initial Major Improvement Assessments against any Assessed Property, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

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

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

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

“Initial Bond” means the Initial Bond as set forth in Exhibit A attached hereto.

“Initial Major Improvements” means those certain Authorized Improvements, the costs of which are allocated to the Initial Major Improvements Assessments, as described in Section III.A of the Service and Assessment Plan and shown on Exhibit B-1 of the Service and Assessment Plan.

“Initial Major Improvement Account” means the Account by such name established within the Project Fund pursuant to Section 6.1.

“Initial Major Improvement Annual Installment” means the annual installment of the Initial Major Improvement Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Additional Interest, if charged and collected pursuant to the Indenture and the Service and Assessment Plan, and; (4) the pro rata portion of the

Annual Collection Costs based on the outstanding Initial Major Improvement Assessments as shown on Exhibit G-1 of the Service and Assessment Plan.

"Initial Major Improvement Assessments" means an assessment levied against the Assessed Property for the Initial Major Improvements and imposed pursuant to the Assessment Ordinance and the provisions hereof, as shown in the Initial Major Improvements Assessment Roll, subject to reallocation or reduction pursuant to the provisions set forth in Section VI of the Service and Assessment Plan and the PID Act, which Initial Major Improvement Assessments secure the Bonds.

"Initial Major Improvement Assessment Roll" means the assessment roll for the Assessed Property of the Initial Major Improvements, as updated, modified or amended from time to time in accordance with the procedures set forth in the Service and Assessment Plan and in the PID Act. The Initial Major Improvements Assessment Roll is included as Exhibit G-1 to the Service and Assessment Plan.

"Initial Major Improvement Costs" means Actual Costs of the Initial Major Improvements as set forth in the Service and Assessment Plan.

"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 March 15 and September 15 of each year, commencing March 15, 2025.

"Investment Securities" means those authorized investments described in the City's official investment policy as approved by the City Council from time to time, and eligible for the investment of public funds by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

"Maximum Annual Debt Service" means the largest amount of Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"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 4, 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 are in book-entry only form and held by DTC as securities depository in accordance with Section 3.11 herein.

"Parcel" has the meaning given such term in the Service and Assessment Plan.

"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 and Accounts” means the following funds and the accounts therein: the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

“Pledged Revenue Fund” means the Fund by such name established pursuant to Section 6.1 and administered pursuant to Section 6.3 hereof.

“Pledged Revenues” means the sum of (i) Initial Major Improvement Annual Installments (excluding the portion of the Initial Major Improvement Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs), (ii) the moneys held in any of the Pledged Funds and Accounts, and (iii) any additional revenues that the City may pledge to the payment of Bonds.

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

“Principal and Interest Account” means the Account by such name established within the Bond Fund established pursuant to Section 6.1.

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

“Purchaser” means the initial purchaser of the Bonds.

“Rebate Fund” means that Fund by such name established pursuant to Section 6.1 and administered pursuant to Section 6.9 herein.

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

“Redemption Fund” means that Fund by such name established in Section 6.1 and administered pursuant to Section 6.6 of this Indenture.

“Redemption Price” means, when used with respect to any Bonds or portion thereof, the principal amount of such Bonds or such portion thereof plus the applicable premium, if any, plus accrued and unpaid interest on such Bonds to the date fixed for redemption payable upon redemption.

“Refunding Bonds” means Bonds security by a parity lien, with the Outstanding Bonds, on the Trust Estate, as more specifically described in the applicable indenture, authorizing the refunding of all or any portion of the Outstanding Bonds.

“Register” means the register specified in Article 3 of this Indenture.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

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

“Sinking Fund Installment” means the amount of money to redeem or pay at maturity the principal of the 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 Trustee and the City Representative pursuant to an ordinance adopted by the City Council and which indenture amends or supplements this Indenture, but only if and to the extent that such indenture is specifically authorized hereunder.

“Tax Certificate” means the Federal Tax Certificate delivered by the City on the Closing Date for the Bonds setting forth the facts, estimates and circumstances in existence on the Closing Date relating to the tax-exempt status of the Bonds.

“Trustee” means Wilmington Trust, National Association, a national banking association, and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article 8 hereof, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds.

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

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 2

THE BONDS

Section 2.1 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 Trust Estate shall be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Trust Estate, the filing of this Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the City under this Indenture, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate granted by the City under this Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 2.2 Limited Obligations.

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

Section 2.3 Authorization for Indenture.

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

Section 2.4 Contract with Owners and Trustee.

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

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

ARTICLE 3

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. The Bonds shall be issued in the aggregate principal amount of \$36,907,000 for the purpose of (i) paying or reimbursing a portion of the Initial Major Improvement Costs, (ii) funding the Bond Reserve Account of the Reserve Fund, (iii) funding the Delinquency and Prepayment Reserve Account, (iv) paying capitalized interest on the Bonds, (v) paying the costs of the organization and administration of the District, and (vi) paying the costs of issuance of the Bonds.

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

(a) The Bonds shall be dated November 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 date of initial delivery of the Bonds or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable

semiannually on March 15 and September 15 of each year, commencing March 15, 2025 computed on the basis of a 360-day year of twelve 30-day months.

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

<u>Year</u> <u>(9-15)</u>	<u>Term Bonds</u> <u>Principal Amount</u>	<u>Interest Rate</u>
2054	\$36,907,000	7.000%

(d) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article 4 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 City and delivered to the Trustee, whereupon the Trustee shall authenticate the Bonds and, upon payment of the purchase price of the Bonds, shall deliver the Bonds upon the order of the City, but only upon delivery to the Trustee of:

- (a) a copy of the executed Assessment Ordinance;
- (b) a copy of the executed Bond Ordinance;
- (c) a copy of this Indenture executed by the Trustee and the City;
- (d) an executed General Certificate;
- (e) an executed opinion of Bond Counsel; and
- (f) the approving opinion of the Attorney General of the State and the State Comptroller's registration certificate.

Section 3.4 Medium, Method and Place of Payment.

(a) Principal of and interest on the Bonds 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 thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City.

Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

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

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

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

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds 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 City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State of Texas, including the provisions of Title 6 of the Texas Property Code, as amended.

Section 3.5 Execution and Registration of Bonds.

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

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

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Indenture unless and until there appears thereon the Certificate of Trustee substantially in the form provided herein (the "Certificate of Trustee" included in the Form of Bond attached hereto as Exhibit A), 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 (the "Comptroller's Registration Certificate"), included in the Form of Bond attached hereto as Exhibit A, manually executed by the Comptroller of Public Accounts of the State of Texas, or by her 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 City, and has been registered by the Comptroller of Public Accounts of the State of Texas, including the provisions of Title 6 of the Texas Property Code, as amended.

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

Section 3.6 Ownership.

(a) The City, the Trustee, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond 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 City nor the Trustee, nor the Paying Agent/Registrar, shall be bound by any notice or knowledge to the contrary.

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

Section 3.7 Registration, Transfer and Exchange.

(a) So long as any Bond remains Outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a Register in which, subject to

such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds as is acceptable to the Paying Agent/Registrar, in accordance with this Indenture. The Paying Agent/Registrar represents and warrants that it will maintain a copy of the Register and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

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

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

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

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

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

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

Section 3.8 Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Indenture, shall be cancelled, and proper records shall be made

regarding such payment, redemption, exchange, or replacement. The 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 City may execute and, upon the City's written request, the Trustee shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denominations, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

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

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

Section 3.10 Replacement Bonds.

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

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Trustee, pursuant to the applicable laws of the State of Texas and in the absence of written notice 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:

(1) 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;

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

(3) 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

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

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

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

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

Section 3.11 Book-Entry Only System.

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

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

redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as provided in this Indenture, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks or drafts being mailed to the registered owner at the close of business on the relevant Record Date, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

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

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

Section 3.13 Payments to Cede & Co.

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

ARTICLE 4

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 4.

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 City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account pursuant to Article 6 of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

\$36,907,000 Term Bonds maturing September 15, 2054

Redemption Date	Sinking Fund Installment Amount
September 15, 2027	\$ 468,000
September 15, 2028	499,000
September 15, 2029	533,000
September 15, 2030	570,000
September 15, 2031	609,000
September 15, 2032	650,000
September 15, 2033	695,000
September 15, 2034	742,000
September 15, 2035	793,000
September 15, 2036	847,000
September 15, 2037	906,000
September 15, 2038	968,000
September 15, 2039	1,034,000
September 15, 2040	1,106,000
September 15, 2041	1,182,000
September 15, 2042	1,263,000
September 15, 2043	1,351,000
September 15, 2044	1,444,000
September 15, 2045	1,544,000
September 15, 2046	1,650,000
September 15, 2047	1,764,000
September 15, 2048	1,886,000
September 15, 2049	2,017,000
September 15, 2050	2,157,000
September 15, 2051	2,306,000
September 15, 2052	2,466,000
September 15, 2053	2,637,000
September 15, 2054*	2,820,000

*maturity

(b) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate

principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.6.

(c) The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3 Optional Redemption.

(a) The City reserves the option to redeem Bonds maturing on or after September 15, 2054 in whole or any part, before their respective scheduled maturity dates, on September 15, 2034, or on any date thereafter such redemption date or dates to be fixed by the City, at a Redemption Price equal to the principal amount of the Bonds called for redemption plus accrued and unpaid interest to the date fixed for redemption.

(b) The City, at least 45 days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed either in writing or by delivery of an ordinance or resolution by the City calling Bonds for redemption.

Section 4.4 Extraordinary Optional Redemption.

(a) Notwithstanding any provision in this Indenture to the contrary, but subject to the provisions of Section 4.6(d), the City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption Price of 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 provided in Section 6.7(h)) or any other transfers to the Redemption Fund under the terms of this Indenture, including from transfers of Foreclosure Proceeds and transfers pursuant to Section 6.5(e), 6.5(f), 6.5(h) and section 6.3. The City's written direction for such redemption shall include details with regard to a corresponding reduction in the Bond Reserve Account Requirement.

(b) Notwithstanding the foregoing, the Trustee will not be required to make an extraordinary optional redemption pursuant to this Section 4.4 unless it has at least \$1,000 available in the Redemption Fund with which to redeem the Bonds.

Section 4.5 Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Sections 4.2, 4.3, or 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 such Bond by \$1,000. No redemption shall result in a Bond in a denomination of less

than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

(b) If less than all of the Bonds are to be redeemed pursuant to optional or extraordinary optional redemption, such redemption shall be effected by redeeming Bonds in such manner as may be specified by the City in a City Certificate; provided, however that in the absence of such instruction from the City by the date required for the sending of notice of redemption pursuant to Section 4.6, the Bonds shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding maturities, treating each date on which a Sinking Fund Installment is due as a separate maturity for such purpose.

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

Section 4.6 Notice of Redemption to Owners.

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

(b) The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, and subject to Section 4.5 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 City reserves the right, in the case of an optional or extraordinary optional redemption pursuant to Sections 4.3 or 4.4 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional

redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Section 4.7 Payment Upon Redemption.

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

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

Section 4.8 Effect of Redemption.

Notice of redemption having been given as provided in, and not otherwise rescinded as provided by, Section 4.6 of this Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the Redemption Price of such Bonds or the principal of and interest on such Bonds, as applicable, 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 5

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 to appear on the Initial Bond, and 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 City or by the officers executing such Bonds, as evidenced by their execution thereof.

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

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

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

Section 5.2 CUSIP Registration.

The City may secure identification numbers through CUSIP Global Services, managed by FactSet Research Systems, Inc. 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, none of the City, the Trustee, or the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. The City prohibits any Bond to be issued in a denomination of less than an Authorized Denomination and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than an Authorized Denomination and any attempt to accomplish either of the foregoing shall be void and of no effect. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Bonds and that neither the City nor the Trustee shall be liable for any inaccuracies of such numbers.

Section 5.3 Legal Opinion.

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

ARTICLE 6

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:

- (1) Pledged Revenue Fund;
- (2) Bond Fund;
- (3) Project Fund;
- (4) Reserve Fund;
- (5) Redemption Fund;
- (6) Rebate Fund; and

(7) Administrative Fund.

(b) Creation of Accounts.

(1) The following Account is hereby created within the Pledged Revenue Fund:

(A) Bond Pledged Revenue Account

(2) The following Accounts are hereby created and established within the Bond Fund:

(A) Principal and Interest Account; and

(B) Capitalized Interest Account.

(3) The following Accounts are hereby created and established within the Project Fund:

(A) Initial Major Improvement Account; and

(B) Costs of Issuance Account.

(4) The following Accounts are hereby created and established within the Reserve Fund:

(A) Bond Reserve Account; and

(B) Delinquency and Prepayment Reserve Account.

(c) Each Fund and Account created within such Fund shall be only established as needed and maintained by the Trustee separate and apart from all other funds and accounts of the City. The Pledged Funds and Accounts 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. Amounts on deposit in the Funds and Accounts shall be used solely for the purposes set forth herein.

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

Section 6.2 Initial Deposits to Funds and Accounts.

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

(1) to the Bond Reserve Account: \$3,051,490.00.

(2) to the Costs of Issuance Account: \$1,531,991.33.

(3) to the Administrative Fund: \$328,465.00.

- (4) to the Delinquency and Prepayment Reserve Account \$639,210.00.
- (5) to the Capitalized Interest Account \$4,650,282.00.
- (6) to the Initial Major Improvement Account: \$25,598,351.67.

Section 6.3 Pledged Revenue Fund.

(a) On or before February 1 (provided that Pledged Revenues have been received by the City, or if not, then as soon available) while the Bonds are Outstanding, beginning February 1, 2027 (or the first February 1 when such Pledged Revenues are available), the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Initial Major Improvement Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs, which shall be deposited pursuant to Section 6.10 hereof) into the Pledged Revenue Fund which deposit shall be directed by the City to the Trustee pursuant to a City Certificate. Specifically, except as set forth in Section 6.3(e), the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority:

(1) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund amounts sufficient to pay debt service on the Bonds coming due on each Interest Payment Date in the current Bond Year.

(2) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement as described in Section 6.7(a) and Section 6.7(e),

(3) third, pursuant to Section 6.8 herein, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account in an amount sufficient to allow the funds on deposit therein to equal to the Delinquency and Prepayment Reserve Requirement, and

(4) fourth, in accordance with the written direction of the City, to pay other costs permitted by the PID Act.

(b) Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (1) through (3) above are made, the City shall have the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in Article 4.

(c) The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to Section 6.3(f) as Additional Interest, Prepayments or Foreclosure Proceeds. For the avoidance of doubt, all portions of the Annual Installment collected as Additional Interest shall be deposited pursuant only to (3) above.

(d) 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 of the Pledged Revenue Fund and transfer to the Principal and Interest Account, 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.

(e) 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.

(f) Notwithstanding Section 6.3(a) above:

(1) When and if collected, the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer all or a portion of such Additional Interest to the Delinquency and Prepayment Reserve Account as set forth in 6.3(a) above and as otherwise directed by Section 6.8(a) hereof.

(2) 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; and

(3) 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 Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Annual Collection Costs (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

(g) After satisfaction of the requirements to (i) provide for the payment of the principal and interest on the Bonds and (ii) to fund any deficiency that may exist in the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account), the City may direct the Trustee by City Certificate to apply Initial Major Improvement Assessments for any lawful purposes permitted by the PID Act for which Initial Major Improvement Assessments may be paid.

(h) Initial Major Improvement Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

(i) Any Initial Major Improvement Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Initial Major Improvement Assessments may be used under the PID Act and such payments shall be applied in accordance with written direction from a City Representative to the Trustee.

Section 6.4 Bond Fund.

(a) No later than 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.

(b) If amounts in the Principal and Interest Account are insufficient for the purposes set forth in paragraph (a) above, the Trustee shall withdraw first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Bond 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.

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

<u>Date</u>	<u>Amount</u>
March 15, 2025	\$ 775,047.00
September 15, 2025	1,291,745.00
March 15, 2026	1,291,745.00
September 15, 2026	1,291,745.00

(d) 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 shall be transferred, at the direction of the City, to (i) the Initial Major Improvement Account of the Project Fund, or (ii) 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 Initial Major Improvement Account, and Costs of Issuance Account 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 one or more City Certificates or pursuant to a closing memo drafted by the City's financial advisor for disbursement at closing of the Bonds. Moneys disbursed at closing to pay for the costs of creating the District shall be paid pursuant to a Closing Disbursement Request or pursuant to a closing memo drafted by the City's financial advisor for disbursement at closing of the Bonds.

(c) Except as otherwise provided herein, money on deposit in the Initial Major Improvement Account, of the Project Fund shall be used solely to pay the costs of the Initial Major Improvements. Upon receipt of a reviewed and approved Certificate for Payment for any Initial Major Improvement Costs, the Trustee shall make payment for the costs set forth therein, from the Initial Major Improvement Account of the Project Fund. Except as provided in Sections 6.5(d), 6.5(f), and 6.5(g), money on deposit in the Initial Major Improvement Account shall be used solely to pay the Initial Major Improvement Costs as set forth in the applicable Certificate for Payment.

(d) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Initial Major Improvement Account are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of the Initial Major Improvements, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Initial Major Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Initial Major Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate currently on deposit in the Initial Major Improvement Account 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 and the Initial Major Improvement Account shall be closed.

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

(f) Upon the filing of a City Certificate stating that all Initial Major Improvements have been completed and that all Initial Major Improvement Costs have been paid, or that any such costs are not required to be paid from the Initial Major Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the Initial Major Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee and shall close the Initial Major Improvement Account of the Project Fund.

(g) Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account may be transferred, at the City's discretion, to (1) the Bond Fund and used to pay interest on the Bonds, or (2) to the Initial Major Improvement Account of the Project Fund and used to pay Initial Major Improvement Costs, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Section 6.6 Redemption Fund.

(a) Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in Article 4.

(b) The Trustee shall cause to be deposited to the Redemption Fund from Prepayments and Foreclosure Proceeds, an amount sufficient to redeem Bonds as provided in Section 4.4 on the dates specified for redemption as provided in Section 4.4. If after such transfer, 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 Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

(c) The Trustee shall cause to be deposited to the Redemption Fund from Pledged Revenues and pursuant to any transfers made pursuant to Section 6.7, an amount sufficient to redeem Bonds as provided in Sections 4.2, 4.3 and 4.4 at the written direction of the City.

Section 6.7 Bond Reserve Account.

(a) The Bond Reserve Account Requirement will be funded with proceeds of the Bonds at closing. The City agrees with the Owners of the Bonds to maintain in the Bond Reserve Account, an amount equal to not less than the Bond Reserve Account Requirement. Subject to subsection (c) below, all amounts deposited in the Bond 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 in the event of any deficiency in such Principal and Interest Account on any Interest Payment Date or any date on which principal of the Bonds is due.

(b) Whenever a transfer is made from the Bond Reserve Account to the Principal and Interest Account due to a deficiency in the Principal and Interest Account, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn.

(c) Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the amount in the Bond Reserve Account exceeds the Bond Reserve Account Requirement, the Trustee shall provide written notice to the City Representative and the Administrator of the amount of the excess. Upon receipt of a City Certificate, the Trustee shall transfer such excess to (i) the Principal and Interest Account, (ii) the Redemption Fund or (iii) the Administrative Fund (in compliance with Section 6.13(d) herein), as set forth in the City Certificate. The excess amounts transferred from the Bond Reserve Account to the Administrative Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds).

(d) [reserved].

(e) If, after a Bond Reserve Account withdrawal, the amount on deposit in the Bond Reserve Account is less than the Bond Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Bond Reserve Account the amount of such deficiency, in accordance with Section 6.3, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments.

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

(g) If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund and the Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount 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.

(h) Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, a proportionate amount in the Bond Reserve Account 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 the Bonds as detailed in a City Certificate. The amount so transferred from the Bond Reserve Account shall be a proportional amount 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 Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Bond Reserve Account, 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 on the Bonds, 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 Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

(i) If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund, Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount 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) The cumulative amount of any Bond proceeds (including investment earnings on such proceeds) that are transferred to the Administrative Fund pursuant to the provisions of 6.7(c) and subsequently used for the payment of operating costs directly relating to the Initial Major Improvements will not exceed 5% of sale proceeds of the Bonds. The Trustee shall have no liability or responsibility for compliance with this section so long as it follows the written instructions from the City.

Section 6.8 Delinquency and Prepayment Reserve Account.

(a) In addition to the initial deposit to the Delinquency and Prepayment Reserve Account pursuant to Section 6.2, Additional Interest shall be collected and deposited to the Delinquency and Prepayment Reserve Account pursuant to Section 6.3 herein until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. When, at the written request of the City Representative on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account is less than the Delinquency and Prepayment Reserve Requirement, Additional Interest shall be again collected and deposited to the Delinquency and Prepayment Reserve Account pursuant to Section 6.3 herein until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment

Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement, (ii) the Administrative Fund for payment of Annual Collection Costs (in compliance with Section 6.7(j) herein), or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.3. The excess amounts transferred from the Delinquency and Prepayment Reserve Account of the Reserve Fund to the Administrative Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds). In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Redemption Fund and provide the City with written notification of the transfer. The Trustee shall incur no liability for the accuracy or validity of the transfer if compliant with this Section.

(b) Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, if there are insufficient funds in the Redemption Fund from such Prepayments to redeem the Bonds on their redemption date, the Trustee shall transfer funds from the Delinquency and Prepayment Reserve Account to the Redemption Fund in the amount of the deficiency and such funds shall be used to redeem Bonds pursuant to Section 4.4.

Section 6.9 Rebate Fund.

(a) Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code. The Rebate Fund shall not be part of the Trust Estate and is not security for the Bonds.

(b) In order to assure that the amount required to be rebated to the federal government is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made as directed by the City in a written direction and in accordance with the Code and Tax Certificate. The Trustee may conclusively rely on such written instructions as set forth in this section and shall not be responsible for any loss or liability resulting from the investment of funds hereunder.

(c) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and Section 8.6 and shall not be liable or responsible if it follows the written instructions of the City and shall not be required to take any action under this Section and Section 8.6 in the absence of written instructions from the City.

(d) If, after the payment to the federal government of any amounts required to be paid in compliance with section 8.6, the amount on deposit in the Rebate Fund exceeds the amount required to be rebated to the federal government, the City may direct the Trustee, pursuant to a City Certificate, to transfer the amount in excess of the amount required to be rebated to the federal government to the Bond Fund.

Section 6.10 Administrative Fund.

(a) The City shall deposit or cause to be deposited to the Administrative Fund the amounts collected each year to pay Annual Collection Costs and Delinquent Collection Costs. The City or the Administrator, on behalf of the City, shall direct the Trustee pursuant to the City Certificate with respect to the portions of the Initial Major Improvement Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs to be deposited pursuant to this section.

(b) Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs. The Administrative Fund shall not be part of the Trust Estate and is not security for the Bonds.

(c) In accordance with Section 10.6 hereof, the Trustee shall transfer its authorized fees and expenses from the Administrative Fund to pay the foregoing unless the Trustee receives written objection from the City within 10 Business Days of its delivery of notice of such costs to the City. No City Certificate is necessary for the Trustee to receive compensation for the services rendered hereunder.

Section 6.11 Investment of Funds.

(a) Money in any Fund established pursuant to this Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) Business Days in advance of the making of such investment in time deposits, other bank deposit products, or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act Chapter 2256 Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times set forth in this Indenture. Such investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds 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 City, 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 City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment and may receive compensation in connection with any investment if authorized by the City Representative in writing. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments, shall have no discretion for investment of funds or advising any parties on investing funds, and may conclusively rely on the City's written instructions as to the directed investments. The parties acknowledge that the Trustee is not providing investment supervision, recommendations, or advice.

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

(e) The Trustee will furnish the City, upon the City's written request, periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. Upon the City's election, such statements will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The Trustee is not required to provide brokerage confirmations unless the Trustee receives a written request from the City. No monthly cash transaction statement need be furnished if no activity occurred during such month.

(f) The Trustee may conclusively rely on City Certificates pursuant to Section 6.11(a) that such an investment will comply with the City's investment policy and with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

Section 6.12 Investment Income.

(a) Interest and income derived from investment of the Project Fund shall be deposited to the credit of the Principal and Interest Account.

(b) Interest and income derived from investment of the Bond Fund shall be credited to the Principal and Interest Account.

(c) Interest and income derived from investment of the Bond Reserve Account and Delinquency and Prepayment Reserve Account shall be credited to such Accounts.

Section 6.13 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 7

COVENANTS

Section 7.1 Confirmation of Initial Major Improvement Assessments.

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

Section 7.2 Collection and Enforcement of Initial Major Improvement Assessments.

(a) For so long as any Bonds are Outstanding, the City covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Initial Major Improvement 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 Initial Major Improvement Assessments.

(b) The City will determine or cause to be determined, no later than April 1 of each year, whether or not any Initial Major Improvement Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Initial Major Improvement Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Initial Major Improvement Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Initial Major Improvement Assessment or the corresponding Assessed Property.

Section 7.3 Against Encumbrances.

(a) Other than bonds issued to refund all or a portion of the Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds, 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 City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds and Refunding Bonds issued to refund all or a portion of 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 City hereby covenants and agrees that so long as any of the Bonds or Outstanding Bonds or any interest thereon remain outstanding and unpaid and the obligation to the Developer to reimburse it for funds it has contributed to pay Initial Major Improvement Costs remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Initial Major Improvement 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 City by the Trustee or duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds during the City's regular business hours and on a mutually agreeable date not later than thirty (30) days after the City receives such request.

ARTICLE 8

FEDERAL INCOME TAX MATTERS

Section 8.1 General.

The City covenants not to take any action or omit to take any action that, if taken or omitted, would cause the interest the Bonds to be includable in gross income for federal income tax purposes. In furtherance thereof, the City covenants to comply with sections 103 and 141 through 150 of the Code and the provisions set forth in the Tax Certificate.

Section 8.2 No Private Activity Bonds.

The City covenants that it will use the proceeds of the Bonds (including investment income) and the property financed, directly or indirectly, with such proceeds so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code. Furthermore, the City will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Bonds to be "private activity bonds" unless it takes a remedial action permitted by section 1.141-12 of the Regulations. The City covenants and agrees that the levied Initial Major Improvement Assessments will meet the requirements for 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 Initial Major Improvement Assessments continue to meet such requirements until final payment of the Bonds.

Section 8.3 No Federal Guarantee.

The City covenants not to take any action or omit to take any action that, if taken or omitted, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

Section 8.4 No Hedge Bonds.

The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause an issue of Bonds to be “hedge bonds” within the meaning of Section 149(g) of the Code.

Section 8.5 No-Arbitrage Bonds.

The City covenants that it will make use of the proceeds of the Bonds (including investment income) and regulate the investment of such proceeds of the Bonds so that such issue will not be “arbitrage bonds” within the meaning of section 148(a) of the Code.

Section 8.6 Required Rebate.

The City covenants that, if the City does not qualify for an exception to the requirements of section 148(f) of the Code, the City will comply with the requirement that certain amounts earned by the City on the investment of the gross proceeds the Bonds, be rebated to the United States.

Section 8.7 Information Reporting.

The City covenants to file or cause to be filed with the Secretary of the Treasury an information statement concerning the Bonds in accordance with section 149(e) of the Code.

Section 8.8 Record Retention.

The City covenants to retain all material records relating to the expenditure of the proceeds (including investment income) of the Bonds and the use of the property financed, directly or indirectly, thereby until three years after the last Bond is redeemed or paid at maturity (or such other period as provided by subsequent guidance issued by the Department of the Treasury) in a manner that ensures their complete access throughout such retention period.

Section 8.9 Registration.

The Bonds will be issued in registered form.

Section 8.10 Favorable Opinion of Bond Counsel.

Notwithstanding the foregoing, the City will not be required to comply with any of the federal tax covenants set forth above if the City has received an opinion of Bond Counsel that noncompliance with such covenant will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

Section 8.11 Continuing Obligation.

Notwithstanding any other provision of this Indenture, the City’s obligations under the federal tax covenants set forth above will survive the defeasance and discharge of the Bonds for

as long as such matters are relevant to the excludability of interest the Bonds from gross income for federal income tax purposes.

ARTICLE 9

LIABILITY OF CITY

The City 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 City shall not be liable in connection with the performance of its duties hereunder, except for its own willful default or act of bad faith. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or event of default thereunder.

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

No provision of this Indenture, the Bonds, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved by the City in connection with the issuance, sale, delivery, or administration of the Bonds (collectively, the “Bond Documents”), shall require the City to expend or risk its own general funds or revenues or other funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, the sole source of payment of obligations incurred by the City under the Bond Documents being limited to the Pledged Revenues.

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

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

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

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

ARTICLE 10

THE TRUSTEE

Section 10.1 Trustee as Registrar and Paying Agent.

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

Section 10.2 Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture, to spend its own funds, 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, unless and until it shall be indemnified pursuant to a written instrument by the Owners of the Bonds to its satisfaction, in its sole and absolute discretion, against any and all costs and expenses, liabilities, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own gross negligence or willful misconduct, as finally adjudicated by a court of competent jurisdiction. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or exercise any such rights and powers as Trustee, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund or the Administrative Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder. To the extent permitted by law, the Owners agree to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense except to the extent such losses, liabilities or expenses that are finally adjudicated by a court of competent jurisdiction to have been directly caused by the Trustee's gross negligence or willful misconduct, arising out of or in connection with the acceptance or administration of this

Indenture or the Trust Estate, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its rights or duties hereunder.

Section 10.3 Responsibilities of the Trustee.

The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(a) Prior to the occurrence of an Event of Default of which the Trustee has been notified, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(1) the Trustee undertakes to perform only those duties and obligations which are set forth specifically and expressly in this Indenture, and no duties or obligations shall be implied to the Trustee, these duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified in writing, or is deemed to have notice pursuant to subparagraph (i) below), the Trustee shall, subject to the rights and limitations of liabilities contained herein, exercise those rights and powers vested in it by this Indenture and shall, subject to the rights and limitations of liabilities contained herein, use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subparagraph shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(1) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(2) of this Section;

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

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the controlling

Owners relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

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

(5) This subparagraph shall not be construed to affect Trustee's immunities and protections from liability and its right to indemnification as otherwise provided for in this Indenture.

Whether or not therein expressly so provided, every provision of this Indenture or any other Bond Document relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 10.

(d) The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the City and the Trustee assumes no responsibility 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 moneys paid to the City or others in accordance with this Indenture, except as to the application of any moneys paid to it in its capacity as Trustee; (iv) any calculation of arbitrage or rebate under the Code, or (v) to undertake any other action unless specifically authorized pursuant to a written direction provided by the City or pursuant to this Indenture.

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

(f) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct. In no event shall the Trustee be responsible or liable for incidental, indirect, punitive, special or consequential losses or damages in connection with or arising from this Indenture for the existence, furnishing or use of the Initial Major Improvements irrespective of whether the Trustee has been advised of the likelihood of such losses or damages and regardless of the form of action.

(g) The Trustee shall have no responsibility or liability for any action taken, or errors in judgment made in good faith by it or any of its officers, agents or employees unless it shall have been negligent in employing such agent or in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall not be responsible for any misconduct or negligence on

the part of any attorney, agent, receiver or employee appointed with due care unless it shall have been negligent in employing such agent or in ascertaining the pertinent facts and shall be entitled to the advice of counsel concerning all matters of trusts hereof and duties hereunder

(h) Reserved.

(i) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for:

(1) the validity, priority, recording, re-recording, filing or re-filing of this Indenture or any Supplemental Indenture,

(2) any instrument or document of further assurance or collateral assignment,

(3) the filing, execution, delivery, recording or authorization of any financing statements, amendments thereto or continuation statements,

(4) insurance of the Initial Major Improvements or collection of insurance money,

(5) the validity of the execution by the City of this Indenture, any Supplemental Indenture or instruments or documents of further assurance, or

(6) the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(j) The Trustee shall not be accountable for the application by any Person of the proceeds of any Bonds authenticated or delivered hereunder.

(k) The Trustee may request, conclusively rely on and shall be protected, in the absence of bad faith or negligence on its part, in acting upon any notice, request, direction, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the written direction, request, authority or consent of any Person who is the Owner of any Bonds at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(l) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default, except Events of Default described in Section 12.1(1), unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the Owners of more than 50% of the aggregate outstanding principal amount of Bonds referring to this Indenture, describing such Event of Default and stating that such notice is a "notice of default". In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default, except as noted above.

(m) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(n) Any resolution by the City, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

(o) The Trustee shall be entitled to file proofs of claim in bankruptcy. Ordinary trustee and paying agent/registrar fees and expenses and extraordinary fees and expenses of the Trustee and the Paying Agent/Registrar incurred hereunder are intended to constitute Annual Collection Costs in bankruptcy.

(p) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation for trustee and paying agent/registrar services shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(q) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(r) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(s) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and, with respect to such permissive rights, the Trustee shall not be answerable for other than its negligence or willful misconduct.

(t) The Trustee shall not be responsible or liable for the environmental condition or any contamination of the Initial Major Improvements or any real property or improvements related thereto or for any diminution in value of the same as a result of any contamination by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee shall not be liable for any claims by or on behalf of the Owners or any other person or entity arising from contamination by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of the Initial Major Improvements or any real property or improvements related thereto or with respect to compliance thereof under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

(u) Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the City, or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all other persons or entities of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other party.

(v) In the event that any of the Trust Estate shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting such assets, the Trustee is hereby expressly authorized, to respond 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.

(w) 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 that prohibits the required actions of the Trustee pursuant to this Indenture; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage of computer systems by outside actors; new epidemics not in effect on the date of this Indenture; riots; loss or malfunctions of utilities, computer (hardware or software) communications service, or interruptions or accidents that are not caused by the Trustee's actions or inactions, including failure to maintain or upgrade equipment or software; 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 on the date a transfer of funds is required.

Section 10.4 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 10.5 Trustee Protected in Relying on Certain Documents.

The Trustee may, at the expense of the Owners, request, conclusively rely on and shall be protected in acting or refraining from acting upon any resolution, instrument, report, direction, order, judgment, notice, opinion, request, consent, waiver, certificate, statement, affidavit, requisition, bond, debenture, note or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, or upon

the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant to be qualified in relation to the subject matter or selected by the City in accordance with this Indenture, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. 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, and the Trustee shall not be liable for, any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

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

The Trustee shall 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 10.13 herein.

Section 10.6 Compensation.

From time to time, the Trustee shall determine and the Trustee shall provide the City Representative with an invoice setting forth the 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 a specific agreement, if any, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Outstanding. Unless written objection is made invoice received by the City within ten (10) days of its delivery to the City, the Trustee shall transfer from the Administrative Fund the amount set forth thereon. 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 there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from lawfully available funds under the Indenture (other than funds designated by the City for arbitrage rebate purposes) in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

In the event that the Trustee renders any service not contemplated in this Indenture, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Indenture or the subject matter hereof, then the Trustee shall be compensated for such extraordinary services and any services or work performed by Trustee in connection with any delay, controversy, litigation or event, and reimbursed for all costs and expenses, including reasonable attorneys' fees, costs and expenses, occasioned by any such delay, controversy, litigation or event; provided that all such payments to the Trustee shall be only from funds available in the Administrative Fund.

Section 10.7 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 City 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 in aggregate outstanding principal amount of the Bonds.

Section 10.8 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' written notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall take effect upon the earlier of the appointment of a successor as provided in Section 9.10 or the appointment of a successor trustee by a court of competent jurisdiction pursuant to Section 9.10 hereof and the acceptance of such appointment by such successor.

Section 10.9 Removal of Trustee.

The Trustee may be removed at any time upon at least thirty (30) days' prior written notice 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 City, or (ii) so long as the City is not in default under this Indenture, the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate outstanding principal of the Bonds.

Section 10.10 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 City.

Until such successor trustee shall have been appointed by the Owners of the Bonds, the City shall forthwith (and in no event in excess of thirty (30) days after such vacancy occurs) appoint a trustee to act hereunder. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds within thirty (30) days after such appointment. Any appointment of a successor trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the requisite 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 City shall be responsible for the costs of such appointment process.

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

Each successor trustee shall mail, in accordance with the provisions of the Bonds, notice of its appointment to the Trustee, 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.

Section 10.11 Transfer of Rights and Property to Successor Trustee.

Any successor trustee appointed under the provisions of Section 10.10 shall execute, acknowledge, and deliver to its predecessor and the City an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the City or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further

assurance (without representation or warranty, express, implied or statutory) 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 moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the City be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

Section 10.12 Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, and will have and succeed to the rights, powers, duties, immunities and privileges as predecessor, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 10.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

Section 10.13 Trustee to File Continuation Statements.

If necessary, the Trustee shall file or cause to be filed, at the City's expense, such continuation statements as are delivered to the Trustee by the City, or on behalf of the City, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. The Trustee shall only be responsible for making such filings upon written direction from the City. The Trustee shall have no responsibility to file financing statements or continuation statements other than to file continuation statements that are delivered to it.

Section 10.14 Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less than 10% in aggregate outstanding principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

Section 10.15 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.

Section 10.16 Completion Agreement.

The City hereby authorizes the Trustee to enter into the Friendswood City Center Public Improvement District Initial Major Improvements Completion Agreement between the Trustee and the Developer.

ARTICLE 11

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 11.1 Amendments Permitted.

This Indenture and the rights and obligations of the City 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 at a majority of the aggregate principal amount of the Bonds then Outstanding. 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 City 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 City of any pledge or lien upon the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (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 prior written consent.

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

- (1) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;
- (2) to make modifications not adversely affecting any Outstanding Bonds in any material respect;
- (3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds; and

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure of the excludability of interest on the Bonds for federal income tax purposes.

Section 11.2 Owners' Meetings.

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

Section 11.3 Procedure for Amendment with Written Consent of Owners.

The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 11.1 herein, to take effect when and as provided in this Section. The City shall provide written direction to the Trustee to provide a copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, be mailed by the Trustee first class mail 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 12.6 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 City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds 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 11.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of ninety (90) 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 ninety-day period.

Section 11.4 Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article 10, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the City, the Trustee and all Owners of Bonds 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 11.5 Endorsement or Replacement of Bonds Issued After Amendments.

The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article 11 shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Designated Payment/Transfer Office of the Trustee, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds 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 11.6 Amendatory Endorsement of Bonds.

The provisions of this Article 11 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 11.7 Execution of Supplemental Indenture.

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

ARTICLE 12

DEFAULT AND REMEDIES

Section 12.1 Events of Default.

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

(1) The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;

(2) The failure of the City to enforce the collection of the Initial Major Improvement 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; and

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

Section 12.2 Immediate Remedies for Default.

(a) Subject to Article 8, upon the happening and continuance of any of the Events of Default described in Section 12.1, the Owners of at least 25% aggregate outstanding principal amount of the Bonds then Outstanding, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

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

(d) Whenever moneys are to be applied pursuant to this Article 12, 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 Applicable Laws and apply the proceeds thereof in

accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or proper for the purpose which may be designated in such request.

Section 12.3 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 written evidence of indemnity as provided in Section 9.2 herein, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered 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 registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article 9, 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 City 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 shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 12.4 Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 12.2 hereof, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

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

SECOND: To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price 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 pursuant to this Section 12.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 12.1, 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 City to its prior position after any and all defaults have been cured, as provided in Section 12.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 12.5 Effect of Waiver.

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

Section 12.6 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:

(1) 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.

(2) 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 Bonds in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 12.7 Waiver of Default.

With the written consent of at least a majority in aggregate principal amount of the Bonds then Outstanding, the Owners may waive compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

Section 12.8 No Acceleration.

In the event of the occurrence of an Event of Default under Section 12.1 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 12.9 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 12.10 Exclusion of Bonds.

Bonds owned or held by or for the account of the City will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this

Indenture, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture.

ARTICLE 13

GENERAL COVENANTS AND REPRESENTATIONS

Section 13.1 Representations as to Pledged Revenues.

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

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

(c) Subject to available funds, the City will take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Initial Major Improvement 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 Initial Major Improvement Annual Installments shall be sent by, or on behalf of the City and to the extent reasonably practical, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Initial Major Improvement 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. Notwithstanding the foregoing, if the City is unable in every year to send notice of the Initial Major Improvement Annual Installment on the same statement as ad valorem taxes, the City shall send or shall cause to be sent, a separate notice of the Initial Major Improvement Annual Installment in a timely fashion such that the Initial Major Improvement Annual Installment can be collected in the same time frame as ad valorem taxes.

Section 13.2 General.

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

ARTICLE 14

SPECIAL COVENANTS

Section 14.1 Further Assurances; Due Performance.

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

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

Section 14.2 Additional Obligations; Other Obligations or Other Liens.

(a) The City reserves the right, subject to the provisions contained in this Section 14.2, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

(b) So long as Bonds are Outstanding hereunder, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture other than (i) a lien or pledge subordinate to the lien and pledge of such property related to the Bonds, and (ii) Refunding Bonds.

(c) Other than Refunding Bonds issued to refund all or a portion of the Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with this Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds and Accounts; provided, however, that nothing in this Section shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would adversely affect the ability of the City to timely pay the debt service due and owing on the Bonds.

(d) Notwithstanding anything contained herein, the City shall not issue Additional Major Improvement Bonds to refund the Additional Major Improvement Reimbursement Obligation unless the Trustee has received one the following:

(1) an Independent Appraisal evidencing that (i) that the aggregate value of the assessed parcels in the District for which assessments have been or will be levied is not

less than 4.0:1. In establishing such appraised value, an “Independent Appraisal” means (i) the appraised value of the property in the District as established by publicly available data from the county appraisal district (ii) an appraisal from an MAI appraiser, or (iii) sales contracts to third-party end users; or

(2) a certificate from the Developer certifying that building permits have been issued and vertical construction has commenced, for at least seven (7) of the total units, as applicable, in the District for which bonds (not including the Bonds) have been issued, in part or whole, to fund improvements within the District.

Section 14.3 Books of Record.

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

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 14.3 except to receive and retain same, subject to the Trustee’s document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

ARTICLE 15

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 15.1 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 14.

Section 15.2 Satisfaction of Indenture.

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds, 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 City 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 City 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 City may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 15.3 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 maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys 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 maturity date 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. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that that no adverse federal tax consequences will result from reinvesting such cash. 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 16

MISCELLANEOUS

Section 16.1 Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee. This Indenture and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

Section 16.2 Successor is Deemed Included in All References to Predecessor.

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

Section 16.3 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 City or the Trustee in good faith and in accordance therewith.

Section 16.4 Waiver of Personal Liability.

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

Section 16.5 Notices to and Demands on City and Trustee.

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

If to the City:

City of Friendswood, Texas
709 S. Washington
Friendswood, Texas 75142
Attn: City Manager
Telephone: (830) 598-8741

With a copy to:

And:

Bracewell LLP
Attn: Julie Partain
1445 Ross Ave.
Suite 3800
Dallas, Texas 75202
Email: julie.partain@bracewell.com
(214) 758-1606

If to the Trustee, also acting in the capacity of
Paying Agent/Registrar:

Wilmington Trust, National Association
Attention: Parker Merritt
15950 North Dallas Parkway, Suite 200
Dallas, TX 75248
(714)384-4174
pmerritt@wilmingtontrust.com

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five (5) 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 shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions

and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 16.6 Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds 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 16.7 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. The parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal or state court sitting in 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.

Section 16.8 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 16.9 Counterparts.

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

Section 16.10 Statutory Verifications. The Trustee 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 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 16.11 Form 1295 Exemption. The Trustee represents that it is a wholly owned subsidiary of M&T Bank Corporation, a publicly traded business entity, and therefore this Indenture is exempt from Section 2252.908, Texas Government Code, as amended.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CITY OF FRIENDSWOOD, TEXAS

By: _____
Mayor

ATTEST:

City Secretary

[CITY SEAL]

WILMINGTON TRUST, NATIONAL
ASSOCIATION, AS TRUSTEE

By: _____
Authorized Officer

EXHIBIT A

(a) Form of Bond.

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

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas

CITY OF FRIENDSWOOD, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR IMPROVEMENTS PROJECT)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER</u>
_____ %	September 15, ____	November 27, 2024	_____

The City of Friendswood, Texas (the “City”), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually commencing on March 15, 2025, and on each March 15 and September 15 thereafter 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, a national banking association, as trustee and paying agent/registrars (the “Trustee,” which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrars, 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, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the “Record Date,” which shall be the last calendar day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five (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 on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

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

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the “Bonds”), dated November 1, 2024 and issued in the aggregate principal amount of \$36,907,000 and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of November 1, 2024 (the “Indenture”), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of Initial Major Improvement Costs, (ii) funding a debt service reserve fund for payment of principal and interest on the Bonds, (iii) funding the Delinquency and Prepayment Reserve Account, (iv) paying capitalized interest on the Bonds, (v) paying the costs of organizing and administering the District, and (vi) paying the costs of issuance of the Bonds.

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

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

The Bonds are issuable as fully registered bonds only in denominations of \$100,000, or any integral multiple of \$1,000 in excess thereof ("Authorized Denominations"), subject to the partial redemption provisions of the Indenture authorizing redemptions of less than \$100,000 in denominations of \$1,000 and any multiple of \$1,000 in excess thereof.

The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article 6 of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

\$36,907,000 Term Bonds maturing September 15, 2054

Redemption Date	Sinking Fund Installment Amount
September 15, 2027	\$ 468,000
September 15, 2028	499,000
September 15, 2029	533,000
September 15, 2030	570,000
September 15, 2031	609,000
September 15, 2032	650,000
September 15, 2033	695,000
September 15, 2034	742,000
September 15, 2035	793,000
September 15, 2036	847,000
September 15, 2037	906,000
September 15, 2038	968,000
September 15, 2039	1,034,000
September 15, 2040	1,106,000
September 15, 2041	1,182,000
September 15, 2042	1,263,000
September 15, 2043	1,351,000
September 15, 2044	1,444,000
September 15, 2045	1,544,000
September 15, 2046	1,650,000
September 15, 2047	1,764,000
September 15, 2048	1,886,000
September 15, 2049	2,017,000
September 15, 2050	2,157,000
September 15, 2051	2,306,000
September 15, 2052	2,466,000
September 15, 2053	2,637,000
September 15, 2054*	2,820,000

*maturity

At least forty-five (45) days prior to each sinking fund redemption date, the Trustee shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Bonds of such maturity equal to the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such

maturity which, at least forty-five (45) days prior to the sinking fund redemption date (i) shall have been acquired by the City and delivered to the Trustee for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption and not previously credited to a sinking fund redemption.

The City reserves the right and option to redeem Bonds maturing on or after September 15, 2054 before their scheduled maturity dates, in whole or in part, on any date, on or after September 15, 2034, such redemption date or dates to be fixed by the City, at a price of par plus accrued and unpaid interest to the date of redemption:

Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on any Business Day, at a Redemption Price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from amounts on deposit in the Redemption Fund as a result of Prepayments, or any other transfers to the Redemption Fund permitted 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 thirty (30) days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The City reserves the right, in the case of an optional or extraordinary optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the rights of the holders of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the holders of all the Bonds, to waive

compliance by the City with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the holder of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such holder and upon all future holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

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

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

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

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

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

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

City Secretary, City of Friendswood, Texas

Mayor, City of Friendswood, Texas

[City Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on each 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 an opinion to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts of the
State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

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

Wilmington Trust, National Association, as
Trustee

By: _____
Authorized Signatory

DATED: _____

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____

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

Date: _____

Signature Guaranteed By:

Authorized Signatory

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

(e) The Initial Bond shall be in the form set forth in paragraphs (a), (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) 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 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates”</u>
--------------	-------------------------------	------------------------

	b.	(Information to be inserted from Section 3.2(c) hereof); and
--	----	--

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

EXHIBIT B

FORM OF PAYMENT CERTIFICATE

PAYMENT CERTIFICATE NO. ____

Reference is made to that certain Indenture of Trust by and between the City and the Trustee dated as of November 1, 2024 (the “Indenture”) relating to the “City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) (the “Bonds”). Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture.

The undersigned is an agent for Madison Development Corp., LLC a Texas limited liability company (the “Developer”) and requests payment to the Developer (or to the person designated by the Developer) from:

____ the Initial Major Improvement Account of the Project Fund from 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 Initial Major Improvements providing a special benefit to property within the Friendswood City Center Public Improvement District.

In connection with the above referenced payment, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certificate for Payment Form on behalf of the Developer and is knowledgeable as to the matters set forth herein.
2. The itemized payment requested for the below referenced Initial Major Improvements has not been the subject of any prior payment request submitted for the same work to the City or, if previously requested, no disbursement was made with respect thereto.
3. The itemized amounts listed for the Initial Major Improvements below is a true and accurate representation of the Initial Major Improvements associated with the creation, acquisition, or construction of said Initial Major Improvements and such costs (i) are in compliance with the Development Agreement, and (ii) are consistent with and within the cost identified for such Initial Major Improvements as set forth in the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Development Agreement, the Indenture, and the Service and Assessment Plan.
5. The Developer has timely paid all ad valorem taxes and Initial Major Improvement Annual Installments of Initial Major Improvement Assessments it owes or an entity the Developer controls owes, located in Friendswood City Center Public Improvement District and has no outstanding delinquencies for such Initial Major Improvement Assessments.

6. All conditions set forth in the Indenture and the Development Agreement for the payment hereby requested have been satisfied.

The work with respect to Initial Major Improvements referenced below (or its completed segment) has been completed, and the City has inspected such Amount requested be paid.

7. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

Payments requested are as follows:

Amount to be Paid by Trustee from Initial Major Improvement Account

Attached hereto are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments. Also attached hereto are "bills paid" affidavits and supporting documentation in the standard form for City construction projects.

Pursuant to the Development Agreement, after receiving this payment request, the City has inspected the Initial Major Improvements (or completed segment) and confirmed that said work has been completed in accordance with approved plans and all applicable governmental laws, rules, and regulations.

Developer has submitted or is attached hereto any documents or schedules required by the City's PID administrator.

Payments requested hereunder shall be made as directed below:

- a. X amount to Person or Account Y for Z goods or services.
- b. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

**Madison Development Corp. LLC a Texas
limited liability company**

By: _____

Name: _____

Title: _____

APPROVAL OF REQUEST

The City is in receipt of the attached Certificate for Payment, acknowledges the Certificate for Payment, and finds the Certificate for Payment to be in order. After reviewing the Certificate for Payment, the City approves the Certificate for Payment and authorizes and directs payment of the amounts set forth below by Trustee from the Project Fund to the Developer or other person designated by the Developer as listed and directed on such Certificate for Payment. The City's approval of the Certificate for Payment shall not have the effect of estopping or preventing the City from asserting claims under the Development Agreement, the Indenture, the Service and Assessment Plan, or any other agreement between the parties or that there is a defect in the Initial Major Improvements.

Amount of Payment Certificate Request	Amount to be Paid by Trustee from Initial Major Improvement Account
\$ _____	\$ _____

CITY OF FRIENDSWOOD, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT C

FORM OF CLOSING DISBURSEMENT REQUEST

The undersigned is an agent for Madison Development Corp, LLC, (the “Developer”) and requests payment from:

[the Costs of Issuance Account of the Project Fund][Initial Major Improvement Account of the Project Fund] from Wilmington Trust, National Association (the “Trustee”) in the amount of _____ DOLLARS (\$) for costs incurred in the establishment, administration, and operation of the Friendswood City Center Public Improvement District (the “District”), as follows:

Closing Costs Description	Cost	PID Allocated Cost
TOTAL		

In connection to the above referenced payments, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the above referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the City.
3. The amount listed for the below itemized costs is a true and accurate representation of the Actual Costs incurred by Developer with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with and within the costs as set forth in the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Development Agreement, the Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture for the payment hereby requested have been satisfied.
6. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.
7. The Developer has submitted all documentation required by the City’s PID Administrator with respect to this Disbursement Request.

Payments requested hereunder shall be made as directed below:

- c. X amount to Person or Account Y for Z goods or services.
- d. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

**Madison Development Corp., LLC, a Texas
limited liability company**

By: _____

Name: _____

Title: _____

Date: _____

APPROVAL OF REQUEST

The City is in receipt of the attached Closing Disbursement Request, acknowledges the Closing Disbursement Request, and finds the Closing Disbursement Request to be in order. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request to the extent set forth below and authorizes and directs payment by Trustee in such amounts and from the accounts listed below, to the Developer or other person designated by the Developer herein.

CITY OF FRIENDSWOOD, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX B

FORM OF SERVICE AND ASSESSMENT PLAN

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Friendswood City Center Public Improvement District

SERVICE AND ASSESSMENT PLAN

NOVEMBER 4, 2024



AUSTIN, TX | NORTH RICHLAND HILLS, TX | HOUSTON, TX

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INTRODUCTION

Capitalized terms used in this Service and Assessment Plan shall have the meanings given to them in **Section I** unless otherwise defined in this Service and Assessment Plan or unless the context in which a term is used clearly requires a different meaning. Unless otherwise defined, a reference to a “Section”, “Exhibit” or an “Appendix” shall be a reference to a Section of this Service and Assessment Plan or an Exhibit or Appendix attached to and made a part of this Service and Assessment Plan for all purposes.

On January 8, 2024, the City passed and approved Resolution No. R2024-01 authorizing the establishment of the District in accordance with the PID Act. The purpose of the District is to finance the Actual Costs of Authorized Improvements that confer a special benefit on approximately 106.472 acres located within the City, as described by the legal description on **Exhibit K** and depicted on **Exhibit A**.

The PID Act requires a Service Plan covering a period of at least five years and defining the annual indebtedness and projected cost of the Authorized Improvements and including a copy of the notice form required by Section 5.014 of the Texas Property Code, as amended. The Service Plan is contained in **Section IV**.

The PID Act requires that the Service Plan include an assessment plan that assesses the Actual Costs of the Authorized Improvements against Assessed Property within the District based on the special benefits conferred on such property by the Authorized Improvements. The Assessment Plan is contained in **Section V**.

The PID Act requires an Assessment Roll that states the Assessment against each Parcel determined by the method chosen by the City. The Assessment against each Assessed Property must be sufficient to pay the share of the Actual Costs apportioned to the Assessed Property and cannot exceed the special benefit conferred on the Assessed Property by the Authorized Improvements. The Assessment Rolls are contained in **Exhibit G-1 and Exhibit G-2**.

SECTION I: DEFINITIONS

“Actual Costs” mean, with respect to Authorized Improvements, the actual costs paid or incurred by or on behalf of the Owner[s], (either directly or through affiliates), including : (1) the costs for the design, planning, administration/management, acquisition, installation, construction and/or implementation and dedication of such Authorized Improvements; (2) the fees paid for obtaining permits, zoning, licenses, plan approvals, inspections or other governmental approvals for such Authorized Improvements; (3) the costs for external professional services, such as engineering, geotechnical, surveying, land planning, architectural landscapers, appraisals, legal, accounting, and similar professional services; (4) the costs for all labor, bonds, and materials, including equipment and fixtures, owing to contractors, builders, and materialmen engaged in connection with the acquisition, construction, or implementation of the Authorized Improvements; (5) all related permitting and public approval expenses, and architectural, engineering, legal, consulting, and other governmental fees, construction security, insurance premiums, directly related to the construction of the Authorized Improvements, and charges and (6) costs to implement, administer, and manage the above-described activities including, but not limited to, a construction management fee equal to four percent (4%) of construction costs if managed by or on behalf of the Owner[s].

“Additional Interest” means the amount collected by application of the Additional Interest Rate. Additional Interest shall be collected only when the balance in the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds and is not charged on the Reimbursement Obligation until such Reimbursement Obligation is financed through Additional Major Improvement Bonds.

“Additional Interest Rate” means up to 0.50% additional interest rate that may be charged on Assessments securing PID Bonds pursuant to Section 372.018 of the PID Act.

“Additional Major Improvement Annual Installment” means the Annual Installment of the Additional Major Improvement Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Additional Interest, if applicable; and (4) the pro rata portion of the Annual Collection Costs based on outstanding Additional Major Improvement Assessments, as shown on **Exhibit G-2**. The principal and interest amount of the Additional Major Improvement Assessment may be reduced by a portion of the TIRZ Annual Credit Amount, pursuant to Section V.

“Additional Major Improvement Assessments” means an assessment levied against the Assessed Property for the Additional Major Improvements and imposed pursuant to an Assessment Ordinance and the provisions hereof, as shown in the Additional Major Improvements Assessment Roll, subject to reallocation or reduction pursuant to the provisions

set forth in **Section VI** herein and the PID Act, which Additional Major Improvement Assessments secure the Reimbursement Obligation.

"Additional Major Improvement Assessments Trigger Date" means that date upon which the Additional Major Improvement Assessments become due and payable which is the earlier of (i) the date on which the first bill is sent with the Additional Major Improvement Assessment subsequent to the issuance of PID Bonds secured by the Additional Major Improvement Assessments are issued and (ii) the date the first bill is sent with the Additional Major Improvement Assessment which date shall be no later than two years after the date on which the Assessment Ordinance levying the Additional Major Improvement Assessments is adopted.

"Additional Major Improvements" means those certain Authorized Improvements, the costs of which are allocated to the Additional Major Improvements Assessments, as described in **Section III.B** and shown on **Exhibit B-1**.

"Additional Major Improvement Bonds" means those certain "City of Friendswood Special Assessment Revenue Bonds" (Friendswood City Center Public Improvement District Additional Major Improvements Project) that are secured by the Additional Major Improvement Assessments.

"Additional Major Improvements Assessment Roll" means the assessment roll for the Assessed Property of the Additional Major Improvements, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the levy of an Assessment, the issuance of PID Bonds, or in any Annual Service Plan Updates. The Additional Major Improvements Assessment Roll is included as **Exhibit G-2**.

"Administrator" means the City or independent firm designated by the City who shall have the responsibilities provided in this Service and Assessment Plan, any Indenture, or any other agreement or document approved by the City related to the duties and responsibilities of the administration of the District. The initial Administrator is P3Works, LLC.

"Annual Collection Costs" mean the actual or budgeted costs and expenses related to the operation of the District, including, but not limited to, costs and expenses for: (1) the Administrator; (2) City staff; (3) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (4) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (5) preparing and maintaining records with respect to Assessment Rolls and Annual Service Plan Updates; (6) paying and redeeming PID Bonds; (7) investing or depositing Assessments and Annual Installments; (8) complying with this Service and Assessment Plan, the PID Act, and any Indenture, with respect to the PID Bonds, including the City's continuing disclosure requirements; and (9) the paying agent/registrar and

Trustee in connection with PID Bonds, including their respective legal counsel. Annual Collection Costs collected but not expended in any year may be carried forward and applied to reduce Annual Collection Costs for subsequent years.

“Annual Installment” means the annual installment payment on an Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Annual Collection Costs; and (4) Additional Interest, if applicable. The principal and interest amount of an Annual Installment may be reduced by the TIRZ Annual Credit Amount.

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

“Assessed Property” means any Parcel within the District against which an Assessment is levied.

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

“Assessment Ordinance” means an ordinance adopted by the City Council in accordance with the PID Act that levies an Assessment on the Assessed Property, as shown on any Assessment Roll.

“Assessment Plan” means the methodology employed to assess the Actual Costs of the Authorized Improvements against the Assessed Property based on the special benefits conferred on such property by the Authorized Improvements, more specifically set forth and described in **Section V**.

“Assessment Roll” means any assessment roll for the for the Assessed Property, including the Initial Major Improvements Assessment Roll and Additional Major Improvements Assessment Roll, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the levy of an Assessment, the issuance of PID Bonds, or in any Annual Service Plan Updates. The Assessment Rolls are included as **Exhibit G-1** and **Exhibit G-2**.

“Authorized Improvements” means the improvements authorized by Section 372.003 of the PID Act, including Initial Major Improvements, the Additional Major Improvements, First Year Annual Collection Costs, and Bond Issuance Costs (if appropriate), as described in **Section III**, as shown on **Exhibit B-1**.

“Bond Issuance Costs” means the costs associated with issuing PID Bonds, including but not limited to, attorney fees, financial advisory fees, consultant fees, appraisal fees, printing costs, publication costs, capitalized interest, reserve fund requirements, underwriter’s discount, fees

charged by the Texas Attorney General, and any other cost or expense directly associated with the issuance of any series of PID Bonds.

“City” means the City of Friendswood, Texas.

“City Council” means the governing body of the City.

“City Contribution” means \$5,000,000 of City of Friendswood lawfully available funds expended by the City to pay a portion of the total costs of the Detention Improvements.

“Condo Regime” means a form of real property ownership that combines separate ownership of individual “units” with common ownership of other units.

“County” means Harris County, Texas.

“Delinquency and Prepayment Reserve Account” means the funds established pursuant to an Indenture where the Additional Interest will be deposited.

“Delinquent Collection Costs” means costs related to the foreclosure on Assessed Property and the costs of collection of delinquent Assessments, delinquent Annual Installments, or any other delinquent amounts due under this Service and Assessment Plan, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing interest and penalty interest.

“Detention Improvements” means those Authorized Improvements consisting of drainage and detention facilities and improvements as set forth in Section III hereof.

“Development Agreement” means that certain Friendswood City Center Development Agreement between the Developer and the City dated January 22, 2024.

“Developer” means Madison Development Corporation, LLC, a Texas limited liability company and any successors or assigns thereof that intends to develop the property in the District for the ultimate purpose of transferring title to end users.

“District” means the Friendswood City Center Public Improvement District containing approximately 106.472 acres located within the City, as generally depicted on **Exhibit A**, and described on **Exhibit K**.

“Engineer’s Report” means the report provided by a licensed professional engineer that describes the Authorized Improvements, including their costs, location, and benefit, and is attached hereto as **Appendix A**.

“Estimated Buildout Value” means the estimated value of an Assessed Property with fully constructed buildings, as provided by the Developer and confirmed by the City Council, by considering such factors as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, builder contracts, discussions with builders, reports from third

party consultants, or any other factors that, in the judgment of the City, may impact value. The Estimated Buildout Value for each Lot Type is shown on **Exhibit E**.

“Fire Station” means the fire station to be located within the District and as further described in the Development Agreement.

“First Year Annual Collection Costs” means the Annual Collection Costs associated with the first year of the District.

“Indenture” means an Indenture of Trust entered into between the City and the Trustee in connection with the issuance of each series of PID Bonds, as amended from time to time, setting forth the terms and conditions related to a series of PID Bonds.

“Initial Major Improvements” means those certain Authorized Improvements, the costs of which are allocated to the Initial Major Improvements Assessments, as described in **Section III.A** and shown on **Exhibit B-1**.

“Initial Major Improvement Annual Installment” means the Annual Installment of the Initial Major Improvement Assessment as calculated by the Administrator and approved by the City Council, that includes: (1) principal; (2) interest; (3) Additional Interest, if applicable and; (4) the pro rata portion of the Annual Collection Costs based on the outstanding Initial Major Improvement Assessments as shown on **Exhibit G-1**. The principal and interest amount of the Initial Major Improvement Assessment may be reduced by a portion of the TIRZ Annual Credit Amount, pursuant to Section V.

“Initial Major Improvement Assessment Roll” means the assessment roll for the Assessed Property of the Initial Major Improvements, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the levy of an Assessment, the issuance of PID Bonds, or in any Annual Service Plan Updates. The Additional Major Improvements Assessment Roll is included as **Exhibit G-1**.

“Initial Major Improvement Assessments” means an assessment levied against the Assessed Property for the Initial Major Improvements and imposed pursuant to an Assessment Ordinance and the provisions hereof, as shown in the Initial Major Improvements Assessment Roll, subject to reallocation or reduction pursuant to the provisions set forth in **Section VI** herein and the PID Act, which Initial Major Improvement Assessments secure the Initial Major Improvement Bonds.

“Initial Major Improvement Bonds” means those certain “City of Friendswood Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) that are secured by the Initial Major Improvement Assessments.

“Initial Parcel” means all of the Assessed Property within the District against which the entire

Initial Major Improvement Assessments and the Additional Major Improvement Assessments for the District are levied, as shown on the Assessment Roll attached as **Exhibit G-1**.

“Landowner Consent” means any “Landowner Consent” effective as of the date of each Assessment levy delivered by each landowner of Assessed Property at the time of an Assessment levy.

“Lot” means (1) for any portion of the District for which a final subdivision plat has been recorded in the Official Public Records of the County, a tract of land described by “lot” in such subdivision plat; (2) a tract of land is described as a “lot” in a recorded instrument containing covenants, restrictions, and/or conditions for any portion of the District; (3) for any portion of the District for which a subdivision plat has not been recorded in the Official Public Records of the County, a tract of land anticipated to be described as a “lot” in a final recorded subdivision plat as shown on a concept plan or a preliminary plat; and (4) if a Condo Regime has been filed for any portion of the District, any unit of ownership included within the Condo Regime. A “Lot” may also include a tract of land upon which a condominium will be impressed creating condominium units but shall not include real property owned by a government entity, even if such property is designated as a separate described tract or lot on a recorded Subdivision Plat or condominium unit.

“Lot Type” means a classification of final building Lots with similar characteristics (e.g., lot size, land use classification, Estimated Buildout Value, etc.), as determined by the Administrator and confirmed by the City Council.

“Lot Type 1” means Assessed Property intended for use as inline retail or food retail within the District, as provided by the Owner. The buyer disclosures for Lot Type 1 is attached as **Appendix B**.

“Lot Type 2” means Assessed Property intended for mixed use within the District, as provided by the Owner. The buyer disclosure for Lot Type 2 is attached as **Appendix B**.

“Lot Type 3” means Assessed Property intended for use as a hotel within the District, as provided by the Owner. The buyer disclosure for Lot Type 3 is attached as **Appendix B**.

“Lot Type 4” means Assessed Property intended for use as office/medical space within the District, as provided by the Owner. The buyer disclosure for Lot Type 4 is attached as **Appendix B**.

“Lot Type 5” means Assessed Property intended to be developed as multi-family housing with a corridor of retail within the District, as provided by the Owner. The buyer disclosure for Lot Type 5 is attached as **Appendix B**.

“Maximum Assessment” means, for each Lot, an Assessment equal to the lesser of (1) the amount calculated pursuant to **Section VI.A**, or (2) the amount shown on **Exhibit E**.

“Non-Benefited Property” means Parcels within the boundaries of the District that accrue no special benefit from the Authorized Improvements as determined by the City Council.

“Notice of PID Assessment Termination” means a document that shall be recorded in the Official Public Records of the County evidencing the termination of an Assessment, a form of which is attached as **Exhibit I**.

“Owner” or **“Owners”** means Madison Development Corporation, LLC, Lone Star Campus R1, LLC, Tima Holdings, LLC, Hill Gage Development Corporation, LLC, and Ajay K. Jain and any successors or assigns thereof.

“Parcel” or **“Parcel(s)”** means a specific property within the District identified by either a tax parcel identification number assigned by the Harris Central Appraisal District for real property tax purposes, by legal description, or by lot and block number in a final subdivision plat recorded in the Official Public Records of the County, or by any other means determined by the City.

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

“PID Bonds” means any bonds issued by the City in one or more series and secured in whole or in part by Assessments.

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

“Prepayment Costs” means interest, including Annual Collection Costs, to the date of Prepayment.

“Recorded Declaration” means the Declaration filed and recorded in the official public records of the County.

“Reimbursement Agreement” means the Friendswood City Center Public Improvement District Reimbursement Agreement between the City and the Developer dated November 4, 2024 pursuant to which the City agrees to levy the Additional Major Improvement Assessments on the Assessed Property in the District and all or a portion of such Additional Major Improvement Assessments are paid to the Developer to reimburse the Actual Costs of the Additional Major Improvements.

“Reimbursement Obligation” means the principal amount not to exceed \$17,746,000 to be paid to the Developer for the costs of the Additional Major Improvements pursuant to the Reimbursement Agreement, which amount is secured by the Initial Major Improvement Assessments.

“Service and Assessment Plan” means this Friendswood City Center Public Improvement District Service and Assessment Plan, as updated, amended, or supplemented from time to time.

“Service Plan” means the plan that defines the annual indebtedness and projected costs of the Authorized Improvements, and covers a period of at least five years, more specifically described in **Section IV**.

“TIRZ” means Reinvestment Zone Number One, City of Friendswood.

“TIRZ Administrative Costs” means those reasonable costs paid or incurred by or on behalf of the City to create and/or administer the TIRZ.

“TIRZ Agreement” means the TIRZ Agreement – Friendswood City Center PID, effective as of [DATE].

“TIRZ Annual Credit Amount” is defined in **Section V.E**, which amount shall not annually exceed the TIRZ Maximum Annual Credit Amount, and which shall be transferred from the TIRZ Fund to the applicable pledged revenue fund pursuant to the TIRZ Project Plan.

“TIRZ Fund” means the tax increment fund created pursuant to the TIRZ Ordinance where TIRZ Revenues are deposited annually.

“TIRZ Maximum Annual Credit Amount” means for each Lot Type, the amount of TIRZ Revenues that results in an equivalent tax rate of \$2.34 per \$100 of assessed value for such Lot Type taking into consideration the tax rates of all applicable overlapping taxing units and the equivalent tax rate of each applicable Assessment levied on each Lot Type, based on Estimated Buildout Value at the time the City Council approves each Assessment Ordinance levying each respective Assessment, as shown on **Exhibit F**. the Estimated Buildout Value per Lot Type is shown on **Exhibit E**.

“TIRZ Ordinance” means Ordinance No. 2023-31 adopted by the City Council on December 4, 2023, which approved the creation of Reinvestment Zone Number One and authorized the use of TIRZ Revenues for project costs under the Chapter 311, Texas Tax Code, as amended, and related to certain public improvements as provided in the TIRZ Project Plan.

“TIRZ Project Plan” means the Reinvestment Zone Number One, City of Friendswood Final Project and Reinvestment Zone Financing Plan, as periodically amended and updated.

“TIRZ Revenues” mean, for each year, the amounts which are deposited in the TIRZ Fund pursuant to the Development Agreement, the TIRZ Ordinance, and TIRZ Project Plan.

“Trustee” means the trustee or successor trustee under an Indenture.

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SECTION II: THE DISTRICT

The District includes approximately 106.472 contiguous acres located within the corporate limits of the City, the boundaries of which are more particularly described on **Exhibit K**, and depicted on **Exhibit A**. Development of the District is anticipated to include approximately 76,408 square feet of building space as inline retail or food retail (Lot Type 1), 268,800 square feet of building space as mixed use (Lot Type 2), an approximately 115 keys hotel with convention space (Lot Type 3), 194,050 square feet of office/medical building space (Lot Type 4), and approximately 750,000 square feet of multifamily that includes a corridor of retail (Lot Type 5).

SECTION III: AUTHORIZED IMPROVEMENTS

Based on information provided by the Owner and its engineer and reviewed by the City staff and by third-party consultants retained by the City, the City has determined that the Authorized Improvements confer a special benefit on the Assessed Property. Authorized Improvements will be designed and constructed in accordance with the City's standards and specifications and will be owned and operated by the City unless otherwise noted. The budget for the Authorized Improvements is shown on **Exhibit B-1**.

A. Initial Major Improvements

I. Roadway Improvements

▪ *FM 528 Traffic Improvements*

Signalization improvements at F.M. 528 and Townes Rd. include upgrading the existing flashing traffic signal to full operation to current Texas Department of Transportation specifications. Includes the addition of a southbound left turn lane on Townes Rd. to balance the new (widening) approach to F.M. 528 northbound from the new development.

Includes signalization improvements at F.M. 528 and Blackhawk Blvd. consisting of upgrades to the existing traffic signal to full operation to current Texas Department of Transportation specifications with a new south leg of the intersection, and addition of southbound left turn lane at West Bay Area Blvd. where it meets with the extension of Blackhawk Blvd. to balance the new widening approach to F.M. 528 for access management purposes. The signalization improvements will be owned and operated by the TxDOT and will provide benefit to each Lot within the District.

- *Phase 1 Blackhawk Boulevard Improvements*

Improvements include 4 lane arterial street construction to serve as an extension of the existing Blackhawk Boulevard from F.M. 528 to the southern point of the roundabout at Larrabee Way and Blackhawk Boulevard and includes the construction of the roundabout. The extension will provide connection to Larrabee Way, as well as multiple local streets and is calculated to be approximately 3,512 square yards of roadway construction. Also includes the addition of a southbound left turn lane on Blackhawk Blvd. to balance the new (widening) approach to F.M. 528 for access management purposes. The Phase 1 Blackhawk Boulevard Improvements will provide benefit to each lot within the District.

- *Phase 1 Townes Road Improvements*

Includes the construction of 4,276 square yards of reinforced concrete street to include subgrade and a roundabout at the intersection of Townes Road and Larrabee Way, that serves as a continuation of the existing Townes Road located north of F.M. 528. The construction of the new section will begin at F.M. 528 and terminates at Larrabee Way at the southern end of the roundabout at Larrabee Way. The street improvements will provide benefit to each Lot within the District.

- *Phase 1 Madison Avenue Improvements*

Includes the construction of 1,543 square yards of a reinforced concrete street to include subgrade that will provide 2 travel lanes beginning at F.M. 528 and terminating at the 4-way stop at Larrabee Way. The street improvements will provide benefit to each Lot within the District.

- *Larrabee Way Improvements*

Includes the construction of 2 lanes, 12,275 square yards, of a reinforced concrete street to include subgrade which will transverse perpendicular to Madison Avenue and includes a 4-way stop at the intersection of Madison Avenue and Larrabee Way. The street improvements will provide benefit to each Lot within the District.

II. Earthwork, Paving and Grading

- *Phase 1 Earthwork, Paving and Grading*

Improvements include erosion control measures, earthwork, subgrade stabilization, concrete pavement with curb, concrete sidewalk with ADA ramps, signage, lighting, and construction testing relating to the street and roadway improvements described above. Improvements also include the excavation related to the Phase 1 Storm Drainage improvements, Detention Pond 1 and Detention Pond 2, along with the hauling and removal of dirt. In addition, there

will be sidewalk improvements for the benefit of walkability within the site, as well as better access from F.M. 528 for pedestrian traffic. Only a portion of the cost of earthwork, paving and grading will be funded by the Initial Major Improvement Assessment. The remaining costs will be paid from the City Contribution.

III. Clearing, Grubbing and Demolition

- *District Clearing, Grubbing and Demolition*

Includes light and heavy clearing for the construction and installation of the Initial Major Improvements to include heavy clearing for the construction of Detention Pond 1, along with the removal and disposal of 3" public force main and 12" public water line. The improvements are necessary for the construction of the Initial Major Improvements and will provide benefit to each Lot within the District. A portion of the costs of Clearing, Grubbing and Demolition is being funded with the City Contribution and approximately 27.07% of the costs of such improvements (\$873,609) is apportioned to the District as part of the Initial Major Improvements.

IV. Detention Improvements

- *Detention Pond 1*

Improvements Include the excavation and construction of Detention Pond 1, a 4' retaining wall cast in place, an 8' retaining wall cast in place, installation of a backslope interceptor and swale, application of fertilizer seeds for stabilization, dewatering, sheet piling, riprap, collection screen structure and haul and disposal of utility spoils. The Detention Pond 1 Improvements will provide benefit to each Lot within the District. A portion of the costs of Detention Pond 1 are being funded by the City Contribution and approximately 94.73% of the costs of such improvements (\$13,983,801) is apportioned to the District as part of the Initial Major Improvements.

- *Detention Pond 2*

Improvements include the excavation and construction of Detention Pond 2, installation of a backslope interceptor and swale, and application of hydro mulch for stabilization. The Detention Pond 2 Improvements will provide benefit to each Lot within the District.

- *Phase 1 Storm Drainage*

Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, manholes and junction boxes, curb inlets, headwalls, testing and all necessary appurtenances required to provide drainage services from F.M. 528 and terminating at the point of the proposed bridge connection at Blackhawk Boulevard. The improvements will provide a benefit to all

Lots within the District.

V. Contingency

Estimated potential cost fluctuations for construction costs. The Contingency is calculated as 13% of the hard improvement costs for the Initial Major Improvements.

VI. Soft Costs

Costs related to designing, constructing, and installing the Initial Major Improvements including land planning and design, engineering, soil testing, consultant fees, project coordination, and survey. A portion of the soft costs are being funded by City Contribution and approximately 4.84% of the costs of such Initial Major Improvements (\$83,010) is apportioned to the Initial Major Improvements within the District.

B. Additional Major Improvements

I. Roadway Improvements

▪ *Phase 2 Blackhawk Boulevard Improvements*

Improvements include the continuation of the extension of the Phase 1 Blackhawk Boulevard Improvements, consisting of 17,711 square yards of reinforced concrete street and subgrade, from the southern point of the roundabout at Larrabee Way and Blackhawk Boulevard to West Bay Area Boulevard. Additionally, the improvements include the construction of a 4-lane bridge with 2 lanes for east and west bound on Blackhawk Boulevard. The Phase 2 Blackhawk Boulevard Improvements will provide benefit to each Lot within the District.

▪ *Phase 2 Townes Road Improvements*

Improvements include the construction of 4,723 square yards of reinforced concrete street and subgrade to serve as a continuation of the Phase 1 Townes Road Improvements from the roundabout at Larrabee Way and terminating at Bennett Boulevard. The Phase 2 Townes Road Improvements will provide benefit to each Lot within the District.

▪ *Phase 2 Madison Avenue Improvements*

Improvements include the continuation of construction of reinforced concrete street, 3,114 square yards, and subgrade from the 4-way stop at Larrabee Way to the roundabout at Bennett Boulevard. The Phase 2 Madison Avenue Improvements will provide benefit to each Lot within the District.

- *Bennett Boulevard Improvements*

Improvements include the construction of 2 travel lanes, 11,728 square yards, eastward and 2 travel lanes westward of reinforced concrete street and subgrade to include a roundabout that terminates to the south where the right-of-way ends the multi-family development begins. The Bennett Boulevard Improvements will provide benefit to each Lot within the District.

II. Earthwork, Paving and Grading

- *Phase 2 Earthwork, Paving and Grading*

Improvements to include erosion control measures, earthwork, subgrade stabilization, concrete pavement with curb, concrete sidewalk with ADA ramps, signage, lighting, and construction testing relating to the street and roadway improvements described above. Improvements also include the excavation related to the phase 2 storm drainage improvements, along with the hauling and removal of dirt. In addition, there will be sidewalk improvements for the benefit of walkability within the site as well as sidewalk improvements to improve foot traffic from Clear Creek Independent School District property to the Northwest to Blackhawk Blvd. and West Bay Area Boulevard. The street improvements will provide benefit to each Lot within the District. A portion of the Phase 2 Earthwork, Paving and Grading is being funded by the City Contribution and approximately 63.49% of the costs of such improvements (\$412,543) is apportioned to the District as part of the Additional Major Improvements.

III. Water Improvements

Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, valves, fire hydrant assemblies, service connections, testing and all necessary appurtenances required to provide water service to all Lots within the District.

There will be a water line constructed along Blackhawk Blvd. connecting to the existing water infrastructure on F.M. 528 and West Bay Area Blvd. There will be a water line along Townes Rd. and Bennert Blvd. Larrabee Way will have a water line running across connecting the water lines on Townes Rd. and Blackhawk Blvd. The water improvements will provide benefit to each Lot within the District.

IV. Wastewater Improvements

Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, manholes, service connections, testing,

and all necessary appurtenances constructed to the City of Friendswood standards required to provide wastewater service to all Lots within the District.

Construction will consist of wastewater lines on Larrabee Way and a portion of Blackhawk Blvd. Blackhawk Blvd. will transition from a wastewater line to a wastewater line tying into the manhole on West Bay Area Blvd. In addition to new proposed wastewater lines, there will be improvements to the existing force main running through the site, as well as relocation of an existing City-owned force main. The wastewater improvements will provide benefit to each Lot within the District.

- *Sanitary Sewer Lift Station*

Includes a proposed Sanitary Lift Station that includes a tie into the manhole on West Bay Area Blvd. An existing 8" sanitary sewer line and sanitary lift station that currently service Clear Creek Community Church will be abandoned, and, in its place, the existing wastewater line will be rerouted into the Friendswood City Center sanitary sewer system near the Blackhawk Blvd. and F.M. 528 connection. The Sanitary Sewer Lift Station will provide a benefit to each Lot within the District.

- V. Phase 2 Storm Drainage

Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, manholes and junction boxes, curb inlets, headwalls, testing and all necessary appurtenances required to provide drainage services from the proposed bridge connection at Friendswood Link Road running south along Blackhawk Boulevard to West Bay Area Boulevard. The Phase 2 Storm Drainage improvements will provide a benefit to each Lot within the District.

- VI. Landscaping, Parks and Public Amenities

Improvements include walking and bike trails that are constructed of decomposed granite pavement with concrete edges. The trail will include rest areas with park benches and lighting at key viewing locations. Additionally, the park will also have a few bird blinds, wayfinding graphics, bath, and parking facilities. The area will be landscaped with native vegetation and wetland grasses. As the walking and bike trails extend into the urban area, it will connect to a concrete and paver path that will include park benches and pedestrian lighting. The trail will provide a continuous and accessible route to all the buildings within the District. Landscape along the trail will be a blend of seasonal color plants and regional vegetation that complies with the City landscaping requirements. The Landscaping, Parks and Public Amenities will provide a benefit to each Lot within

the District.

VII. Fire Station

Improvements include the construction of a fire station for use by the City of Friendswood for the benefit of the public that will be constructed along phase 2 of the Blackhawk Blvd. expansion. 87.57% of the Fire Station is being funded by other lawfully available revenues of the City. 12.43% is apportioned to the District, as part of the Additional Major Improvements, pro rata based on estimated assessed value, as detailed on **Exhibit B-2**.

VIII. Contingency

Estimated potential cost fluctuations for construction costs. The Contingency is calculated as 13% of the hard improvement costs for the Additional Major Improvements.

IX. Soft Costs

Costs related to designing, constructing, and installing the Additional Major Improvements including land planning and design, City fees, inspection fees, engineering, soil testing, geotechnical engineering, and survey.

C. Bond Issuance Costs

▪ *Delinquency and Prepayment Reserve Account*

Equals the amount to be deposited in the Delinquency and Prepayment Reserve Account under an Indenture in connection with the issuance of the Initial Major Improvement Bonds and any PID Bonds issued to finance the Additional Major Improvements.

▪ *Debt Service Reserve Fund*

Equals the amount to be deposited in a debt service reserve fund under an applicable Indenture in connection with the issuance of Initial Major Improvement Bonds and any PID Bonds issued to finance the Additional Major Improvements.

▪ *Capitalized Interest*

Equals the amount required to be deposited for the purpose of paying capitalized interest on the Initial Major Improvement Bonds and any other series of PID Bonds under an applicable Indenture.

▪ *Underwriter's Discount*

Equals a percentage of the par amount of the Initial Major Improvement Bonds related

to the costs of underwriting Initial Major Improvement Bonds and a percentage of par of any future series of PID Bonds issued to finance the Additional Major Improvements.

- *Cost of Issuance*

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

D. Other Costs

- *Initial Administrative Fund Deposit*

Equals the amount necessary to fund a portion of the Annual Collection Costs for a particular series of PID Bonds.

- *District Formation Expenses*

Equals the amount necessary to fund the district formation costs, to include legal fees and consultant fees, incurred and paid by the Owner and apportioned equally to both the Initial Major Improvements and the Additional Major Improvements.

SECTION IV: SERVICE PLAN

The PID Act requires the Service Plan to cover a period of at least five years. The Service Plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the District during the five-year period. The Service Plan is also required to include a copy of the buyer disclosure notice form required by Section 5.014 of the Texas Property Code, as amended. The Service Plan must be reviewed and updated in each Annual Service Plan Update. **Exhibit C** summarizes the initial Service Plan for the District. Per the PID Act and Section 5.014 of the Texas Property Code, as amended, this Service and Assessment Plan, and any future Annual Service Plan Updates, shall include a form of the buyer disclosures for the District. The buyer disclosures are attached hereto as **Appendix B**.

Exhibit D summarizes the sources and uses of funds required to construct the Authorized Improvements. The sources and uses of funds shown on **Exhibit D** shall be updated in an Annual Service Plan Update to show any budget revisions and the amount required to fund the required reserves and issue each series PID Bonds at the time such PID Bonds are issued.

SECTION V: ASSESSMENT PLAN

The PID Act allows the City Council to apportion the costs of the Authorized Improvements to the Assessed Property based on the special benefit received from the Authorized Improvements. The PID Act provides that such costs may be apportioned: (1) equally per front foot or square foot; (2) according to the value of property as determined by the City Council, with or without regard to improvements constructed on the property; or (3) in any other manner approved by the City Council that results in imposing equal shares of such costs on property similarly benefited. The PID Act further provides that the City Council may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the City and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

This section of this Service and Assessment Plan describes the special benefit received by each Parcel within the District as a result of the Authorized Improvements and provides the basis and justification for the determination that this special benefit equals or exceeds the amount of the Assessments to be levied on the Assessed Property for such Authorized Improvements.

The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Owner, Developer, and all future owners and developers of the Assessed Property.

A. Assessment Methodology

Acting in its legislative capacity and based on information provided by the Owner and its engineer and reviewed by the City staff and by third-party consultants retained by the City, the City Council has determined that the costs of the Authorized Improvements shall be allocated to each Assessed Property pro rata based on Estimated Buildout Value. Currently, the Initial Parcel is the only Parcel within the District, and as such, the Initial Parcel is allocated 100% of the costs of the Authorized Improvements, which costs are allocated between the Initial Major Improvements Assessments and the Additional Major Improvements Assessments. Upon subdivision of an Assessed Property, the Actual Costs of the Authorized Improvements shall be reallocated based on Estimated Buildout Value as further described in **Section VI**.

B. Assessments

The Initial Major Improvements Assessments will be levied on the Initial Parcel in the amounts shown on the Initial Major Improvements Assessment Roll, attached hereto as **Exhibit G-1**. The Additional Major Improvements will be levied on the Initial Parcel in the amounts shown on the Additional Major Improvements Assessment Roll attached hereto as **Exhibit G-2**. The Annual Installments of the Initial Major Improvement Assessments and the Annual Installments of the Additional Major Improvement Assessments are shown on **Exhibit G-3**. Upon division or subdivision of the Initial Parcel, the Initial Major Improvement Assessment and Additional Major Improvement Assessment will be reallocated pursuant to **Section VI**.

The Maximum Assessment for each Lot Type is shown on **Exhibit E**. In no case will the Assessments for Lots classified as Lot Type 1, Lot Type 2, Lot Type 3, Lot Type 4, and Lot Type 5, respectively, exceed the corresponding Maximum Assessment for each Lot Type classification.

C. Findings of Special Benefit

Acting in its legislative capacity and based on information provided by the Owner and its engineer and reviewed by City staff and by third-party consultants retained by the City, the City Council has found and determined the following:

- The estimated Actual Costs of the Authorized Improvements equal \$65,088,757 as shown on **Exhibit B-1**;
- The Initial Parcel will be allocated 100% of the Assessment levied for the Authorized Improvements (which Assessments include the Initial Major Improvement Assessments and the Additional Major Improvements Assessments), which equals \$54,653,000 as shown on the Assessment Rolls attached hereto as **Exhibit G-1** and **Exhibit G-2**;

- The special benefit (\$65,088,757) received by the Initial Parcel from the Authorized Improvements is equal to or greater than the amount of the Assessment (\$54,653,000) levied on the Initial Parcel for the Authorized Improvements; and
- At the time the City Council approved the Service and Assessment Plan, the Owners owned 100% of the Initial Parcel. The Owners acknowledged that the Authorized Improvements confer a special benefit on the Initial Parcel and consented to the imposition of the Assessment to pay for the Actual Costs associated therewith. The Owners ratified, confirmed, accepted, agreed to, and approved: (1) the determinations and findings by the City Council as to the special benefits described herein and the applicable Assessment Ordinance; (2) the Service and Assessment Plan and the applicable Assessment Ordinance; and (3) the levying of the Assessment on the Initial Parcel.

D. Annual Collection Costs

The Annual Collection Costs shall be paid for annually by the owner of each Parcel pro rata based on the ratio of the amount of outstanding Assessment remaining on the Parcel to the total outstanding Assessment. The Annual Collection Costs shall be collected as part of and in the same manner as Annual Installments in the amounts shown on the Assessment Roll, which may be revised based on Actual Costs incurred in Annual Service Plan Updates.

E. Additional Interest

The interest rate on Assessments securing PID Bonds may exceed the interest rate on such PID Bonds by the Additional Interest Rate. Additional Interest shall be collected on the Initial Major Improvement Assessments when the Delinquency and Prepayment Reserve Account is below 2.5% of outstanding bond par. Additional Interest will not be collected on the Additional Major Improvement Assessments until the issuance of PID Bonds secured by the Additional Major Improvement Assessments, and at such time will be collected pursuant to the terms of the applicable Indenture.

F. TIRZ Annual Credit Amount

The City Council, in accordance with the TIRZ Project Plan, has agreed to use a portion of TIRZ Revenues generated from each Assessed Property to offset a portion of the principal and interest of the Assessments, as applicable.

1. The principal and interest portion of the Initial Major Improvement Annual Installment for an Assessed Property shall receive a TIRZ Annual Credit Amount equal to the TIRZ Revenue generated by the Assessed Property for the previous Tax Year (e.g. TIRZ Revenue collected

from the Assessed Property for Tax Year 2025 shall be applied as the TIRZ Annual Credit Amount applicable to the Assessed Property's Initial Major Improvement Annual Installment collected in Tax Year 2026), but in no event shall the TIRZ Annual Credit Amount exceed the TIRZ Maximum Annual Credit Amount shown in **Section V.E.2** as calculated on **Exhibit F** for each Assessed Property.

2. The TIRZ Maximum Annual Credit Amount available to reduce the principal and interest portion of the Initial Major Improvement Annual Installment for an Assessed Property is calculated for each Lot Type, as shown on **Exhibit F**. The TIRZ Maximum Annual Credit Amount is calculated so that the average Initial Major Improvement Annual Installment minus the TIRZ Maximum Annual Credit Amount for each Lot Type does not produce an equivalent tax rate for such Lot Type which exceeds the competitive, composite equivalent ad valorem tax rate (\$2.34 per \$100 of assessed value) taking into consideration the 2024 tax rates of all applicable overlapping taxing units and the equivalent tax rate of the Initial Major Improvement Annual Installment based on the Estimated Buildout Values at the time Assessment Ordinance is approved. The resulting TIRZ Maximum Annual Credit Amount for each Lot Type is shown on **Exhibit F**. The TIRZ Maximum Annual Credit Amount will not be used to reduce the principal and interest on the Additional Major Improvement Assessment.
3. After the TIRZ Annual Credit Amount is applied to provide a credit towards the principal and interest portion of the Initial Major Improvement Annual Installment for the Assessed Property, any excess TIRZ Revenues available from the TIRZ Fund shall be applied pursuant to the TIRZ Project Plan.

SECTION VI: TERMS OF THE ASSESSMENTS

Any reallocation of Assessments as described in this **Section VI** shall be considered an administrative action of the City and will not be subject to the notice or public hearing requirements under the PID Act.

A. Reallocation of Assessments

1. Upon Division Prior to Recording of Subdivision Plat or Declaration

Upon the division of any Assessed Property (without the recording of a subdivision plat), the Administrator shall reallocate the Assessment for the Assessed Property prior to the division among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

A = the Assessment for the newly divided Assessed Property
B = the Assessment for the Assessed Property prior to division
C = the Estimated Buildout Value of the newly divided Assessed Property
D = the sum of the Estimated Buildout Value for all the newly divided Assessed Properties

The calculation of the Assessment of an Assessed Property shall be performed by the Administrator and shall be based on the Estimated Buildout Value of that Assessed Property, as provided by the Owner, relying on information from builders, market studies, appraisals, Official Public Records of the County, and any other relevant information regarding the Assessed Property. The Estimated Buildout Values for each Lot Type are shown on **Exhibit E** and will not change in future Annual Service Plan Updates but **Exhibit E** may be updated in future Annual Service Plan Updates to account for additional Lot Types. The calculation as confirmed by the City Council shall be conclusive and binding.

The sum of the Assessments for all newly divided Assessed Properties shall equal the Assessment for the Assessed Property prior to subdivision. The calculation shall be made separately for each newly divided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update immediately following such reallocation.

2. Upon Subdivision by a Recorded Subdivision Plat or Recorded Declaration

Upon the subdivision of any Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots based on Estimated Buildout Value according to the following formula:

$$A = [B \times (C \div D)]/E$$

Where the terms have the following meanings:

A = the Assessment for the newly subdivided Lot
B = the Assessment for the Parcel prior to subdivision
C = the sum of the Estimated Buildout Value of all newly subdivided Lots with same Lot Type
D = the sum of the Estimated Buildout Value for all of the newly subdivided Lots excluding Non-Benefitted Property
E = the number of newly subdivided Lots with same Lot Type

Prior to the recording of a subdivision plat, the Owner shall provide the City an Estimated Buildout Value as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat or recorded declaration. The calculation of the Assessment for a Lot shall be performed by the Administrator and confirmed by the City Council based on Estimated Buildout Value information provided by the Owner, builders, third party consultants, and/or the Official Public Records of the County regarding the Lot. The Estimated Buildout Values for each Lot Type are shown on **Exhibit E** and will not change in future Annual Service Plan Updates. The calculation as confirmed by the City Council shall be conclusive and binding.

The sum of the Assessments for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Assessed Property. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update immediately following such reallocation.

3. Upon Consolidation

If two or more Lots or Parcels are consolidated into a single Lot or Parcel, the Administrator shall allocate the Assessments against the Lots or Parcels before the consolidation to the consolidated Lot or Parcel, which allocation shall be approved by the City Council in the next Annual Service Plan Update immediately following such consolidation. The Assessment for any resulting Lot may not exceed the Maximum Assessment for the applicable Lot Type and compliance may require a mandatory Prepayment of Assessments pursuant to **Section VI.B.**

B. True-Up of Assessments if Maximum Assessment Exceeded

Upon submission of a preliminary plat and/or site plan by the Owner to the City, the Owner shall provide the City the gross building square footage and use type for land included in the preliminary plat and/or site plan for each Lot anticipated to be created by the preliminary plat and/or site plan considering factors that may impact value. The Administrator will review the preliminary plat and/or site plan to determine if such plat and/or site plan will or will not result in the Assessment per Lot for any Lot Type within the preliminary plat and/or site plan exceeding the Maximum Assessment. If the Administrator determines the preliminary plat and/or site plan results in an Assessment per Lot for any Lot Type exceeding the Maximum Assessment, prior to the City issuing any building permit for any such Lot described in the reviewed preliminary plat or site plan, the Owner will make a Prepayment in an amount sufficient to reduce the Assessment for each Lot within such preliminary plat and/or site plan to the Maximum Assessment. The City's approval of an Annual Service Plan Update, a preliminary plat, or a site plan without payment of such Prepayment amounts does not eliminate the obligation of the Owner to pay such amounts.

By way of illustration, if a block is initially anticipated to contain 1,000 square feet of commercial property subject to a Maximum Assessment of \$10 per square foot, the block would initially be allocated a total Assessment of \$10,000. If the Developer then submits to the City and Administrator a Preliminary Site Plan showing only 800 square feet of commercial property on said block, the Owner will be required to make or cause to be made a Prepayment in an amount sufficient to reduce the Assessment allocated to said block to the Maximum Assessment of \$10 per square foot, which is calculated using the following formula:

$$A = B - (C * D)$$

Where the terms have the following meanings:

A = the Prepayment amount

B = the Assessment originally allocated to the Assessed Property

C = the number of units in the Assessed Property per the Preliminary Site Plan

D = the Maximum Assessment per unit

	Square Footage	Assessment	Assessment per Square Foot ^[a]
Initially Anticipated:	1,000	\$ 10,000.00	\$ 10.00
Site Plan:	800	\$ 10,000.00	\$ 12.50
Post-Prepayment ^[b] :	800	\$ 8,000.00	\$ 10.00

Footnotes:

[a] The Maximum Assessment per square foot is \$10.00.

[b] The Mandatory Prepayment amount required in this example to reduce the Assessment per square foot back down to the Maximum Assessments of \$10.00 is \$2,000.00 (10,000-(800*10) = 2,000).

C. Mandatory Prepayment of Assessments

If Assessed Property is transferred to a person or entity that is exempt from payment of the Assessments under applicable law or any portion of Assessed Property becomes Non-Benefitted Property, the owner transferring the Assessed Property or causing the portion to become Non-Benefitted Property shall pay to the City or the Administrator on behalf of the City the full amount of the outstanding Assessment, plus Prepayment Costs and Delinquent Collection Costs, if any, for such Assessed Property, prior to the transfer; provided that, however, such mandatory Prepayment of the Assessment shall not be required for portions of a Parcel that are dedicated or conveyed to the City, a property owner association, any other governmental entity or utility provider for use as internal roads, utilities, parks, drainage and detention facilities, and other similar public improvements, in which case the Assessment that was allocated to the Parcel will be reallocated to the remainder of the Parcel. If a reallocation to the remainder of the Parcel as

provided in the foregoing sentence causes the Assessment for such remainder to exceed the Maximum Assessment, the owner of the remainder of the Parcel must partially prepay the Assessment to the extent it exceeds the Maximum Assessment in an amount sufficient to reduce the Assessment to the Maximum Assessment.

D. Reduction of Assessments

If the Actual Costs of completed Initial Major Improvements are less than the Initial Major Improvement Assessments, then (i) in the event Initial Major Improvement Bonds have not been issued for the purpose of financing the Initial Major Improvements affected by such reduction in Actual Costs, the City Council shall reduce each Initial Major Improvement Assessment, on a pro rata basis, such that the sum of the resulting reduced Initial Major Improvement Assessments for all Initial Major Improvement Assessed Property equals the reduced Actual Costs that were expended, or (ii) in the event that Initial Major Improvement Bonds have been issued for the purpose of financing the Initial Major Improvements affected by such reduction in Actual Costs, the Trustee shall apply amounts on deposit in the applicable account of the project fund created under the Indenture relating to the Initial Major Improvement Bonds as directed by the City pursuant to the terms of such Indenture, and the TIRZ Annual Credit Amount will be reduced in the same proportion as the Initial Major Improvement Assessments. Such excess Initial Major Improvement Bond proceeds may be used for any purpose authorized by such Indenture. The Initial Major Improvement Assessments shall never be reduced to an amount less than the amount required to pay all outstanding debt service requirements on all outstanding Initial Major Improvement Bonds.

The Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Initial Major Improvement Assessment Roll and corresponding Initial Major Improvement Annual Installments to reflect the reduced Initial Major Improvement Assessments.

If the Actual Costs of completed Additional Major Improvements are less than the Additional Major Improvement Assessments, then (i) in the event Additional Major Improvement Bonds have not been issued for the purpose of financing the Additional Major Improvements affected by such reduction in Actual Costs, the City Council shall reduce each Additional Major Improvement Assessment, on a pro rata basis, such that the sum of the resulting reduced Additional Major Improvement Assessments for all Additional Major Improvement Assessed Property equals the reduced Actual Costs that were expended, or (ii) in the event that Additional Major Improvement Bonds have been issued for the purpose of financing the Additional Major Improvements affected by such reduction in Actual Costs, the Trustee shall apply amounts on deposit in the applicable account of the project fund created under the Indenture relating to the Additional Major Improvement Bonds as directed by the City pursuant to the terms of such

Indenture, and the TIRZ Annual Credit Amount will be reduced in the same proportion as the Additional Major Improvement Assessments. Such excess Additional Major Improvement Bond proceeds may be used for any purpose authorized by such Indenture. The Additional Major Improvement Assessments shall never be reduced to an amount less than the amount required to pay all outstanding debt service requirements on all outstanding Additional Major Improvement Bonds.

The Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Additional Major Improvement Assessment Roll and corresponding Additional Major Improvement Annual Installments to reflect the reduced Additional Major Improvement Assessments.

E. Prepayment of Assessments

The owner of any Assessed Property may, at any time, pay all or any part of an Assessment in accordance with the PID Act. Prepayment Costs, if any, may be paid from a reserve established under the applicable Indenture. If an Annual Installment has been billed, or the Annual Service Plan Update has been approved by the City Council prior to the Prepayment, the Annual Installment shall be due and payable and shall be credited against the Prepayment.

If an Assessment on an Assessed Property is prepaid in full, with Prepayment Costs, (1) the Administrator shall cause the Assessment to be reduced to zero on said Assessed Property and the applicable Assessment Rolls revised accordingly; (2) the Administrator shall prepare the revised Assessment Rolls and submit such revised Assessment Roll to the City Council for review and approval as part of the next Annual Service Plan Update; (3) the obligation to pay the Assessment and corresponding Annual Installments shall terminate with respect to said Assessed Property; and (4) the City shall provide the owner with a recordable "Notice of Assessment Termination."

If an Assessment on an Assessed Property is prepaid in part, with Prepayment Costs: (1) the Administrator shall cause the Assessment to be reduced to reflect the amount of the Assessment remaining after such partial prepayment on said Assessed Property and the Assessment Roll revised accordingly; (2) the Administrator shall prepare the revised Assessment Roll and submit such revised Assessment Roll to the City Council for review and approval as part of the next Annual Service Plan Update; and (3) the obligation to pay the Assessment will be reduced to the extent of the Prepayment made.

F. Payment of Assessment in Annual Installments

Assessments that are not paid in full shall be due and payable in Annual Installments. **Exhibit G-3** shows the estimated Annual Installments including both the Initial Major Improvement

Assessment and the Additional Major Improvement Assessment. Annual Installments are subject to adjustment in each Annual Service Plan Update.

The Administrator shall prepare and submit to the City Council for its review and approval an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include updated Assessment Rolls and updated calculations of Annual Installments. The Annual Collection Costs for a given Assessment shall be paid by the owner of each Parcel pro rata based on the ratio of the amount of outstanding Assessment remaining on the Parcel to the total outstanding Assessment. Annual Installments may at the discretion of the City be reduced by any credits applied under an applicable Indenture, such as capitalized interest, interest earnings on account balances, and any other funds available to the Trustee for such purposes. Annual Installments shall be collected by the City in the same manner and at the same time as ad valorem taxes to the extent practically possible. Annual Installments shall be subject to the penalties, procedures, and foreclosure sale in case of delinquencies as set forth in the PID Act and in the same manner as ad valorem taxes due and owing to the City. To the extent permitted by the PID Act or other applicable law, the City Council may provide for other means of collecting Annual Installments. Assessments shall have the lien priority specified in the PID Act.

Sales of the Assessed Property for nonpayment of Annual Installments shall be subject to the lien for the remaining unpaid Annual Installments against the Assessed Property, and the Assessed Property may again be sold at a judicial foreclosure sale if the purchaser fails to timely pay any of the remaining unpaid Annual Installments as they become due and payable.

The City reserves the right to refund PID Bonds in accordance with applicable law, including the PID Act. In the event of a refunding, the Administrator shall recalculate the Annual Installments so that total Annual Installments will be sufficient to pay the refunding bonds, and the refunding bonds shall constitute "PID Bonds."

Each Annual Installment of an Assessment, including interest on the unpaid principal of the Assessment, shall be updated annually. Each Annual Installment shall be due when billed and shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments of the Initial Major Improvement Assessments shall be due when billed and shall be delinquent if not paid prior to February 1, 2027 (except that Additional Interest will be first due on February 1, 2026). See **Exhibits G-1, G-2, and G-3**. The initial Annual Installments of the Additional Major Improvement Assessments shall become delinquent on the first February 1 falling after the Additional Major Improvement Assessments Trigger Date.

Failure of an owner of an Assessed Property to receive an invoice for an Annual Installment shall not relieve said owner of the responsibility for payment of the Assessment. Assessments, or Annual Installments thereof, that are delinquent shall incur Delinquent Collection Costs.

G. Prepayment as a Result of an Eminent Domain Proceeding or Taking

Subject to applicable law, if any portion of any Parcel of Assessed Property is taken from an owner as a result of eminent domain proceedings or if a transfer of any portion of any Parcel of Assessed Property is made to an entity with the authority to condemn all or a portion of the Assessed Property in lieu of or as a part of an eminent domain proceeding (a "Taking"), the portion of the Assessed Property that was taken or transferred (the "Taken Property") shall be reclassified as Non-Benefitted Property.

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

In all instances the Assessment remaining on the Remaining Property shall not exceed the applicable Maximum Assessment.

By way of illustration, if an owner owns 100 acres of Assessed Property subject to a \$100 Assessment and 10 acres is taken through a Taking, the 10 acres of Taken Property shall be reclassified as Non-Benefitted Property and the remaining 90 acres constituting the Remaining Property shall be subject to the \$100 Assessment (provided that this \$100 Assessment does not exceed the Maximum Assessment on the Remaining Property). If the Administrator determines that the \$100 Assessment reallocated to the Remaining Property would exceed the Maximum Assessment, as applicable, on the Remaining Property by \$10, then the owner shall be required to pay \$10 as a Prepayment of the Assessment against the Remaining Property and the Assessment on the Remaining Property shall be adjusted to \$90.

Notwithstanding the previous paragraphs in this subsection, if the owner of the Remaining Property notifies the City and the Administrator that the Taking prevents the Remaining Property from being developed for any use which could support the Estimated Buildout Value

requirement, the owner shall, upon receipt of the compensation for the Taken Property, be required to prepay the amount of the Assessment required to buy down the outstanding Assessment to the applicable Maximum Assessment on the Remaining Property to support the Estimated Buildout Value requirement. The owner will remain liable to pay the Assessment on both the Taken Property and the Remaining Property until such time that such Assessment has been prepaid in full.

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

SECTION VII: ASSESSMENT ROLL

The Assessment Rolls are attached as **Exhibit G-1** and **Exhibit G-2**. The Administrator shall prepare and submit to the City Council for review and approval proposed revisions to the Assessment Rolls and Annual Installments for each Parcel as part of each Annual Service Plan Update.

SECTION VIII: ADDITIONAL PROVISIONS

A. Calculation Errors

If the owner of a Parcel claims that an error has been made in any calculation required by this Service and Assessment Plan, including, but not limited to, any calculation made as part of any Annual Service Plan Update, the owner's sole and exclusive remedy shall be to submit a written notice of error to the Administrator by December 1st of each year following City Council's approval of the calculation. Otherwise, the owner shall be deemed to have unconditionally approved and accepted the calculation. The Administrator shall provide a written response to the City Council and the owner not later than 30 days after receipt of such a written notice of error by the Administrator. The City Council shall consider the owner's notice of error and the Administrator's response at a public meeting, and, not later than 30 days after closing such meeting, the City Council shall make a final determination as to whether an error has been made. If the City Council determines that an error has been made, the City Council shall take such corrective action as is authorized by the PID Act, this Service and Assessment Plan, the applicable Assessment Ordinance, the applicable Indenture, or as otherwise authorized by the discretionary power of the City Council. The determination by the City Council as to whether an error has been made, and any corrective action taken by the City Council, shall be final and binding on the owner and the Administrator. Any action by the City Council shall not impair the rights or security for bondholders of the PID Bonds.

B. Amendments

Amendments to this Service and Assessment Plan must be made by the City Council in accordance with the PID Act. To the extent permitted by the PID Act, this Service and Assessment Plan may be amended without notice to owners of the Assessed Property: (1) to correct mistakes and clerical errors; (2) to clarify ambiguities; and (3) to provide procedures to collect Assessments, Annual Installments, and other charges imposed by this Service and Assessment Plan.

C. Administration and Interpretation

The Administrator shall: (1) perform the obligations of the Administrator as set forth in this Service and Assessment Plan; (2) administer the District for and on behalf of and at the direction of the City Council; and (3) interpret the provisions of this Service and Assessment Plan. Interpretations of this Service and Assessment Plan by the Administrator shall be in writing and shall be appealable to the City Council by owners of Assessed Property adversely affected by the interpretation. Appeals shall be decided by the City Council after holding a public hearing at which all interested parties have an opportunity to be heard. Decisions by the City Council shall be final and binding on the owners of Assessed Property and developers and their successors and assigns.

D. Form of Buyer Disclosure; Filing in Real Property Records

Within seven days of approval by the City Council, the Assessment Ordinance shall be filed and recorded in the real property records of the County. In addition, the City shall similarly file each Annual Service Plan Update approved by the City Council, with each such filing to occur within seven days of the date of each respective Annual Service Plan Update is approved.

E. Severability

If any provision of this Service and Assessment Plan is determined by a governmental agency or court to be unenforceable, the unenforceable provision shall be deleted and, to the maximum extent possible, shall be rewritten to be enforceable. Remaining provisions of this Service and Assessment Plan shall remain in effect.

EXHIBITS

The following Exhibits are attached to and made a part of this Service and Assessment Plan for all purposes:

Exhibit A	District Boundary Map
Exhibit B-1	Project Costs
Exhibit B-2	Fire Station Apportionment of Costs
Exhibit C	Service Plan
Exhibit D	Sources and Uses of Funds
Exhibit E	Maximum Assessment and Tax Rate Equivalent
Exhibit F	TIRZ Maximum Annual Credit Amount
Exhibit G-1	Initial Major Improvement Assessment Roll
Exhibit G-2	Additional Major Improvement Assessment Roll
Exhibit G-3	Annual Installments
Exhibit H	Maps of Initial Major Improvements and Additional Major Improvements
Exhibit I	Form of Notice of PID Assessment Termination
Exhibit J-1	Debt Service Schedule for Initial Major Improvement Bonds
Exhibit J-2	Annual Installment Schedule for Additional Major Improvement Reimbursement Obligation
Exhibit K	District Boundary Description

APPENDICES

The following Appendices are attached to and made a part of this Service and Assessment Plan for all purposes:

Appendix A Engineer's Report

Appendix B Buyer Disclosures

EXHIBIT A – DISTRICT BOUNDARY MAP

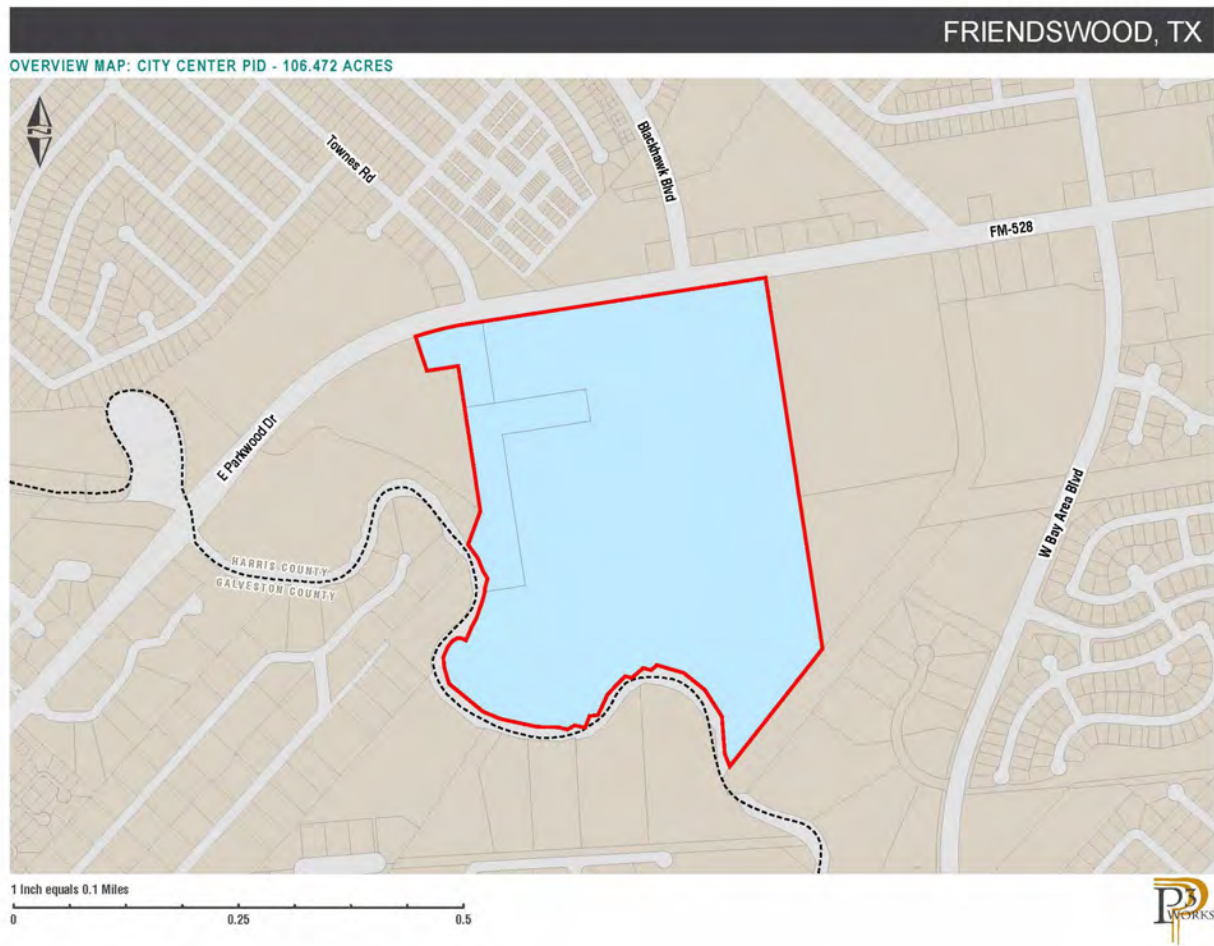


EXHIBIT B-1 – PROJECT COSTS

		Non-District Costs ^[b]		District	
	Total Costs ^[a]	%	\$	%	\$
Initial Major Improvements					
FM 528 Traffic Improvements	\$1,200,000	0.00%	\$ -	100.00%	\$1,200,000
Phase 1 Blackhawk Boulevard Improvements	240,923	0.00%	-	100.00%	240,923
Phase 1 Townes Road Improvements	271,984	0.00%	-	100.00%	271,984
Phase 1 Madison Avenue Improvements	98,159	0.00%	-	100.00%	98,159
Larrabee Way Improvements	817,556	0.00%	-	100.00%	817,556
Phase 1 Earthwork, Paving and Grading	649,796	36.51%	237,253	63.49%	412,543
Clearing, Grubbing and Demolition	3,226,758	72.93%	2,353,150	27.07%	873,609
Detention Pond 1	14,761,896	5.27%	778,095	94.73%	13,983,801
Detention Pond 2	2,018,477	0.00%	-	100.00%	2,018,477
Phase 1 Storm Drainage	5,144,261	0.00%	-	100.00%	5,144,261
Contingency ^[c]	3,695,875	0.00%	-	100.00%	3,695,875
Soft Costs ^[d]	1,714,512	95.16%	1,631,502	4.84%	83,010
	\$ 33,840,197		\$ 5,000,000		\$ 28,840,198
Additional Major Improvements					
Phase 2 Blackhawk Blvd. Improvements	\$3,703,530	0.00%	\$ -	100.00%	\$3,703,530
Phase 2 Townes Rd. Improvements	323,993	0.00%	-	100.00%	323,993
Phase 2 Madison Ave. Improvements	213,654	0.00%	-	100.00%	213,654
Bennett Blvd. Improvements	804,530	0.00%	-	100.00%	804,530
Phase 2 Earthwork, Paving & Grading	1,417,727	0.00%	-	100.00%	1,417,727
Water	1,007,036	0.00%	-	100.00%	1,007,036
Wastewater	862,879	0.00%	-	100.00%	862,879
Sanitary Sewer Lift Station	1,330,700	0.00%	-	100.00%	1,330,700
Phase 2 Storm Drainage	179,101	0.00%	-	100.00%	179,101
Landscaping, Parks and Amenities	5,597,472	0.00%	-	100.00%	5,597,472
Fire Station ^[e]	8,300,000	87.57%	7,268,310	12.43%	1,031,690
Contingency ^[f]	2,141,400	0.00%	-	100.00%	2,141,400
Soft Costs ^[g]	2,981,848	0.00%	-	100.00%	2,981,848
	\$ 28,863,870		\$ 7,268,310		\$ 21,595,560
Initial Major Improvement Bond Issuance Costs					
Delinquency and Prepayment Reserve Fund	\$ 639,210		\$ -		\$ 639,210
Debt Service Reserve Fund	3,051,490		-		3,051,490
Capitalized Interest	4,650,282		-		4,650,282
Underwriter Discount	1,107,210		-		1,107,210
Cost of Issuance	1,531,991		-		1,531,991
	\$ 10,980,183		\$ -		\$ 10,980,183
Additional Major Improvement Bond Issuance Costs ^[h]					
Delinquency and Prepayment Reserve Fund	\$ 443,650		\$ -		\$ 443,650
Debt Service Reserve Fund	1,470,400		-		1,470,400
Underwriter Discount	532,380		-		532,380
Cost of Issuance	862,922		-		862,922
	\$ 3,309,352		\$ -		\$ 3,309,352
Other Costs					
Deposit to Administrative Fund	\$ 363,465		\$ -		\$ 363,465
	\$ 363,465		\$ -		\$ 363,465
Total	\$ 77,357,067		\$ 12,268,310		\$ 65,088,757

Footnotes:

- [a] Costs were determined by the Engineer's Report attached hereto as **Appendix A**.
- [b] Funding for the Non-District Costs are being provided by other lawfully available revenue of the City and will not be reimbursed by the PID Bonds, Initial Major Improvement Assessments or Additional Major Improvement Assessments.
- [c] Calculated at 13% of hard construction costs for the Initial Major Improvements as approved by the City.
- [d] Includes District Formation Expenses, professional services fees related to drainage and flood mitigation, Land Planning, Design, Engineering, Geotechnical Engineering, and Surveying for the Initial Major Improvements.
- [e] Apportionment of Costs for the Fire Station is based on the estimated Assessed Valuation for the District as a percentage of the City's 2023 Assessed Valuation.
- [f] Calculated at 13% of hard construction costs for the Additional Major Improvements as approved by the City.
- [g] Includes professional services fees related to Engineering, Geotechnical Engineering, Surveying, Land Planning and Design of the Additional Major Improvements.
- [h] Preliminary estimates. Actual costs will be determined at the time of bond issuance for the Additional Major Improvements.

EXHIBIT B-2 – FIRE STATION – APPORTIONMENT OF COSTS

Entity	Estimated Assessed Valuation ¹	Fire Station Improvements ²		Total Apportionment to District ¹
		%	Costs	
City	5,401,437,619	87.57%	\$ 7,268,310	
District	766,871,099	12.43%	\$ 1,031,690	\$ 1,031,690
Total	\$ 6,168,308,718	100.00%	\$ 8,300,000	

Footnotes:

1)The District estimated Taxable Valuation is estimated by the Developer and the City's 2024 estimated Taxable Valuation is per the City on September 17, 2024.

2) The Fire Station Improvements are apportioned based on the estimated Taxable Valuation for the District as a percentage of the of City's 2024 estimated Taxable Valuation.

EXHIBIT C – SERVICE PLAN

		District				
Annual Installments Due		1/31/2025	1/31/2026	1/31/2027	1/31/2028	1/31/2029
<i>Initial Major Improvement Bonds</i>						
Principal		\$ -	\$ -	\$ 468,000	\$ 499,000	\$ 533,000
Interest ^[a]		2,066,792	2,583,490	2,583,490	2,550,730	2,515,800
Capitalized Interest		(2,066,792)	(2,583,490)	-	-	-
	(1)	\$ -	\$ -	\$ 3,051,490	\$ 3,049,730	\$ 3,048,800
Additional Interest ^[b]	(2)	\$ -	\$ 45,900	\$ 46,818	\$ 47,754	\$ 48,709
Annual Collection Costs ^[c]	(3)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Installment Due	(4) = (1) + (2) + (3)	\$ -	\$ 45,900	\$ 3,098,308	\$ 3,097,484	\$ 3,097,509
<i>Additional Major Improvements Reimbursement Obligation</i>						
Principal		\$ -	\$ -	\$ 226,000	\$ 244,000	\$ 260,000
Interest ^[d]		-	879,906	1,242,220	1,226,400	1,209,320
	(4)	\$ -	\$ 879,906	\$ 1,468,220	\$ 1,470,400	\$ 1,469,320
Additional Interest ^[e]	(5)	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Collection Costs	(6)	\$ -	\$ 35,700	\$ 36,414	\$ 37,142	\$ 37,885
Total Annual Installment Due	(4) = (1) + (2) + (3)	\$ -	\$ 915,606	\$ 1,504,634	\$ 1,507,542	\$ 1,507,205

Footnotes:

[a] Calculated at the rate on the Series 2024 Bonds plus Additional Interest.

[b] Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of outstanding bond par.

[c] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.

[d] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on the Bonds plus the Additional Interest.

[e] Additional Interest will be collected if Additional Major Improvement Bonds are issued.

EXHIBIT D – SOURCES AND USES OF FUNDS

	Initial Major Improvements	Additional Major Improvements	Total
Sources of Funds			
Initial Major Improvement Bonds	\$ 36,907,000	\$ -	\$ 36,907,000
Additional Major Improvement Reimbursement Obligation ^[a]	-	17,746,000	\$ 17,746,000
Non-District Sources ^[b]	5,000,000	7,268,310	12,268,310
Owner Contribution ^[c]	3,241,846	7,193,911	10,435,757
Total Sources of Funds	\$ 45,148,846	\$ 32,208,221	\$ 77,357,067
Uses of Funds			
Major Improvements	\$ 28,840,198	\$ 21,595,560	\$ 50,435,757
Non-PID Improvements	\$ 5,000,000	\$ 7,268,310	\$ 12,268,310
Total Improvements	\$ 33,840,197	\$ 28,863,870	\$ 62,704,067
<i>Initial Major Improvement Bond Issuance Costs</i>			
Delinquency and Prepayment Reserve Fund	\$ 639,210	\$ -	\$ 639,210
Debt Service Reserve Fund	3,051,490	-	3,051,490
Capitalized Interest	4,650,282	-	4,650,282
Underwriter Discount	1,107,210	-	1,107,210
Cost of Issuance	1,531,991	-	1,531,991
	<u>\$ 10,980,183</u>	<u>\$ -</u>	<u>10,980,183</u>
<i>Additional Major Improvement Bond Issuance Costs^[d]</i>			
Delinquency and Prepayment Reserve Fund	\$ -	\$ 443,650	\$ 443,650
Debt Service Reserve Fund	-	1,470,400	1,470,400
Underwriter Discount	-	532,380	532,380
Cost of Issuance	-	862,922	862,922
	<u>\$ -</u>	<u>3,309,352</u>	<u>3,309,352</u>
<i>Other Costs</i>			
Deposit to Administrative Fund	\$ 328,465	35,000	\$ 363,465
	<u>\$ 328,465</u>	<u>\$ 35,000</u>	<u>\$ 363,465</u>
Total Uses of Funds	\$ 45,148,846	\$ 32,208,221	\$ 77,357,067

Footnotes:

[a] Remaining reimbursement to the developer pursuant to the Reimbursement Agreement that shall be paid with Annual Installments of Additional Major Improvement Assessments or may be financed by the issuance of future PID Bonds.

[b] Non-District sources are lawfully available revenue of the City to be contributed to pay or reimburse certain costs of the Authorized Improvements and will not be utilized to buydown the Initial Major Improvement Assessment or the Additional Major Improvement Assessment. The sources are to be paid as a direct reimbursement for costs.

[c] Non-reimbursable to the Owner/Developer through PID Bonds, the Initial Major Improvement Assessments, or the Additional Major Improvement Assessments.

[d] Estimated, subject to change.

EXHIBIT E – MAXIMUM ASSESSMENT AND TAX RATE EQUIVALENT

		Units/Sq. Ft. ^(b)	Estimated Buildout Value ^(c)		Initial Major Improvement Assessment		Additional Major Improvement Assessment ^(d)		Total Maximum Assessment ^{(e),(f)}		Initial Major Improvement Maximum Annual Installment		Additional Major Improvement Maximum Annual Installment		Total Maximum Annual Installment		Value to Lien Per Appraised Value ^(g)	TRE ^(h)
Lot Type	Function ^(a)		Per Unit/Sq. Ft.	Total	Per Unit/Sq. Ft.	Total	Per Unit/Sq. Ft.	Total	Per Unit/Sq. Ft.	Total	Per Unit/Sq. Ft.	Total	Per Unit/Sq. Ft.	Total	Per Unit/Sq. Ft.	Total ⁽ⁱ⁾		
Lot Type 1	Inline Retail or Food Retail	76,408	\$ 578	\$ 44,140,000	\$ 27.80	\$ 2,124,314	\$ 13.37	\$ 1,021,434	\$ 41.17	\$ 3,145,748	\$ 2.333972	\$ 178,334	\$ 1.135640	\$ 86,772	\$ 3.47	\$ 265,059	20.778	\$ 0.600496
Lot Type 2	Mixed Use Building	268,800	\$ 480	\$ 129,125,714	\$ 23.12	\$ 6,214,399	\$ 11.12	\$ 2,988,071	\$ 34.24	\$ 9,202,469	\$ 1.940822	\$ 521,693	\$ 0.944345	\$ 253,840	\$ 2.89	\$ 775,394	1.424	\$ 0.600496
Lot Type 3	Hotel	115	\$ 217,391	\$ 25,000,000	\$ 10,462.33	\$ 1,203,168	\$ 5,030.61	\$ 578,520	\$ 15,492.94	\$ 1,781,688	\$ 878.303040	\$ 101,005	\$ 427.355501	\$ 49,146	\$ 1,305.66	\$ 150,124	1.737	\$ 0.600496
Lot Type 4	Office	194,050	\$ 405	\$ 78,605,385	\$ 19.50	\$ 3,783,020	\$ 9.37	\$ 1,818,990	\$ 28.87	\$ 5,602,011	\$ 1.636594	\$ 317,581	\$ 0.796317	\$ 154,525	\$ 2.43	\$ 472,022	1.092	\$ 0.600496
Lot Type 5	Multi-Family ^(j)	750,000	\$ 653	\$ 490,000,000	\$ 31.44	\$ 23,582,099	\$ 15.12	\$ 11,338,985	\$ 46.56	\$ 34,921,084	\$ 2.639593	\$ 1,979,695	\$ 1.284346	\$ 963,259	\$ 3.92	\$ 2,942,428	0.679	\$ 0.600496
Total			766,871,099		\$ 36,907,000		\$ 17,746,000		\$ 54,653,000		\$ 3,098,308		\$ 1,507,542		\$ 4,605,027	2.038	\$ 0.600496	

Footnotes:

[a] Buildout Values and Assessments are calculated based on data provided by the Developer. As property develops, if the property use(s) change(s) from the proposed use, a prepayment of an Assessment may be required upon completion of a true up during each Annual Update.

[b] Lot Type 3 Units equivalent to number of keys.

[c] Estimated Buildout Value for Lot Types 2, 3, 4, and 5 are per Developer on September 19, 2024 and Lot Type 1 is based on Appraisal dated July 24, 2024.

[d] The Assessments will be levied as Initial Major Improvement Assessments and Additional Major Improvement Assessments and includes collection of Additional Interest on the Initial Major Improvements in the amounts set forth on **Exhibit G-3**. The Additional Major Improvement Assessments Trigger Date, as defined in the Service and Assessment Plan, determines the first Annual Installment of the Initial Major Improvement Assessment shall begin and be due 1/31/2026.

[e] Values per Appraisal dated July 24, 2024. VTL is calculated on Initial Major Improvement Assessment only.

[f] Lot Type 5 - Multi-Family includes corridor retail.

[g] The Total PID TRE is less than the sum of the Total Maximum Annual Installment because the Maximum Annual Installment doesn't occur in the same year for the Initial Major Improvements as the Additional Major Improvements.

[h] TRE includes collection Additional Interest on the Initial Major Improvements in the amounts set forth on **Exhibit G-3** and any amounts shown as Additional Interest on any Annual Installment schedule herein as Additional Interest will only be collected on the Initial Major Improvement Assessment when the balance of the Delinquency and Prepayment Reserve Account is below 2.5% of the outstanding bond par. Additional Interest shall only be collected on the Additional Major Improvements when the Additional Major Improvement Bonds are issued.

EXHIBIT F – TIRZ MAXIMUM ANNUAL CREDIT AMOUNT

Initial Major Improvements Assessment													
Land Use and Initial Major Improvements Assessment							Pre-TIRZ Annual Installment		TIRZ Credit		Post-TIRZ Annual Installment		
Lot Type	Units/Sq. Ft. ^[a]	Total Improved Land Value	AV Per Unit/Square Foot	Total AV	Initial Major Improvements Assessment	Initial Major Improvements Assessment Per Unit	Initial Major Improvements Annual Installment		TIRZ No. 1 Maximum Annual Credit Amount Per Unit	Total Annual TIRZ No. 1 Credit	Initial Major Improvements Annual Installment		
							Per Unit/SqFt	Total			Per Unit/SqFt	Total	
Initial Major Improvements ^[b]													
Lot Type 1	76,408	\$ 6,830,000	\$ 578	\$ 44,140,000	\$ 2,124,314	\$ 27.8022	\$ 2.334	\$ 178,334.162	\$ (2.079)	\$ (158,868.865)	\$ 0.25	\$ 19,465.30	
Lot Type 2	268,800	\$ 8,850,000	\$ 480	\$ 129,125,714	\$ 6,214,399	\$ 23.1190	\$ 1.941	\$ 521,692.933	\$ (1.729)	\$ (464,749.786)	\$ 0.21	\$ 56,943.15	
Lot Type 3	115	\$ 2,090,000	\$ 217,391	\$ 25,000,000	\$ 1,203,168	\$ 10,462.3331	\$ 878.303	\$ 101,004.850	\$ (782.436)	\$ (89,980.100)	\$ 95.87	\$ 11,024.75	
Lot Type 4	194,050	\$ 4,130,000	\$ 405	\$ 78,605,385	\$ 3,783,020	\$ 19.4951	\$ 1.637	\$ 317,581.004	\$ (1.458)	\$ (282,916.816)	\$ 0.18	\$ 34,664.19	
Lot Type 5	750,000	\$ 16,020,000	\$ 653	\$ 490,000,000	\$ 23,582,099	\$ 31.4428	\$ 2.640	\$ 1,979,695.052	\$ (2.351)	\$ (1,763,609.960)	\$ 0.29	\$ 216,085.09	
Total		\$ 37,920,000		\$ 766,871,099		\$ 36,907,000	\$ 3,098,308.00		\$ (2,760,125.53)		\$ 338,182.47		

Additional Major Improvements Assessment													
Land Use and Additional Major Improvements Assessment							Pre-TIRZ Annual Installment		TIRZ Credit ^[d]		Post-TIRZ Annual Installment		
Lot Type	Units/Sq. Ft. ^[a]	Total Improved Land Value	AV Per Unit/Square Foot	Total AV	Additional Major Improvements Assessment	Additional Major Improvements Assessment Per Unit	Additional Major Improvements Annual Installment		TIRZ No. 1 Maximum Annual Credit Amount Per Unit	Total Annual TIRZ No. 1 Credit	Additional Major Improvements Annual Installment		
							Per Unit/SqFt	Total			Per Unit/SqFt	Total	
Additional Major Improvements ^[c]													
Lot Type 1	76,408	\$ 6,830,000	\$ 578	\$ 44,140,000	\$ 1,021,434	\$ 13.3700	\$ 1.1356	\$ 86,772	\$ -	\$ -	\$ 1.14	\$ 86,771.97	
Lot Type 2	268,800	\$ 8,850,000	\$ 480	\$ 129,125,714	\$ 2,988,071	\$ 11.1200	\$ 0.9443	\$ 253,840	\$ -	\$ -	\$ 0.94	\$ 253,839.89	
Lot Type 3	115	\$ 2,090,000	\$ 217,391	\$ 25,000,000	\$ 578,520	\$ 5,030.6100	\$ 427.3555	\$ 49,146	\$ -	\$ -	\$ 427.36	\$ 49,145.88	
Lot Type 4	194,050	\$ 4,130,000	\$ 405	\$ 78,605,385	\$ 1,818,990	\$ 9.3700	\$ 0.7963	\$ 154,525	\$ -	\$ -	\$ 0.80	\$ 154,525.24	
Lot Type 5	750,000	\$ 16,020,000	\$ 653	\$ 490,000,000	\$ 11,338,985	\$ 15.1200	\$ 1.2843	\$ 963,259	\$ -	\$ -	\$ 1.28	\$ 963,259.30	
		\$ 37,920,000		\$ 766,871,099		\$ 17,746,000	\$ 1,507,542.28		\$ -		\$ 1,507,542.28		

Footnotes:

[a] Lot Type 3 Units equivalent to number of keys.

[b] The TIRZ No. 1 Annual Credit for the Initial Major Improvements is calculated on the Initial Major Improvements Annual Installment.

[c] The TIRZ No. 1 Annual Credit for the Additional Major Improvements is calculated on the Additional Major Improvements Annual Installment.

EXHIBIT G-1 – INITIAL MAJOR IMPROVEMENT ASSESSMENT ROLL

City of Friendswood - City Center PID Initial Major Improvement Assessment Roll ^[e]											
Property ID	Address	Lot Type	Acres	Initial Major Improvement Outstanding Assessment ^[a]	(1) Principal ^[f]	(2) Interest ^[b]	(3) Capitalized Interest	(4) Additional Interest ^[c]	(5) Annual Collection Costs ^[d]	(6) = (1) + (2) + (3) + (4) + (5) Initial Major Improvements Annual Installment Due 1/31/2025 ^[a]	
1413970000003	FM 528 RD	Non Benefited	7.6699	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
1413970000001	3680 FM 528 RD	Non Benefited	3.0199	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
0432150000130	3801 E FM 528 RD	Initial Parcel	95.7822	\$ 36,907,000.04	\$ -	\$ 2,066,792.00	\$ (2,066,792.00)	-	\$ -	\$ -	-
Total			106.4720	\$ 36,907,000.04	\$ -	\$ 2,066,792.00	\$ (2,066,792.00)	\$ -	\$ -	\$ -	-

Footnotes:

[a] Totals may not match the total Outstanding Assessment and Annual Installment due to rounding.

[b] Interest is calculated at the rate of the Initial Major Improvement Bonds. Principal on the Initial Major Assessment Bonds is paid by Capitalized Interest for the installment due 1/31/2025. Interest for each year of the life of the Initial Major Improvement Assessment is depicted in **Exhibit G-3**.

[c] Additional Interest included but no collection is due for the 1/31/2025 installment date; however Additional Interest shall be collected beginning with the Annual Installment due 1/31/26 and shall be collected when the Delinquency and Prepayment Reserve Fund is below 2.5% of the par amount of the Initial Major Improvement Bonds.

[d] Annual Collection Costs will be assessed each year based on actual costs to administer the District.

[e] The Initial Major Improvement Assessment Roll depicted here shows the Initial Major Improvement Assessment due 1/31/2025. The levy of the Initial Major Improvement Assessment is for a period of 30 years beginning in 2025 through 2054 in the total principal amount of \$37,500,000.00 plus interest on the Initial Major Improvement Bonds, Additional Interest and Annual Collection Costs. **Exhibit G-3** identifies the levy of the Initial Major Improvement Assessments over this period with interest on the Initial Major Improvement Bonds, Annual Collection Costs and Additional Interest. **Exhibit G-3** Initial Major Improvement Annual Installments is hereby incorporated into this **Exhibit G-1**.

[f] There is no Annual Installment due 1/31/2025. Principal due each year for the life of the Initial Major Improvement Assessment is depicted in **Exhibit G-3**.

EXHIBIT G-2 – ADDITIONAL MAJOR IMPROVEMENT ASSESSMENT ROLL

City of Friendswood - City Center PID Additional Major Improvement Assessment Roll ^[e]												
Property ID	Address	Lot Type	Acres	Additional Major Improvement Outstanding Assessment ^[a]	(1) Principal ^[f]	(2) Interest ^[c]	(3) Capitalized Interest	(4) Additional Interest ^[d]	(5) Annual Collection Costs ^[d]	(6) = (1) + (2) + (3) + (4) + (5) Additional Major Improvements Annual Installment Due 1/31/2025 ^{[a],[b]}		
1413970000003	FM 528 RD	Non Benefited	7.6699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1413970000001	3680 FM 528 RD	Non Benefited	3.0199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0432150000130	3801 E FM 528 RD	Initial Parcel	95.7822	\$ 17,746,000.02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total			106.4720	\$ 17,746,000.02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Footnotes:

[a] Totals may not match the total Outstanding Assessment and Annual Installment due to rounding.

[b] The Additional Major Improvement Assessments Trigger Date defined in the Service and Assessment Plan determines the Annual Installment Due Date for the Additional Major Improvement Assessments.

[c] Interest will accrue on the Additional Major Improvement Assessment at a rate of 7.00% prior to the issuance of Additional Major Improvement Bonds. Upon on the issuance of Additional Major Improvement Bonds, the interest rate will adjust to the rate on such PID Bonds plus Additional Interest.

[d] Annual Collection Costs will be assessed each year based on actual costs to administer the District.

[e] The Additional Major Improvement Assessment Roll depicted here shows the Additional Major Improvement Assessment due 1/31/2025. The levy of the Additional Major Improvement Assessment is for a period of 30 years beginning in 2025 through 2054 in the total principal amount of \$17,822,000.00 plus interest on the Additional Major Improvement Bonds, Additional Interest and Annual Collection Costs. **Exhibit G-3** identifies the levy of the Additional Major Improvement Assessments over this period with interest on the Additional Major Improvement Bonds, Annual Collection Costs and Additional Interest. **Exhibit G-3** Additional Major Improvement Annual Installments is hereby incorporated into this **Exhibit G-2**.

[f] There is no Annual Installment due 1/31/2025. Collection of the Additional Major Improvement Assessment shall begin with the collection of Annual Collection Costs and interest due 1/31/2026. Principal due each year for the life of the Additional Major Improvement Assessment is depicted in **Exhibit G-3**.

EXHIBIT G-3 – ANNUAL INSTALLMENTS

	Initial Major Improvement Bonds							Additional Major Improvement Reimbursement Obligation ^[e]							
Installment Due 1/31	Principal	Interest ^[a]	Capitalized Interest	Annual Collection Costs ^[b]	Additional Interest ^[c]	Reserve Fund ^[d]	Initial Major Improvements Total Annual Installment Due ^[d]	Principal	Interest ^[f]	Annual Collection Costs	Reserve Fund ^[g]	Additional Interest ^[h]	Additional Major Improvements Total Annual Installment Due ^[d]	Total Annual Installment Due	
2025	\$ -	\$ 2,066,792	\$ (2,066,792)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2026	\$ -	\$ 2,583,490	\$ (2,583,490)	\$ -	\$ 45,900	\$ -	\$ 45,900	\$ -	\$ 879,906	\$ 35,700	\$ -	\$ -	\$ 915,606	\$ 961,506	
2027	\$ 468,000	\$ 2,583,490	\$ -	\$ -	\$ 46,818	\$ -	\$ 3,098,308	\$ 226,000	\$ 1,242,220	\$ 36,414	\$ -	\$ -	\$ 1,504,634	\$ 4,602,942	
2028	\$ 499,000	\$ 2,550,730	\$ -	\$ -	\$ 47,754	\$ -	\$ 3,097,484	\$ 244,000	\$ 1,226,400	\$ 37,142	\$ -	\$ -	\$ 1,507,542	\$ 4,605,027	
2029	\$ 533,000	\$ 2,515,800	\$ -	\$ -	\$ 48,709	\$ -	\$ 3,097,509	\$ 260,000	\$ 1,209,320	\$ 37,885	\$ -	\$ -	\$ 1,507,205	\$ 4,604,715	
2030	\$ 570,000	\$ 2,478,490	\$ -	\$ -	\$ 49,684	\$ -	\$ 3,098,174	\$ 277,000	\$ 1,191,120	\$ 38,643	\$ -	\$ -	\$ 1,506,763	\$ 4,604,936	
2031	\$ 609,000	\$ 2,438,590	\$ -	\$ 6,078	\$ 44,600	\$ -	\$ 3,098,267	\$ 295,000	\$ 1,171,730	\$ 39,416	\$ -	\$ -	\$ 1,506,146	\$ 4,604,413	
2032	\$ 650,000	\$ 2,395,960	\$ -	\$ 51,691	\$ -	\$ -	\$ 3,097,651	\$ 315,000	\$ 1,151,080	\$ 40,204	\$ -	\$ -	\$ 1,506,284	\$ 4,603,935	
2033	\$ 695,000	\$ 2,350,460	\$ -	\$ 52,725	\$ -	\$ -	\$ 3,098,185	\$ 336,000	\$ 1,129,030	\$ 41,008	\$ -	\$ -	\$ 1,506,038	\$ 4,604,223	
2034	\$ 742,000	\$ 2,301,810	\$ -	\$ 53,779	\$ -	\$ -	\$ 3,097,589	\$ 359,000	\$ 1,105,510	\$ 41,828	\$ -	\$ -	\$ 1,506,338	\$ 4,603,927	
2035	\$ 793,000	\$ 2,249,870	\$ -	\$ 54,855	\$ -	\$ -	\$ 3,097,725	\$ 384,000	\$ 1,080,380	\$ 42,665	\$ -	\$ -	\$ 1,507,045	\$ 4,604,770	
2036	\$ 847,000	\$ 2,194,360	\$ -	\$ 55,952	\$ -	\$ -	\$ 3,097,312	\$ 410,000	\$ 1,053,500	\$ 43,518	\$ -	\$ -	\$ 1,507,018	\$ 4,604,330	
2037	\$ 906,000	\$ 2,135,070	\$ -	\$ 57,071	\$ -	\$ -	\$ 3,098,141	\$ 437,000	\$ 1,024,800	\$ 44,388	\$ -	\$ -	\$ 1,506,188	\$ 4,604,329	
2038	\$ 968,000	\$ 2,071,650	\$ -	\$ 58,212	\$ -	\$ -	\$ 3,097,862	\$ 467,000	\$ 994,210	\$ 45,276	\$ -	\$ -	\$ 1,506,486	\$ 4,604,349	
2039	\$ 1,034,000	\$ 2,003,890	\$ -	\$ 59,377	\$ -	\$ -	\$ 3,097,267	\$ 499,000	\$ 961,520	\$ 46,182	\$ -	\$ -	\$ 1,506,702	\$ 4,603,968	
2040	\$ 1,106,000	\$ 1,931,510	\$ -	\$ 60,564	\$ -	\$ -	\$ 3,098,074	\$ 532,000	\$ 926,590	\$ 47,105	\$ -	\$ -	\$ 1,505,695	\$ 4,603,769	
2041	\$ 1,182,000	\$ 1,854,090	\$ -	\$ 61,775	\$ -	\$ -	\$ 3,097,865	\$ 569,000	\$ 889,350	\$ 48,047	\$ -	\$ -	\$ 1,506,397	\$ 4,604,263	
2042	\$ 1,263,000	\$ 1,771,350	\$ -	\$ 63,011	\$ -	\$ -	\$ 3,097,361	\$ 608,000	\$ 849,520	\$ 49,008	\$ -	\$ -	\$ 1,506,528	\$ 4,603,889	
2043	\$ 1,351,000	\$ 1,682,940	\$ -	\$ 64,271	\$ -	\$ -	\$ 3,098,211	\$ 649,000	\$ 806,960	\$ 49,989	\$ -	\$ -	\$ 1,505,949	\$ 4,604,160	
2044	\$ 1,444,000	\$ 1,588,370	\$ -	\$ 65,557	\$ -	\$ -	\$ 3,097,927	\$ 694,000	\$ 761,530	\$ 50,988	\$ -	\$ -	\$ 1,506,518	\$ 4,604,445	
2045	\$ 1,544,000	\$ 1,487,290	\$ -	\$ 66,868	\$ -	\$ -	\$ 3,098,158	\$ 741,000	\$ 712,950	\$ 52,008	\$ -	\$ -	\$ 1,505,958	\$ 4,604,116	
2046	\$ 1,650,000	\$ 1,379,210	\$ -	\$ 68,205	\$ -	\$ -	\$ 3,097,415	\$ 793,000	\$ 661,080	\$ 53,048	\$ -	\$ -	\$ 1,507,128	\$ 4,604,543	
2047	\$ 1,764,000	\$ 1,263,710	\$ -	\$ 69,569	\$ -	\$ -	\$ 3,097,279	\$ 847,000	\$ 605,570	\$ 54,109	\$ -	\$ -	\$ 1,506,679	\$ 4,603,958	
2048	\$ 1,886,000	\$ 1,140,230	\$ -	\$ 70,960	\$ -	\$ -	\$ 3,097,190	\$ 905,000	\$ 546,280	\$ 55,191	\$ -	\$ -	\$ 1,506,471	\$ 4,603,662	
2049	\$ 2,017,000	\$ 1,008,210	\$ -	\$ 72,380	\$ -	\$ -	\$ 3,097,590	\$ 967,000	\$ 482,930	\$ 56,295	\$ -	\$ -	\$ 1,506,225	\$ 4,603,815	
2050	\$ 2,157,000	\$ 867,020	\$ -	\$ 73,827	\$ -	\$ -	\$ 3,097,847	\$ 1,033,000	\$ 415,240	\$ 57,421	\$ -	\$ -	\$ 1,505,661	\$ 4,603,508	
2051	\$ 2,306,000	\$ 716,030	\$ -	\$ 75,304	\$ -	\$ -	\$ 3,097,334	\$ 1,105,000	\$ 342,930	\$ 58,570	\$ -	\$ -	\$ 1,506,500	\$ 4,603,833	
2052	\$ 2,466,000	\$ 554,610	\$ -	\$ 76,810	\$ -	\$ -	\$ 3,097,420	\$ 1,181,000	\$ 265,580	\$ 59,741	\$ -	\$ -	\$ 1,506,321	\$ 4,603,741	
2053	\$ 2,637,000	\$ 381,990	\$ -	\$ 78,346	\$ -	\$ -	\$ 3,097,336	\$ 1,263,000	\$ 182,910	\$ 60,936	\$ -	\$ -	\$ 1,506,846	\$ 4,604,182	
2054	\$ 2,820,000	\$ 197,400	\$ -	\$ 79,913	\$ -	\$ (3,051,490)	\$ 45,823	\$ 1,350,000	\$ 94,500	\$ 62,155	\$ (1,470,400)	\$ -	\$ 36,255	\$ 82,078	
Total	\$ 36,907,000	\$ 52,744,412	\$ (4,650,282)	\$ 1,497,099	\$ 283,465	\$ (3,051,490)	\$ 83,730,204	\$ 17,746,000	\$ 23,964,646	\$ 1,384,883	\$ (1,470,400)	\$ -	\$ 41,625,129	\$ 125,355,332	

Footnotes:

[a] Interest is calculated at a rate of 7.00%.

[b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.

[c] The Delinquency and Prepayment Reserve Account was partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.

[d] Excludes the TIRZ Annual Credit Amount which will be calculated annually in each Annual Service Plan Update. The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

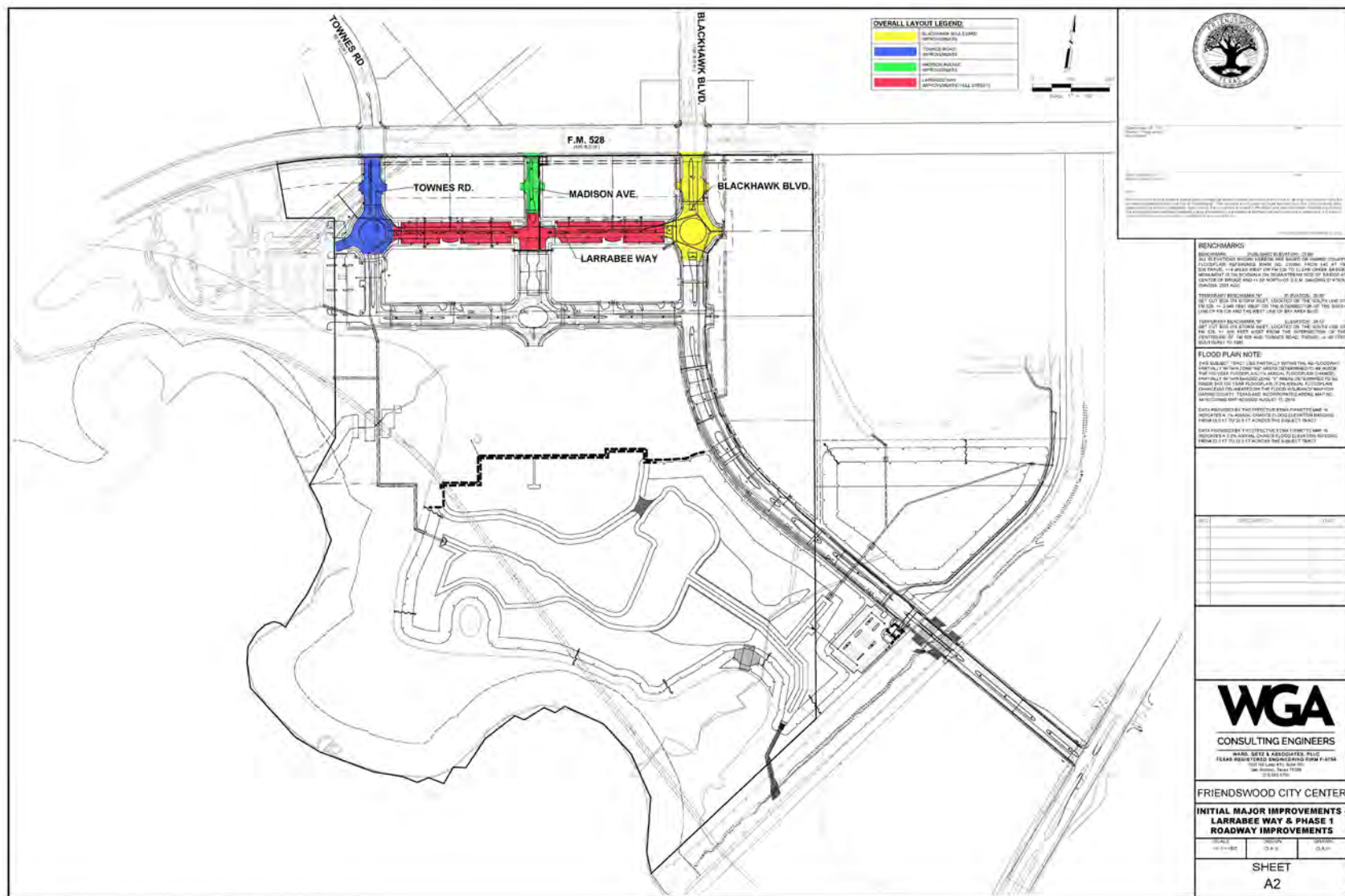
[e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.

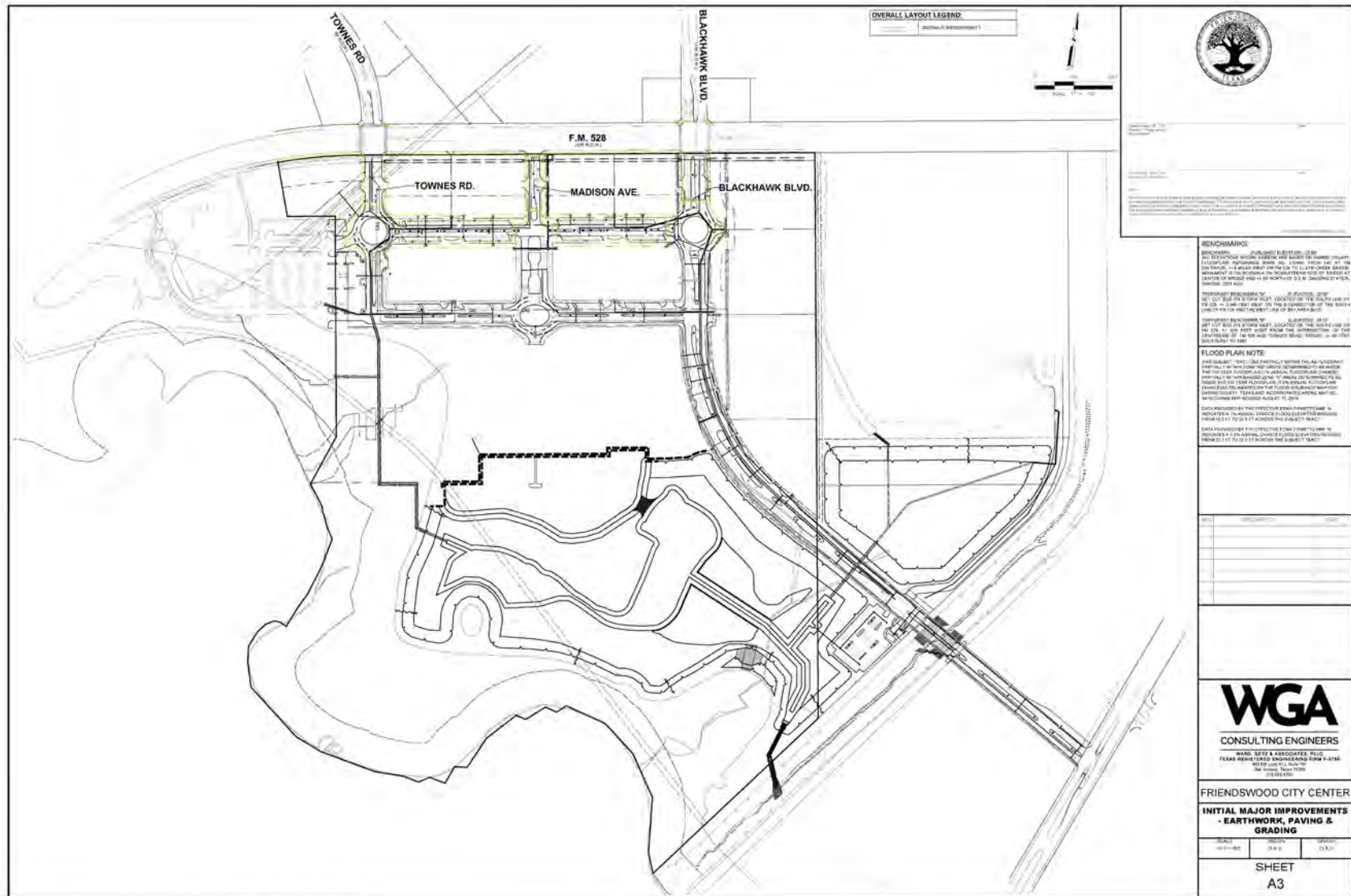
[f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.

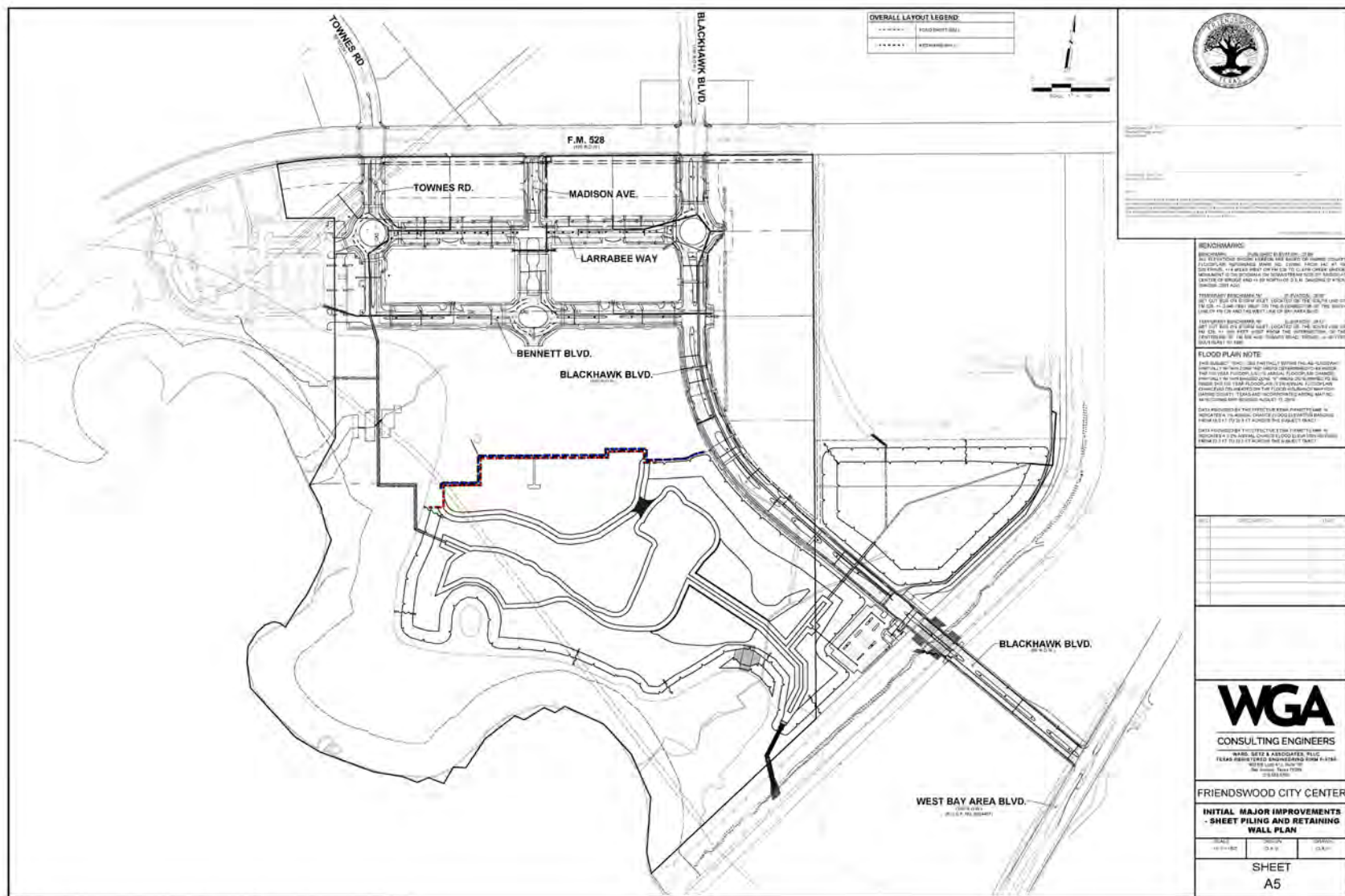
[g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.

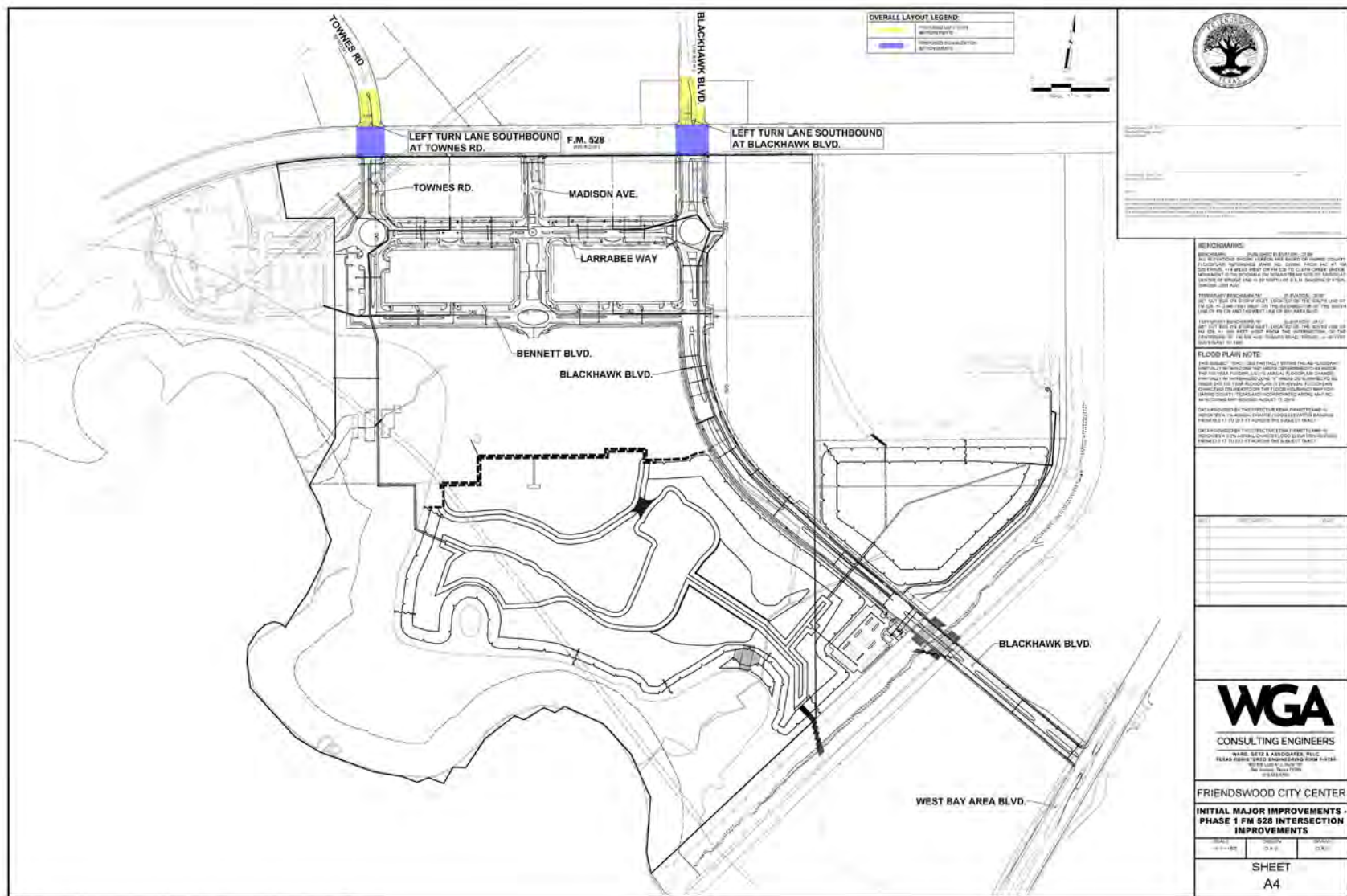
[h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

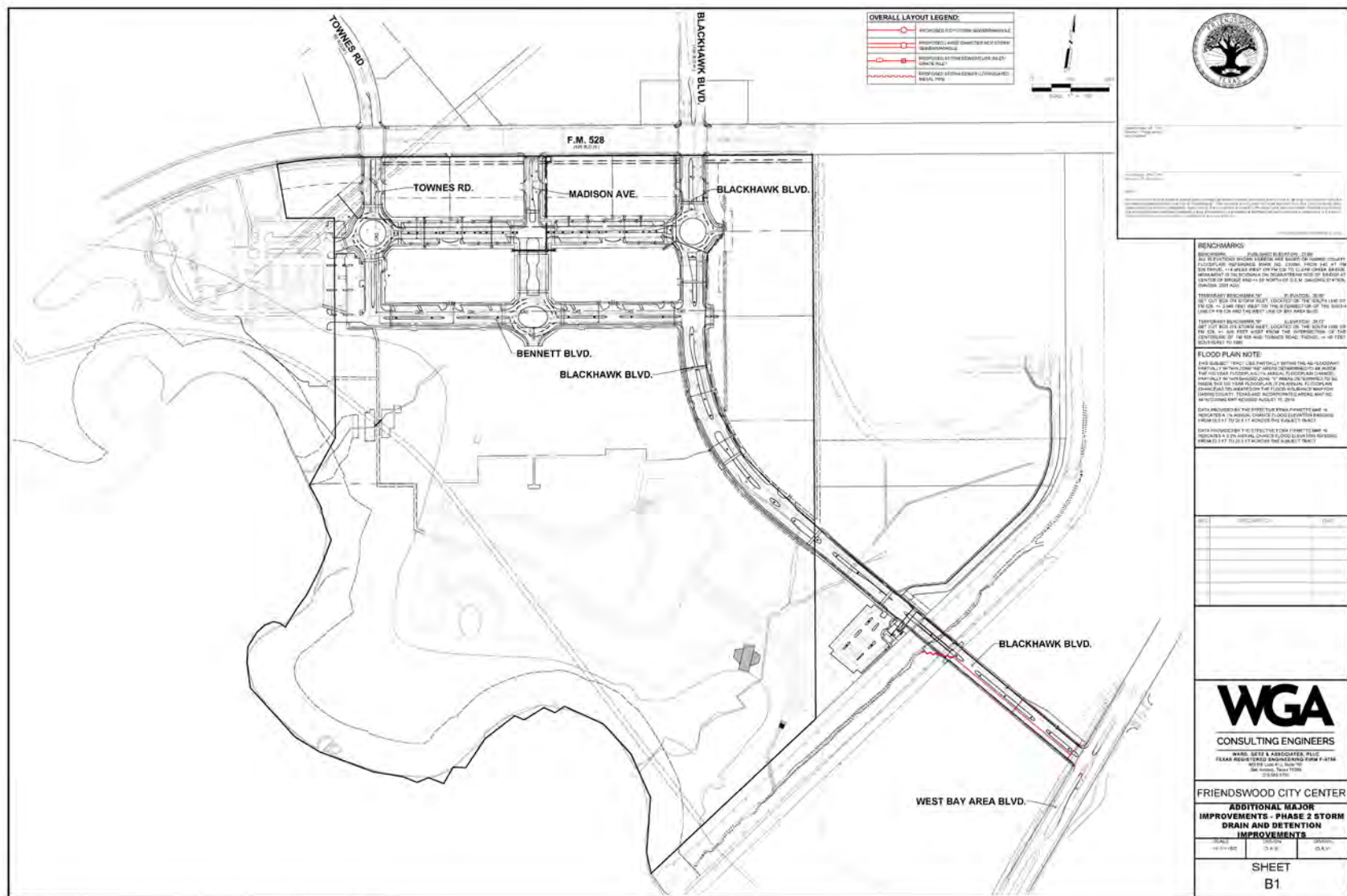
[illegible]

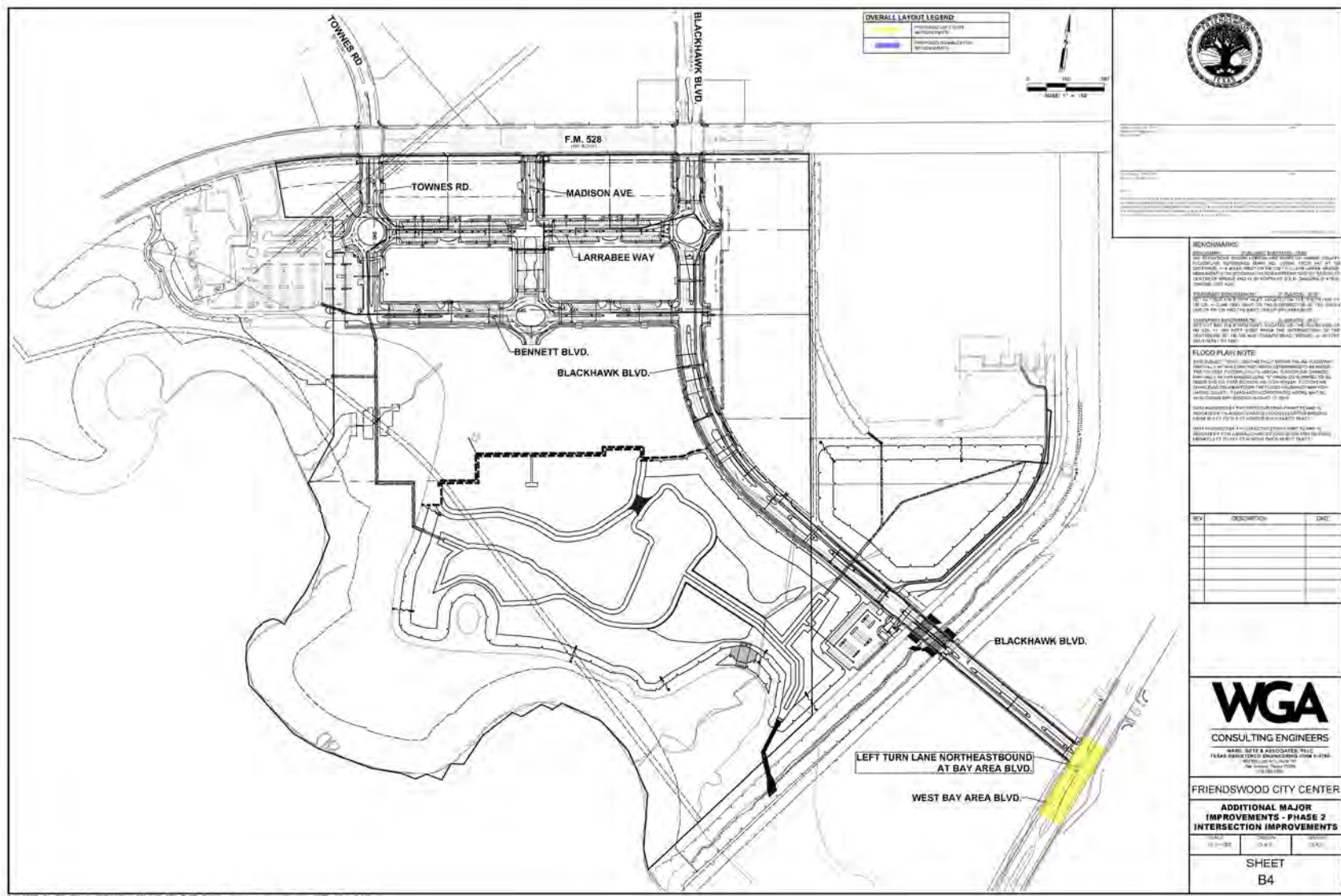


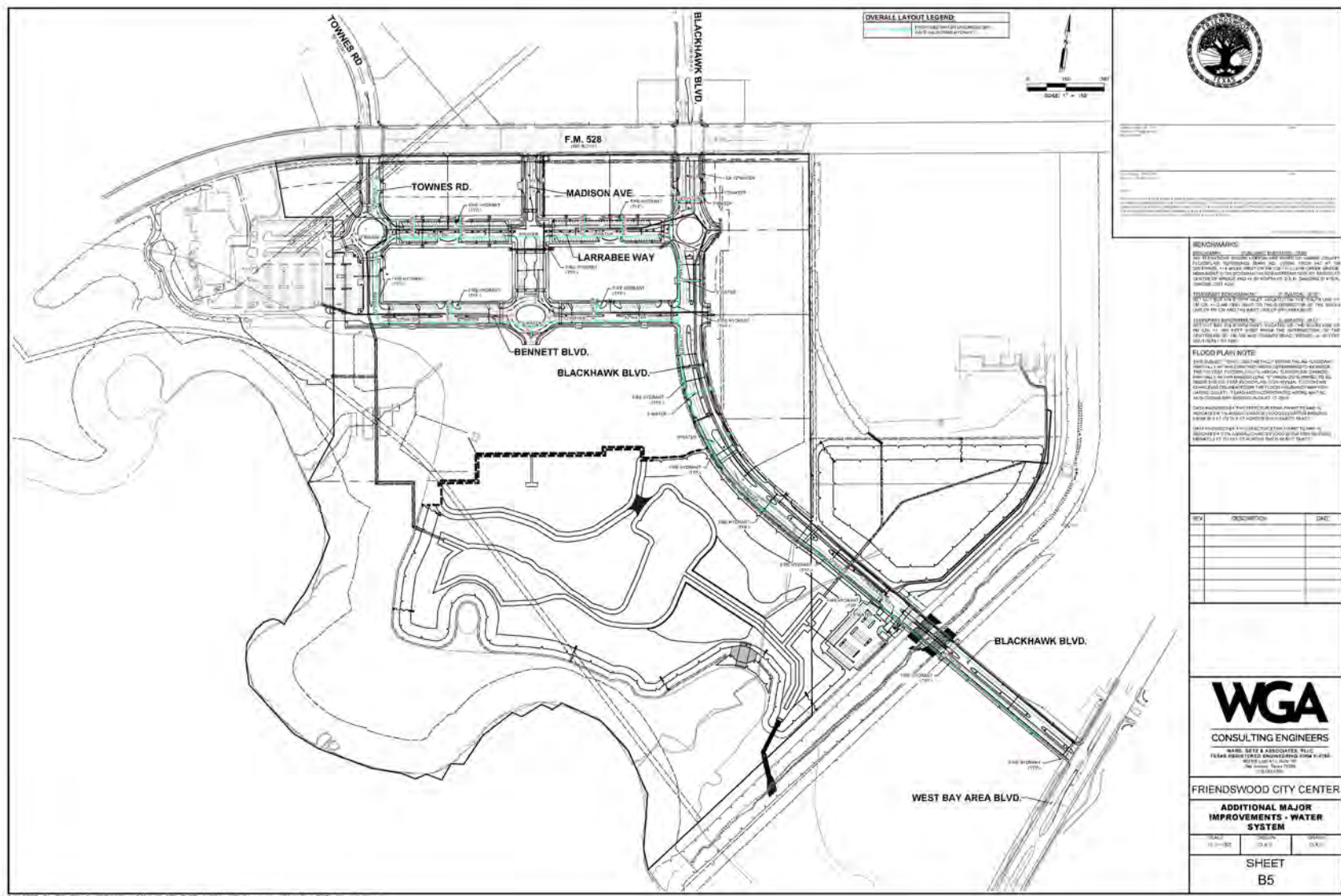


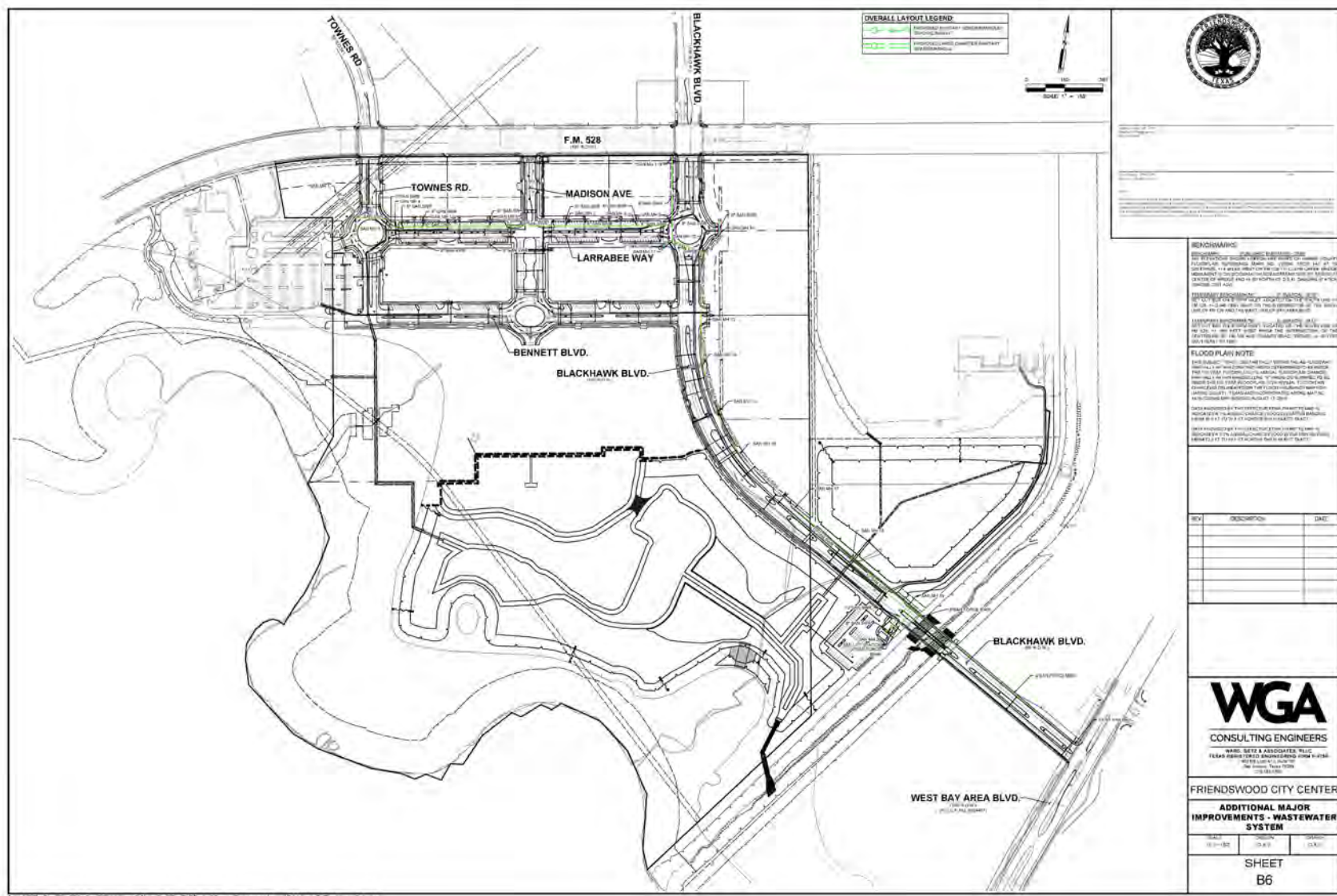


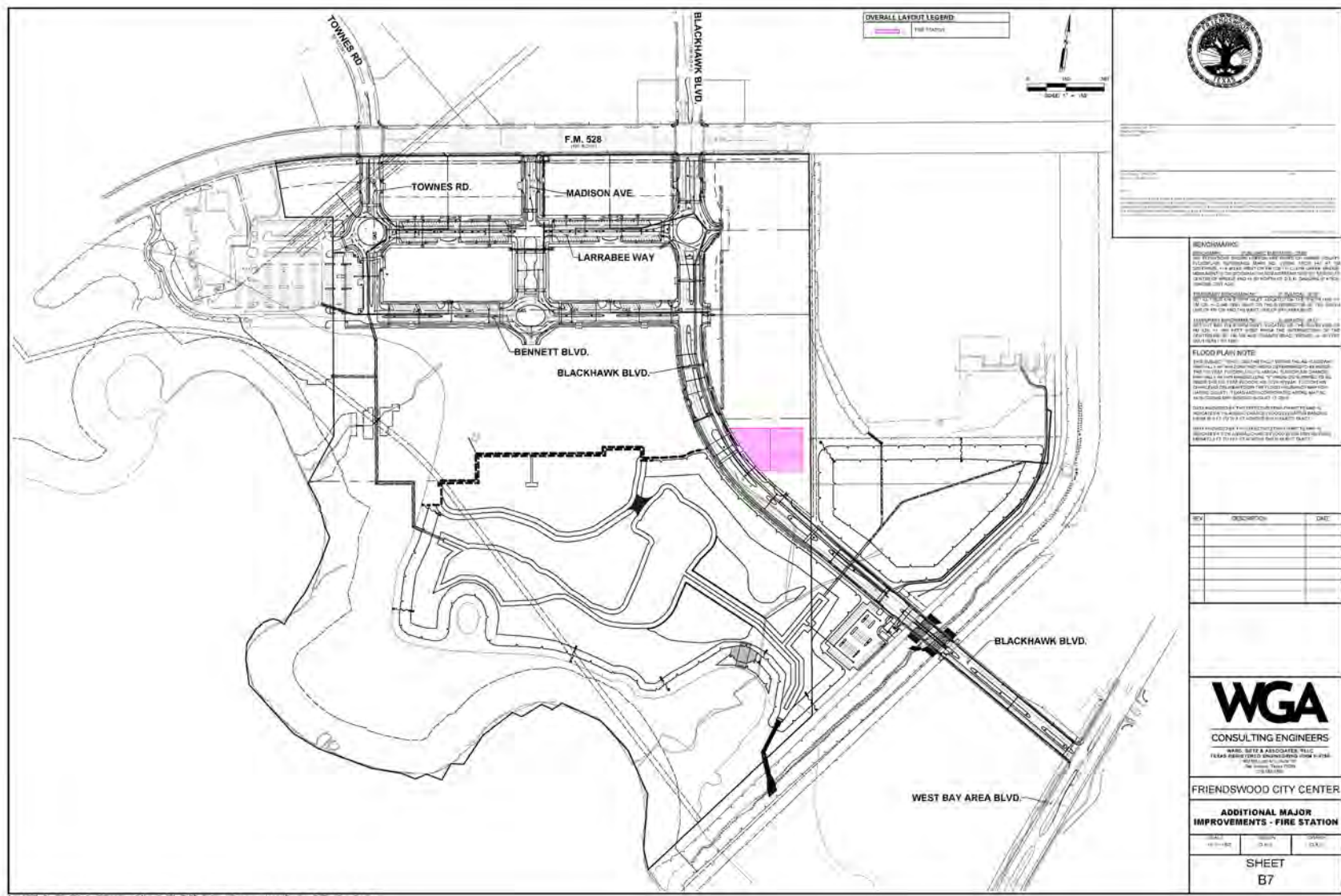


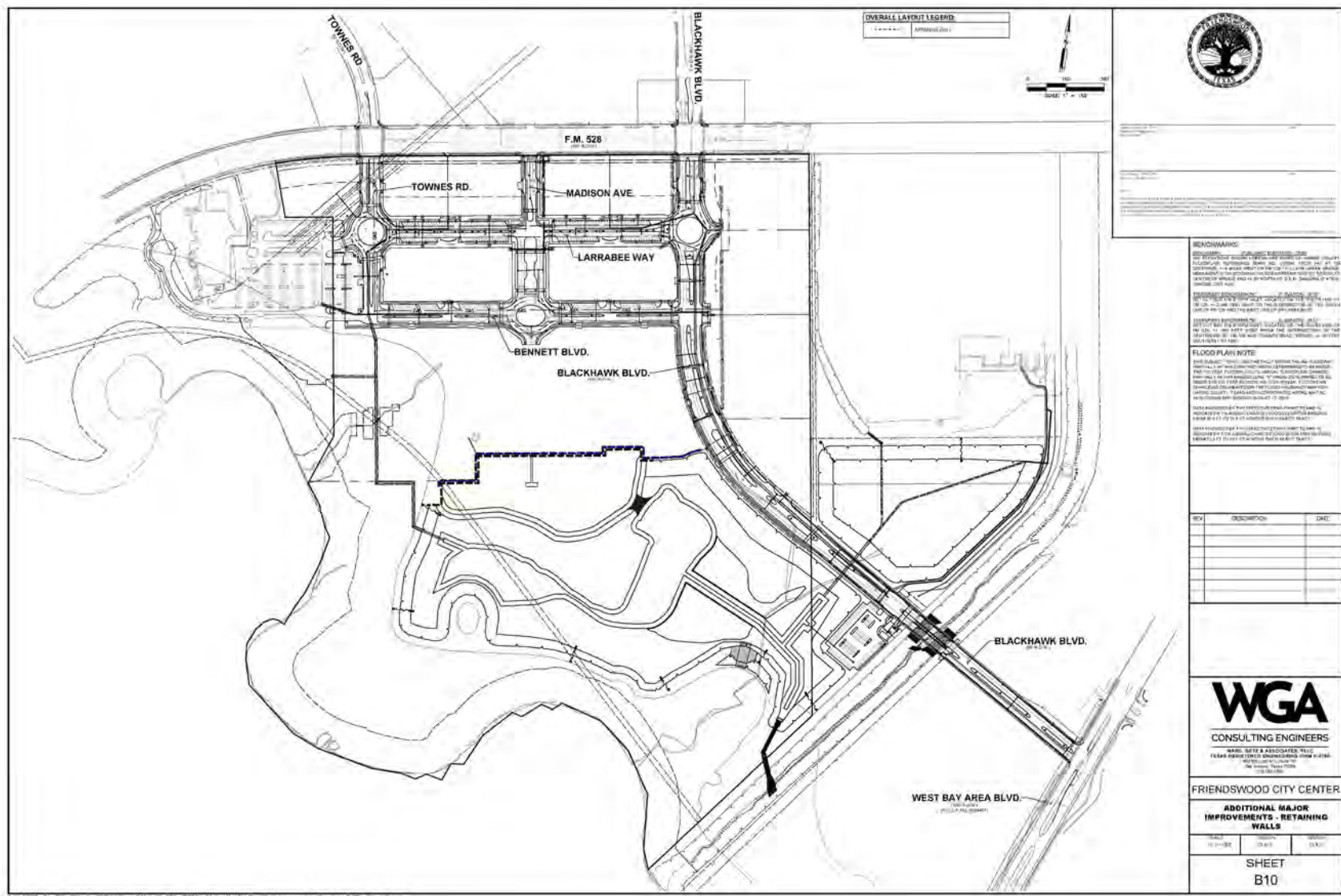












OVERALL LAYOUT LEGEND



REMARKS:

1. THIS PLAN IS A PRELIMINARY DESIGN AND IS NOT TO BE USED FOR CONSTRUCTION. IT IS THE RESPONSIBILITY OF THE ENGINEER TO VERIFY THE ACCURACY OF THE DATA AND THE FEASIBILITY OF THE DESIGN. THE ENGINEER DOES NOT WARRANT THE ACCURACY OF THE DATA OR THE FEASIBILITY OF THE DESIGN. THE ENGINEER DOES NOT WARRANT THE ACCURACY OF THE DATA OR THE FEASIBILITY OF THE DESIGN.

2. THE ENGINEER HAS CONDUCTED VISUAL INSPECTIONS OF THE SITE AND HAS OBSERVED THE EXISTING CONDITIONS. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING.

3. THE ENGINEER HAS CONDUCTED VISUAL INSPECTIONS OF THE SITE AND HAS OBSERVED THE EXISTING CONDITIONS. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING.

FLOOD PLAN NOTE:

1. THE FLOOD PLAN IS A PRELIMINARY DESIGN AND IS NOT TO BE USED FOR CONSTRUCTION. IT IS THE RESPONSIBILITY OF THE ENGINEER TO VERIFY THE ACCURACY OF THE DATA AND THE FEASIBILITY OF THE DESIGN. THE ENGINEER DOES NOT WARRANT THE ACCURACY OF THE DATA OR THE FEASIBILITY OF THE DESIGN.

2. THE ENGINEER HAS CONDUCTED VISUAL INSPECTIONS OF THE SITE AND HAS OBSERVED THE EXISTING CONDITIONS. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING.

3. THE ENGINEER HAS CONDUCTED VISUAL INSPECTIONS OF THE SITE AND HAS OBSERVED THE EXISTING CONDITIONS. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING. THE ENGINEER HAS NOT CONDUCTED ANY SURVEYING OR TESTING.

REV	DESCRIPTION	DATE



FRIENDSWOOD CITY CENTER

ADDITIONAL MAJOR IMPROVEMENTS - RETAINING WALLS

DATE	BY	CHECKED
10-1-2021	JH	DK

SHEET
B10

EXHIBIT I – FORM OF NOTICE OF PID ASSESSMENT TERMINATION



P3Works, LLC
9284 Huntington Square, Ste 100
North Richland Hills, TX 76182

[Date]
Harris County Clerk's Office
Honorable _____
201 Caroline
Suite 310
Houston, TX 77002

Re: City of Friendswood Lien Release documents for filing

Dear Ms./Mr. _____,

Enclosed is a lien release that the City of Friendswood is requesting to be filed in your office. Lien release for [insert legal description]. Recording Numbers: _____ [Plat]. Please forward copies of the filed documents to my attention:

City of Friendswood
Attn: [City Secretary]
910 S. Friendswood Drive
Friendswood, TX 77546

Please contact me if you have any questions or need additional information.

Sincerely,
[Signature]

P3Works, LLC
(817) 393-0353
Admin@P3-Works.com
www.P3-Works.com

[City Secretary Name]
[City Secretary Address]

FULL RELEASE OF PUBLIC IMPROVEMENT DISTRICT LIEN

RECITALS

WHEREAS, the Assessment Ordinance imposed an assessment in the amount of [amount] (hereinafter referred to as the "Lien Amount") for the following property: [legal description], a subdivision in Harris County, Texas, according to the map or plat of record in Document/Instrument No. _____ of the Plat Records of Harris County, Texas (hereinafter referred to as the "Property"); and

WHEREAS, the property owners of the Property have paid unto the City the Lien Amount.

RELEASE

NOW THEREFORE, the City, the owner and holder of the Lien, Instrument No. _____, in the Real Property Records of Harris County, Texas, in the amount of the Lien Amount against the Property releases and discharges, and by these presents does hereby release and discharge, the above-described Property from said Lien held by the undersigned securing said indebtedness.

EXECUTED to be **EFFECTIVE** this the ____ day of _____, 20__.

CITY OF FRIENDSWOOD, TEXAS,
A Texas home rule municipality,

By: _____
[Manager Name], City Manager

ATTEST:

[Secretary Name], City Secretary

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the ____ day of _____, 20__, by [City Manager], for the City of Friendswood, Texas, a Texas home rule municipality, on behalf of said municipality.

Notary Public, State of Texas

EXHIBIT J-1 – DEBT SERVICE SCHEDULE FOR INITIAL MAJOR IMPROVEMENT BONDS

		Estimated		Total	Less:	Net		PID	Project
Maturity	Principal	Interest Rate	Interest	Debt Service	Capitalized Interest	Debt Service	Additional Interest	Administrative Fee ^(a)	Annual Requirements
9/1/2025			\$ 2,066,792.00	\$ 2,066,792.00	\$(2,066,792.00)	\$ -	\$ -	\$ -	\$ -
9/1/2026			2,583,490.00	2,583,490.00	(2,583,490.00)	-	45,900.00	-	45,900.00
9/1/2027	\$ 468,000.00	7.00%	2,583,490.00	3,051,490.00	-	3,051,490.00	46,818.00	-	3,098,308.00
9/1/2028	499,000.00	7.00%	2,550,730.00	3,049,730.00	-	3,049,730.00	47,754.36	-	3,097,484.36
9/1/2029	533,000.00	7.00%	2,515,800.00	3,048,800.00	-	3,048,800.00	48,709.45	-	3,097,509.45
9/1/2030	570,000.00	7.00%	2,478,490.00	3,048,490.00	-	3,048,490.00	49,683.64	-	3,098,173.64
9/1/2031	609,000.00	7.00%	2,438,590.00	3,047,590.00	-	3,047,590.00	44,599.55	6,077.67	3,098,267.22
9/1/2032	650,000.00	7.00%	2,395,960.00	3,045,960.00	-	3,045,960.00	-	51,690.86	3,097,650.86
9/1/2033	695,000.00	7.00%	2,350,460.00	3,045,460.00	-	3,045,460.00	-	52,724.67	3,098,184.67
9/1/2034	742,000.00	7.00%	2,301,810.00	3,043,810.00	-	3,043,810.00	-	53,779.17	3,097,589.17
9/1/2035	793,000.00	7.00%	2,249,870.00	3,042,870.00	-	3,042,870.00	-	54,854.75	3,097,724.75
9/1/2036	847,000.00	7.00%	2,194,360.00	3,041,360.00	-	3,041,360.00	-	55,951.84	3,097,311.84
9/1/2037	906,000.00	7.00%	2,135,070.00	3,041,070.00	-	3,041,070.00	-	57,070.88	3,098,140.88
9/1/2038	968,000.00	7.00%	2,071,650.00	3,039,650.00	-	3,039,650.00	-	58,212.30	3,097,862.30
9/1/2039	1,034,000.00	7.00%	2,003,890.00	3,037,890.00	-	3,037,890.00	-	59,376.54	3,097,266.54
9/1/2040	1,106,000.00	7.00%	1,931,510.00	3,037,510.00	-	3,037,510.00	-	60,564.08	3,098,074.08
9/1/2041	1,182,000.00	7.00%	1,854,090.00	3,036,090.00	-	3,036,090.00	-	61,775.36	3,097,865.36
9/1/2042	1,263,000.00	7.00%	1,771,350.00	3,034,350.00	-	3,034,350.00	-	63,010.86	3,097,360.86
9/1/2043	1,351,000.00	7.00%	1,682,940.00	3,033,940.00	-	3,033,940.00	-	64,271.08	3,098,211.08
9/1/2044	1,444,000.00	7.00%	1,588,370.00	3,032,370.00	-	3,032,370.00	-	65,556.50	3,097,926.50
9/1/2045	1,544,000.00	7.00%	1,487,290.00	3,031,290.00	-	3,031,290.00	-	66,867.63	3,098,157.63
9/1/2046	1,650,000.00	7.00%	1,379,210.00	3,029,210.00	-	3,029,210.00	-	68,204.99	3,097,414.99
9/1/2047	1,764,000.00	7.00%	1,263,710.00	3,027,710.00	-	3,027,710.00	-	69,569.09	3,097,279.09
9/1/2048	1,886,000.00	7.00%	1,140,230.00	3,026,230.00	-	3,026,230.00	-	70,960.47	3,097,190.47
9/1/2049	2,017,000.00	7.00%	1,008,210.00	3,025,210.00	-	3,025,210.00	-	72,379.68	3,097,589.68
9/1/2050	2,157,000.00	7.00%	867,020.00	3,024,020.00	-	3,024,020.00	-	73,827.27	3,097,847.27
9/1/2051	2,306,000.00	7.00%	716,030.00	3,022,030.00	-	3,022,030.00	-	75,303.82	3,097,333.82
9/1/2052	2,466,000.00	7.00%	554,610.00	3,020,610.00	-	3,020,610.00	-	76,809.89	3,097,419.89
9/1/2053	2,637,000.00	7.00%	381,990.00	3,018,990.00	-	3,018,990.00	-	78,346.09	3,097,336.09
9/1/2054	2,820,000.00	7.00%	197,400.00	3,017,400.00	-	3,017,400.00	-	79,913.01	3,097,313.01
Totals:	\$ 36,907,000.00		\$52,744,412.00	\$89,651,412.00	\$(4,650,282.00)	\$85,001,130.00	\$283,465.00	\$1,497,098.48	\$86,781,693.48
			Maximum Annual Debt Service:	\$ 3,051,490.00					
			Average Annual Debt Service:	\$ 2,988,380.40					

(a) \$328,465 funded with bond proceeds and assumes 2.0% annual escalation rate above the initial \$45,000 fee.

EXHIBIT J-2 – ANNUAL INSTALLMENT SCHEDULE FOR ADDITIONAL MAJOR IMPROVEMENT REIMBURSEMENT OBLIGATION

City of Friendswood, Texas Special Assessment Revenue Bonds, Series 2025 (City Center Public Improvement District - Additional Major Improvement Area Project) Estimated Debt Service Requirements													
Maturity	Maximum Annual Installments	Principal ^(a)	Estimated Interest Rate ^(a)	Interest ^(a)	Total Debt Service ^(a)	Less: Capitalized Interest	Net Debt Service	Additional Interest	PID Administrative Fee	Net Additional MIA Annual Bond Requirements ^(a)	Plan Net Initial MIA Annual Bond Requirements ^(a)	Total Annual Requirements ^(a)	Remaining Annual Installments
9/1/2026	\$ 4,643,941.00			\$ 879,905.83	\$ 879,905.83	\$ -	\$ 879,905.83	\$ -	\$ 35,700.00	\$ 915,605.83	\$ -	915,605.83	3,728,335.17
9/1/2027	4,643,941.00	\$ 226,000.00	7.00%	1,242,220.00	1,468,220.00	-	1,468,220.00	-	36,414.00	1,504,634.00	3,098,308.00	4,602,942.00	40,999.00
9/1/2028	4,643,941.00	244,000.00	7.00%	1,226,400.00	1,470,400.00	-	1,470,400.00	-	37,142.28	1,507,542.28	3,097,484.36	4,603,026.64	38,914.36
9/1/2029	4,643,941.00	260,000.00	7.00%	1,209,320.00	1,469,320.00	-	1,469,320.00	-	37,885.13	1,507,205.13	3,097,509.45	4,604,714.58	39,226.42
9/1/2030	4,643,941.00	277,000.00	7.00%	1,191,120.00	1,468,120.00	-	1,468,120.00	-	38,642.83	1,506,762.83	3,098,173.64	4,604,936.47	39,004.53
9/1/2031	4,643,941.00	295,000.00	7.00%	1,171,730.00	1,466,730.00	-	1,466,730.00	-	39,415.68	1,506,145.68	3,098,267.22	4,604,412.90	39,528.10
9/1/2032	4,643,941.00	315,000.00	7.00%	1,151,080.00	1,466,080.00	-	1,466,080.00	-	40,204.00	1,506,284.00	3,097,650.86	4,603,934.85	40,006.15
9/1/2033	4,643,941.00	336,000.00	7.00%	1,129,030.00	1,465,030.00	-	1,465,030.00	-	41,008.08	1,506,038.08	3,098,184.67	4,604,222.75	39,718.25
9/1/2034	4,643,941.00	359,000.00	7.00%	1,105,510.00	1,464,510.00	-	1,464,510.00	-	41,828.24	1,506,338.24	3,097,589.17	4,603,927.41	40,013.59
9/1/2035	4,643,941.00	384,000.00	7.00%	1,080,380.00	1,464,380.00	-	1,464,380.00	-	42,664.80	1,507,044.80	3,097,724.75	4,604,769.55	39,171.45
9/1/2036	4,643,941.00	410,000.00	7.00%	1,053,500.00	1,463,500.00	-	1,463,500.00	-	43,518.10	1,507,018.10	3,097,311.84	4,604,329.94	39,611.06
9/1/2037	4,643,941.00	437,000.00	7.00%	1,024,800.00	1,461,800.00	-	1,461,800.00	-	44,388.46	1,506,188.46	3,098,140.88	4,604,329.34	39,611.66
9/1/2038	4,643,941.00	467,000.00	7.00%	994,210.00	1,461,210.00	-	1,461,210.00	-	45,276.23	1,506,486.23	3,097,862.30	4,604,348.53	39,592.47
9/1/2039	4,643,941.00	499,000.00	7.00%	961,520.00	1,460,520.00	-	1,460,520.00	-	46,181.76	1,506,701.76	3,097,266.54	4,603,968.30	39,972.70
9/1/2040	4,643,941.00	532,000.00	7.00%	926,590.00	1,458,590.00	-	1,458,590.00	-	47,105.39	1,505,695.39	3,098,074.08	4,603,769.47	40,171.53
9/1/2041	4,643,941.00	569,000.00	7.00%	889,350.00	1,458,350.00	-	1,458,350.00	-	48,047.50	1,506,397.50	3,097,865.36	4,604,262.86	39,678.14
9/1/2042	4,643,941.00	608,000.00	7.00%	849,520.00	1,457,520.00	-	1,457,520.00	-	49,008.45	1,506,528.45	3,097,360.86	4,603,889.31	40,051.69
9/1/2043	4,643,941.00	649,000.00	7.00%	806,960.00	1,455,960.00	-	1,455,960.00	-	49,988.62	1,505,948.62	3,098,211.08	4,604,159.70	39,781.30
9/1/2044	4,643,941.00	694,000.00	7.00%	761,530.00	1,455,530.00	-	1,455,530.00	-	50,988.39	1,506,518.39	3,097,926.50	4,604,444.89	39,496.11
9/1/2045	4,643,941.00	741,000.00	7.00%	712,950.00	1,453,950.00	-	1,453,950.00	-	52,008.16	1,505,958.16	3,098,157.63	4,604,115.79	39,825.21
9/1/2046	4,643,941.00	793,000.00	7.00%	661,080.00	1,454,080.00	-	1,454,080.00	-	53,048.32	1,507,128.32	3,097,414.99	4,604,543.31	39,397.69
9/1/2047	4,643,941.00	847,000.00	7.00%	605,570.00	1,452,570.00	-	1,452,570.00	-	54,109.29	1,506,679.29	3,097,279.09	4,603,958.37	39,982.63
9/1/2048	4,643,941.00	905,000.00	7.00%	546,280.00	1,451,280.00	-	1,451,280.00	-	55,191.47	1,506,471.47	3,097,190.47	4,603,661.94	40,279.06
9/1/2049	4,643,941.00	967,000.00	7.00%	482,930.00	1,449,930.00	-	1,449,930.00	-	56,295.30	1,506,225.30	3,097,589.68	4,603,814.98	40,126.02
9/1/2050	4,643,941.00	1,033,000.00	7.00%	415,240.00	1,448,240.00	-	1,448,240.00	-	57,421.21	1,505,661.21	3,097,847.27	4,603,508.48	40,452.32
9/1/2051	4,643,941.00	1,105,000.00	7.00%	342,930.00	1,447,930.00	-	1,447,930.00	-	58,569.63	1,506,499.63	3,097,333.82	4,603,833.45	40,107.55
9/1/2052	4,643,941.00	1,181,000.00	7.00%	265,580.00	1,446,580.00	-	1,446,580.00	-	59,741.03	1,506,321.03	3,097,419.89	4,603,740.92	40,200.08
9/1/2053	4,643,941.00	1,263,000.00	7.00%	182,910.00	1,445,910.00	-	1,445,910.00	-	60,935.85	1,506,845.85	3,097,336.09	4,604,181.94	39,759.06
9/1/2054	4,643,941.00	1,350,000.00	7.00%	94,500.00	1,444,500.00	-	1,444,500.00	-	62,154.56	1,506,654.56	3,097,313.01	4,603,967.58	39,973.42
Totals:	\$134,674,289.00	\$ 17,746,000.00		\$23,964,645.83	\$ 41,710,645.83	\$ -	\$ 41,710,645.83	\$ -	\$1,384,882.77	\$ 43,095,528.60	\$86,735,793.48	\$129,831,322.08	\$ 4,842,966.92
					Maximum Annual Debt Service:		\$ 1,470,400.00						
					Average Annual Debt Service:		\$ 1,438,298.13						

(a) Preliminary, subject to change.

EXHIBIT K – DISTRICT BOUNDARY DESCRIPTION

Exhibit "A" District Boundaries

METES AND BOUNDS DESCRIPTION
106.472 ACRES (4,637,900 SQUARE FEET)
SARAH MCKISSICK LEAGUE, A-549
CITY OF FRIENDSWOOD
HARRIS COUNTY, TEXAS

Being a tract or parcel containing 106.472 acres (4,637,900 square feet) of land situated in the Sarah McKissick League, Abstract Number 549, Harris County, Texas; being all of Restricted Reserves "A" and "C", CLEAR CREEK COMMUNITY CHURCH FRIENDSWOOD, a subdivision plat of record at Film Code No. 691601, Harris County Map Records (H.C.M.R.); being the residue of a called 135.778 acre tract of land conveyed to Clear Creek Community Church as described by deed recorded under Harris County Clerk's File (H.C.C.F.) No. 20150231965; said 106.472 acre tract of land being more particularly described as follows (bearings are oriented to the Texas State Plane Coordinate System of 1983, South Central Zone 4204, US Survey Feet, NAD83(NA2011)):

BEGINNING at a 5/8-inch iron rod with cap stamped "GBI PARTNERS" found on the curved southerly right-of-way (R.O.W.) line of F.M. 528 (120 feet wide) and marking the northerly common corner of said Restricted Reserves "A" and "B", CLEAR CREEK COMMUNITY CHURCH; said iron rod also for the northwest corner of the herein described tract;

THENCE, Northeasterly, an arc distance of 311.32 feet along said southerly R.O.W. line and a curve to the right, having a radius of 1,840.08 feet, a central angle of 09°41'36", and a chord which bears North 76°21'49" East, 310.94 feet to a point of tangency, from which a disturbed Texas Department of Transportation (TXDOT) aluminum disk found bears South 07°56' East, 0.69 feet;

THENCE, North 81°12'37" East, along said southerly R.O.W. line, at 90.40 feet passing a 5/8-inch iron rod found marking the northeast corner of said Restricted Reserve "A", continuing in all for a total distance of 1,772.42 feet to a 5/8-inch iron rod found at the base of a concrete pad and marking the northwest corner of a called 28.9270 acre tract of land conveyed to Clear Creek I.S.D. as described by deed recorded under H.C.C.F. No. P598260; said iron rod for the northeast corner of the herein described tract;

THENCE, South 08°47'23" East, departing said southerly R.O.W. line, at 1,289.36 feet passing a 5/8-inch iron rod found marking the westerly common corner of said 28.9270 acre tract and a called 10.0000 acre tract of land conveyed to Clear Creek I.S.D. as described by deed recorded under H.C.C.F. No. P598262, continuing in all for a total distance of 2,190.65 feet to a 5/8-inch iron rod with cap stamped "RPLS 3974" found on the northwesterly R.O.W. line of a Harris County Flood Control District drainage easement (150 feet wide) as described by deeds recorded under H.C.C.F. No(s). E449568 and X384682; said iron rod for the southeast corner of the herein described tract;

METES AND BOUNDS DESCRIPTION
106.472 ACRES (4,637,900 SQ. FT.)
PAGE 2 OF 4

THENCE, South 38°20'29" West, along said northwesterly R.O.W. line, a distance of 877.99 feet to the call meander line of mean higher water for Clear Creek as per survey prepared by Stephen Blaskey, LSLs, dated October 9, 2015 and for the most southerly corner of the herein described tract;

THENCE, along said mean higher water line of Clear Creek, the following courses and distances:

North 21°17'29" West, a distance of 80.86 feet to an angle point;
North 04°22'12" West, a distance of 216.80 feet to an angle point;
North 32°41'57" West, a distance of 184.39 feet to an angle point;
North 51°06'03" West, a distance of 159.93 feet to an angle point;
North 74°03'08" West, a distance of 164.71 feet to an angle point;
South 48°02'49" West, a distance of 44.69 feet to an angle point;
North 73°53'13" West, a distance of 47.50 feet to an angle point;
South 49°24'27" West, a distance of 89.87 feet to an angle point;
North 75°14'40" West, a distance of 40.66 feet to an angle point;
South 43°53'50" West, a distance of 146.10 feet to an angle point;
South 25°05'22" West, a distance of 134.50 feet to an angle point;
South 83°33'17" West, a distance of 49.30 feet to an angle point;
South 21°22'27" West, a distance of 73.69 feet to an angle point;
North 77°09'16" West, a distance of 62.96 feet to an angle point;
South 59°48'42" West, a distance of 48.72 feet to an angle point;

METES AND BOUNDS DESCRIPTION
106.472 ACRES (4,637,900 SQ. FT.)
PAGE 3 OF 4

North 76°29'09" West, a distance of 56.65 feet to an angle point;
North 88°56'38" West, a distance of 120.31 feet to an angle point;
North 78°01'47" West, a distance of 221.29 feet to an angle point;
North 67°13'30" West, a distance of 112.00 feet to an angle point;
North 50°46'11" West, a distance of 258.04 feet to an angle point;
North 16°00'41" West, a distance of 99.00 feet to an angle point;
North 05°32'33" West, a distance of 60.42 feet to an angle point;
North 23°27'30" East, a distance of 67.18 feet to an angle point;
North 39°20'14" East, a distance of 42.52 feet to an angle point;
North 59°56'00" East, a distance of 35.59 feet to an angle point;
South 84°03'09" East, a distance of 25.53 feet to an angle point;
South 63°21'49" East, a distance of 25.66 feet to an angle point;
North 23°23'59" East, a distance of 84.42 feet to an angle point;
North 27°29'30" East, a distance of 63.48 feet to an angle point;
North 19°02'35" East, a distance of 103.93 feet to an angle point;
North 14°38'12" East, a distance of 53.72 feet to an angle point;
North 13°22'21" West, a distance of 9.00 feet to an angle point;
North 15°04'35" East, a distance of 70.83 feet to an angle point;
North 31°32'46" West, a distance of 52.49 feet to an angle point;

Exhibit "A," Page 3

Page 350 of 353

METES AND BOUNDS DESCRIPTION
106.472 ACRES (4,637,900 SQ. FT.)
PAGE 4 OF 4

North 21°40'27" West, a distance of 75.23 feet to an angle point;

North 29°57'57" West, a distance of 10.93 feet to an angle point;

North 35°55'50" West, a distance of 91.39 feet to a southerly corner of Restricted Reserve "D", CLEAR CREEK COMMUNITY CHURCH;

THENCE, North 20°09'13" East, departing said mean higher high water line of Clear Creek and along the common line of said Restricted Reserves "C" and "D", CLEAR CREEK COMMUNITY CHURCH, a distance of 208.95 feet to a 5/8-inch iron rod with cap stamped "BOUNDARY ONE-RPLS 5489" set marking the most southerly corner of said Restricted Reserve "B" and for an angle point;

THENCE, North 08°44'05" West, along the common line of said Restricted Reserves "B" and "C", CLEAR CREEK COMMUNITY CHURCH, at 608.49 feet passing the westerly common corner of said Restricted Reserves "A" and "C", continuing along a common line of said Restricted Reserves "A" and "B" for a total distance of 854.44 feet to a 5/8-inch iron rod with cap stamped "BOUNDARY ONE-RPLS 5489" set marking a common corner of said Restricted Reserves "A" and "B" and for an angle point;

THENCE, South 81°13'21" West, continuing along a common line of said Restricted Reserves "A" and "B", CLEAR CREEK COMMUNITY CHURCH, a distance of 185.80 feet to a 5/8-inch iron rod with cap stamped "BOUNDARY ONE-RPLS 5489" set marking a common corner of said Restricted Reserves "A" and "B" and for an angle point;

THENCE, North 18°29'00" West, continuing along a common line of said Restricted Reserves "A" and "B", CLEAR CREEK COMMUNITY CHURCH, a distance of 211.51 feet to the POINT OF BEGINNING and containing 106.472 acres (4,637,900 square feet) of land. This description is based upon a Land Title Survey of 106.472 Acres of land prepared by Boundary One, LLC. Project Number 6767-2209-657G.

Compiled by: Christian Offenburger, R.P.L.S.
Boundary One, L.L.C.
T.B.P.L.S Firm No. 10084800
150 W. Shadowbend, Suite 304
Friendswood, TX 77546
(281) 648-3131
www.boundaryone.com
October 20, 2022

APPENDIX A – ENGINEER’S REPORT

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FRIENDSWOOD CITY CENTER

PUBLIC IMPROVEMENTS DISTRICT (PID)

ENGINEERING REPORT



Ward, Getz and Associates, PLLC

1020 NE Loop 410, Suite 800
San Antonio, TX 78209
(210) 585-3700

WGA Project# 70455-016

September 24, 2024



Friendswood City Center

Public Improvements District (PID) Engineering Report

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Executive Summary

1.	Introduction	1
2.	Development Improvements.....	1
3.	Development Improvement Descriptions.....	1
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4.	Development and Construction Schedule.....	3

Exhibit – E1 Overall P.I.D. Boundary

Appendix A – Initial Major Improvements

Engineer's Opinion of Probable Construction Cost

- A1 – Initial Major Improvements – Phase 1 Storm Drain and Detention Improvements
- A2 – Initial Major Improvements – Larrabee Way & Phase 1 Roadway Improvements
- A3 – Initial Major Improvements – Phase 1 Sidewalk Improvements
- A4 – Initial Major Improvements – Phase 1 FM 528 Intersection Improvements
- A5 – Initial Major Improvements – Sheet Piling Plan and Retaining Wall Improvements

Appendix B– Additional Major Improvements

Engineer's Opinion of Probable Construction Cost

- B1 – Additional Major Improvements – Phase 2 Storm Drain and Detention Improvements
- B2 – Additional Major Improvements – Phase 2 Roadway Improvements
- B3 – Additional Major Improvements – Phase 2 Sidewalk Improvements
- B4 – Additional Major Improvements – Phase 2 Intersection Improvements
- B5 – Additional Major Improvements – Water System
- B6 – Additional Major Improvements – Wastewater System
- B7 – Additional Major Improvements – Fire Station
- B8 – Additional Major Improvements – Park Improvements
- B9 – Additional Major Improvements – Lighting Improvements

Friendswood City Center

Public Improvements District (PID) Engineering Report

1. Introduction

The Friendswood City Center Development proposes that a Public Improvement District (PID) be created to facilitate the development of 124.6 Acres of land along E. F.M. 528 at its intersection of Blackhawk Blvd. in the Harris County portion of Friendswood, TX. The site is within Harris County, adjacent to Clear Creek which is the boundary between Harris and Galveston Counties.

The development will include multi-family residential and commercial properties; installation of a Fire Station, an extension of Blackhawk Blvd. to W. Bay Area Blvd., and two detention basins to mitigate stormwater runoff increases from the development of the site and two adjacent properties. This report includes supporting documentation related to the formation of a Public Improvements District (PID).

2. Development Improvements

Development improvements have been defined as **Initial Major Improvements** and **Additional Major Improvements**.

The **Initial Major Improvements** are depicted in **Appendix A**, and the **Additional Major Improvements** are depicted in **Appendix B**, of this report.

Development improvements will be designed and constructed in accordance with City of Friendswood Standards and Specifications and will be owned and operated by the City of Friendswood unless otherwise indicated. Development Improvements are depicted below.

3. Development Improvement Descriptions

3.1 Initial Major Improvements - Detention, Roadway, & Storm Drain

Detention & Storm Drain Initial Major Improvements will include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, manholes and junction boxes, curb inlets, headwalls, testing and all necessary appurtenances constructed to the City of Friendswood standards required to provide drainage service to Improvements for Friendswood City Center. Included are two permanent flood control detention ponds, called Detention Pond 1 and Detention Pond 2 respectively, clearing, excavation, piping for inbound and outbound drainage lines and outlet structures for both Detention Pond 1 and Detention Pond 2. Detention Pond 1 Excavation Fill on-site is calculated to be approximately 268,371 CY, Detention Pond 1 Excavation Fill Off-Site is approximately 336,062 CY, and Detention Pond 2 Excavation Fill Off-Site is approximately 105,952 CY. Detention Pond clearing, excavation, and all necessary appurtenances required for the construction of the detention ponds. The two detention ponds are being constructed to account for additional storage capacity for the benefit of the public. Storm improvements are shown below in Appendix 3 and are labeled accordingly as Phase I of the Overall Storm Improvements in the **Initial Major Improvements** Cost Estimate included in Appendix "A". Phase 1 of the Storm Improvements include 314 LF of 12" RCP, 409 LF of 15" RCP, 3,675 LF of 24" RCP, 984 LF of 30" RCP, 1,354 LF of 36" RCP, 485 LF of 42" RCP, 555 LF total of 48" pipe material, 461 LF of 60" RCP, 691 LF of 72" RCP, 1,085 LF of 84" RCP, as well as 773 LF of 6'x6' Reinforced Concrete Precast Boxes.

Initial Major Roadway Improvement items include construction of Phase 1 of an extension of Blackhawk Blvd from F.M. 528 to Larrabee Way which is calculated to be approximately 3,512 SY of roadway construction. Construction of Other Roadway Improvements included in Initial Roadway Improvements, Madison Ave., Townes Rd, and Larrabee Way, are calculated to be approximately 18,094 SY of Roadway Improvement. Initial Major Roadway Improvements include erosion control measures, earthwork, subgrade stabilization, concrete pavement with curb, concrete sidewalk with ADA ramps, signage, and construction testing. Proposed sidewalk improvements for the benefit of walkability within the site as well as better access from FM 528 for pedestrian traffic. These sidewalk improvements consist of 3,621 SY of sidewalk considered Phase 1 of the overall sidewalk improvements for the project.

Initial Major Signalization improvements at FM 528 & Townes Rd. include upgrading the existing flashing traffic signal to full operation to current Texas Department of Transportation specifications; as well as adding a southbound left turn lane on Townes Rd. to balance the new (widening) approach to FM 528 northbound from the new development. Initial Major Signalization improvements at FM 528 and Blackhawk Blvd. will include upgrading the existing traffic signal to full operation to current Texas Department of Transportation specifications with the new south leg of the intersection as well as adding a southbound left turn lane on Blackhawk Blvd. to balance the new (widening) approach to FM 528 for access management purposes.

Costs related to designing, constructing, installing, and financing the Initial Major Improvements of Friendswood City Center are outlined in the "Initial Major Improvements – Engineer's Opinion of Probable Costs" contained in Appendix "A" of this report. These costs include land planning, engineering design (*consultant fees*), City fees, soil testing, survey, construction management, legal fees, contingency, inspection fees, district formation costs, and other PID costs. These costs will be initially incurred by the Developer. The City of Friendswood, TX will reimburse the developer per a Tax Reimbursement Investment Zone (TIRZ) Agreement prepared separately.

3.2 Additional Major Improvements

Additional Major Water Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, valves, fire hydrant assemblies, service connections, testing and all necessary appurtenances constructed to the City of Friendswood standards required to provide improvements to Friendswood City Center. There will be 12" water lines constructed along Blackhawk Blvd. connecting to the existing water infrastructure on F.M. 528 and West Bay Area Blvd. There will be a 12" water line along Townes Rd. Bennett Blvd. and Larrabee Way will have an 8" water line running across connecting the 12" water lines on Townes Rd. and Blackhawk Blvd.

Additional Major Wastewater Improvements to include erosion control measures, earthwork, trench excavation and embedment, trench safety, pipe installation, manholes, service connections, and testing among others constructed to the City of Friendswood standards required to provide wastewater service to improvements to Friendswood City Center. Construction will consist of an 8" wastewater lines along Larrabee Way and a portion of Blackhawk Blvd. Blackhawk Blvd. will transition from an 8" wastewater line to a 12" wastewater line tying into a proposed Sanitary Lift Station south of the site on Blackhawk Blvd. The approximate total amount of wastewater line material will include 1,705 LF of 12" PVC total, and 1,859 LF of 8" PVC total.

A proposed Sanitary Lift Station is slated to cost an estimated \$1,331,000 and will tie into the manhole on West Bay Area Blvd. An existing 8" Sanitary Sewer Line and Sanitary Lift Station that currently service Clear Creek Community Church will be abandoned and, in its place, the existing wastewater line will be rerouted into the Friendswood City Center Sanitary Sewer system near the Blackhawk Blvd and F.M. 528 connection.

Additional Major Signalization Improvements at West Bay Area Blvd. will include a left turn lane addition at West Bay Area Blvd. where it meets with the extension of Blackhawk Blvd for access management purposes.

Additional Major Storm Improvements are tabulated in the "Additional Major Improvements Cost Estimate" found in Appendix "B" of this report. These improvements include trench excavation and embedment, trench safety, pipe installation, manholes and junction boxes, curb inlets, testing and all necessary appurtenances constructed to the City of Friendswood standards required to provide drainage service to Improvements for Friendswood City Center.

For Additional Major Landscaping, Parks and Amenities Major Improvements see attached Memorandum provided by Diamond Development Group (Titled "Landscape, Parks, and Amenities Friendswood City Center").

Additional Major Improvements will include the construction of an estimated \$8,000,000 fire station for use by the City of Friendswood for the benefit of the public. This fire station will be constructed off Phase 2 of the Blackhawk Blvd. expansion.

Costs related to designing, constructing, installing, and financing the Additional Major Improvements of Friendswood City Center are outlined in the "Additional Major Improvements – Engineer's Opinion of Probable Costs" contained in Appendix "B" of this report. These costs include land planning, engineering design (*/consultant fees*), City fees, soil testing, survey, construction management, legal fees, contingency, inspection fees, district formation costs, and other PID costs. These costs will be initially incurred by the Developer. The City of Friendswood, TX will reimburse the developer per a Tax Reimbursement Investment Zone (TIRZ) Agreement prepared separately

3.3 Public Benefit

The development will provide several benefits to the public including (but not limited to) the construction of multi-family residential and commercial properties; installation of a Fire Station, an extension of Blackhawk Blvd. to W. Bay Area Blvd., an extensive park and trail system, pedestrian friendly streets, and two detention basins to mitigate stormwater runoff increases from the development of the site and two adjacent properties.

4. Development Costs

An Engineers' Opinion of Probable Cost (OPC) has been prepared for both the **Initial Major improvements** and **Additional Major Improvements** described above and are included as the **Initial Major Improvements Engineer's Opinion of Probable Cost** in **Appendix A** and **Additional Major Improvements Engineer's Opinion of Probable Cost** in **Appendix B**, respectively. The Opinion of Probable Costs are based on contractor pricing, Diamond Development Group's expertise in Landscaping, Parks and amenities, and WGA's reasonable professional judgement and experience and does not constitute a warranty, expressed or implied. Actual costs may vary.

5. Development and Construction Schedule

5.1 Design Stage

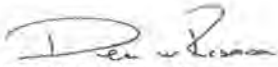
The overall site has been designed and the preliminary plat has been approved by the City of Friendswood and City Council. The civil plans are currently under review by the City of Friendswood. The project has received Drainage Approval from Harris County Flood Control District. A final plat has been completed and is currently under review by the City of Friendswood. The city has sufficient sewer and water capacity for the entire project. Contracts have been entered on all reserves on-site.

5.2 Construction Stage

- Initial Major Improvements – Begin Construction: Quarter 2 of 2024; End Construction: Quarter 3 of 2025
- Additional Major Improvements – Begin Construction: Quarter 2 of 2025; End Construction: Quarter 2 of 2026

Thank you for your review of this letter. Should you have any questions or wish to discuss this submittal in detail, please contact me at 210.585.3700 or drasmuson@wga-llp.com.

Sincerely,



Dean W. Rasmuson, PE
Senior Engineering Advisor



1020 NE Loop 410, Ste. 800 | San Antonio, TX 78209
O: 210-586-3700 D: 210-455-1320

APPENDIX A

Initial Major Improvements



FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
INITIAL MAJOR IMPROVEMENTS
ENGINEER'S OPINION OF PROBABLE COST
PROJECT NO. 70455-016
9/24/2024

CONSTRUCTION COST SUMMARY

UNIT A: POLLUTION PREVENTION AND MISCELLANEOUS *UNIT A NOT INCLUDED IN CONSTRUCTION CONTINGENCY*	\$	102,790
UNIT B: SITE PREPARATION	\$	237,253
UNIT C: CLEARING, GRUBBING, & DEMOLITION	\$	3,226,763
UNIT D: EARTHWORK, PAVING & GRADING	\$	9,734,600
UNIT E: FM 528 TRAFFIC IMPROVEMENTS	\$	1,200,000
UNIT F: DETENTION	\$	8,886,907
UNIT G: STORM DRAINAGE SYSTEM	\$	5,144,261
CONSTRUCTION CONTINGENCIES (13%)	\$	3,695,872
UNIT H: PROFESSIONAL FEES	\$	1,611,721
TOTAL ESTIMATED CONSTRUCTION COST INITIAL MAJOR IMPROVEMENTS	\$	33,840,166

Note: Consultant Engineering Design and other Fees are included in the
"Additional Major Improvements" Cost Estimate found in Report
Appendix "B"

Submitted by:

Dean W. Rasmuson, PE
Sr. Engineering Advisor
F-9756

Notes: 1. All values rounded up to the nearest dollar amount. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
 INITIAL MAJOR IMPROVEMENTS
 ENGINEER'S OPINION OF PROBABLE COST
 PROJECT NO. 70455-016
 9/24/2024

ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT A: POLLUTION PREVENTION AND MISCELLANEOUS					
1.	Reinforced Filter Fabric Fence	LF	15,000	\$ 1.65	\$ 24,750
2.	Submit N.O.I.s & N.O.T.s, Review PPP, and posting of materials on job site.	LS	1	\$ 3,000.00	\$ 3,000
3.	Maintain and Repair RFFF	MO	12	\$ 3,000.00	\$ 36,000
4.	PPP Inspection and Reporting	MO	12	\$ 1,000.00	\$ 12,000
5.	Street Cleaning	HR	200	\$ 65.00	\$ 13,000
6.	Stabilized Construction Exit	EA	2	\$ 3,000.00	\$ 6,000
7.	Type II Filter Dam	EA	2	\$ 2,000.00	\$ 4,000
8.	Inlet Protection, Stage One	EA	19	\$ 80.00	\$ 1,520
9.	Inlet Protection, Stage Two	EA	42	\$ 60.00	\$ 2,520
UNIT A SUB-TOTAL BID					\$ 102,790

Notes: 1. All values rounded up to the nearest hundred. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
 INITIAL MAJOR IMPROVEMENTS
 ENGINEER'S OPINION OF PROBABLE COST
 PROJECT NO. 70455-016
 9/24/2024

ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT B: SITE PREPARATION					
1.	Mobilization	LS	1.00	\$ 202,252.85	\$ 202,253
2.	Construction Staking	LS	1.00	\$ 35,000.00	\$ 35,000
UNIT B SUB-TOTAL BID					\$ 237,253

Notes: 1. All values rounded up to the nearest hundred. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
 INITIAL MAJOR IMPROVEMENTS
 ENGINEER'S OPINION OF PROBABLE COST
 PROJECT NO. 70455-018
 9/24/2024

ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT C: CLEARING, GRUBBING, & DEMOLITION					
1.	Light Clearing - Chip and Haul' (including but not limited to removal of trees stumps, logs, vegetation, fences, rubbish, debris, organic matter and other objectionable material per specification; stripping, stockpiling replacing topsoil; and maintaining positive drainage for the entire site)	AC	22.81	\$ 23,207.13	\$ 529,355
2.	Heavy Clearing - Chip and Haul' (including but not limited to removal of tree stumps, logs, vegetation, fences, rubbish, debris, organic matter and other objectionable material per specification; stripping, stockpiling replacing topsoil; and maintaining positive drainage for the entire site)	AC	71.23	\$ 35,885.56	\$ 2,554,704
3.	3" Force Main Removal and Disposal, Complete in place	LF	2,778.18	\$ 25.00	\$ 69,455
4.	12" Waterline Removal and Disposal, Complete in place	LF	2,930.00	\$ 25.00	\$ 73,250
UNIT C SUB-TOTAL BID					\$ 3,226,763

Notes: 1. All values rounded up to the nearest hundred. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
INITIAL MAJOR IMPROVEMENTS
ENGINEER'S OPINION OF PROBABLE COST
PROJECT NO. 70455-016
9/24/2024

ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT D: EARTHWORK, PAVING & GRADING					
1.	Detention Pond 1 Excavation - Fill and Compaction Onsite, complete in place	CY	266,346.26	\$ 7.40	\$ 1,985,762
2a.	Flood - Detention Pond 1 Excavation - Fill Offsite, Complete in Place	CY	207,328.46	\$ 17.00	\$ 3,524,584
2b.	PID - Detention Pond 1 Excavation - Fill Offsite, Complete in Place	CY	128,733.54	\$ 17.00	\$ 2,188,470
3.	Utility Spoils - Fill Offsite.. Complete in place	CY	11,450	\$ 17.00	\$ 194,650
4.	Blackhawk Blvd Phase 1 - 7" 4,000 PSI Reinforced Concrete Pavement, Complete in place	SY	3,512	\$ 65.00	\$ 228,280
5.	Larrabee Way - 6" 4,000 PSI Reinforced Concrete Pavement, Complete in place	SY	12,275	\$ 63.00	\$ 773,333
6.	Madison Ave Phase 1 - 6" 4,000 PSI Reinforced Concrete Pavement, Complete in place	SY	1,543	\$ 60.00	\$ 92,603
7.	Townes Road Phase 1 - 6" 4,000 PSI Reinforced Concrete Pavement, Complete in place	SY	4,276	\$ 60.00	\$ 256,560
8.	6" Reinforced Concrete Curb, Complete in place	LF	7,802	\$ 4.20	\$ 32,768
9.	Blackhawk Blvd Phase 1 - 8" Stabilized Subgrade, Complete in place	SY	3,512	\$ 3.60	\$ 12,643
10.	Larrabee Way Phase 1 - 8" Stabilized Subgrade, Complete in place	SY	12,275	\$ 3.60	\$ 44,190
11.	Madison Ave Phase 1 - 8" Stabilized Subgrade, Complete in place	SY	1,543	\$ 3.60	\$ 5,556
12.	Townes Road Phase 1 - 8" Stabilized Subgrade, Complete in place	SY	4,276	\$ 3.60	\$ 15,395
13.	Phase 1 - 4.5" 3,000 PSI Reinforced Concrete Pavement (Sidewalk), Complete in place	SY	3,621	\$ 40.00	\$ 144,840
14.	Phase 1 - 2" Bank Sand Bedding @95% SPD (Sidewalk), Complete in place	SY	3,621	\$ 2.00	\$ 7,242
15.	Phase 1 - Traffic/Street Name Sign, Complete in Place	EA	10	\$ 3,000.00	\$ 30,000
16.	Phase 1 - Striping, Complete in Place	LS	3,350	\$ 1.55	\$ 5,193
17.	Phase 1 - Wheelchair Ramps	EA	35	\$ 5,500.00	\$ 192,500
UNIT D SUB-TOTAL BID				\$	9,734,600

Notes: 1. All values rounded up to the nearest hundred. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT E: FM 528 TRAFFIC IMPROVEMENTS					
1.	Blackhawk Intersection Signalization Improvements, Complete in place	LS	1	\$ 500,000.00	\$ 500,000
2.	Townes Road Intersection Signalization Improvements, Complete in place	LS	1	\$ 400,000.00	\$ 400,000
3.	Left Turn Lane Southbound at Townes Rd, Complete in Place	LS	1	\$ 150,000.00	\$ 150,000
4.	Left Turn Lane Southbound at Blackhawk Blvd, Complete in Place	LS	1	\$ 150,000.00	\$ 150,000
UNIT E SUB-TOTAL BID					\$ 1,200,000

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT F: DETENTION					
1.	Detention Pond 1 - Backslope Interceptor 10'x10' w/ 24" GCMP (per HCFCO Standards), Complete in Place	EA	6	\$ 14,500.00	\$ 87,000
2.	Detention Pond 1 - Backslope Swale, Complete in Place	LF	2,860	\$ 5.50	\$ 15,675
3.	Detention Pond 1 - Stabilization Utilizing Flexterra High Performance Flexible Growth Medium (HPF) w/ 1 Inch within the first 6 Weeks. All Seeds to Have 95% Germination or Higher	AC	15	\$ 3,500.00	\$ 52,500
4.	Sheet Piling (20 Tall from Top of Bank to Bottom of Pond), Complete in Place	LF	1,400	\$ 3,000.00	\$ 4,200,000
5.	Dewatering	LS	1	\$ 500,000.00	\$ 500,000
6.	Reinforced Concrete Slope Paving (5" thick per HCFCO Standards), Complete in Place	SY	1,780	\$ 100.00	\$ 178,000
7.	Riprap - Gradation No. 1 (18" thick per HCFCO Standards), Complete in Place	SY	927	\$ 65.00	\$ 60,255
8.	Floatable Collection Screen Structure (Per HCFCO Standards), Complete in Place	LS	1	\$ 75,000.00	\$ 75,000
9.	4' Retaining Wall Cast in Place, Complete in Place	LF	2,800	\$ 500.00	\$ 1,400,000
10.	8' Retaining Wall Cast in Place, Complete in Place	LF	300	\$ 1,000.00	\$ 300,000
11.	PID - Detention Pond 2 Excavation - Fill Offsite, Complete in place	CY	39,928	\$ 18.50	\$ 738,659
12.	PID - Detention Pond 2 Backslope Interceptor 10'x10' w/ 24" GCMP (per HCFCO Standards), Complete in Place	EA	2	\$ 14,500.00	\$ 29,000
13.	PID - Detention Pond 2 Backslope Swale, Complete in Place	LF	1,150	\$ 5.50	\$ 6,325
14.	PID - Detention Pond 2 Stabilization Utilizing Standard Hydromulch w/ 1 Inch of Growth Within the first 6 Weeks. All Seeds to Have 95%	AC	6	\$ 3,000.00	\$ 17,040
15.	Public Benefit - Detention Pond 2 Excavation - Fill Offsite, Complete in place	CY	66,024	\$ 18.50	\$ 1,221,453
16.	Public Benefit - Stabilization Utilizing Standard Hydromulch w/ 1 Inch of Growth Within the first 6 Weeks. All Seeds to Have 95%	AC	2	\$ 3,000.00	\$ 6,000
UNIT F SUB-TOTAL BID					\$ 8,886,907

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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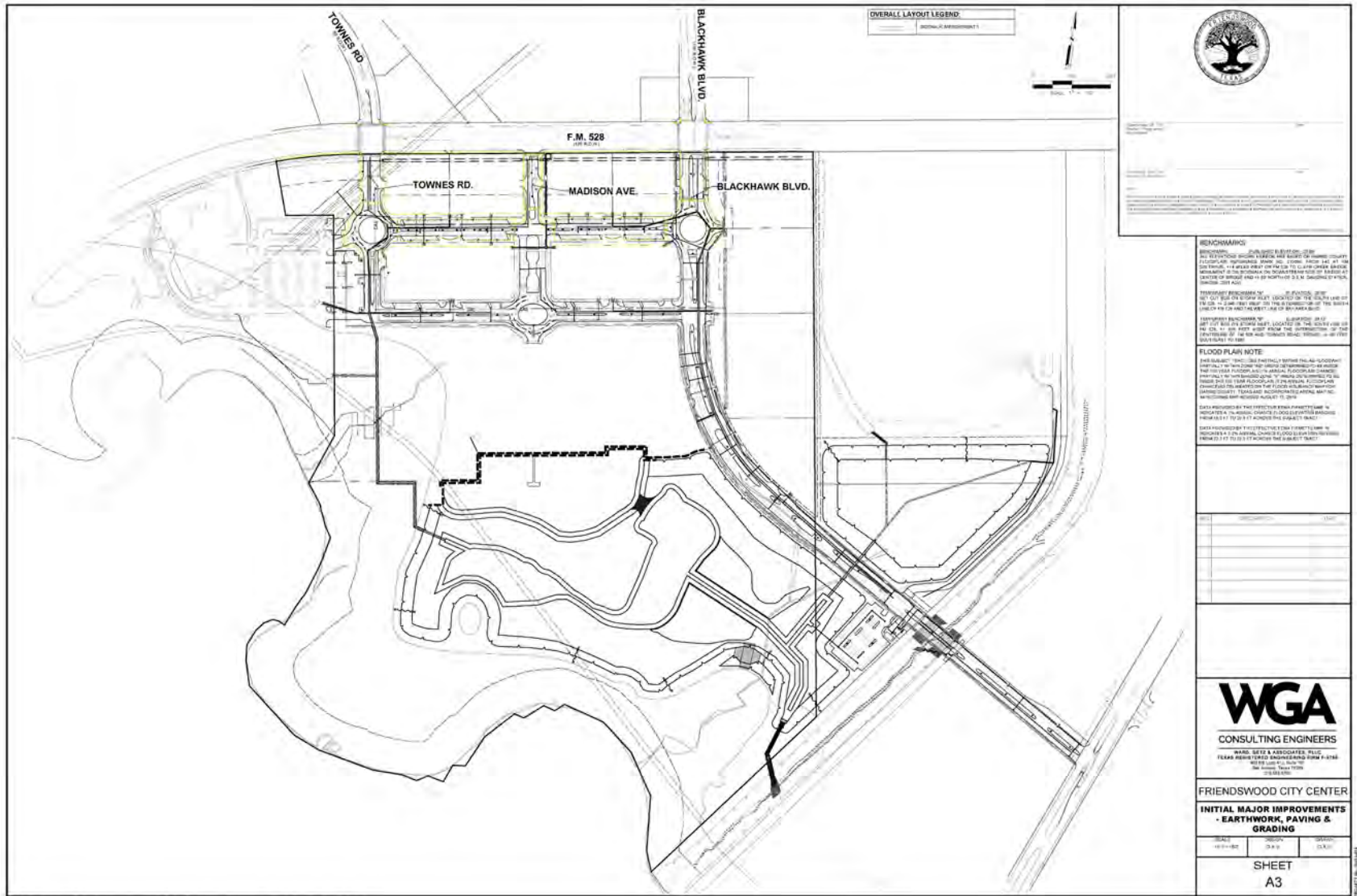
ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT G: STORM DRAINAGE SYSTEM					
1.	Phase 1 - 12" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	314	\$ 57.50	\$ 18,055
2.	Phase 1 - 15" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	409	\$ 86.25	\$ 35,276
3.	Phase 1 - 24" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	3,675	\$ 115.00	\$ 422,625
4.	Phase 1 - 30" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	984	\$ 145.00	\$ 142,680
5.	Phase 1 - 36" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	1,354	\$ 200.00	\$ 270,800
6.	Phase 1 - 42" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	485	\$ 285.00	\$ 138,225
7.	Phase 1 - 48" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	325	\$ 320.00	\$ 104,000
8.	Phase 1 - 48" CMP (All Cuts), Complete in Place	LF	230	\$ 320.00	\$ 73,600
9.	Phase 1 - 60" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	461	\$ 500.00	\$ 230,500
10.	Phase 1 - 72" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	891	\$ 730.00	\$ 604,430
11.	Phase 1 - 84" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	1,085	\$ 1,100.00	\$ 1,193,500
12.	Phase 1 - 6'x8' Reinforced Concrete Box, C1433 (All Cuts), Complete in Place	LF	773	\$ 1,250.00	\$ 966,250
13.	Phase 1 - Trench Dewatering	LF	5,035	\$ 35.00	\$ 176,225
14.	Phase 1 - Type "A" Inlet, Complete in Place	EA	13	\$ 5,500.00	\$ 71,500
15.	Phase 1 - Type "B-B" Inlet, Complete in Place	EA	38	\$ 4,500.00	\$ 171,000
16.	Phase 1 - Type "C" Manhole (42" and smaller), Complete in Place	EA	48	\$ 4,500.00	\$ 216,000
17.	Phase 1 - Type "C" Manhole (42" and smaller) w/ Ty."A" Inlet, Complete in Place	EA	7	\$ 7,500.00	\$ 52,500
18.	Phase 1 - Type "C" Manhole (48"-72"), Complete in Place	EA	13	\$ 9,000.00	\$ 117,000
19.	Phase 1 - Type "C" Manhole (84" and Larger), Complete in Place	EA	15	\$ 15,000.00	\$ 225,000
20.	Phase 1 - OSHA Trench Safety System	LF	10,063	\$ 1.50	\$ 15,095
UNIT G SUB-TOTAL BID					\$ 5,144,261

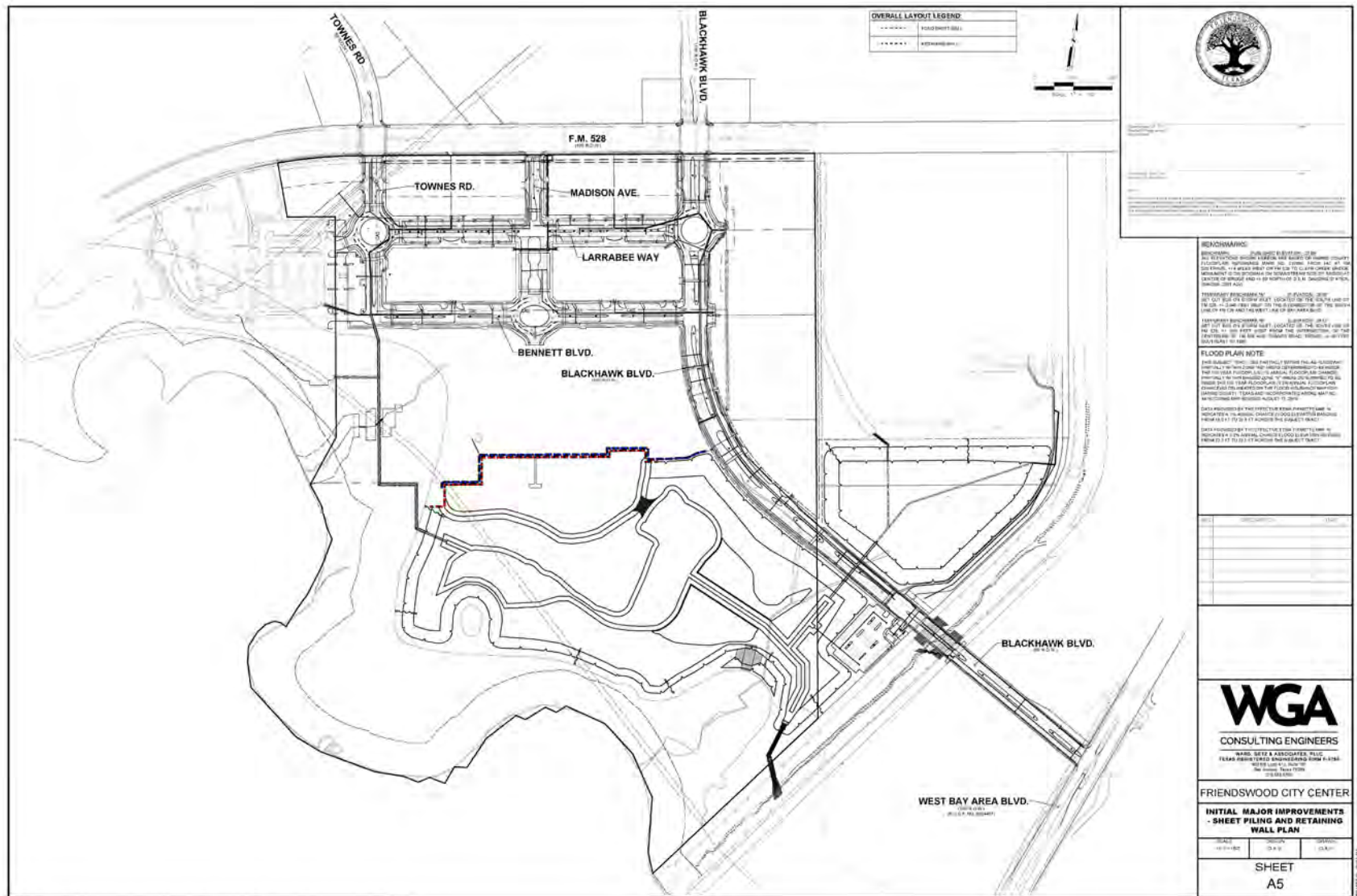
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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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<u>UNIT H: PROFESSIONAL FEES</u>	Amount
<u>Drainage and Flood Mitigation</u>	
Geotechnical Investigation to date (Riner Engineering)	\$ 26,291
Project Coordination (Tannos Development)	\$ 25,988
Schematic, design, development documents (DDG)	\$ 212,625
Civil Engineering (WGA)	\$ 1,034,600
Security Fencing (American Fence)	\$ 9,983
Land clear to install security fence (All-Tex)	\$ 6,000
Staking for security fence placement (Boundary One)	\$ 1,850
Overhead (12%)	\$ 158,080
Miscellaneous Costs	\$ 136,305
DRAINAGE AND FLOOD FEES ITEMS SUB-TOTAL	\$ 1,611,721
 TOTAL UNIT H: PROFESSIONAL FEES	 \$ 1,611,721

Notes: 1. All values rounded up to the nearest hundred. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.





APPENDIX B

Additional Major Improvements



FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT

ADDITIONAL MAJOR IMPROVEMENTS

ENGINEER'S OPINION OF PROBABLE COST

PROJECT NO. 70455-016

9/24/2024

CONSTRUCTION COST SUMMARY

UNIT I: EARTHWORK, PAVING & GRADING	\$	3,400,250
UNIT J: WATER DISTRIBUTION SYSTEM	\$	1,007,036
UNIT K: STORM DRAINAGE SYSTEM	\$	179,101
UNIT L: SANITARY SEWER SYSTEM	\$	862,879
UNIT M: SANITARY LIFT STATION	\$	1,330,700
UNIT N: MISCELLANEOUS - LANDSCAPING	\$	5,597,472
UNIT O: MISCELLANEOUS - CIVIL	\$	3,063,184
UNIT P: FIRE STATION	\$	1,032,520
'ADDITIONAL COST CHARGE TO TIRZ'		
CONSTRUCTION CONTINGENCIES (13%)	\$	2,141,508
UNIT Q: PROFESSIONAL FEES	\$	2,981,848

**TOTAL ESTIMATED CONSTRUCTION COSTS
ADDITIONAL MAJOR IMPROVEMENTS**

\$ 21,596,499

Submitted by:

Dean W. Rasmuson, PE
Sr. Engineering Advisor
F-9756

Notes: 1. All values rounded up to the nearest dollar amount. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT I: EARTHWORK, PAVING & GRADING					
1.	Blackhawk Blvd Phase II - 7" 4,000 PSI Reinforced Concrete Pavement, Complete in place	SY	17,711	\$ 70.00	\$ 1,239,770
2.	Madison Ave Phase II - 6" 4,000 PSI Reinforced Concrete Pavement, complete in place.	SY	3,114	\$ 65.00	\$ 202,442
3.	Townes Road Phase II - 6" 4,000 PSI Reinforced Concrete Pavement, complete in place.	SY	4,723	\$ 65.00	\$ 306,990
4.	Bennett Blvd Phase II - 6" 4,000 PSI Reinforced Concrete Pavement complete in place.	SY	11,728	\$ 65.00	\$ 762,310
5.	6" Reinforced Concrete Curb, Complete in place	LF	24,263	\$ 4.20	\$ 101,905
6.	Blackhawk Blvd Phase II - 8" Stabilized Subgrade, complete in place	SY	17,711	\$ 3.60	\$ 63,760
7.	Madison Ave Phase II - 8" Stabilized Subgrade, complete in place.	SY	3,114	\$ 3.60	\$ 11,212
8.	Townes Road Phase II - 8" Stabilized Subgrade, complete in place.	SY	4,723	\$ 3.60	\$ 17,003
9.	Bennett Blvd Phase II - 8" Stabilized Subgrade, complete in place.	SY	11,728	\$ 3.60	\$ 42,220
10.	Phase II - 4.5" 3,000 PSI Reinforced Concrete Pavement (Sidewalk), Complete in place	SY	7,463	\$ 40.00	\$ 298,520
11.	Phase II - 2" Bank Sand Bedding @95% SPD (Sidewalk), Complete in place	SY	7,463	\$ 2.00	\$ 14,926
12.	Phase II - Traffic/Street Name Sign, Complete in Place	EA	27	\$ 3,000.00	\$ 81,000
13.	Phase II - Striping, Complete in Place	LS	3,350	\$ 1.55	\$ 5,193
14.	Phase II - Wheelchair Ramps	EA	46	\$ 5,500.00	\$ 253,000
UNIT I SUB-TOTAL BID					\$ 3,400,250

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT J: WATER DISTRIBUTION SYSTEM					
1.	12" C900 PVC CL 150 Water Line, All Depths, Complete in Place	LF	4,861	\$ 80.00	\$ 388,880
2.	10" C900 PVC CL 150 Water Line, All Depths, Complete in Place	LF	162	\$ 55.00	\$ 8,910
3.	8" C900 PVC CL 150 Water Line, All Depths, Complete in Place	LF	1,748	\$ 50.00	\$ 87,400
4.	1.5" C900 PVC CL 150 Water Line, All Depths, Complete in Place	LF	87	\$ 30.00	\$ 2,610
5.	12" Jack and Bore, Complete in Place	LF	55	\$ 175.00	\$ 9,625
6.	12" Directional Bore, Complete in Place	LF	200	\$ 1,250.00	\$ 250,000
7.	12" Wet Connection, Complete in Place	EA	3	\$ 2,400.00	\$ 7,200
8.	1.5" Plug and Clamp, Complete in Place	EA	1	\$ 200.00	\$ 200
9.	1.5" Meter, Complete in Place	EA	1	\$ 5,000.00	\$ 5,000
10.	1.5" Double Check Backflow Preventor, Complete in Place	EA	1	\$ 2,500.00	\$ 2,500
11.	Fire Hydrant incl. Valve and Tee, Complete in Place	EA	14	\$ 7,500.00	\$ 105,000
12.	12" Gate Valve & Box, Complete in Place	EA	18	\$ 3,700.00	\$ 66,600
13.	10" Gate Valve & Box, Complete in Place	EA	6	\$ 3,000.00	\$ 18,000
14.	10" Plug and Clamp, Complete in Place	EA	2	\$ 1,200.00	\$ 2,400
15.	8" Gate Valve & Box, Complete in Place	EA	16	\$ 2,100.00	\$ 33,600
16.	8" Plug and Clamp, Complete in Place	EA	8	\$ 1,000.00	\$ 8,000
17.	1.5" Gate Valve & Box, Complete in Place	EA	1	\$ 572.00	\$ 572
18.	OSHA Trench Safety System	LF	7,028	\$ 1.50	\$ 10,539
UNIT J SUB-TOTAL BID					\$ 1,007,036

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT K: STORM DRAINAGE SYSTEM					
1.	Phase II - 24" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	709	\$ 115.00	\$ 81,535
2.	Phase II - 48" CMP (All Cuts), Complete in Place	LF	125	\$ 320.00	\$ 40,000
3.	Phase II - Trench Dewatering	LF	709	\$ 35.00	\$ 24,815
4.	Phase II - Type "B-B" Inlet, Complete in Place	EA	4	\$ 4,500.00	\$ 18,000
5.	Phase II - Type "C" Manhole (42" and smaller), Complete in Place	EA	3	\$ 4,500.00	\$ 13,500
6.	Phase II - OSHA Trench Safety System	LF	834	\$ 1.50	\$ 1,251
UNIT K SUB-TOTAL BID					\$ 179,101

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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT L: SANITARY SEWER SYSTEM					
1.	12" SDR 26 PVC Sewer (8' - 12' depth), Complete in Place	LF	1,122	\$ 85.00	\$ 95,370
2.	12" SDR 26 PVC Sewer (12' - 16' depth), Complete in Place	LF	583	\$ 100.00	\$ 58,300
3.	8" SDR 26 PVC Sewer (8' - 12' depth), Complete in Place	LF	1,256	\$ 50.00	\$ 62,800
4.	8" SDR 26 PVC Sewer (12' - 16' depth), Complete in Place	LF	603	\$ 65.00	\$ 39,195
5.	Precast Concrete Manhole, Complete in Place	EA	22	\$ 6,000.00	\$ 132,000
6.	Extra Depth for Standard MH 8' - 12' Depth	VF	10	\$ 275.00	\$ 2,750
7.	Extra Depth for Standard MH Over 12' Depth	VF	57	\$ 300.00	\$ 17,100
8.	8" Sanitary Sewer Plug, Complete in Place	EA	25	\$ 1,000.00	\$ 25,000
9.	Trench Dewatering	LF	3,564	\$ 35.00	\$ 124,740
10.	6" Force Main, Complete in Place	LF	935	\$ 45.00	\$ 42,075
11.	8" Force Main Directional Bore, Complete in Place	LF	200	\$ 1,250.00	\$ 250,000
12.	Air Release Valve for 6", Complete in Place	EA	1	\$ 4,000.00	\$ 4,000
13.	6" Force Main Tie Into Existing MH, Complete in Place	EA	1	\$ 2,500.00	\$ 2,500
14.	OSHA Trench Safety System	LF	4,699	\$ 1.50	\$ 7,049
UNIT L SUB-TOTAL BID					\$ 862,879

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT M: SANITARY LIFT STATION					
1.	Lift Station, Complete in Place	LS	1	\$ 1,250,000.00	\$ 1,250,000
2.	6" 4,000 PSI Reinforced Concrete Pavement, Complete in place	SY	370	\$ 60.00	\$ 22,200
3.	12' Wide 6' Chain Link Gate w/ 2' ft of barbed wire, Complete in place	EA	1	\$ 5,000.00	\$ 5,000
4.	6' Chain Link Fence w/ 2' ft of barbed wire, Complete in place	LF	214	\$ 250.00	\$ 53,500
UNIT M SUB-TOTAL BID					\$1,330,700

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT N: MISCELLANEOUS - LANDSCAPING					
1.	Bath House *	SF	650	\$ 435.00	\$ 282,750
2.	Site Utilities ROW *	EA	16	\$ 850.00	\$ 13,600
3.	Benches/ Admen *	EA	45	\$ 1,650.00	\$ 74,250
4.	Landscape ROW *	EA	1	\$ 2,450,000.00	\$ 2,450,000
5.	Pavers *	SF	35,600	\$ 15.00	\$ 534,000
6.	Decomposed Granite *	CF	80,903	\$ 5.88	\$ 475,707
7.	Concrete Edge Band *	CF	32,361	\$ 8.52	\$ 275,716
8.	Limestone Benches *	LF	56	\$ 1,200.00	\$ 67,200
9.	Landscape *	EA	12,000	\$ 50.00	\$ 600,000
10.	Street Lights w/ foundation, Complete in Place	EA	30	\$ 20,000.00	\$ 600,000
11.	Solar Lighting *	EA	65	\$ 3,450.00	\$ 224,250
UNIT N SUB-TOTAL BID					\$ 5,597,472

* LANDSCAPING, PARK, AND AMMENITY ESTIMATES ON THIS ENGINEER'S OPINION OF PROBABLE COST WERE PROVIDED BY DIAMOND DEVELOPMENT GROUP.

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
UNIT O: MISCELLANEOUS - CIVIL					
1.	Left Turn Lane NorthEastbound at Bay Area Blvd, Complete in Place	LS	1	\$ 150,000.00	\$ 150,000
2.	Bridge Westbound (2 lanes) on Blackhawk from Station 27+42.67 to 25+70. Complete in place	LS	1	\$ 1,200,000.00	\$ 1,200,000
3.	Bridge Eastbound (2 lanes) on Blackhawk from Station 25+72.33 to 27+37.33. Complete in place	LS	1	\$ 1,200,000.00	\$ 1,200,000
4.	CCISD Road 6" 3,500 PSI Reinforced Concrete Pavement, Complete in place	SY	3,950	\$ 55.00	\$ 217,250
5.	CCISD Road 6" Reinforced Concrete Curb, Complete in place	LF	2,269	\$ 4.20	\$ 9,530
6.	CCISD Road 8" Stabilized Subgrade, Complete in place	SY	4,215	\$ 3.60	\$ 15,174
7.	CCISD Road 4.5" 3,000 PSI Reinforced Concrete Pavement (Sidewalk) Complete in place	SY	244	\$ 40.00	\$ 9,760
8.	CCISD Road 12" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	321	\$ 80.00	\$ 25,680
9.	CCISD Road 15" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	416	\$ 100.00	\$ 41,600
10.	CCISD Road 30" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	222	\$ 145.00	\$ 32,190
11.	CCISD Road 36" ASTM C-76 CLIII RCP (All Cuts), Complete in Place	LF	85	\$ 200.00	\$ 17,000
12.	CCISD Road Type "C" Manhole (42" and smaller) w/ Ty."A" Inlet, Complete in Place	EA	6	\$ 7,500.00	\$ 45,000
13.	CCISD Road Street Lights w/ foundation, Complete in Place	EA	5	\$ 20,000.00	\$ 100,000
UNIT O SUB-TOTAL BID					\$ 3,063,184

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FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
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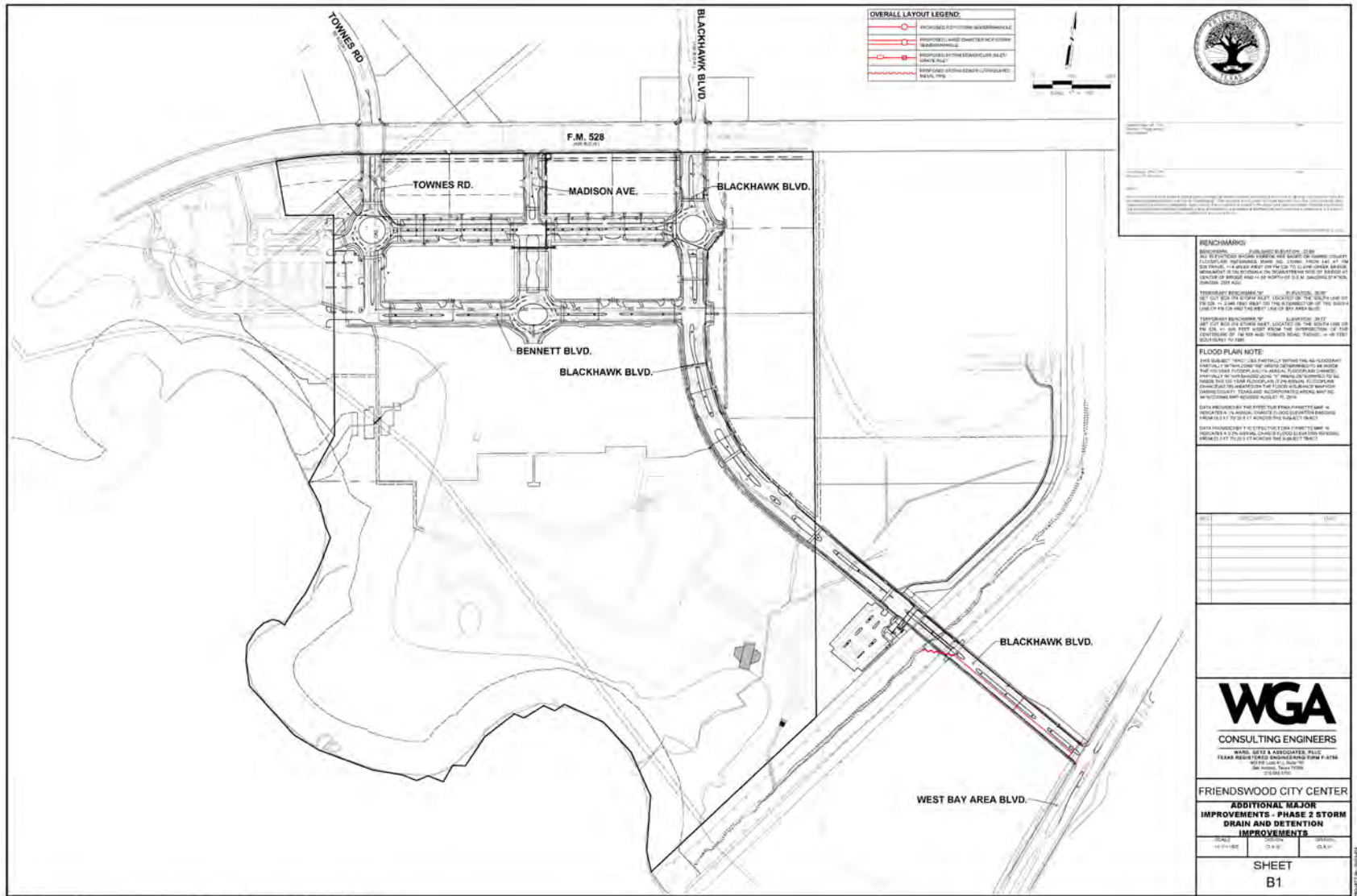
ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	AMOUNT
<u>UNIT P: FIRE STATION</u>					
1.	Fire Station	LS	1	\$ 1,032,520.00	\$ 1,032,520
UNIT P SUB-TOTAL BID					\$ 1,032,520

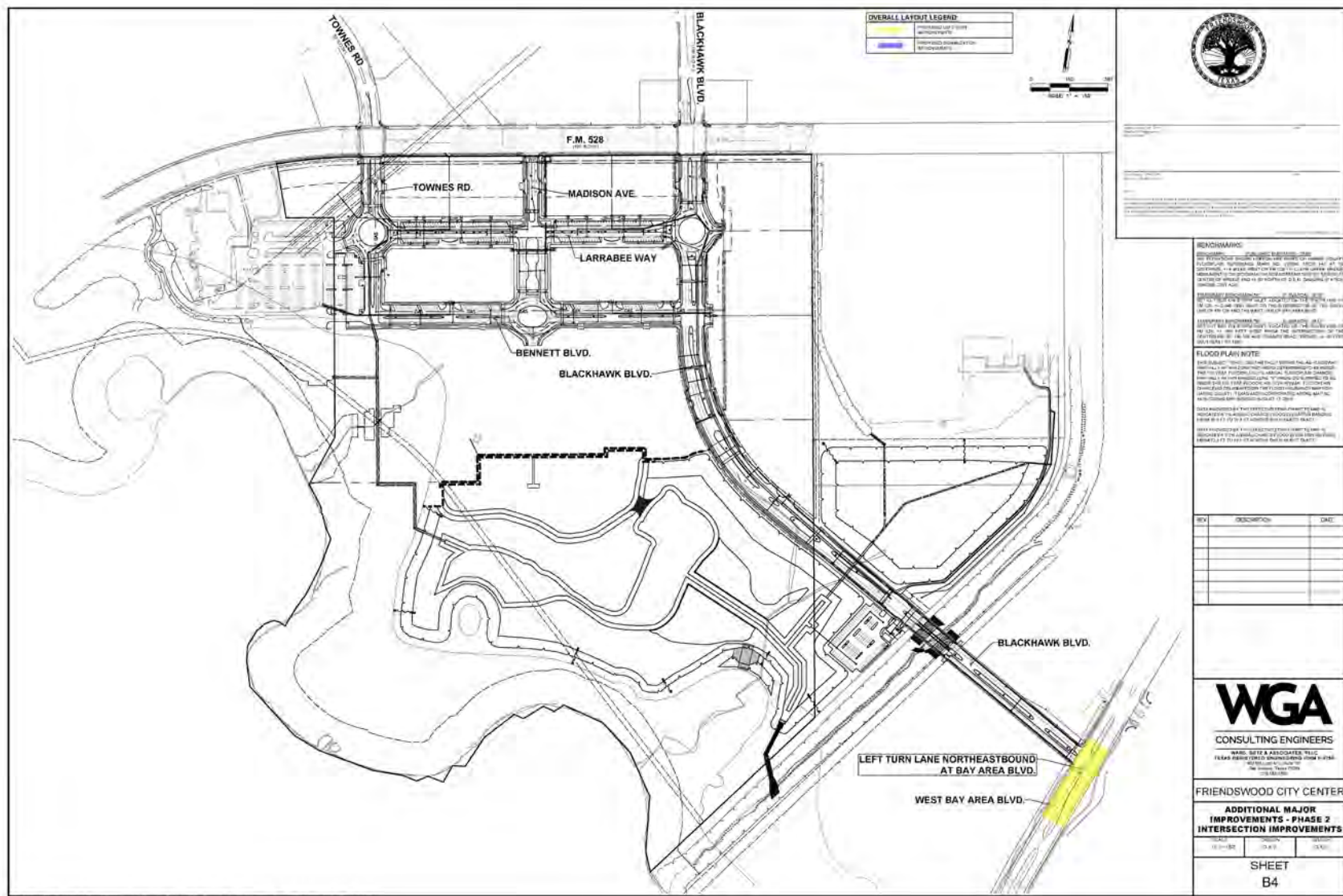
Notes: 1. All values rounded up to the nearest hundred. 2. This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

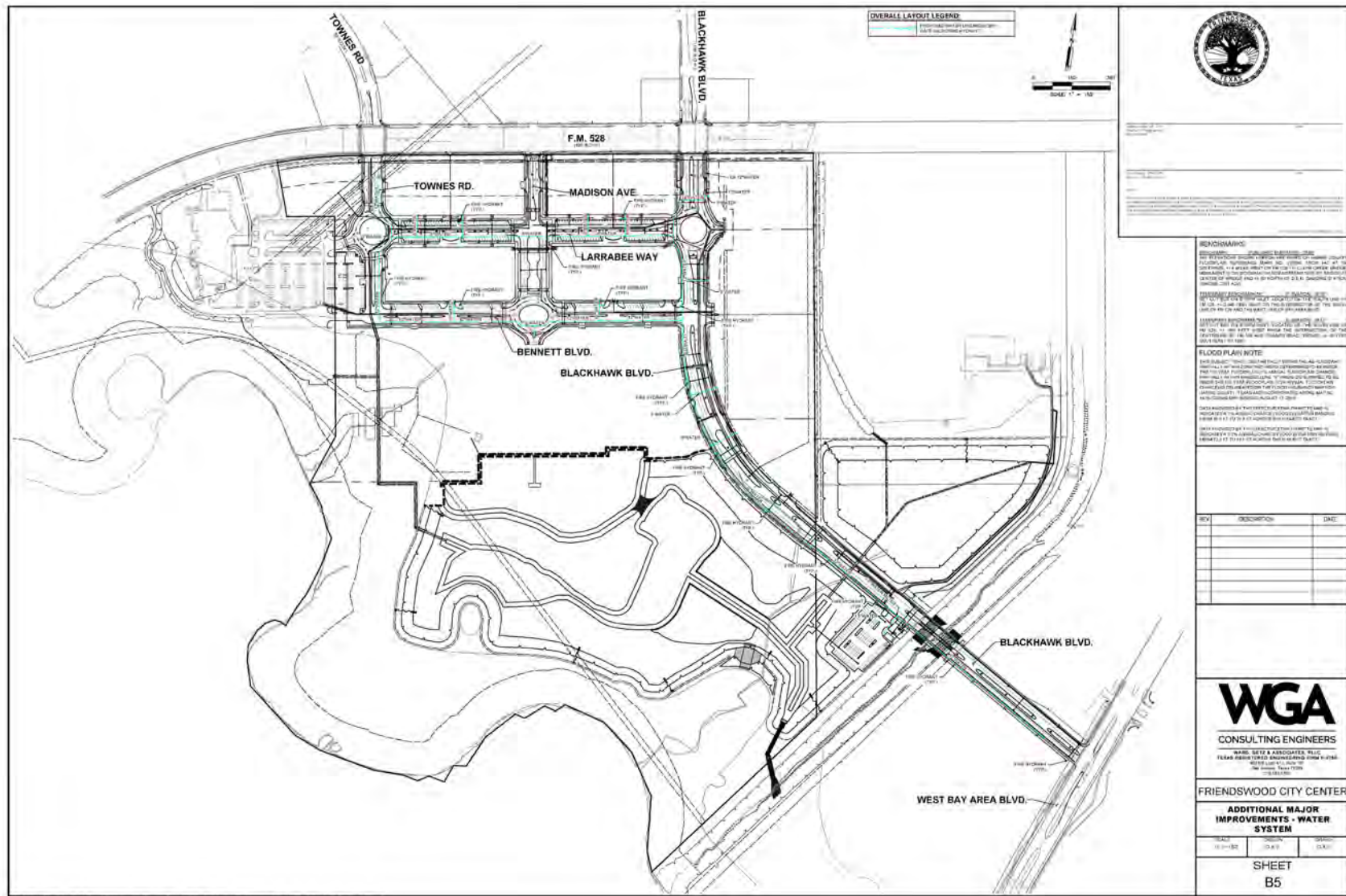
FRIENDSWOOD CITY CENTER - PUBLIC IMPROVEMENT DISTRICT
ADDITIONAL MAJOR IMPROVEMENTS
ENGINEER'S OPINION OF PROBABLE COST
PROJECT NO. 70455-016
9/24/2024

<u>UNIT Q: PROFESSIONAL FEES</u>	Amount
<u>Other Engineering & Professional Fees</u>	
Engineering & Surveying through Change Order No. 6	\$ 959,050
Geotechnical Engineering	\$ 47,151
Surveying by Boundary 1	\$ 14,354
Diamond Development Group	\$ 1,861,293
Legal - Wolfgramm	\$ 100,000
PID ITEMS SUB-TOTAL BID	\$ 2,981,848
TOTAL UNIT Q: PROFESSIONAL FEES	\$ 2,981,848

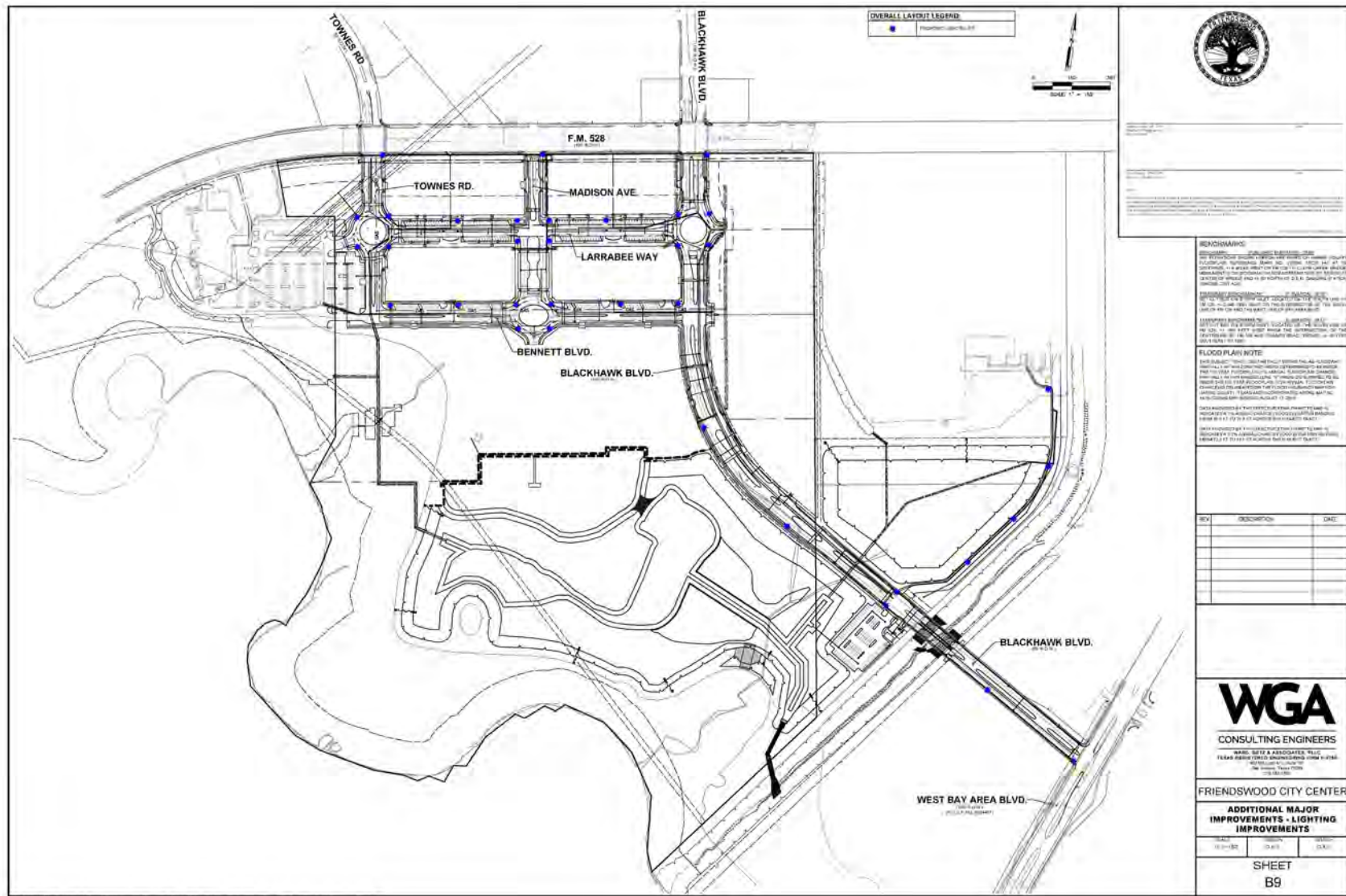
Notes: **1.** All values rounded up to the nearest hundred. **2.** This estimate is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.











APPENDIX B – BUYER DISCLOSURES

Forms of the buyer disclosures for the following Lot Types are found in this Appendix:

- Initial Parcel
- Lot Type 1
- Lot Type 2
- Lot Type 3
- Lot Type 4
- Lot Type 5

**FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT BUYER
DISCLOSURE INITIAL PARCEL**

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF FRIENDSWOOD, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

INITIAL PARCEL PRINCIPAL ASSESSMENT: \$54,653,000.00

As the purchaser of the real property described above, you are obligated to pay assessments to City of Friendswood, 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 ***Friendswood City Center Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Friendswood. The exact amount of each annual installment will be approved each year by the Friendswood City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Friendswood.

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 Harris County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§
§
§

COUNTY OF _____

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

ANNUAL INSTALLMENTS - INITIAL PARCEL

	Initial Major Improvement Bonds							Additional Major Improvement Reimbursement Obligation ^(a)							
Installment Due 1/31	Principal	Interest ^(a)	Capitalized Interest	Annual Collection Costs ^(b)	Additional Interest ^(c)	Reserve Fund ^(d)	Initial Major Improvements Total Annual Installment Due ^(d)	Principal	Interest ^(f)	Annual Collection Costs	Reserve Fund ^(e)	Additional Interest ^(h)	Additional Major Improvements Total Annual Installment Due ^(d)	Total Annual Installment Due	
2025	\$ -	\$ 2,066,792	\$ (2,066,792)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2026	\$ -	\$ 2,583,490	\$ (2,583,490)	\$ 45,900	\$ 184,535	\$ -	\$ 45,900	\$ -	\$ 879,906	\$ 35,700	\$ -	\$ -	\$ 88,730	\$ 915,606	
2027	\$ 468,000	\$ 2,583,490	\$ -	\$ 46,818	\$ 184,535	\$ -	\$ 3,098,308	\$ 226,000	\$ 1,242,220	\$ 36,414	\$ -	\$ -	\$ 88,730	\$ 1,504,634	
2028	\$ 499,000	\$ 2,550,730	\$ -	\$ 47,754	\$ 182,195	\$ -	\$ 3,097,484	\$ 244,000	\$ 1,226,400	\$ 37,142	\$ -	\$ -	\$ 87,600	\$ 1,507,542	
2029	\$ 533,000	\$ 2,515,800	\$ -	\$ 48,709	\$ 179,700	\$ -	\$ 3,097,509	\$ 260,000	\$ 1,209,320	\$ 37,885	\$ -	\$ -	\$ 86,380	\$ 1,507,205	
2030	\$ 570,000	\$ 2,478,490	\$ -	\$ 49,684	\$ 177,035	\$ -	\$ 3,098,174	\$ 277,000	\$ 1,191,120	\$ 38,643	\$ -	\$ -	\$ 85,080	\$ 1,506,763	
2031	\$ 609,000	\$ 2,438,590	\$ -	\$ 50,677	\$ 174,185	\$ -	\$ 3,098,267	\$ 295,000	\$ 1,171,730	\$ 39,416	\$ -	\$ -	\$ 83,695	\$ 1,506,146	
2032	\$ 650,000	\$ 2,395,960	\$ -	\$ 51,691	\$ 171,140	\$ -	\$ 3,097,651	\$ 315,000	\$ 1,151,080	\$ 40,204	\$ -	\$ -	\$ 82,220	\$ 1,506,284	
2033	\$ 695,000	\$ 2,350,460	\$ -	\$ 52,725	\$ 167,890	\$ -	\$ 3,098,185	\$ 336,000	\$ 1,129,030	\$ 41,008	\$ -	\$ -	\$ 80,645	\$ 1,506,038	
2034	\$ 742,000	\$ 2,301,810	\$ -	\$ 53,779	\$ 164,415	\$ -	\$ 3,097,589	\$ 359,000	\$ 1,105,510	\$ 41,828	\$ -	\$ -	\$ 78,965	\$ 1,506,338	
2035	\$ 793,000	\$ 2,249,870	\$ -	\$ 54,855	\$ 160,705	\$ -	\$ 3,097,725	\$ 384,000	\$ 1,080,380	\$ 42,665	\$ -	\$ -	\$ 77,170	\$ 1,507,045	
2036	\$ 847,000	\$ 2,194,360	\$ -	\$ 55,952	\$ 156,740	\$ -	\$ 3,097,312	\$ 410,000	\$ 1,053,500	\$ 43,518	\$ -	\$ -	\$ 75,250	\$ 1,507,018	
2037	\$ 906,000	\$ 2,135,070	\$ -	\$ 57,071	\$ 152,505	\$ -	\$ 3,098,141	\$ 437,000	\$ 1,024,800	\$ 44,388	\$ -	\$ -	\$ 73,200	\$ 1,506,188	
2038	\$ 968,000	\$ 2,071,650	\$ -	\$ 58,212	\$ 147,975	\$ -	\$ 3,097,862	\$ 467,000	\$ 994,210	\$ 45,276	\$ -	\$ -	\$ 71,015	\$ 1,506,486	
2039	\$ 1,034,000	\$ 2,003,890	\$ -	\$ 59,377	\$ 143,135	\$ -	\$ 3,097,267	\$ 499,000	\$ 961,520	\$ 46,182	\$ -	\$ -	\$ 68,680	\$ 1,506,702	
2040	\$ 1,106,000	\$ 1,931,510	\$ -	\$ 60,564	\$ 137,965	\$ -	\$ 3,098,074	\$ 532,000	\$ 926,590	\$ 47,105	\$ -	\$ -	\$ 66,185	\$ 1,505,695	
2041	\$ 1,182,000	\$ 1,854,090	\$ -	\$ 61,775	\$ 132,435	\$ -	\$ 3,097,865	\$ 569,000	\$ 889,350	\$ 48,047	\$ -	\$ -	\$ 63,525	\$ 1,506,397	
2042	\$ 1,263,000	\$ 1,771,350	\$ -	\$ 63,011	\$ 126,525	\$ -	\$ 3,097,361	\$ 608,000	\$ 849,520	\$ 49,008	\$ -	\$ -	\$ 60,680	\$ 1,506,528	
2043	\$ 1,351,000	\$ 1,682,940	\$ -	\$ 64,271	\$ 120,210	\$ -	\$ 3,098,211	\$ 649,000	\$ 806,960	\$ 49,989	\$ -	\$ -	\$ 57,640	\$ 1,505,949	
2044	\$ 1,444,000	\$ 1,588,370	\$ -	\$ 65,557	\$ 113,455	\$ -	\$ 3,097,927	\$ 694,000	\$ 761,530	\$ 50,988	\$ -	\$ -	\$ 54,395	\$ 1,506,518	
2045	\$ 1,544,000	\$ 1,487,290	\$ -	\$ 66,868	\$ 106,235	\$ -	\$ 3,098,158	\$ 741,000	\$ 712,950	\$ 52,008	\$ -	\$ -	\$ 50,925	\$ 1,505,958	
2046	\$ 1,650,000	\$ 1,379,210	\$ -	\$ 68,205	\$ 98,515	\$ -	\$ 3,097,415	\$ 793,000	\$ 661,080	\$ 53,048	\$ -	\$ -	\$ 47,220	\$ 1,507,128	
2047	\$ 1,764,000	\$ 1,263,710	\$ -	\$ 69,569	\$ 90,265	\$ -	\$ 3,097,279	\$ 847,000	\$ 605,570	\$ 54,109	\$ -	\$ -	\$ 43,255	\$ 1,506,679	
2048	\$ 1,886,000	\$ 1,140,230	\$ -	\$ 70,960	\$ 81,445	\$ -	\$ 3,097,190	\$ 905,000	\$ 546,280	\$ 55,191	\$ -	\$ -	\$ 39,020	\$ 1,506,471	
2049	\$ 2,017,000	\$ 1,008,210	\$ -	\$ 72,380	\$ 72,015	\$ -	\$ 3,097,590	\$ 967,000	\$ 482,930	\$ 56,295	\$ -	\$ -	\$ 34,495	\$ 1,506,225	
2050	\$ 2,157,000	\$ 867,020	\$ -	\$ 73,827	\$ 61,930	\$ -	\$ 3,097,847	\$ 1,033,000	\$ 415,240	\$ 57,421	\$ -	\$ -	\$ 29,660	\$ 1,505,661	
2051	\$ 2,306,000	\$ 716,030	\$ -	\$ 75,304	\$ 51,145	\$ -	\$ 3,097,334	\$ 1,105,000	\$ 342,930	\$ 58,570	\$ -	\$ -	\$ 24,495	\$ 1,506,500	
2052	\$ 2,466,000	\$ 554,610	\$ -	\$ 76,810	\$ 39,615	\$ -	\$ 3,097,420	\$ 1,181,000	\$ 265,580	\$ 59,741	\$ -	\$ -	\$ 18,970	\$ 1,506,321	
2053	\$ 2,637,000	\$ 381,990	\$ -	\$ 78,346	\$ 27,285	\$ -	\$ 3,097,336	\$ 1,263,000	\$ 182,910	\$ 60,936	\$ -	\$ -	\$ 13,065	\$ 1,506,846	
2054	\$ 2,820,000	\$ 197,400	\$ -	\$ 79,913	\$ 14,100	\$ (3,051,490)	\$ 45,823	\$ 1,350,000	\$ 94,500	\$ 62,155	\$ (1,470,400)	\$ 6,750	\$ 36,255	\$ 82,078	
Total	\$ 36,907,000	\$ 52,744,412	\$ (4,650,282)	\$ 1,780,564	\$ 3,619,830	\$ (3,051,490)	\$ 83,730,204	\$ 17,746,000	\$ 23,964,646	\$ 1,384,883	\$ (1,470,400)	\$ 1,737,640	\$ 41,625,129	\$ 125,355,332	

Footnotes:

[a] Interest is calculated at a rate of 7.00%.

[b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.

[c] The Delinquency and Prepayment Reserve Account partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.

[d] Excludes the TIRZ Annual Credit Amount which will be calculated annually in each Annual Service Plan Update. The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

[e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.

[f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.

[g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.

[h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

Annual Installment Schedule to Notice of Obligation to Pay Improvement District Assessment

**FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT BUYER
DISCLOSURE LOT TYPE 1**

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF FRIENDSWOOD, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE 1 PRINCIPAL ASSESSMENT: \$41.17 per Square Foot

As the purchaser of the real property described above, you are obligated to pay assessments to City of Friendswood, 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 ***Friendswood City Center Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Friendswood. The exact amount of each annual installment will be approved each year by the Friendswood City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Friendswood.

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 Harris County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

ANNUAL INSTALLMENTS PER SQUARE FOOT - LOT TYPE 1

	Initial Major Improvement Bonds								Additional Major Improvements Reimbursement Obligation ^(a)							
Installment Due 1/31	Principal	Interest ^(a)	Capitalized Interest	Annual Collection Costs ^(b)	Additional Interest ^(c)	Reserve Fund ^(a)	Initial Major Improvements Total Annual Installment Due ^(d)	Principal	Interest ^(b)	Annual Collection Costs	Reserve Fund ^(a)	Additional Interest ^(h)	Additional Major Improvements Total Annual Installment Due ^(e)	Total Annual Installment Due ^(d)		
2025	\$ -	\$ 1.56	(1.56)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
2026	\$ -	\$ 1.95	(1.95)	\$ -	\$ 0.03	\$ -	\$ 0.03	\$ -	\$ 0.66	\$ 0.03	\$ -	\$ -	\$ 0.69	\$ 0.72		
2027	\$ 0.353	\$ 1.95	-	\$ -	\$ 0.04	\$ -	\$ 2.33	\$ 0.170	\$ 0.94	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2028	\$ 0.376	\$ 1.92	-	\$ -	\$ 0.04	\$ -	\$ 2.33	\$ 0.184	\$ 0.92	\$ 0.03	\$ -	\$ -	\$ 1.14	\$ 3.47		
2029	\$ 0.402	\$ 1.90	-	\$ -	\$ 0.04	\$ -	\$ 2.33	\$ 0.196	\$ 0.91	\$ 0.03	\$ -	\$ -	\$ 1.14	\$ 3.47		
2030	\$ 0.429	\$ 1.87	-	\$ -	\$ 0.04	\$ -	\$ 2.33	\$ 0.209	\$ 0.90	\$ 0.03	\$ -	\$ -	\$ 1.14	\$ 3.47		
2031	\$ 0.459	\$ 1.84	-	\$ 0.00	\$ 0.03	\$ -	\$ 2.33	\$ 0.222	\$ 0.88	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2032	\$ 0.490	\$ 1.80	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.237	\$ 0.87	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2033	\$ 0.524	\$ 1.77	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.253	\$ 0.85	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2034	\$ 0.559	\$ 1.73	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.270	\$ 0.83	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2035	\$ 0.597	\$ 1.69	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.289	\$ 0.81	\$ 0.03	\$ -	\$ -	\$ 1.14	\$ 3.47		
2036	\$ 0.638	\$ 1.65	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.309	\$ 0.79	\$ 0.03	\$ -	\$ -	\$ 1.14	\$ 3.47		
2037	\$ 0.682	\$ 1.61	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.329	\$ 0.77	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2038	\$ 0.729	\$ 1.56	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.352	\$ 0.75	\$ 0.03	\$ -	\$ -	\$ 1.13	\$ 3.47		
2039	\$ 0.779	\$ 1.51	-	\$ 0.04	-	\$ -	\$ 2.33	\$ 0.376	\$ 0.72	\$ 0.03	\$ -	\$ -	\$ 1.14	\$ 3.47		
2040	\$ 0.833	\$ 1.46	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.401	\$ 0.70	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2041	\$ 0.890	\$ 1.40	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.429	\$ 0.67	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2042	\$ 0.951	\$ 1.33	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.458	\$ 0.64	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2043	\$ 1.018	\$ 1.27	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.489	\$ 0.61	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2044	\$ 1.088	\$ 1.20	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.523	\$ 0.57	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2045	\$ 1.163	\$ 1.12	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.558	\$ 0.54	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2046	\$ 1.243	\$ 1.04	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.597	\$ 0.50	\$ 0.04	\$ -	\$ -	\$ 1.14	\$ 3.47		
2047	\$ 1.329	\$ 0.95	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.638	\$ 0.46	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2048	\$ 1.421	\$ 0.86	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.682	\$ 0.41	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2049	\$ 1.519	\$ 0.76	-	\$ 0.05	-	\$ -	\$ 2.33	\$ 0.728	\$ 0.36	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2050	\$ 1.625	\$ 0.65	-	\$ 0.06	-	\$ -	\$ 2.33	\$ 0.778	\$ 0.31	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2051	\$ 1.737	\$ 0.54	-	\$ 0.06	-	\$ -	\$ 2.33	\$ 0.832	\$ 0.26	\$ 0.04	\$ -	\$ -	\$ 1.13	\$ 3.47		
2052	\$ 1.858	\$ 0.42	-	\$ 0.06	-	\$ -	\$ 2.33	\$ 0.890	\$ 0.20	\$ 0.05	\$ -	\$ -	\$ 1.13	\$ 3.47		
2053	\$ 1.986	\$ 0.29	-	\$ 0.06	-	\$ -	\$ 2.33	\$ 0.951	\$ 0.14	\$ 0.05	\$ -	\$ -	\$ 1.14	\$ 3.47		
2054	\$ 2.124	\$ 0.15	-	\$ 0.06	-	\$ (2.30)	\$ 0.03	\$ 1.017	\$ 0.07	\$ 0.05	\$ (1.11)	\$ -	\$ 0.03	\$ 0.06		
Total	\$ 27.80	\$ 39.73	\$ (3.50)	\$ 1.13	\$ 0.21	\$ (2.30)	\$ 63.07	\$ 13.37	\$ 18.05	\$ 1.04	\$ (1.11)	\$ -	\$ 31.36	\$ 94.43		

Footnotes:

[a] Interest is calculated at a rate of 7.00%.

[b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.

[c] The Delinquency and Prepayment Reserve Account was partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.

[d] Excludes the TIRZ Annual Credit Amount which will be calculated annually in each Annual Service Plan Update. The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

[e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.

[f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.

[g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.

[h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

Annual Installment Schedule to Notice
of Obligation to Pay Improvement District Assessment

**FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT BUYER
DISCLOSURE LOT TYPE 2**

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF FRIENDSWOOD, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE 2 PRINCIPAL ASSESSMENT: \$34.24 per Square Foot “inclusive of common area allocation”

As the purchaser of the real property described above, you are obligated to pay assessments to City of Friendswood, 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 ***Friendswood City Center Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Friendswood. The exact amount of each annual installment will be approved each year by the Friendswood City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Friendswood.

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 Harris County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

ANNUAL INSTALLMENTS PER SQUARE FOOT - LOT TYPE 2

	Initial Major Improvement Bonds							Additional Major Improvements Reimbursement Obligation ^(c)							
Installment Due 1/31	Principal	Interest ^(a)	Capitalized Interest	Annual Collection Costs ^(b)	Additional Interest ^(c)	Reserve Fund ^(d)	Initial Major Improvements Total Annual Installment Due ^(d)	Principal	Interest ^(f)	Annual Collection Costs	Reserve Fund ^(e)	Additional Interest ^(e)	Additional Major Improvements Total Annual Installment Due ^(d)	Total Annual Installment Due ^(d)	
2025	\$ -	\$ 1.29	\$ (1.29)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2026	\$ -	\$ 1.62	\$ (1.62)	\$ -	\$ 0.03	\$ -	\$ 0.03	\$ -	\$ 0.55	\$ 0.02	\$ -	\$ -	\$ 0.57	\$ 0.60	
2027	\$ 0.29	\$ 1.62	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.94	\$ 0.14	\$ 0.78	\$ 0.02	\$ -	\$ -	\$ 0.94	\$ 2.88	
2028	\$ 0.31	\$ 1.60	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.94	\$ 0.15	\$ 0.77	\$ 0.02	\$ -	\$ -	\$ 0.94	\$ 2.88	
2029	\$ 0.33	\$ 1.58	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.94	\$ 0.16	\$ 0.76	\$ 0.02	\$ -	\$ -	\$ 0.94	\$ 2.88	
2030	\$ 0.36	\$ 1.55	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.94	\$ 0.17	\$ 0.75	\$ 0.02	\$ -	\$ -	\$ 0.94	\$ 2.88	
2031	\$ 0.38	\$ 1.53	\$ -	\$ 0.00	\$ 0.03	\$ -	\$ 1.94	\$ 0.18	\$ 0.73	\$ 0.02	\$ -	\$ -	\$ 0.94	\$ 2.88	
2032	\$ 0.41	\$ 1.50	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.94	\$ 0.20	\$ 0.72	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2033	\$ 0.44	\$ 1.47	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.94	\$ 0.21	\$ 0.71	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2034	\$ 0.46	\$ 1.44	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.94	\$ 0.22	\$ 0.69	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2035	\$ 0.50	\$ 1.41	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.94	\$ 0.24	\$ 0.68	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2036	\$ 0.53	\$ 1.37	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.26	\$ 0.66	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2037	\$ 0.57	\$ 1.34	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.27	\$ 0.64	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2038	\$ 0.61	\$ 1.30	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.29	\$ 0.62	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2039	\$ 0.65	\$ 1.26	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.31	\$ 0.60	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2040	\$ 0.69	\$ 1.21	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.33	\$ 0.58	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2041	\$ 0.74	\$ 1.16	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.36	\$ 0.56	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2042	\$ 0.79	\$ 1.11	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.38	\$ 0.53	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2043	\$ 0.85	\$ 1.05	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.41	\$ 0.51	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2044	\$ 0.90	\$ 0.99	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.43	\$ 0.48	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2045	\$ 0.97	\$ 0.93	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.46	\$ 0.45	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2046	\$ 1.03	\$ 0.86	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.50	\$ 0.41	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2047	\$ 1.10	\$ 0.79	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.53	\$ 0.38	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2048	\$ 1.18	\$ 0.71	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.94	\$ 0.57	\$ 0.34	\$ 0.03	\$ -	\$ -	\$ 0.94	\$ 2.88	
2049	\$ 1.26	\$ 0.63	\$ -	\$ 0.05	\$ -	\$ -	\$ 1.94	\$ 0.61	\$ 0.30	\$ 0.04	\$ -	\$ -	\$ 0.94	\$ 2.88	
2050	\$ 1.35	\$ 0.54	\$ -	\$ 0.05	\$ -	\$ -	\$ 1.94	\$ 0.65	\$ 0.26	\$ 0.04	\$ -	\$ -	\$ 0.94	\$ 2.88	
2051	\$ 1.44	\$ 0.45	\$ -	\$ 0.05	\$ -	\$ -	\$ 1.94	\$ 0.69	\$ 0.21	\$ 0.04	\$ -	\$ -	\$ 0.94	\$ 2.88	
2052	\$ 1.54	\$ 0.35	\$ -	\$ 0.05	\$ -	\$ -	\$ 1.94	\$ 0.74	\$ 0.17	\$ 0.04	\$ -	\$ -	\$ 0.94	\$ 2.88	
2053	\$ 1.65	\$ 0.24	\$ -	\$ 0.05	\$ -	\$ -	\$ 1.94	\$ 0.79	\$ 0.11	\$ 0.04	\$ -	\$ -	\$ 0.94	\$ 2.88	
2054	\$ 1.77	\$ 0.12	\$ -	\$ 0.05	\$ -	\$ (1.91)	\$ 0.03	\$ 0.85	\$ 0.06	\$ 0.04	\$ (0.92)	\$ -	\$ 0.02	\$ 0.05	
Total	\$ 23.12	\$ 33.04	\$ (2.91)	\$ 0.94	\$ 0.18	\$ (1.91)	\$ 52.45	\$ 11.12	\$ 15.01	\$ 0.87	\$ (0.92)	\$ -	\$ 26.07	\$ 78.52	

Footnotes:

[a] Interest is calculated at a rate of 7.00%.

[b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.

[c] The Delinquency and Prepayment Reserve Account was partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.

[d] The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.

[e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.

[f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.

[g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.

[h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

**FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT BUYER
DISCLOSURE LOT TYPE 3**

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF FRIENDSWOOD, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE 3 PRINCIPAL ASSESSMENT: \$15,492.94 per Key

As the purchaser of the real property described above, you are obligated to pay assessments to City of Friendswood, 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 ***Friendswood City Center Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Friendswood. The exact amount of each annual installment will be approved each year by the Friendswood City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Friendswood.

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 Harris County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§
§
§

COUNTY OF _____

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

ANNUAL INSTALLMENTS PER DOOR - LOT TYPE 3

	Initial Major Improvement Bonds							Additional Major Improvements Reimbursement Obligation ^[c]							
Installment Due 1/31	Principal	Interest ^[a]	Capitalized Interest	Annual Collection Costs ^[b]	Additional Interest ^[c]	Reserve Fund ^[d]	Initial Major Improvements Total Annual Installment Due ^[e]	Principal	Interest ^[f]	Annual Collection Costs	Reserve Fund ^[d]	Additional Interest	Additional Major Improvements Total Annual Installment Due ^[d]	Total Annual Installment Due ^[d]	
2025	\$ -	\$ 585.89	\$ (585.89)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2026	\$ -	\$ 732.36	\$ (732.36)	\$ -	\$ 13.01	\$ -	\$ 13.01	\$ -	\$ 249.43	\$ 10.12	\$ -	\$ -	\$ 259.55	\$ 272.57	
2027	\$ 132.67	\$ 732.36	\$ -	\$ -	\$ 13.27	\$ -	\$ 878.30	\$ 64.07	\$ 352.14	\$ 10.32	\$ -	\$ -	\$ 426.53	\$ 1,304.83	
2028	\$ 141.46	\$ 723.08	\$ -	\$ -	\$ 13.54	\$ -	\$ 878.07	\$ 69.17	\$ 347.66	\$ 10.53	\$ -	\$ -	\$ 427.36	\$ 1,305.43	
2029	\$ 151.09	\$ 713.17	\$ -	\$ -	\$ 13.81	\$ -	\$ 878.08	\$ 73.70	\$ 342.82	\$ 10.74	\$ -	\$ -	\$ 427.26	\$ 1,305.34	
2030	\$ 161.58	\$ 702.60	\$ -	\$ -	\$ 14.08	\$ -	\$ 878.26	\$ 78.52	\$ 337.66	\$ 10.95	\$ -	\$ -	\$ 427.13	\$ 1,305.40	
2031	\$ 172.64	\$ 691.29	\$ -	\$ 1.72	\$ 12.64	\$ -	\$ 878.29	\$ 83.63	\$ 332.16	\$ 11.17	\$ -	\$ -	\$ 426.96	\$ 1,305.25	
2032	\$ 184.26	\$ 679.20	\$ -	\$ 14.65	\$ -	\$ -	\$ 878.12	\$ 89.30	\$ 326.31	\$ 11.40	\$ -	\$ -	\$ 427.00	\$ 1,305.12	
2033	\$ 197.02	\$ 666.30	\$ -	\$ 14.95	\$ -	\$ -	\$ 878.27	\$ 95.25	\$ 320.06	\$ 11.62	\$ -	\$ -	\$ 426.93	\$ 1,305.20	
2034	\$ 210.34	\$ 652.51	\$ -	\$ 15.25	\$ -	\$ -	\$ 878.10	\$ 101.77	\$ 313.39	\$ 11.86	\$ -	\$ -	\$ 427.01	\$ 1,305.11	
2035	\$ 224.80	\$ 637.79	\$ -	\$ 15.55	\$ -	\$ -	\$ 878.14	\$ 108.86	\$ 306.26	\$ 12.09	\$ -	\$ -	\$ 427.21	\$ 1,305.35	
2036	\$ 240.11	\$ 622.05	\$ -	\$ 15.86	\$ -	\$ -	\$ 878.02	\$ 116.23	\$ 298.64	\$ 12.34	\$ -	\$ -	\$ 427.21	\$ 1,305.23	
2037	\$ 256.83	\$ 605.25	\$ -	\$ 16.18	\$ -	\$ -	\$ 878.26	\$ 123.88	\$ 290.51	\$ 12.58	\$ -	\$ -	\$ 426.97	\$ 1,305.23	
2038	\$ 274.41	\$ 587.27	\$ -	\$ 16.50	\$ -	\$ -	\$ 878.18	\$ 132.38	\$ 281.84	\$ 12.83	\$ -	\$ -	\$ 427.06	\$ 1,305.23	
2039	\$ 293.12	\$ 568.06	\$ -	\$ 16.83	\$ -	\$ -	\$ 878.01	\$ 141.46	\$ 272.57	\$ 13.09	\$ -	\$ -	\$ 427.12	\$ 1,305.13	
2040	\$ 313.53	\$ 547.54	\$ -	\$ 17.17	\$ -	\$ -	\$ 878.24	\$ 150.81	\$ 262.67	\$ 13.35	\$ -	\$ -	\$ 426.83	\$ 1,305.07	
2041	\$ 335.07	\$ 525.59	\$ -	\$ 17.51	\$ -	\$ -	\$ 878.18	\$ 161.30	\$ 252.11	\$ 13.62	\$ -	\$ -	\$ 427.03	\$ 1,305.21	
2042	\$ 358.03	\$ 502.14	\$ -	\$ 17.86	\$ -	\$ -	\$ 878.03	\$ 172.35	\$ 240.82	\$ 13.89	\$ -	\$ -	\$ 427.07	\$ 1,305.10	
2043	\$ 382.98	\$ 477.08	\$ -	\$ 18.22	\$ -	\$ -	\$ 878.28	\$ 183.98	\$ 228.76	\$ 14.17	\$ -	\$ -	\$ 426.90	\$ 1,305.18	
2044	\$ 409.34	\$ 450.27	\$ -	\$ 18.58	\$ -	\$ -	\$ 878.19	\$ 196.73	\$ 215.88	\$ 14.45	\$ -	\$ -	\$ 427.07	\$ 1,305.26	
2045	\$ 437.69	\$ 421.61	\$ -	\$ 18.96	\$ -	\$ -	\$ 878.26	\$ 210.06	\$ 202.11	\$ 14.74	\$ -	\$ -	\$ 426.91	\$ 1,305.17	
2046	\$ 467.74	\$ 390.98	\$ -	\$ 19.33	\$ -	\$ -	\$ 878.05	\$ 224.80	\$ 187.40	\$ 15.04	\$ -	\$ -	\$ 427.24	\$ 1,305.29	
2047	\$ 500.06	\$ 358.23	\$ -	\$ 19.72	\$ -	\$ -	\$ 878.01	\$ 240.11	\$ 171.67	\$ 15.34	\$ -	\$ -	\$ 427.11	\$ 1,305.12	
2048	\$ 534.64	\$ 323.23	\$ -	\$ 20.12	\$ -	\$ -	\$ 877.99	\$ 256.55	\$ 154.86	\$ 15.65	\$ -	\$ -	\$ 427.05	\$ 1,305.04	
2049	\$ 571.78	\$ 285.81	\$ -	\$ 20.52	\$ -	\$ -	\$ 878.10	\$ 274.12	\$ 136.90	\$ 15.96	\$ -	\$ -	\$ 426.98	\$ 1,305.08	
2050	\$ 611.46	\$ 245.78	\$ -	\$ 20.93	\$ -	\$ -	\$ 878.17	\$ 292.83	\$ 117.71	\$ 16.28	\$ -	\$ -	\$ 426.82	\$ 1,304.99	
2051	\$ 653.70	\$ 202.98	\$ -	\$ 21.35	\$ -	\$ -	\$ 878.03	\$ 313.24	\$ 97.21	\$ 16.60	\$ -	\$ -	\$ 427.06	\$ 1,305.09	
2052	\$ 699.06	\$ 157.22	\$ -	\$ 21.77	\$ -	\$ -	\$ 878.05	\$ 334.79	\$ 75.29	\$ 16.94	\$ -	\$ -	\$ 427.01	\$ 1,305.06	
2053	\$ 747.53	\$ 108.29	\$ -	\$ 22.21	\$ -	\$ -	\$ 878.03	\$ 358.03	\$ 51.85	\$ 17.27	\$ -	\$ -	\$ 427.16	\$ 1,305.19	
2054	\$ 799.41	\$ 55.96	\$ -	\$ 22.65	\$ -	\$ (865.03)	\$ 12.99	\$ 382.70	\$ 26.79	\$ 17.62	\$ (416.83)	\$ -	\$ 10.28	\$ 23.27	
Total	\$ 10,462.33	\$ 14,951.90	\$ (1,318.25)	\$ 424.39	\$ 80.36	\$ (865.03)	\$ 23,735.69	\$ 5,030.61	\$ 6,793.46	\$ 392.58	\$ (416.83)	\$ -	\$ 11,799.82	\$ 35,535.51	

Footnotes:

- [a] Interest is calculated at a rate of 7.00%.
- [b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.
- [c] The Delinquency and Prepayment Reserve Account was partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.
- [d] Excludes the TIRZ Annual Credit Amount which will be calculated annually in each Annual Service Plan Update. The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.
- [e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.
- [f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.
- [g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.
- [h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

**FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT BUYER
DISCLOSURE LOT TYPE 4**

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF FRIENDSWOOD, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE 4 PRINCIPAL ASSESSMENT: \$28.87 per Square Foot

As the purchaser of the real property described above, you are obligated to pay assessments to City of Friendswood, 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 ***Friendswood City Center Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Friendswood. The exact amount of each annual installment will be approved each year by the Friendswood City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Friendswood.

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 Harris County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

ANNUAL INSTALLMENTS PER SQUARE FOOT - LOT TYPE 4

	Initial Major Improvement Bonds							Additional Major Improvements Reimbursement Obligation ^(c)							
Installment Due 1/31	Principal	Interest ^(a)	Capitalized Interest	Annual Collection Costs ^(b)	Additional Interest ^(c)	Reserve Fund ^(a)	Initial Major Improvements Total Annual Installment Due ^(d)	Principal	Interest ^(b)	Annual Collection Costs	Reserve Fund ^(a)	Additional Interest ^(b)	Additional Major Improvements Total Annual Installment Due ^(e)	Total Annual Installment Due ^(d)	
2025	\$ -	\$ 1.09	\$ (1.09)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2026	\$ -	\$ 1.36	\$ (1.36)	\$ -	\$ 0.02	\$ -	\$ 0.02	\$ -	\$ 0.46	\$ 0.02	\$ -	\$ -	\$ 0.48	\$ 0.51	
2027	\$ 0.25	\$ 1.36	\$ -	\$ -	\$ 0.02	\$ -	\$ 1.64	\$ 0.12	\$ 0.66	\$ 0.02	\$ -	\$ -	\$ 0.79	\$ 2.43	
2028	\$ 0.26	\$ 1.35	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.64	\$ 0.13	\$ 0.65	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2029	\$ 0.28	\$ 1.33	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.64	\$ 0.14	\$ 0.64	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2030	\$ 0.30	\$ 1.31	\$ -	\$ -	\$ 0.03	\$ -	\$ 1.64	\$ 0.15	\$ 0.63	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2031	\$ 0.32	\$ 1.29	\$ -	\$ 0.00	\$ 0.02	\$ -	\$ 1.64	\$ 0.16	\$ 0.62	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2032	\$ 0.34	\$ 1.27	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.17	\$ 0.61	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2033	\$ 0.37	\$ 1.24	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.18	\$ 0.60	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2034	\$ 0.39	\$ 1.22	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.19	\$ 0.58	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2035	\$ 0.42	\$ 1.19	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.20	\$ 0.57	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2036	\$ 0.45	\$ 1.16	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.22	\$ 0.56	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2037	\$ 0.48	\$ 1.13	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.23	\$ 0.54	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2038	\$ 0.51	\$ 1.09	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.25	\$ 0.53	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2039	\$ 0.55	\$ 1.06	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.26	\$ 0.51	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2040	\$ 0.58	\$ 1.02	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.28	\$ 0.49	\$ 0.02	\$ -	\$ -	\$ 0.80	\$ 2.43	
2041	\$ 0.62	\$ 0.98	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.30	\$ 0.47	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2042	\$ 0.67	\$ 0.94	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.32	\$ 0.45	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2043	\$ 0.71	\$ 0.89	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.34	\$ 0.43	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2044	\$ 0.76	\$ 0.84	\$ -	\$ 0.03	\$ -	\$ -	\$ 1.64	\$ 0.37	\$ 0.40	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2045	\$ 0.82	\$ 0.79	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.39	\$ 0.38	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2046	\$ 0.87	\$ 0.73	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.42	\$ 0.35	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2047	\$ 0.93	\$ 0.67	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.45	\$ 0.32	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2048	\$ 1.00	\$ 0.60	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.48	\$ 0.29	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2049	\$ 1.07	\$ 0.53	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.51	\$ 0.26	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2050	\$ 1.14	\$ 0.46	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.55	\$ 0.22	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2051	\$ 1.22	\$ 0.38	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.58	\$ 0.18	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2052	\$ 1.30	\$ 0.29	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.62	\$ 0.14	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2053	\$ 1.39	\$ 0.20	\$ -	\$ 0.04	\$ -	\$ -	\$ 1.64	\$ 0.67	\$ 0.10	\$ 0.03	\$ -	\$ -	\$ 0.80	\$ 2.43	
2054	\$ 1.49	\$ 0.10	\$ -	\$ 0.04	\$ -	\$ (1.61)	\$ 0.02	\$ 0.71	\$ 0.05	\$ 0.03	\$ (0.78)	\$ -	\$ 0.02	\$ 0.04	
Total	\$ 19.50	\$ 27.86	\$ (2.46)	\$ 0.79	\$ 0.15	\$ (1.61)	\$ 44.23	\$ 9.37	\$ 12.66	\$ 0.73	\$ (0.78)	\$ -	\$ 21.99	\$ 66.22	

Footnotes:

- [a] Interest is calculated at a rate of 7.00%.
- [b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.
- [c] The Delinquency and Prepayment Reserve Account was partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.
- [d] Excludes the TIRZ Annual Credit Amount which will be calculated annually in each Annual Service Plan Update. The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.
- [e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.
- [f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.
- [g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.
- [h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

**FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT BUYER
DISCLOSURE LOT TYPE 5**

NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT

A person who proposes to sell or otherwise convey real property that is located in a public improvement district established under Subchapter A, Chapter 372, Local Government Code (except for public improvement districts described under Section 372.005), or Chapter 382, Local Government Code, shall first give to the purchaser of the property this written notice, signed by the seller.

For the purposes of this notice, a contract for the purchase and sale of real property having a performance period of less than six months is considered a sale requiring the notice set forth below.

This notice requirement does not apply to a transfer:

- 1) under a court order or foreclosure sale;
- 2) by a trustee in bankruptcy;
- 3) to a mortgagee by a mortgagor or successor in interest or to a beneficiary of a deed of trust by a trustor or successor in interest;
- 4) by a mortgagee or a beneficiary under a deed of trust who has acquired the land at a sale conducted under a power of sale under a deed of trust or a sale under a court-ordered foreclosure or has acquired the land by a deed in lieu of foreclosure;
- 5) by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- 6) from one co-owner to another co-owner of an undivided interest in the real property;
- 7) to a spouse or a person in the lineal line of consanguinity of the seller;
- 8) to or from a governmental entity; or
- 9) of only a mineral interest, leasehold interest, or security interest

The following notice shall be given to a prospective purchaser before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller having provided the required notice, the purchaser, subject to certain exceptions, is entitled to terminate the contract.

A separate copy of this notice shall be executed by the seller and the purchaser and must be filed in the real property records of the county in which the property is located at the closing of the purchase and sale of the property.

AFTER RECORDING¹ RETURN TO:

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF FRIENDSWOOD, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE 5 PRINCIPAL ASSESSMENT: \$46.56 per Square Foot

As the purchaser of the real property described above, you are obligated to pay assessments to City of Friendswood, 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 ***Friendswood City Center Public Improvement District*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from City of Friendswood. The exact amount of each annual installment will be approved each year by the Friendswood City Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from City of Friendswood.

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 Harris County when updating for the Current Information of Obligation to Pay Improvement District Assessment.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF PURCHASER

SIGNATURE OF PURCHASER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

[The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Harris County.

ANNUAL INSTALLMENTS PER SQUARE FOOT - LOT TYPE 5

	Initial Major Improvement Bonds								Additional Major Improvements Reimbursement Obligation ^(e)							
Installment Due 1/31	Principal	Interest ^(a)	Capitalized Interest	Annual Collection Costs ^(b)	Additional Interest ^(c)	Reserve Fund ^(d)	Initial Major Improvements Total Annual Installment Due ^(d)	Principal	Interest ^(b)	Annual Collection Costs	Reserve Fund ^(d)	Additional Interest ^(b)	Additional Major Improvements Total Annual Installment Due ^(d)	Total Annual Installment Due ^(d)		
2025	\$ -	\$ 1.76	\$ (1.76)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
2026	\$ -	\$ 2.20	\$ (2.20)	\$ -	\$ 0.04	\$ -	\$ 0.04	\$ -	\$ 0.75	\$ 0.03	\$ -	\$ -	\$ 0.78	\$ 0.82		
2027	\$ 0.40	\$ 2.20	\$ -	\$ -	\$ 0.04	\$ -	\$ 2.64	\$ 0.19	\$ 1.06	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2028	\$ 0.43	\$ 2.17	\$ -	\$ -	\$ 0.04	\$ -	\$ 2.64	\$ 0.21	\$ 1.04	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2029	\$ 0.45	\$ 2.14	\$ -	\$ -	\$ 0.04	\$ -	\$ 2.64	\$ 0.22	\$ 1.03	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2030	\$ 0.49	\$ 2.11	\$ -	\$ -	\$ 0.04	\$ -	\$ 2.64	\$ 0.24	\$ 1.01	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2031	\$ 0.52	\$ 2.08	\$ -	\$ 0.01	\$ 0.04	\$ -	\$ 2.64	\$ 0.25	\$ 1.00	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2032	\$ 0.55	\$ 2.04	\$ -	\$ 0.04	\$ -	\$ -	\$ 2.64	\$ 0.27	\$ 0.98	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2033	\$ 0.59	\$ 2.00	\$ -	\$ 0.04	\$ -	\$ -	\$ 2.64	\$ 0.29	\$ 0.96	\$ 0.03	\$ -	\$ -	\$ 1.28	\$ 3.92		
2034	\$ 0.63	\$ 1.96	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.31	\$ 0.94	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2035	\$ 0.68	\$ 1.92	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.33	\$ 0.92	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2036	\$ 0.72	\$ 1.87	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.35	\$ 0.90	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2037	\$ 0.77	\$ 1.82	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.37	\$ 0.87	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2038	\$ 0.82	\$ 1.76	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.40	\$ 0.85	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2039	\$ 0.88	\$ 1.71	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.43	\$ 0.82	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2040	\$ 0.94	\$ 1.65	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.45	\$ 0.79	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2041	\$ 1.01	\$ 1.58	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.48	\$ 0.76	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2042	\$ 1.08	\$ 1.51	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.52	\$ 0.72	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2043	\$ 1.15	\$ 1.43	\$ -	\$ 0.05	\$ -	\$ -	\$ 2.64	\$ 0.55	\$ 0.69	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2044	\$ 1.23	\$ 1.35	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.59	\$ 0.65	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2045	\$ 1.32	\$ 1.27	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.63	\$ 0.61	\$ 0.04	\$ -	\$ -	\$ 1.28	\$ 3.92		
2046	\$ 1.41	\$ 1.18	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.68	\$ 0.56	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2047	\$ 1.50	\$ 1.08	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.72	\$ 0.52	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2048	\$ 1.61	\$ 0.97	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.77	\$ 0.47	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2049	\$ 1.72	\$ 0.86	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.82	\$ 0.41	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2050	\$ 1.84	\$ 0.74	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.88	\$ 0.35	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2051	\$ 1.96	\$ 0.61	\$ -	\$ 0.06	\$ -	\$ -	\$ 2.64	\$ 0.94	\$ 0.29	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2052	\$ 2.10	\$ 0.47	\$ -	\$ 0.07	\$ -	\$ -	\$ 2.64	\$ 1.01	\$ 0.23	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2053	\$ 2.25	\$ 0.33	\$ -	\$ 0.07	\$ -	\$ -	\$ 2.64	\$ 1.08	\$ 0.16	\$ 0.05	\$ -	\$ -	\$ 1.28	\$ 3.92		
2054	\$ 2.40	\$ 0.17	\$ -	\$ 0.07	\$ -	\$ (2.60)	\$ 0.04	\$ 1.15	\$ 0.08	\$ 0.05	\$ (1.25)	\$ -	\$ 0.03	\$ 0.07		
Total	\$ 31.44	\$ 44.94	\$ (3.96)	\$ 1.28	\$ 0.24	\$ (2.60)	\$ 71.33	\$ 15.12	\$ 20.42	\$ 1.18	\$ (1.25)	\$ -	\$ 35.46	\$ 106.80		

Footnotes:

- [a] Interest is calculated at a rate of 7.00%.
- [b] The Annual Collection Costs were initially funded at bond closing and while levied the Annual Collection Costs component of the Initial Major Improvement Assessment will not be collected in the early years but the City will resume collection of the Annual Collection Costs once the Administrative Fund balance is reduced to \$20,000.
- [c] The Delinquency and Prepayment Reserve Account was partially funded at closing. Additional Interest shall be collected on the Initial Major Improvement Bonds when the Delinquency and Prepayment Reserve Account is below 2.5% of the par amount of the Initial Major Improvement Bonds.
- [d] Excludes the TIRZ Annual Credit Amount which will be calculated annually in each Annual Service Plan Update. The figures shown above are estimates only and subject to change in Annual Service Plan Updates. Changes in Annual Collection Costs, the collection of Additional Interest, reserve fund requirements, interest earnings, or other available offsets could increase or decrease the amounts shown.
- [e] Preliminary Estimate. Collections for Reimbursement Obligation will begin following Additional Major Improvement Assessments Trigger Date.
- [f] Interest on the Reimbursement Obligation is calculated at a rate of 7.00% which is less than 2% above the highest average rate of the S&P Municipal High Yield Index which was 5.50% for October 2024, as required by the PID Act. If PID Bonds are issued, the interest rate on the Assessment will adjust to the interest rate on such PID Bonds plus the Additional Interest. The first interest payment included in the Additional Major Improvements Annual Installment due 1/31/2026 is projected based upon the issuance of Additional Major Improvement Bonds in 2025.
- [g] Assumes the release of reserve fund money in final assessment year. If such reserve fund money is not available, the final Initial Major Improvement Assessment and final Additional Major Improvement Assessment will increase.
- [h] Additional Interest shall be collected upon the issuance of the Additional Major Improvement Bonds.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[Form of Bond Counsel Opinion]

[Date]

\$36,907,000
CITY OF FRIENDSWOOD, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR IMPROVEMENTS
PROJECT)

We have represented the City of Friendswood, Texas (the “Issuer”), as its bond counsel in connection with an issue of assessment revenue bonds (the “Bonds”) described as follows:

CITY OF FRIENDSWOOD, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR
IMPROVEMENTS PROJECT), dated November 1, 2024, issued in the principal amount of
\$36,907,000.

In such capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

The Bonds have been authorized and issued pursuant to Texas Local Government Code, Chapter 372, as amended (the “Act”) and an Ordinance adopted by the Issuer on November 4, 2024 (the “Ordinance”). The Bonds are issued pursuant to a Trust Indenture, dated as of November 1, 2024 (the “Indenture”), by and between the Issuer and Wilmington Trust, National Association, as Trustee (the “Trustee”).

Unless the context clearly indicates otherwise, each capitalized term used in this opinion shall have the same meaning as set forth in the Indenture.

We have represented the Issuer as bond counsel for the sole purpose of 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 excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Limited Offering Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein. We express no opinion herein regarding the accuracy, adequacy or completeness of the Limited Offering Memorandum relating to 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, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of

officers, agents and representatives of the Issuer and other public officials, and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined executed Bond No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Indenture, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on such examination and in reliance on such representations, certifications and assumptions, it is our opinion that:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer payable solely from the Pledged Revenues as and to the extent provided in the Indenture.
- (2) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Indenture, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

APPENDIX D-1

FORM OF CITY DISCLOSURE AGREEMENT

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**CITY OF FRIENDSWOOD, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT
INITIAL MAJOR IMPROVEMENTS PROJECT)**

CONTINUING DISCLOSURE AGREEMENT OF ISSUER

This Continuing Disclosure Agreement of Issuer, dated as of November 1, 2024 (this “Disclosure Agreement”), is executed and delivered by and among the City of Friendswood, Texas (the “Issuer”), P3Works, LLC (the “Administrator”), and Wilmington Trust, National Association, acting solely in its capacity as dissemination agent (the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project)” (the “Bonds”). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator, and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of November 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 Bonds” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall have the meaning assigned to such term in the Indenture. The initial Administrator is P3Works, LLC.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“Annual Collections Report” shall mean any Annual Collections Report provided by the Issuer pursuant to, and as described in, Section 5 of this Disclosure Agreement.

“Annual Collections Report Filing Date” shall mean, for each Fiscal Year succeeding the reporting Fiscal Year, the date that is three (3) months after the Final Assessment Payment Date, which Annual Collections Report Filing Date is currently April 30.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in subsection 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Issuer Report” shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Issuer Report Filing Date” shall mean, for each Fiscal Year, the date that is six (6) months after the end of the Issuer’s Fiscal Year, which Annual Issuer Report Filing Date is currently March 31.

“Annual Service Plan Update” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall have the meaning assigned to such term in the Indenture.

“Collections Reporting Date” shall mean, for each Tax Year, the date that is one (1) month after the Delinquency Date, which Collections Reporting Date is currently March 1.

“Delinquency Date” shall mean February 1 of the year following the year in which the Assessments were billed or as may be otherwise defined in Section 31.02 of the Texas Tax Code, as amended.

“Developer” shall mean Madison Development Corp., LLC, a Texas limited liability company.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of Developer relating to the Bonds, dated as of November 1, 2024, executed and delivered by the Developer, the Administrator, and the Dissemination Agent.

“Disclosure Representative” shall mean the City Manager or Mayor 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 Wilmington Trust, National Association, 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 Friendswood City Center Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System currently available on the internet at <http://emma.msrb.org>.

“Final Assessment Payment Date” shall mean the calendar day preceding the Delinquency Date.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the Issuer’s fiscal year, currently the twelve-month period from October 1 through September 30.

“Listed Events” shall mean any of the events listed in subsection 6(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

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

“Prepayment” shall have the meaning assigned to such term in the Indenture.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SAP Update” shall have the meaning assigned to such term in subsection 4(a)(iii) of this Disclosure Agreement.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Tax Year” means the calendar year, or as may be otherwise defined in Section 1.04 of the Texas Tax Code, as amended.

“Trust Estate” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall have the meaning assigned to such term in the Indenture.

SECTION 3. Provision of Annual Issuer Reports.

(a) For each Fiscal Year, commencing with the Fiscal Year ending September 30, 2025, the Issuer shall cause, pursuant to written direction, and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, not later than the Annual Issuer Report Filing Date, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements of and within the time periods specified in Section 4 of this Disclosure Agreement. The Annual Issuer Report may, but is not required to, include the Audited Financial Statements and the failure to include the audited financial statements as a part of the Annual Issuer Report shall not violate the Issuer’s obligations under this Disclosure Agreement provided the Issuer provides its audited financial statements within twelve (12) months of the most recently ended Fiscal Year or, if the audited financial statements are not available within such twelve-month period, the Issuer provides unaudited financial statements within such twelve-month period, and provides audited financial statements, when and if available. In each case, the Annual Issuer Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer’s Fiscal Year changes, it shall file notice of such change (including the date of the new Fiscal Year) with the MSRB prior to the

next Annual Issuer Report Filing Date. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Annual Issuer Report Filing Date, the Issuer shall provide the Annual Issuer Report to the Dissemination Agent together with written direction to file such Annual Issuer Report with the MSRB. The Dissemination Agent shall provide such Annual Issuer Report to the MSRB not later than ten (10) days from receipt of such Annual Issuer Report from the Issuer, but in no event later than the Annual Issuer Report Filing Date for such Fiscal Year.

If by the fifth (5th) day before the Annual Issuer Report Filing Date the Dissemination Agent has not received a copy of the Annual Issuer Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Issuer Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Issuer Report no later than two (2) Business Days prior to the Annual Issuer Report Filing Date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Issuer Report by the Annual Issuer Report Filing Date, state the date by which the Annual Issuer Report for such year will be provided, and instruct the Dissemination Agent in writing to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Issuer Report or the notice of failure to file, as applicable, to the MSRB no later than the Annual Issuer Report Filing Date; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than the last Business Day prior to the Annual Issuer Report Filing Date.

- (b) The Issuer shall or shall cause the Dissemination Agent pursuant to written direction to:
 - (i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Issuer Report; and
 - (ii) file the Annual Issuer Report containing or incorporating by reference the information set forth in Section 4 hereof.

(c) If the Issuer has provided the Dissemination Agent with the completed Annual Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall provide written confirmation to the Issuer stating that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB, which report shall include a filing receipt from the MSRB.

SECTION 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Annual Issuer Report Filing Date, the following:

- (a) Annual Financial Information. The following Annual Financial Information (any or all of which may be unaudited):
 - (i) Tables setting forth the following information, as of the end of such Fiscal Year:

(A) For the Bonds, the maturity date(s), the interest rate(s), the original aggregate principal amount(s), the principal amount(s) remaining Outstanding, and the total interest amount due on the aggregate principal amount Outstanding;

(B) The amounts in the funds and accounts securing the Bonds and a description of the related investments;

(C) The assets and liabilities of the Trust Estate.

(ii) Financial information and operating data with respect to the Issuer of the general type and in substantially similar form to that shown in the tables provided under Sections 4(a)(ii) of Exhibit B attached hereto. Such information shall be provided as of the end of the reporting Fiscal Year;

(iii) Any updates to the Service and Assessment Plan, including the Annual Service Plan Update (together, a “SAP Update”);

(iv) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer’s audited financial statements during such Fiscal Year.

(b) Audited Financial Statements. The audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer and that have been audited by an independent certified public accountant, *but only if* available by the Annual Issuer Report Filing Date. If the audited financial statements of the Issuer are not available within twelve months after the end of the Fiscal Year, the Issuer shall provide notice that the audited financial statements are not available, file unaudited financial statements within such twelve-month period, and file audited financial statements when prepared and available.

(c) A form for submitting the information described in subsection 4(a) above is attached as Exhibit B hereto. Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

The Administrator, and if no Administrator is designated, Issuer’s staff, shall prepare the Annual Financial Information. In all cases, the Issuer shall have the sole responsibility for the content, design, and other elements comprising substantive contents of the Annual Issuer Reports under this Section 4.

SECTION 5. Annual Collections Report.

(a) For each Fiscal Year succeeding the reporting Fiscal Year, the Issuer shall cause, pursuant to written direction, and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, not later than the Annual Collections Report Filing Date, an Annual Collections Report provided to the Dissemination Agent which complies with the requirements specified in this Section 5; provided that the Issuer may provide the Annual Collections Report as part of the Annual Issuer Report, if such Annual Collections Report is available

when the Annual Issuer Report is provided to the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Annual Collections Report Filing Date, the Issuer shall provide the Annual Collections Report to the Dissemination Agent together with written direction to file such Annual Collections Report with the MSRB. The Dissemination Agent shall provide such Annual Collections Report to the MSRB not later than ten (10) days from receipt of such Annual Collections Report from the Issuer, but in no event later than the Annual Collections Report Filing Date.

If by the fifth (5th) day before the Annual Collections Report Filing Date the Dissemination Agent has not received a copy of the Annual Collections Report, the Dissemination Agent shall contact the Disclosure Representative in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Collections Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Collections Report no later than two (2) Business Days prior to the Annual Collections Report Filing Date, or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Collections Report by the Annual Collections Report Filing Date, state the date by which the Annual Collections Report for such year will be provided, and instruct the Dissemination Agent in writing to immediately send a notice to the MSRB in substantially the form attached as Exhibit A hereto; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Collections Report or the notice of failure to file, as applicable, to the MSRB no later than the Annual Collections Report Filing Date; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than the last Business Day prior to the Annual Collections Report Filing Date.

(b) The Annual Collections Report for the Bonds shall contain, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Annual Collections Report Filing Date, certain financial information and operating data with respect to collection of the Assessments of the general type and in substantially similar form to that shown in the tables provided in Exhibit C attached hereto. Such information shall cover the period beginning the first (1st) day of the Fiscal Year succeeding the reporting Fiscal Year through the Collections Reporting Date. If the State Legislature amends the definition of Delinquency Date or Tax Year, the Issuer shall file notice of such change or changes with the MSRB prior to the next Annual Collections Report Filing Date. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Collections Report. In all cases, the Issuer shall have the sole responsibility for the content, design, and other elements comprising substantive contents of the Annual Collections Report under this Section 5.

SECTION 6. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 6, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of Owners, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

Any sale by the Developer of real property within the District in the ordinary course of the Developer's business will not constitute a Listed Event for the purposes of paragraph (10) above.

For these purposes, any event described in paragraph (12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or

liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer intends the words used in paragraphs (15) and (16) above and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. For the avoidance of doubt, the incurrence of Additional Bonds without the filing of a corresponding official statement with the MSRB will constitute the incurrence of a material Financial Obligation for which a notice of a Listed Event in accordance with this Section 6 must be filed with the MSRB.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall provide written direction to the Dissemination Agent to file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than three (3) Business Days immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance with this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB's ten (10) Business Day filing requirement.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information.

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made under this Section 6. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 6 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative in writing of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed in writing by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than two (2) Business Days following the day on which it receives such written instructions. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Trustee, any Owner or beneficial owner of any interests in the Bonds, or any other party as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8 (as to bond calls only), 10, 13, 14, or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after the occurrence of the event, notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (b).

SECTION 7. Termination of Reporting Obligations. The obligations of the Issuer, the Administrator, and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent and the Administrator of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Administrator and the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until they receive written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent and the Administrator may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to the Bonds under Section 6(a).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Issuer discharges the Dissemination Agent without appointing a successor Dissemination Agent, the Issuer shall use best efforts to appoint a successor Dissemination Agent within 30 days of such discharge. The Dissemination Agent may resign at any time with 30 days' written notice to the Issuer. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer, the Administrator, and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested in writing by the Issuer or the Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5, or 6(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Financial Information, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6(a), and (ii) the Annual Financial Information for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer Report, Annual Collections Report, or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Issuer Report, Annual Collections Report, or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Issuer Report, Annual Collections Report, or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Dissemination Agent (at the written request of the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction against all costs, fees, expenses and liabilities for such actions) shall, take such actions as may be necessary and appropriate to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement shall not be deemed a default under the Disclosure Agreement of Developer and a default under the Disclosure Agreement of Developer shall not be deemed a default under this Disclosure Agreement.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) Notwithstanding anything to the contrary contained herein, the Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure

Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. TO THE EXTENT PERMITTED BY LAW, THE ISSUER AGREES TO INDEMNIFY AND HOLD HARMLESS THE DISSEMINATION AGENT, ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, BUT ONLY FROM ANNUAL COLLECTION COSTS COLLECTED FROM THE PROPERTY OWNERS IN THE DISTRICT, AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH IT MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF ITS POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY 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 DEVELOPER. The indemnification of the Dissemination Agent as provided in this section shall remain in full force and effect if liabilities directly or indirectly result from, arise out of, or relate to, or are asserted to have resulted from, arisen out of, or related to, the sole or contributory negligence of the Dissemination Agent. The obligations of the Issuer under this Section shall survive termination of this Disclosure Agreement, resignation or removal of the Dissemination Agent, and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. If the Issuer does not provide the Dissemination Agent with the Annual Issuer Report in accordance with subsection 3(a) or the Annual Collections Report in accordance with subsection 5(a), the Dissemination Agent shall not be responsible for the failure to submit an Annual Issuer Report or an Annual Collections Report, as applicable, to the MSRB. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The 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 6 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement. 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.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure

Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only from Annual Collection Costs collected from the property owners in the District, against any loss, expense and liabilities which 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 reasonable attorneys' fees) of defending against any claim of liability arising under this Disclosure Agreement, but excluding (i) liabilities due to the Dissemination Agent's negligence or willful misconduct and (ii) liabilities resulting from claims made by the Issuer against the Administrator; provided, however, that nothing herein shall be construed to require the Issuer to indemnify and hold harmless the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties, or the failure of any third party to provide information to the Administrator as and when required under this Disclosure Agreement, or the failure of the Developer to provide information to the Administrator as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(c) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY ANY PARTY TO THIS DISCLOSURE AGREEMENT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

SECTION 13. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit D which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments. Failure to adhere to such expected timeline shall not constitute a default by the Issuer under this Disclosure Agreement, the Indenture, the Bonds, or any other document related to the Bonds.

SECTION 14. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator, or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, the Administrator, or the Dissemination Agent in other than that person's official capacity.

SECTION 15. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 16. Sovereign Immunity. The Dissemination Agent and the Administrator agree that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

SECTION 17. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 18. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their respective services rendered in accordance with this Disclosure Agreement (including expenses related to consultation of legal counsel as provided in Section 12(a) and 12(b)) constitute Annual Collection Costs and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent and the Administrator, but only with funds to be provided from the Annual Collection Costs component of the Annual Installments collected from the property owners in the District for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 19. Statutory Verifications. The Dissemination Agent and 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 20. Disclosure of Interested Parties. Pursuant to Section 2252.908(c)(4), Texas Government Code, as amended, the Dissemination Agent hereby certifies it is a publicly traded business entity and is not required to file a Certificate of Interested Parties Form 1295 related to this Disclosure Agreement. Submitted herewith is a completed Form 1295 in connection with the Administrator's participation in the execution of this Disclosure Agreement generated by the Texas Ethics Commission's (the "TEC") electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the "Form 1295"). The Issuer hereby confirms receipt of the Form 1295 from the Administrator, and the Issuer agrees to acknowledge such form with the TEC through its electronic filing application not later than the thirtieth (30th) day after the receipt of such form. The Administrator and the Issuer understand and agree that, with the exception of information identifying the Issuer and the contract identification number, neither the Issuer nor its consultants are responsible for the information contained in the

Form 1295; that the information contained in the Form 1295 has been provided solely by the Administrator; and, neither the Issuer nor its consultants have verified such information.

SECTION 21. Governing Law and Venue. This Disclosure Agreement shall be governed by the laws of the State of Texas. Venue of any action to enforce the rights and privileges existing under this Disclosure Agreement shall be brought in the state district court of Harris County, Texas.

SECTION 22. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The Issuer, the Administrator, and the Dissemination Agent agree that electronic signatures to this Disclosure Agreement may be regarded as original signatures.

Signature pages follow.

CITY OF FRIENDSWOOD, TEXAS

By: _____
Mayor

WILMINGTON TRUST, NATIONAL
ASSOCIATION
(as Dissemination Agent)

By: _____
Authorized Officer

P3WORKS, LLC
(as Administrator)

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MSRB OF FAILURE TO FILE
[ANNUAL ISSUER REPORT][ANNUAL COLLECTIONS REPORT]
[AUDITED/UNAUDITED FINANCIAL STATEMENTS]**

Name of Issuer: City of Friendswood, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024
(Friendswood City Center Public Improvement District Initial
Major Improvements Project) (the “Bonds”)
CUSIP Nos. [insert CUSIP NOs.]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that the City of Friendswood, Texas (the “Issuer”), has not provided [an Annual Issuer Report][an Annual Collections Report][audited/unaudited financial statements] with respect to the Bonds as required by the Continuing Disclosure Agreement of Issuer dated as of November 1, 2024, by and among the Issuer, P3Works, LLC, as “Administrator,” and Wilmington Trust, National Association, as “Dissemination Agent.” The Issuer anticipates that [the Annual Issuer Report][the Annual Collections Report][audited/unaudited financial statements] will be filed by _____.

Dated: [DATE]

Wilmington Trust, National Association,
on behalf of the City of Friendswood, Texas
(as Dissemination Agent)

By: _____

Title: _____

cc: City of Friendswood, Texas

EXHIBIT B

**CITY OF FRIENDSWOOD, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL
MAJOR IMPROVEMENTS PROJECT)**

ANNUAL FINANCIAL INFORMATION*

Delivery Date: _____, 20__

CUSIP Nos: [insert CUSIP Nos.]

DISSEMINATION AGENT

Name: Wilmington Trust, National Association
Address: [_____] ☐
City: [] ☐
Telephone: () ____-____
Contact Person: Attn: _____

Section 4(a)(i)(A)

BONDS OUTSTANDING

Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount
				—
				—
Total				

Section 4(a)(i)(B)

INVESTMENTS

Fund/ Account Name	Investment Description	Par Value ⁽¹⁾	Book Value ⁽¹⁾	Market Value ⁽¹⁾

(1) As such information is provided by the Trustee.

*Excluding audited financial statements of the Issuer

Section 4(a)(i)(C)**ASSETS AND LIABILITIES OF TRUST ESTATE**

Cash Position of Trust Estate for statements dated September 30, 20[]		
[List of Funds/Accounts Held Under Indenture]	Amount In the Fund	
Total		A
Bond Principal Amount Outstanding		B
Outstanding Assessment Amount to be collected		C
Net Position of Trust Estate and Outstanding Bonds and Assessments		A-B+C

September 30, 20[] Trust Statements: ☐ Audited ☐ Unaudited

Accounting Type: ☐ Cash ☐ Accrual ☐ Modified Accrual

Section 4(a)(ii)

FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AND IN SUBSTANTIALLY SIMILAR FORM PROVIDED IN THE FOLLOWING TABLES AS OF THE END OF THE FISCAL YEAR

Debt Service Requirements on the Bonds

<u>Year Ending</u> <u>(September 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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Top [Five] Assessment Payers in the District⁽¹⁾

<u>Property Owner</u>	<u>No. of</u> <u>Parcels/Lots</u>	<u>Percentage of</u> <u>Parcels/Lots</u>	<u>Outstanding</u> <u>Assessments</u>	<u>Percentage of</u> <u>Total</u> <u>Assessments</u>
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⁽¹⁾ Does not include those owing less than one percent (1%) of total Assessments.

Assessed Value of the District

The [YEAR] certified total assessed value for the Assessed Property in the District is approximately \$[AMOUNT] according to the Harris Central Appraisal District.

Foreclosure History Related to the Assessments for the Past Five Fiscal Years

<u>Fiscal Year Ended (9/30)</u>	<u>Delinquent Assessment Amount not in Foreclosure Proceedings</u>	<u>Parcels in Foreclosure Proceedings</u>	<u>Delinquent Assessment Amount in Foreclosure Proceedings</u>	<u>Foreclosure Sales</u>	<u>Foreclosure Proceeds Received</u>
20__	\$		\$		\$
20__					
20__					
20__					
20__					

[insert any necessary footnotes]

Collection and Delinquency History of Annual Installments for the Past Five Fiscal Years

<u>Fiscal Year Ended (9/30)</u>	<u>Total Annual Installment Billed</u>	<u>Parcels Levied⁽¹⁾</u>	<u>Delinquent Amount as of 3/1</u>	<u>Delinquent % as of 3/1</u>	<u>Delinquent Amount as of [9/1]</u>	<u>Delinquent % as of [9/1]</u>	<u>Total Assessments Collected⁽²⁾</u>
20__	\$		\$	%	\$	%	\$
20__							
20__							
20__							
20__							

⁽¹⁾ Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

⁽²⁾ [Does/does not] include interest and penalties.

Parcel Numbers for Delinquencies Equaling or Exceeding 10% of Annual Installments Due

For the past five Fiscal Years, if the total amount of delinquencies as of September 1 equals or exceeds ten percent (10%) of the amount of Annual Installments due, a list of parcel numbers for which the Annual Installments are delinquent.

<u>Fiscal Year Ended (9/30)</u>	<u>Delinquent % as of 9/1</u>	<u>Parcel Numbers</u>
20__	%	
20__		

History of Prepayment of Assessments for the Past Five Fiscal Years

<u>Fiscal Year Ended (9/30)</u>	<u>Number of Prepayments</u>	<u>Amount of Prepayments</u>	<u>Bond Call Date</u>	<u>Amount of Bonds Redeemed</u>
20__		\$		\$
20__				
20__				
20__				
20__				

[insert any necessary footnotes]

ITEMS REQUIRED BY SECTION 4(a)(iii) - (iv)

[Insert a line item for each applicable listing]

EXHIBIT C

**CITY OF FRIENDSWOOD, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT INITIAL MAJOR
IMPROVEMENTS PROJECT)**

ANNUAL COLLECTIONS REPORT

Delivery Date: _____, 20__

CUSIP Nos: [insert CUSIP Nos.]

DISSEMINATION AGENT

Name: Wilmington Trust, National Association
Address: [_____]
City: [_____, Texas _____]
Telephone: (____) ____ - ____
Contact Person: Attn: _____

**SELECT FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO
THE COLLECTION OF ASSESSMENTS COVERING THE PERIOD BEGINNING WITH
THE FIRST DAY OF THE FISCAL YEAR SUCCEEDING THE REPORTING FISCAL
YEAR THROUGH THE COLLECTIONS REPORTING DATE PROVIDED IN
COMPLIANCE WITH SUBSECTION 5(A) OF THE ISSUER'S DISCLOSURE
AGREEMENT**

Foreclosure History Related To The Annual Installments⁽¹⁾

Succeeding Fiscal Year	Delinquent Annual Installment Amount not in Foreclosure Proceedings	Parcels in Foreclosure Proceedings	Delinquent Annual Installment Amount in Foreclosure Proceedings	<u>Foreclosure Sales</u>	Foreclosure Proceeds <u>Received</u>
20__	\$ _____		\$ _____		\$ _____

(i) Period covered includes December 1, 20__ through March 1, 20__.

Collection and Delinquency of Annual Installments ⁽¹⁾

Succeeding Fiscal Year 20__	Total Annual Installments <u>Levied</u> \$	Parcels <u>Levied</u> ⁽²⁾	Delinquent Amount as <u>of 3/1</u> \$	Delinquent % <u>as of 3/1</u> %	Total Annual Installments <u>Collected</u> ⁽³⁾ \$
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⁽¹⁾ Period covered includes December 1, 20__ through March 1, 20__.

⁽²⁾ Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

⁽³⁾ [Does/does not] include interest and penalties.

Prepayment of Assessments ⁽¹⁾

Succeeding Fiscal Year	Number of <u>Prepayments</u>	Amount of <u>Prepayments</u> \$	<u>Bond Call Date</u>	Amount of Bonds <u>Redeemed</u> \$
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⁽¹⁾ Period covered includes December 1, 20__ through March 1, 20__.

EXHIBIT D

BASIC EXPECTED 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	Immediately upon receipt, but in no event later than February 15, Issuer forwards payment to Trustee for all collections received, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.
		Issuer and/or Administrator should be aware of actual and specific delinquencies
		Administrator should be aware if Reserve Fund needs to be utilized for debt service payments during the corresponding Fiscal Year. If there is to be a shortfall of any Annual Installments due to be paid that Fiscal Year, the Trustee and the Dissemination Agent should be immediately notified in writing.
		Administrator should determine if previously collected surplus funds, if any, plus actual Annual Installment collections will be fully adequate for debt service in the corresponding March and September.
		At this point, 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 City 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

¹ Illustrates anticipated dates and procedures for pursuing the collection of delinquent Annual Installments of Assessments, which dates and procedures shall be in accordance with Chapters 31, 32, 33 and 34, Texas Tax Code, as amended (the "Code"), and the Harris County Tax Assessor-Collector's procedures, and are subject to adjustment by the Issuer. If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

foreclosure, in accordance with the Harris County Tax Assessor-Collector's procedures².

If there is insufficient funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of the Bond Fund of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties, in accordance with the Harris County Tax Assessor-Collector procedures².

March 15

43/44

Trustee as Paying Agent / Registrar pays Bond interest payments to Owners pursuant to the terms of the Indenture.

Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

Issuer, or the Trustee on behalf of and at the direction of the Issuer pursuant to the terms of the Indenture, to notify Dissemination Agent in writing of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw on the Reserve Fund.

Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.

July 1

152/153

Issuer, or the Administrator on behalf of the Issuer, determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments, in accordance with the Harris County Tax Assessor-Collector procedures².

Preliminary Foreclosure activity commences, in accordance with the Harris County Tax Assessor-Collector procedures², and Issuer to notify Dissemination Agent in writing of the commencement of preliminary foreclosure activity.

² If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.

If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the Owners under Section 11.2 of the Indenture, Trustee requests that the Issuer commence foreclosure or provide plan for collection and deliver such plan to the Dissemination Agent.

August 15

197/198

The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent s. The goal for the foreclosure actions is a filing by no later than August 15 (day 197/198).

Foreclosure action to be filed with the court, in accordance with the Harris County Tax Assessor-Collector procedures³.

Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status in writing. Dissemination Agent notifies Owners.

If Owners and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

³ If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

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APPENDIX D-2

FORM OF DEVELOPER DISCLOSURE AGREEMENT

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**CITY OF FRIENDSWOOD, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT
INITIAL MAJOR IMPROVEMENTS PROJECT)**

CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer dated as of November 1, 2024 (this “Disclosure Agreement”) is executed and delivered by and among Madison Development Corp., LLC, a Texas limited liability company (the “Developer”), P3Works, LLC (the “Administrator”) and Wilmington Trust, National Association, acting solely in its capacity as dissemination agent (the “Dissemination Agent”) with respect to the “City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project)” (the “Bonds”). The Developer, the Administrator, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of November 1, 2024, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrator” shall have the meaning assigned to such term in the Indenture. The Issuer has selected P3Works, LLC, as the initial Administrator.

“Affiliate” shall mean an entity that owns property within the District and is controlled by, controls, or is under common control with the Developer.

“Amenities” shall have the meaning given to it in the Limited Offering Memorandum.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

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

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Assessment Roll” shall have the meaning assigned to such term in the Indenture.

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

“Certification Letter” shall mean a certification letter provided by a Reporting Party pursuant to Section 3, in substantially the form attached as Exhibit D.

“Completion Agreement” shall mean the Friendswood City Center Public Improvement District Initial Major Improvements Completion Agreement effective as of November 1, 2024, by and between the Developer and the Trustee, solely in its capacity as trustee for the Bonds.

“Developer” shall mean, Madison Development Corp., 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 dated as of November 1, 2024 executed and delivered by the Issuer, the Administrator and the Dissemination Agent.

“Dissemination Agent” shall mean Wilmington Trust, National Association, 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 Friendswood City Center Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Initial Major Improvements” shall have the meaning assigned to such term in the Indenture.

“Issuer” shall mean the City of Friendswood, Texas.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum for the Bonds dated November 4, 2024.

“Listed Events” shall mean any of the events listed in Section 4(a) and 4(b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall mean the registered owner of any Bonds.

“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.

“Purchase Agreement” shall mean any contract between one or more entities and the Developer to purchase land in the District.

“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 May 15, August 15, November 15, and February 15.

“Quarterly Information” shall have the meaning assigned to such term in Section 3 of this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report described in Section 3 of this Disclosure Agreement and substantially similar to that attached as Exhibit A hereto.

“Reporting Party” shall mean, collectively, the Developer and any Significant Owners.

“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 Owner” shall mean any landowner, other than the Developer, that then owns property within the District representing at least five percent (5%) of the total Annual Installments of the Assessments as of each Quarterly Ending Date.

“Significant Owner Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Trustee” shall mean Wilmington Trust, National Association, a national banking association, acting solely in its capacity as trustee, or any successor trustee pursuant to the Indenture.

SECTION 3. Quarterly Reports.

(a) The Developer and any Significant Owner 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 Owner and (ii) the Developer shall remain obligated with respect to any real property acquired by a Significant Owner until a Significant Owner 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 any necessary changes to the applicable Quarterly Information or (2) provide to the Dissemination Agent the Quarterly Report in accordance with subsection (c) below. If the Administrator advises a Reporting Party as to any necessary changes to their respective Quarterly Information, such Reporting Party shall provide, or cause to be provided, to the Administrator, not more than thirty (30) days after each Quarterly Ending Date, the revised Quarterly Information. The Administrator shall review the revised Quarterly Information within the Quarterly Report and provide the Quarterly Report to the Dissemination Agent in accordance with subsection (c) below.

If Reporting Parties provide the Quarterly Information in more than one report to the Administrator, the Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by the Reporting Parties pursuant to subsection (a) above, and (ii) provide the Quarterly Report to the Reporting Parties for review no later than twenty (20) days after each Quarterly Ending Date. The Reporting Parties shall review and revise, as necessary, the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide the Quarterly Report and Certification Letter(s) to the Administrator and 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. Pursuant to the written direction of the Administrator, 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. If any Reporting Party or the Administrator does not provide the information required by Sections 3(a) or (b) in a timely manner or incomplete Quarterly Information is provided by any Reporting Party, the Dissemination Agent shall not be responsible for the failure to submit a complete Quarterly Information or Quarterly Report to the MSRB.

(d) Each Quarterly Report shall be in the form substantially similar to, and contain the information listed in, the form attached as Exhibit A hereto.

SECTION 4. Event Reporting Obligations.

(a) Pursuant to the provisions of this Section 4, each of the following is a Developer Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within the District on a parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Developer Listed Event under this Section 4(a) nor a breach or default of this Disclosure Agreement;

(ii) Material damage to or destruction of any development or improvements within the District, including the Initial Major Improvements;

(iii) Material default by the Developer or any of the Developer's Affiliates on any loan with respect to the acquisition, development, or permanent financing of the District (including financing for vertical improvements in the District) undertaken by the Developer or any of the Developer's Affiliates;

(iv) Material default by the Developer or any of Developer's Affiliates on any loan secured by property within the District owned by the Developer or any of the Developer's Affiliates;

(v) The bankruptcy, insolvency, or similar filing of the Developer or any of the Developer's Affiliates or any determination that the Developer or any of the Developer's Affiliates is unable to pay its debts as they become due;

(vi) The consummation of a merger, consolidation, or acquisition of the Developer, or the sale of all or substantially all of the assets of the Developer or any of the Developer's Affiliates, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(vii) The filing of any lawsuit with a claim for damages in excess of \$1,000,000 against the Developer or any of the Developer's Affiliates that may adversely affect the completion of development of the District, or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's Affiliates;

(viii) Any 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 Owner is a Significant Owner Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within the District on a lot or parcel owned by such Significant Owner; provided, however, that the exercise of any right of such Significant Owner as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Significant Owner Listed Event under this Section 4(b) nor a breach or default of this Disclosure Agreement;

(ii) The bankruptcy, insolvency, or similar filing of such Significant Owner or any determination that such Significant Owner is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Owner or the sale of all or substantially all of the assets of the Significant Owner, 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 Owner;

(v) Early termination of or material default by such Significant Owner under a 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 provide written direction to 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.

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.

The Developer and each other Reporting Party, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to such Reporting Party and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Reporting Party, regardless of if a Reporting Party is providing Quarterly Information on behalf of any other Reporting Party.

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 Initial Major Improvements or Amenities 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 Initial Major Improvements or Amenities 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 provide written direction to 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 Owner.

(a) If a landowner, other than the Developer, acquires ownership of real property in the District resulting in such landowner becoming a Significant Owner, the Developer may (i) cause such Significant Owner to comply with the Developer’s disclosure obligations under Section 3 and 4(b) hereof with respect to such acquired real property until such party’s disclosure obligations terminate pursuant to Section 7 of this Disclosure Agreement or (ii) elect to provide any or all Quarterly Information on behalf of such Significant Owner; provided, however, that if the Developer initially elects to provide any or all Quarterly Information on behalf of such Significant Owner, the Developer may elect in the future to cause such Significant Owner to comply with the Developer’s disclosure obligations, as described in (i) above.

(b) If the Developer elects to cause a Significant Owner to comply with the Developer’s disclosure obligations, as described in (a) above, the Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement from each Significant Owner in substantially the form attached as Exhibit F, acknowledging and assuming the Developer’s obligations under this Disclosure Agreement with respect to the real property transferred (the “Significant Owner Acknowledgment”). Pursuant to Section 4(a)(ix) above, the Developer shall provide written direction to the Dissemination Agent to file a copy of the Significant Owner Acknowledgment with the MSRB, in accordance with Sections 4(d) and 4(e) above. Upon any such transfer to a Significant Owner and such Significant Owner’s delivery of the Significant Owner Acknowledgment, 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 Owner until the Significant Owner

Acknowledgement 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 of real property, the Developer shall not be liable for the acts or omissions of such Significant Owner 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 Owner, as applicable, under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding or (ii) the Issuer's issuance of the last certificate of occupancy for land owned by the Developer (including, for the avoidance of doubt, any land owned by a Developer Affiliate) or such Significant Owner, respectively.

(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 it in carrying out the obligations of the Reporting Parties under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be Wilmington Trust, National Association. Pursuant to the Disclosure Agreement of Issuer, the Issuer has agreed to provide written notice to each then-existing Reporting Party of any change in the identity of the Dissemination Agent. The Dissemination Agent may resign at any time with thirty (30) days' written notice to the Issuer and Developer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may jointly amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its

consent to any amendment so requested by the Developer or Administrator in writing), 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 the type of business conducted; and

(b) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administrator shall describe such amendment in the next related Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Reporting Parties. The Developer shall provide, or cause to be provided, at its cost and expense, an executed copy of any amendment or waiver entered into under this Section 9 to the Issuer and the Participating Underwriter.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent any Reporting Party 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 any Reporting Party chooses to include any information in any Quarterly Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, no Reporting Party shall have an obligation under this Disclosure Agreement to update such information or include it in any future Quarterly Report or notice of occurrence of a Listed Event.

SECTION 11. Content of Disclosures. In all cases, the Developer or Significant Owner, as applicable, shall have the sole responsibility for the content, design, and other elements comprising substantive contents of all disclosures provided on their behalf by a Reporting Party provided hereunder.

SECTION 12. Default. In the event of a failure of a Reporting Party, Dissemination Agent or Administrator to comply with any provision of this Disclosure Agreement, any Owner or beneficial owner of the Bonds may, and the Trustee (at the written 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 against all costs, fees, expenses and liabilities for such actions) shall, take such actions as may be necessary and appropriate to cause the Reporting Party, Dissemination Agent and/or 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, Dissemination Agent or Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by a Reporting Party, the Dissemination Agent or the Administrator 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 a Reporting Party, the Dissemination Agent or the Administrator. Furthermore, a default under this Disclosure Agreement by any Reporting Party shall not be deemed a default under this Disclosure Agreement by any other Reporting Party, and no Reporting Party shall have any obligation to take any action to mitigate or cure the default of any other Reporting Party.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not 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. 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 GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The indemnification of the Dissemination Agent as provided in this section shall remain in full force and effect if liabilities directly or indirectly result from, arise out of, or relate to, or are asserted to have resulted from, arisen out of, or related to, the sole or contributory negligence of the Dissemination Agent. The obligations of the Developer under this Section shall survive termination of this Disclosure Agreement, resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Dissemination Agent shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

(b) Except as otherwise provided herein, the Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to 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.

(d) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, THE DEVELOPER OR ANY SIGNIFICANT OWNER 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 OWNER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

SECTION 14. No Personal Liability. No covenant, stipulation, obligation or agreement of a Reporting Party, 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 Reporting Party, the Administrator or Dissemination Agent in other than that person's official capacity.

SECTION 15. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Reporting Parties, the Administrator, the Dissemination Agent, the Issuer, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 17. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Annual Collection Costs and will be included in the Annual Installments as provided in the Annual Service Plan Update. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from the Annual Collection Costs component of the Annual Installments collected from the property owners in the District, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

SECTION 18. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Annual Collection Costs and will be included in the Annual Installments as provided in the Annual Service Plan Update. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of the District, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

SECTION 19. Governing Law; Venue. This Disclosure Agreement shall be governed by the laws of the State of Texas. Venue of any action to enforce the rights and privileges existing under this Disclosure Agreement shall be brought in the state district court of Harris County, 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 delivery receipt from the recipient confirming that the e-mail was delivered with such notice. Failure to provide proof of delivery receipt does not constitute a breach or default under this Disclosure Agreement.

If to Developer:

Madison Development Corp., LLC
Attn: Louis Tannos
505 S. Friendswood Drive, Suite 119
Friendswood, Texas 77546
Email:

With a copy to:

Winstead PC
Attn: Ross S. Martin
500 Winstead Building
2728 N. Harwood Street
E-mail: rmartin@winstead.com

If to the Dissemination Agent or
Trustee:

Wilmington Trust, National Association
Attn: Parker Merritt
15950 North Dallas Parkway, Suite 200
Dallas, TX 75248
E-mail: pmerritt@wilmingtontrust.com

If to Administrator: P3Works, LLC
9284 Huntington Square, Ste 100
North Richland Hills, Texas 76182
E-mail: admin@p3-works.com

If to the Issuer: City of Friendswood
Attn: City Manager
910 S Friendswood Drive
Friendswood, Texas 77546
Email: fwdcity@friendswood.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.]

WILMINGTON TRUST, NATIONAL
ASSOCIATION
(as Dissemination Agent)

By: _____
Authorized Officer

MADISON DEVELOPMENT CORP., LLC, a
Texas limited liability company

By: _____
Name: Louis Tannos
Title: Managing Member

P3WORKS, LLC
(as Administrator)

By: _____
Title: _____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT)

EXHIBIT A

**CITY OF FRIENDSWOOD, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS SERIES 2024
(FRIENDSWOOD CITY CENTER PUBLIC IMPROVEMENT DISTRICT
PROJECT)**

QUARTERLY REPORT
[INSERT QUARTERLY ENDING DATE]

Delivery Date: _____, 20__

CUSIP Numbers: [Insert CUSIP Numbers]

DISSEMINATION AGENT

Name: Wilmington Trust, National Association
Address: _____
City: _____
Telephone: _____
Contact Person: _____

I. Expenditures Paid from Accounts under Indenture

TOTAL BUDGETED COSTS REQUIRED TO COMPLETE INITIAL MAJOR IMPROVEMENTS: \$_____

Of the budgeted costs for the Initial Major Improvements shown in the Service and Assessment Plan:

1. Actual costs drawn from the Initial Major Improvement Account of the Project Fund:
\$_____

II. Status of Initial Major Improvements

Projected/actual completion date of the Initial Major Improvements

1. Completion date of Initial Major Improvements listed in prior Quarterly Report:

2. [Actual/Expected] date of completion of the Initial Major Improvements as of the date of this Quarterly Report: [_____]
3. Explanation of any delay/change in projected completion date since last Quarterly Report was filed: [_____]

III. Square Footage/Unit Mix in the District

	Planned Sq. Ft./Units as of the Issuance of the Bonds	Planned Sq. Ft./Units of [Insert Prior Quarterly Ending]	Explanation as to any change to the proposed total number of square feet or units from the Service and Assessment Plan
Inline Food/Retail (Lot Type 1)	76,408		
Mixed Use (Lot Type 2)	268,800		
Hotel (Lot Type 3)	115		
Medical Office (Lot Type 4)	194,050		
Multi-Family with Retail Corridor (Lot Type 5)	750,000		

IV. Ownership of Lots/Units in the District

Landowner	Number of Acres/Lots/Units Owned⁽¹⁾	Expected Use Type (Lot Type 1-5 Classification from Service and Assessment Plan)	Expected Sq. Ft./Unit Count
Developer Owned			
Developer Affiliate Owned			
Unrelated Third Party Owned⁽¹⁾			
Total:			

⁽¹⁾ For any individual residential condominium unit owned by a homeowner, such owner need not be individually listed. Individually owned residential condominiums can be reported on a combined basis.

V. Status of Vertical Construction in the District

Lot	Name of Landowner/ Developer	Number of Actual/Expected Sq. Ft/Units by Lot Type	Actual/Expected Date of Commencement of Vertical Construction	Actual/Expected Date of Completion of Vertical Construction	Explanation of any delays in expected start or completion dates of vertical construction since last Quarterly Report
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					

VI. Mortgage Debt of Developer or Developer Affiliates

In the chart below, describe any mortgage loans (whether an existing loan or incurrence of a new mortgage loan) incurred by the Developer or its Affiliates, if applicable, secured by the land subject to the Assessments securing the Bonds.

Borrower (note whether Developer Affiliate)	Lender	Purpose (e.g., property acquisition, vertical development)	Initial Amount	Current Loan Balance	District Property Securing Debt.	Interest Rate	Payment Terms/Maturity Date

VII. Amenities

TOTAL [EXPECTED/ACTUAL] COSTS OF AMENITIES: \$[_____]

Of the \$[_____] [expected/actual] costs of the Amenities:

1. Amount spent as of Quarterly Ending Date: \$[_____]
2. [Actual/Expected] completion date of Amenities: [_____]

VIII. Material Changes/Other Information

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. **Ownership** - Since the issuance of the Bonds, other than a sale to a landowner pursuant to a 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?
3. **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.
4. **[NOTE: THIS INFORMATION SHALL BE INCLUDED IN EACH QUARTERLY REPORT UNTIL THE QUARTERLY REPORT WHEN THE CITY ACCEPTANCE LETTER IS FILED. PLEASE REMOVE THIS ITALICIZED LANGUAGE WHEN FILING THE QUARTERLY REPORT.] Completion Agreement** – Has the Developer completed the Initial Major Improvements? If yes, please attach the City Acceptance Letter (as defined in the Completion Agreement) to this Quarterly Report.

If the Developer has not completed the Initial Major Improvements and provided the City Acceptance Letter in accordance with the above, provide a certification as to available funds to fund the Funding Shortfall (as defined in the Completion Agreement) by identifying the available sources of funding to complete the Initial Major Improvements (including any personal lines of credit or other available funds not secured by land in the District) below:

Description of Funding Facility (e.g., line of credit, loan etc.)	
Initial Amounts Available:	
Total Amount Available for Draw as of Quarterly Ending Date:	
Maturity Date:	

The Developer hereby certifies that the above described funds are available to fund the Funding Shortfall (as defined in the Completion Agreement).

5. **Other** – Provide any other material information that should be disclosed.

[End of Form of Quarterly Report]

EXHIBIT B

**NOTICE TO MSRB OF FAILURE TO
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of Friendswood, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (Friendswood
City Center Public Improvement District Initial Major
Improvements Project) (the “Bonds”)
CUSIP Nos. [insert CUSIP Nos.]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that _____, a
_____ (the [“Developer”] [“Significant Owner”]) has not provided the
[Quarterly Information][Quarterly Report] for the period ending on [*Insert Quarterly Ending Date*]
with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer dated
as of November 1, 2024, by and among Madison Development Corp., LLC, a Texas limited
liability company (the “Developer”), P3Works, LLC (the “Administrator”) and Wilmington Trust,
National Association (the “Dissemination Agent”). [Developer] [Significant Owner] [anticipates
that the [Quarterly Information][Quarterly Report] will be [provided][filed] by _____.

Dated: _____

WILMINGTON TRUST, NATIONAL
ASSOCIATION,
on behalf of the [Developer] [Significant Owner]
(as Dissemination Agent)

By: _____

Title: _____

cc: City of Friendswood, Texas

EXHIBIT C

TERMINATION NOTICE

[DATE]

Name of Issuer: City of Friendswood, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project) (the “Bonds”)
CUSIP Nos. [insert CUSIP Nos.]
Date of Delivery: _____, 20__

FMSbonds, Inc.
5 Cowboys Way, Suite 300-25
Frisco, Texas 75034

Madison Development Corp., LLC,
505 S. Friendswood Drive, Suite 119
Friendswood, Texas 77546

City of Friendswood, Texas
910 S Friendswood Drive
Friendswood, Texas 77546

[SIGNIFICANT OWNER]

Wilmington Trust, National Association
15950 North Dallas Parkway, Suite 200
Dallas, TX 75248

NOTICE IS HEREBY GIVEN that _____, a _____ (the [“Developer”] [“Significant Owner”]) is no longer responsible for providing [any Quarterly Information][the Quarterly Report] with respect to the Bonds, thereby, terminating such party’s reporting obligations under the Continuing Disclosure Agreement of Developer dated as of November 1, 2024, by and among Madison Development Corp., LLC, a Texas limited liability company (the “Developer”), P3Works, LLC (the “Administrator”) and Wilmington Trust, National Association (the “Dissemination Agent”).

Dated: _____

P3Works, LLC
on behalf of the [Developer] [Significant Owner]
(as Administrator)

By: _____

Title: _____

EXHIBIT D
CERTIFICATION LETTER

[DATE]

Name of Issuer: City of Friendswood, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024 (Friendswood
City Center Public Improvement District Initial Major
Improvements Project)
CUSIP Nos. [insert CUSIP Nos.]
Quarterly Ending Date: _____, 20__

Re: Quarterly Report for Friendswood City Center Public Improvement District
To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer dated as of November 1, 2024, by and among Madison Development Corp., LLC, a Texas limited liability company (the “Developer”), P3Works, LLC (the “Administrator”) Wilmington Trust, National Association (the “Dissemination Agent”), this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer] [_____, as a “Significant Owner”], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer] [Significant Owner], constitutes the [portion of the] Quarterly Report required to be furnished by [Developer] [Significant Owner]. Any and all Quarterly Information, provided by the [Developer] [Significant Owner], 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.

MADISON DEVELOPMENT CORP., LLC, a
Texas limited liability company

By: _____
Name: _____
Title: _____

OR

[SIGNIFICANT OWNER]
(as Significant Owner)
By: _____
Title: _____]

EXHIBIT E

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT
OF DEVELOPER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

Re: Friendswood City Center Public Improvement District – Continuing Disclosure Obligation

Dear _____,

Per [*Insert name of applicable agreement*], as of _____, 20__, you have been assigned and have assumed the obligations, requirements, or covenants to construct one or more of the Initial Major Improvements or Amenities (as such terms are defined in the Disclosure Agreement of Developer (as defined herein) within the Friendswood City Center Public Improvement District (the “District”).

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer (the “Disclosure Agreement of Developer”) by and among Madison Development Corp., LLC, a Texas limited liability company (the “Developer”), P3Works, LLC (the “Administrator”), and Wilmington Trust, National Association (the “Dissemination Agent”), with respect to the “City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project),” any person that, through assignment, assumes the obligations, requirements, or covenants to construct one or more of the Initial Major Improvements or Amenities 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,

MADISON DEVELOPMENT CORP., 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 OWNER REPORTING OBLIGATIONS**

[DATE]

[INSERT SIGNIFICANT OWNER CONTACT INFORMATION]

Re: Friendswood City Center Public Improvement District– Continuing Disclosure Obligation

Dear _____,

As of _____, 20__, you own ____ acres within the Friendswood City Center Public Improvement District (the “District”), which property represents ____ percent (___%) of the total Annual Installments of the Assessments.

Pursuant to Section 2 of the Continuing Disclosure Agreement of the Developer (the “Disclosure Agreement”) dated as of November 1, 2024, by and among Madison Development Corp., LLC, a Texas limited liability company (the “Developer”), P3Works, LLC (the “Administrator”) and Wilmington Trust, National Association, a national banking association (the “Dissemination Agent”), with respect to the “City of Friendswood, Texas, Special Assessment Revenue Bonds, Series 2024 (Friendswood City Center Public Improvement District Initial Major Improvements Project),” any entity that owns land within the District representing at least five percent (5%) of the total Annual Installments of the Assessments is defined as a Significant Owner.

As a Significant Owner, pursuant to Section 6 of the Disclosure Agreement, you acknowledge and assume the reporting obligations under Sections 3(d) and 4(b) of the Disclosure Agreement for the property which is owned as detailed in the Disclosure Agreement, which is included herewith.

Sincerely,

MADISON DEVELOPMENT CORP., LLC, a
Texas limited liability company

By: _____
Name: _____
Title: _____

Acknowledged by:

[INSERT SIGNIFICANT OWNER NAME]

By: _____
Title: _____
Address: _____
Phone Number: _____

APPENDIX E
APPRAISAL

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

Integra Realty Resources
Dallas

Appraisal of Real Property

Friendswood City Center Public Improvement District
Land and Proposed Retail Buildings
South side of FM-528, west of W. Bay Area Boulevard
Friendswood, Harris County, Texas 77546

Prepared For:
FMSbonds, Inc.

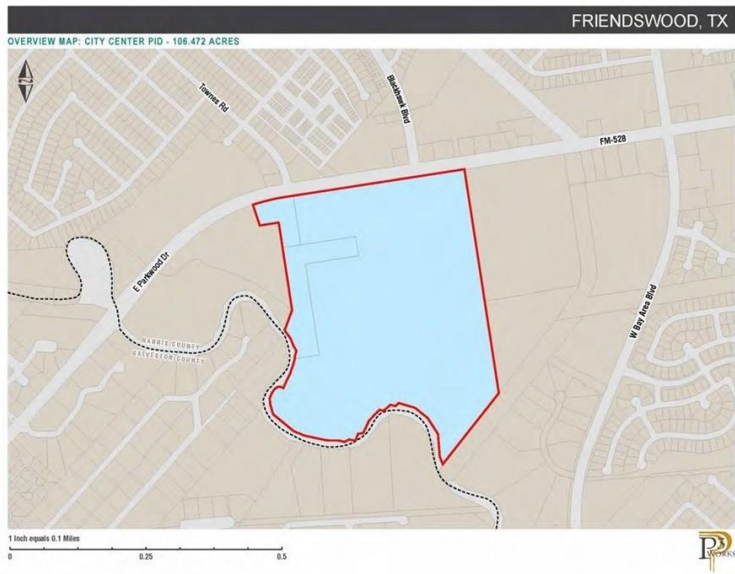
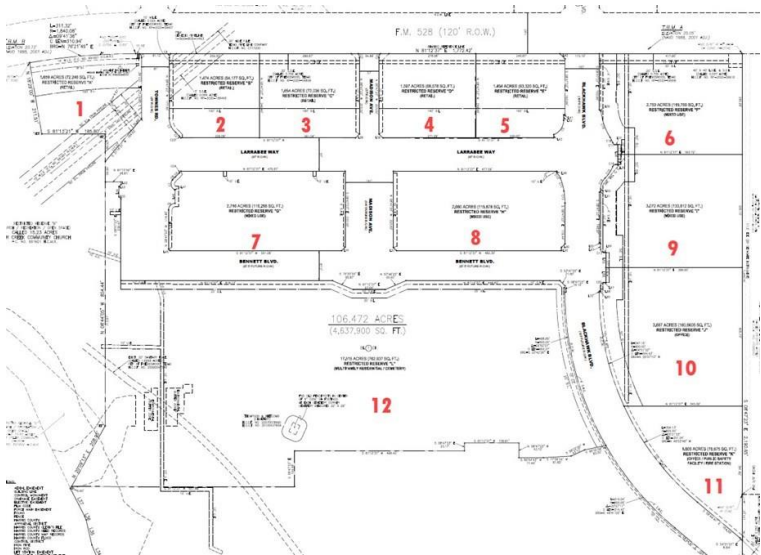
Date of the Report:
July 24, 2024

Report Format:
Appraisal Report

IRR - Dallas
File Number: 191-2024-0454



Subject Photographs



Friendswood City Center Public Improvement District
South side of FM-528, west of W. Bay Area Boulevard
Friendswood, Texas

Aerial Photograph





July 24, 2024

Mr. R.R. "Tripp" Davenport, III
Director
FMSbonds, Inc.
5 Cowboys Way, Suite 300-25
Frisco, TX 75034

SUBJECT: Market Value Appraisal
 Friendswood City Center Public Improvement District
 South side of FM-528, west of W. Bay Area Boulevard
 Friendswood, Harris County, Texas 77546
 IRR - Dallas File No. 191-2024-0454

Dear Mr. Davenport, III:

Integra Realty Resources – Dallas is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the fee simple and leased fee interest in the properties as of the effective date of the appraisal. The following opinions of value are provided:

- Current market value of Lot 1 (Vacant Land) "As Is"
- Prospective market value of Lot 1 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 2 (Vacant Land) "As Is"
- Prospective market value of Lot 2 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 3 (Vacant Land) "As Is"
- Prospective market value of Lot 3 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 4 (Vacant Land) "As Is"
- Prospective market value of Lot 4 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 5 (Vacant Land) "As Is"
- Prospective market value of Lot 5 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Prospective market value of Lot 6 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 7 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 8 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 9 "As Complete" as of 5/31/25 (Vacant Land)

- Prospective market value of Lot 10 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 11 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 12 "As Complete" as of 5/31/25 (Vacant Land)

The client for the assignment is FMSbonds, Inc., and the intended use is for the underwriting of a proposed public improvement district bond transaction. This appraisal is not for purposes of determining the amount of any assessments to be levied by the City nor is it the basis upon which a determination of the benefit any constructed or installed public improvements will have on properties within the PID; provided that it is acknowledged that this appraisal will be included in a limited offering memorandum for PID bonds.

Subject Identification

The subject represents 12 lots within the Friendswood City Center Public Improvement District (the "PID"). Currently, six of the 12 lots (1-6) are developable with the remaining lots requiring infrastructure which is scheduled for completion by May 31, 2025. In addition, portions, or all, of Lots 6-12 are currently located within a flood zone. We specifically assume that they will be elevated out of the flood zone as part of the development process. However, Lots 1-5 are currently ready for vertical development and are to be improved with retail buildings as of the effective date of the appraisal. Our valuation also includes both the land values as well as the improvement values for these improvements on a stabilized basis. The 12 lots are zoned under a PUD (Planned Unit Development) which allows for office, retail and multi-family uses.

The unit mix for the subject follows:

Friendswood City Center Public Improvement District				
Parcel/Building	Legal	Size/Acres	Building Size SF	Expected Completion Date
Lot 1	(Reserve A)	1.659	N/A	July 5, 2024
Lot 2	(Reserve B)	1.474	N/A	July 5, 2024
Lot 3	(Reserve C)	1.654	N/A	July 5, 2024
Lot 4	(Reserve D)	1.597	N/A	July 5, 2024
Lot 5	(Reserve E)	1.454	N/A	July 5, 2024
Lot 6	(Reserve F)	2.75	N/A	May 31, 2025
Lot 7	(Reserve G)	2.716	N/A	May 31, 2025
Lot 8	(Reserve H)	2.66	N/A	May 31, 2025
Lot 9	(Reserve I)	3.072	N/A	May 31, 2025
Lot 10	(Reserve J)	3.687	N/A	May 31, 2025
Lot 11	(Reserve K)	1.806	N/A	May 31, 2025
Lot 12	(Reserve L)	17.515	N/A	May 31, 2025
Building 1	(Reserve A)	1.659	15,374	May 31, 2025
Building 2	(Reserve B)	1.474	14,880	May 31, 2025
Building 3	(Reserve C)	1.654	16,608	May 31, 2025
Building 4	(Reserve D)	1.597	14,862	May 31, 2025
Building 5	(Reserve E)	1.454	14,684	May 31, 2025

It is noted that the building sizes used for valuation differ slightly from the concept plan found herein. However, the size differential is minimal and is not considered to materially affect our value opinions.

The subject's Lots 1-5 are proposed to be developed with 76,408 square feet of retail shopping center improvements. Each lot will be developed with a single-story, multitenant retail building with an expected completion date of May 31, 2025. Lots 1-4 will feature traditional retail storefronts with an expected tenant mix including limited and full-service restaurants and in-line general retail among others. Lot 5 will feature an approximate 6,000 SF, owner-occupied convenience store/gas station with fuel canopy and six (6) double-sided pumps or 12 fueling positions. The remaining end-cap space within Lot 5 is assumed to be similar retail uses as Lots 1-4. Based on discussions with individual developers and brokers marketing the buildings, there are numerous signed or active LOIs. However, these are not fully executed leases and can be modified and/or cancelled prior to completion. Thus, the proposed improvements are 0% preleased as of the effective appraisal date.

The appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and applicable state appraisal regulations.

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis that were used to develop the opinion of value.

Based upon the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, the concluded opinions of value are as follows:

Value Conclusions			
Parcel/Building Name	Interest Appraised	Date of Value	Value Conclusion
Lot 1	Fee Simple	July 5, 2024	\$1,450,000
Lot 2	Fee Simple	July 5, 2024	\$1,280,000
Lot 3	Fee Simple	July 5, 2024	\$1,440,000
Lot 4	Fee Simple	July 5, 2024	\$1,390,000
Lot 5	Fee Simple	July 5, 2024	\$1,270,000
Lot 6	Fee Simple	May 31, 2025	\$3,050,000
Lot 7	Fee Simple	May 31, 2025	\$2,720,000
Lot 8	Fee Simple	May 31, 2025	\$2,090,000
Lot 9	Fee Simple	May 31, 2025	\$3,080,000
Lot 10	Fee Simple	May 31, 2025	\$2,890,000
Lot 11	Fee Simple	May 31, 2025	\$1,240,000
Lot 12	Fee Simple	May 31, 2025	\$16,020,000
Building 1	Leased Fee	May 31, 2025	\$8,330,000
Building 2	Leased Fee	May 31, 2025	\$8,070,000
Building 3	Leased Fee	May 31, 2025	\$8,970,000
Building 4	Leased Fee	May 31, 2025	\$8,060,000
Building 5	Leased Fee	May 31, 2025	\$10,710,000



Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. All information relative to the subject property including land areas, building sizes, building quality, dates of completion and other pertinent data that was provided by Boundary One (surveyors), WGA (Consulting Engineers), Madison Development Corporation, LLC (developer/owner), the city of Friendswood, and the Harris Central Appraisal District is assumed to be correct.
2. The subject is proposed construction. Therefore, this report contains a prospective opinions of value. As such, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to this prospective effective date.
3. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of May 31, 2025, the effective appraisal date.
4. It is noted that portions of Lots 6-12 are currently located within a flood zone. We specifically assume that they will be elevated out of the flood zone as part of the development process.
5. Our opinion of prospective market value at completion assumes that the proposed improvements will be complete and stabilized as of May 31, 2025, the effective appraisal date.
6. Our opinion of prospective market value at completion assumes that all Phase 1 infrastructure will be complete in accordance with plans and specifications as of May 31, 2025, while Phase 2 infrastructure will be complete in accordance with plans and specifications as of October 31, 2026.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

The opinions of value expressed in this report are based on estimates and forecasts which are prospective in nature and subject to considerable risk and uncertainty. Events may occur which could cause the performance of the property to differ materially from the estimates contained herein, such as changes in the economy, interest rates, capitalization rates, financial strength of tenants, and behavior of investors, lenders, and consumers. Additionally, the concluded opinions and forecasts are based partly on data obtained from interviews and third-party sources, which are not always completely reliable. Although the findings are considered reasonable based on available evidence, IRR is not responsible for the effects of future, unforeseen occurrences.

Mr. R.R. "Tripp" Davenport, III
FMSbonds, Inc.
July 24, 2024
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

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Quality Assurance

IRR Quality Assurance Program

At IRR, delivering a quality report is a top priority. Integra has an internal Quality Assurance Program in which managers review material and pass an exam in order to attain IRR Certified Reviewer status. By policy, every Integra valuation assignment is assessed by an IRR Certified Reviewer who holds the MAI designation, or is, at a minimum, a named Director with at least ten years of valuation experience.

This quality assurance assessment consists of reading the report and providing feedback on its quality and consistency. All feedback from the IRR Certified Reviewer is then addressed internally prior to delivery. The intent of this internal assessment process is to maintain report quality.

Designated IRR Certified Reviewer

The IRR Certified Reviewer who provided the quality assurance assessment for this assignment is Jimmy H. Jackson, MAI.

Executive Summary

Property Name	Friendswood City Center Public Improvement District		
Address/Location	South side of FM-528, west of W. Bay Area Boulevard Friendswood, Harris County, Texas 77546		
Property Type	Land and Proposed Retail Buildings - Commercial		
Owner of Record	Madison Development Corporation LLC, Hill Gage Development LLC, Ajay K. Jain, Lone Star Campus R1 LLC, and Tima Holdings LLC		
Tax ID	0432150000130, 1413970000001, and 1413970000003		
Legal Description	Reserve A-L, Friendswood City Center (aka Lots 1-12)		
School District	Clear Creek ISD		
Lot 1	1.659 acres; 72,266 SF		
Lot 2	1.474 acres; 64,207 SF		
Lot 3	1.654 acres; 72,048 SF		
Lot 4	1.597 acres; 69,565 SF		
Lot 5	1.454 acres; 63,336 SF		
Lot 6	2.750 acres; 119,790 SF		
Lot 7	2.716 acres; 118,309 SF		
Lot 8	2.660 acres; 115,870 SF		
Lot 9	3.072 acres; 133,816 SF		
Lot 10	3.687 acres; 160,606 SF		
Lot 11	1.806 acres; 78,669 SF		
Lot 12	17.515 acres; 762,953 SF		
Building 1	15,374 SF		
Building 2	14,880 SF		
Building 3	16,608 SF		
Building 4	14,862 SF		
Building 5	14,684 SF		
Zoning Designation	PUD (Planned Unit Development), Mixed-use		
Highest and Best Use	Mixed-use		
Highest and Best Use - As Improved	Mixed-use		
Exposure Time; Marketing Period	9 - 12 months; 9 - 12 months		
Effective Date of the Appraisal	May 31, 2025	July 5, 2024	
Date of the Report	July 24, 2024		
Property Interest Appraised	Fee Simple And Leased Fee		

Value Conclusions

Parcel/Building Name	Interest Appraised	Date of Value	Value Conclusion
Lot 1	Fee Simple	July 5, 2024	\$1,450,000
Lot 2	Fee Simple	July 5, 2024	\$1,280,000
Lot 3	Fee Simple	July 5, 2024	\$1,440,000
Lot 4	Fee Simple	July 5, 2024	\$1,390,000
Lot 5	Fee Simple	July 5, 2024	\$1,270,000
Lot 6	Fee Simple	May 31, 2025	\$3,050,000
Lot 7	Fee Simple	May 31, 2025	\$2,720,000
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Building 1	Leased Fee	May 31, 2025	\$8,330,000
Building 2	Leased Fee	May 31, 2025	\$8,070,000
Building 3	Leased Fee	May 31, 2025	\$8,970,000
Building 4	Leased Fee	May 31, 2025	\$8,060,000
Building 5	Leased Fee	May 31, 2025	\$10,710,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than FMSBonds, Inc. may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. All information relative to the subject property including land areas, building sizes, building quality, dates of completion and other pertinent data that was provided by Boundary One (surveyors), WGA (Consulting Engineers), Madison Development Corporation, LLC (developer/owner), the city of Friendswood, and the Harris Central Appraisal District is assumed to be correct.
2. The subject is proposed construction. Therefore, this report contains a prospective opinions of value. As such, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation date. Further, we cannot be held responsible for unforeseeable events that alter market conditions prior to this prospective effective date.
3. Our opinion of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications as of May 31, 2025, the effective appraisal date.
4. It is noted that portions of Lots 6-12 are currently located within a flood zone. We specifically assume that they will be elevated out of the flood zone as part of the development process.
5. Our opinion of prospective market value at completion assumes that the proposed improvements will be complete and stabilized as of May 31, 2025, the effective appraisal date.
6. Our opinion of prospective market value at completion assumes that all Phase 1 infrastructure will be complete in accordance with plans and specifications as of May 31, 2025, while Phase 2 infrastructure will be complete in accordance with plans and specifications as of October 31, 2026.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. None

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Strengths, Weaknesses, Opportunities, Threats (SWOT Analysis)

The analyses presented in this report consider the internal strengths and weaknesses of the subject property, as well as opportunities and external threats. The overall valuation influences are summarized in the following table.

Valuation Influences
Strengths <ul style="list-style-type: none">• Limited amount of available land in market area• Simple development plan• The property is located in a fast-growing area.• Easy access to major thoroughfares• Close proximity to employment centers• The property is located within a Public Improvement District.• Good school district• Strong demand for commercial land in market area• Close to airport
Weaknesses <ul style="list-style-type: none">• Potential competition from other developments• Land loss to floodplain
Opportunities <ul style="list-style-type: none">• Demand for multi-family housing continues to grow• Large number of new homes under construction in the immediate area• Development possibilities• Demand for commercial properties
Threats <ul style="list-style-type: none">• Although Federal Reserve Chairman Powell remains non-committal, it is certain that the Federal Reserve will continue to closely monitor inflationary factors as well as unemployment in the U.S. economy. Based on favorable and positive unemployment as well as other inflationary measures, the Fed could decide to keep interest rates stable or even implement a series of interest rate cuts beginning in mid-2024. This inflation/unemployment monitoring will continue on a quarterly basis throughout the remainder of 2024. As such, depending on inflation factors/unemployment figures, there could still be emerging upward pressure on lending interest rates.• Continued economic downturn/inflation pressures testing the U.S. and local economies



Identification of the Appraisal Problem

Subject Description

The subject represents 12 lots within the Friendswood City Center Public Improvement District (the "PID"). Currently, six of the 12 lots (1-6) are developable with the remaining lots requiring infrastructure which is scheduled for completion by May 31, 2025. In addition, portions, or all, of Lots 6-12 are currently located within a flood zone. We specifically assume that they will be elevated out of the flood zone as part of the development process. However, Lots 1-5 are currently ready for vertical development and are to be improved with retail buildings as of the effective date of the appraisal. Our valuation also includes both the land values as well as the improvement values for these improvements on a stabilized basis. The 12 lots are zoned under a PUD (Planned Unit Development) which allows for office, retail and multi-family uses.

The subject's Lots 1-5 are proposed to be developed with 76,408 square feet of retail shopping center improvements. Each lot will be developed with a single-story, multitenant retail building with an expected completion date of May 31, 2025. Lots 1-4 will feature traditional retail storefronts with an expected tenant mix including limited and full-service restaurants and in-line general retail among others. Lot 5 will feature an approximate 6,000 SF, owner-occupied convenience store/gas station with fuel canopy and six (6) double-sided pumps or 12 fueling positions. The remaining end-cap space within Lot 5 is assumed to be similar retail uses as Lots 1-4. Based on discussions with individual developers and brokers marketing the buildings, there are numerous signed or active LOIs. However, these are not fully executed leases and can be modified and/or cancelled prior to completion. Thus, the proposed improvements are 0% preleased as of the effective appraisal date.

A legal description of the property is provided in the addenda.

Property Identification	
Property Name	Friendswood City Center Public Improvement District
Address	South side of FM-528, west of W. Bay Area Boulevard Friendswood, Texas 77546
Tax ID	0432150000130, 1413970000001, and 1413970000003
Owner of Record	Madison Development Corporation LLC, Hill Gage Development LLC, Ajay K. Jain, Lone Star Campus R1 LLC, and Tima Holdings LLC

Sale History

The parent tract (106.472 acres) was purchased in 2023. Subsequently, in 2024, five of the six frontage tracts (Lots 1-5) have been sold to other entities. A summary of the recent closed sales of the subject is summarized as follows:



Lot Sale/Contract Summary

Lot #	Reserve	Buyers Name	Sale Date	Lot Size/Acres	Sales Price	Sales Price/SF
	Name					
Parent Tract	N/A	Madison Development	February 23, 2023	106.472	\$10,000,000	\$2.16
3	C	Hill Gage Development	March 27, 2024	1.654	\$1,440,965	\$20.00
4/5	D/E	Ajay K. Jain	March 27, 2024	3.051	\$2,127,819	\$16.01
2	B	Tima Holdings	March 22, 2024	1.474	\$1,155,734	\$18.00
1	A	Lone Star Campus R1	July 15, 2024	1.659	\$1,445,320	\$20.00
12	L	Lone Star Campus MFH	Pending	17.515	\$20,000,000	\$26.21

No known sales or transfers of ownership have taken place within a three-year period prior to the effective appraisal date. It is noted that the sales prices for Lots 2, 4, and 5 appear to be below market value. We were unable to get a satisfactory explanation for this fact. However, it was explained that all of the purchasers have done business with the subject developer in the past and possible discounts were given due to this prior business history. It is also noted that Lot 12 appears to be an above market price which was acknowledged by the purchaser. The reasoning given was not totally understood by the appraiser.

Pending Transactions

To the best of our knowledge, the property, as a whole, is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date. However, all of the remaining sites are reportedly in negotiations to sell.

Appraisal Purpose

The purpose of the appraisal is to develop the following opinion(s) of value:

- Current market value of Lot 1 (Vacant Land) "As Is"
- Prospective market value of Lot 1 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 2 (Vacant Land) "As Is"
- Prospective market value of Lot 2 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 3 (Vacant Land) "As Is"
- Prospective market value of Lot 3 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 4 (Vacant Land) "As Is"
- Prospective market value of Lot 4 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Current market value of Lot 5 (Vacant Land) "As Is"
- Prospective market value of Lot 5 "As Complete" as of 5/31/25 (Proposed Retail Building)
- Prospective market value of Lot 6 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 7 "As Complete" as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 8 "As Complete" as of 5/31/25 (Vacant Land)

- Prospective market value of Lot 9 “As Complete” as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 10 “As Complete” as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 11 “As Complete” as of 5/31/25 (Vacant Land)
- Prospective market value of Lot 12 “As Complete” as of 5/31/25 (Vacant Land)

The date of the report is July 24, 2024. The appraisal is valid only as of the stated effective date or dates.

Value Type Definitions

The definitions of the value types applicable to this assignment are summarized below.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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.¹

Appraisal Premise Definitions

The definitions of the appraisal premises applicable to this assignment are specified as follows.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.²

¹ Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also, Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472

² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

(Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. [Chicago: Appraisal Institute, 2022])

Prospective Market Value As Completed

The market value of a property as of a future date when all construction is expected to be completed. It is based on market conditions forecasted to exist as of the completion date. This value premise assumes the project is complete and ready to lease to individual tenants.³

Property Rights Definitions

The property rights appraised which are applicable to this assignment are defined as follows.

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.⁴

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary rights when the lease expires.⁵

Client and Intended User(s)

The client and intended user is FMSbonds, Inc. No other party(s) is intended to rely on the information, opinions, and conclusions contained in this report; provided that it is acknowledged that this appraisal will be used in a limited offering memorandum for PID bonds.

Intended Use

The intended use of the appraisal is for the underwriting of a proposed public improvement district bond transaction. This appraisal is not for purposes of determining the amount of any assessments to be levied by the City nor is it the basis upon which a determination of the benefit any constructed or installed public improvements will have on properties within the "PID". The appraisal is not intended for any other use.

³ Compiled and summarized from several industry sources

⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

Applicable Requirements

This appraisal report conforms to the following requirements and regulations:

- Uniform Standards of Professional Appraisal Practice (USPAP)
- Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute
- Applicable state appraisal regulations

Report Format

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis used to develop the opinion of value.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. The assignment participants have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, appraiser competency provisions are satisfied for this assignment. Appraiser qualifications and state credentials are included in the addenda of this report.

Scope of Work

Introduction

The appraisal development and reporting processes require gathering and analyzing information about the assignment elements necessary to properly identify the appraisal problem. The scope of work decision includes the research and analyses necessary to develop credible assignment results, given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

To determine the appropriate scope of work for the assignment, the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors were considered. The concluded scope of work is described below.

Research and Analysis

The type and extent of the research and analysis conducted are detailed in individual sections of the report. The steps taken to verify comparable data are disclosed in the addenda of this report. Although effort has been made to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Subject Property Data Sources

The legal and physical features of the subject property, including size of the site, flood plain data, property zoning, existing easements and encumbrances, access and exposure were confirmed and analyzed.

Inspection

Details regarding the property inspection conducted as part of this appraisal assignment are summarized as follows:

Property Inspection		
Party	Inspection Type	Inspection Date
Ernest Gatewood	On-site	July 5, 2024
Jimmy H. Jackson, MAI	None	N/A
Stephen M. Lechtenberg	None	N/A



Valuation Methodology

Three approaches to value are typically considered when developing a market value opinion for real property. These are the cost approach, the sales comparison approach, and the income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach - (Subdivision Development Analysis)	Not Applicable	Not Utilized

The Sales Comparison Approach involves research, verification, and comparison of sales of other vacant lots. The sales are then adjusted for value-related differences. Because Texas is not a full disclosure state, sales prices must be obtained from grantors, grantees, brokers, lenders, other persons involved in the transaction, or other appraisers when the information is believed to be reliable. In many cases, the sources of the information wish to remain anonymous and are not included; however, the sale data is used only if the data is believed to be accurate, and the sources of the information are kept on file.

The Cost Approach involves research, verification, and comparison of sales of other vacant land with the subject land. The sales are then adjusted for value-related differences. Because Texas is not a full disclosure state, sales prices must be obtained from grantors, grantees, brokers, lenders, other persons involved in the transaction, or other appraisers when the information is believed to be reliable. In many cases, the sources of the information wish to remain anonymous and are not included; however, the sale data is used only if the data is believed to be accurate, and the sources of the information are kept on file. Cost figures were obtained from the developer and compared to cost figures on competing developments. The cost figures are based on actual costs provided by the developer. Developer's profit is based on profit expectations reported by developers as well as actual profit on similar developments.

In the Income Capitalization Approach, specific appraisal techniques are applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

Economic Analysis

Harris and Galveston County Area Analysis

The subject is located in south Harris County adjacent to north Galveston County. Therefore, data from both is presented. Harris County is located in Southeast Texas. It is 1,703 square miles in size and has a population density of 2,849 persons per square mile. Galveston County is located in Southeast Texas. It is 378 square miles in size and has a population density of 960 persons per square mile.

Population

Harris County has an estimated 2024 population of 4,853,628, which represents an average annual 0.6% increase over the 2020 census of 4,731,145. Harris County added an average of 30,621 residents per year over the 2020-2024 period, but its annual growth rate lagged the Houston MSA rate of 1.4%.

Looking forward, Harris County's population is projected to increase at a 0.6% annual rate from 2024-2029, equivalent to the addition of an average of 30,265 residents per year. Harris County's growth rate is expected to lag that of the Houston MSA, which is projected to be 1.0%.

Population Trends					
	Population			Compound Ann. % Chng	
	2020 Census	2024 Estimate	2029 Projection	2020 - 2024	2024 - 2029
Harris County, TX	4,731,145	4,853,628	5,004,953	0.6%	0.6%
Houston-The Woodlands et al, TX Metro	7,122,240	7,518,993	7,885,011	1.4%	1.0%
Texas	29,145,505	30,665,339	32,119,807	1.3%	0.9%
USA	331,449,281	336,157,119	344,209,992	0.4%	0.5%
Source: Claritas					

Population

Galveston County has an estimated 2024 population of 363,292, which represents an average annual 0.9% increase over the 2020 census of 350,682. Galveston County added an average of 3,153 residents per year over the 2020-2024 period, but its annual growth rate lagged the Houston MSA rate of 1.4%.

Looking forward, Galveston County's population is projected to increase at a 0.8% annual rate from 2024-2029, equivalent to the addition of an average of 2,915 residents per year. Galveston County's growth rate is expected to lag that of the Houston MSA, which is projected to be 1.0%.

Population Trends					
	Population			Compound Ann. % Chng	
	2020 Census	2024 Estimate	2029 Projection	2020 - 2024	2024 - 2029
Galveston County, TX	350,682	363,292	377,868	0.9%	0.8%
Houston-The Woodlands et al, TX Metro	7,122,240	7,518,993	7,885,011	1.4%	1.0%
Texas	29,145,505	30,665,339	32,119,807	1.3%	0.9%
USA	331,449,281	336,157,119	344,209,992	0.4%	0.5%
Source: Claritas					



Employment

Total employment in Harris County was estimated at 2,424,560 jobs as of June 2023. Between year-end 2013 and 2023, employment rose by 197,723 jobs, equivalent to an 8.9% increase over the entire period. There were gains in employment in seven out of the past ten years. Although Harris County's employment rose over the last decade, it underperformed the Houston MSA, which experienced an increase in employment of 14.9% or 417,130 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, Harris County has had a 5.3% average unemployment rate, which is the same as the rate for the Houston MSA. The two areas are performing similarly according to this measure.

Recent data shows that Harris County has a 3.8% unemployment rate, which is the same as the rate for the Houston MSA.

Employment Trends

Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Harris County	% Change	Houston MSA	% Change	Harris County	Houston MSA
2013	2,226,837		2,796,702		6.1%	6.1%
2014	2,314,759	3.9%	2,910,781	4.1%	5.1%	5.0%
2015	2,303,396	-0.5%	2,911,751	0.0%	4.7%	4.6%
2016	2,270,911	-1.4%	2,893,469	-0.6%	5.3%	5.3%
2017	2,298,852	1.2%	2,949,308	1.9%	5.1%	5.1%
2018	2,348,474	2.2%	3,024,740	2.6%	4.5%	4.4%
2019	2,376,913	1.2%	3,073,972	1.6%	3.9%	3.8%
2020	2,225,006	-6.4%	2,896,849	-5.8%	9.0%	8.7%
2021	2,341,417	5.2%	3,063,436	5.8%	6.4%	6.3%
2022	2,407,093	2.8%	3,184,018	3.9%	4.2%	4.2%
2023*	2,424,560	0.7%	3,213,832	0.9%	4.4%	4.4%
Overall Change 2013-2023	197,723	8.9%	417,130	14.9%		
Avg Unemp. Rate 2013-2023					5.3%	5.3%
Unemployment Rate - December 2023					3.8%	3.8%

*Total employment data is as of June 2023.

Source: U.S. Bureau of Labor Statistics and Moody's Analytics. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment

Total employment in Galveston County was estimated at 123,256 jobs as of June 2023. Between year-end 2013 and 2023, employment rose by 23,055 jobs, equivalent to a 23.0% increase over the entire period. There were gains in employment in eight out of the past ten years. Galveston County's rate of employment growth over the last decade surpassed that of the Houston MSA, which experienced an increase in employment of 14.9% or 417,130 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Galveston County unemployment rate has been generally higher than that of the Houston MSA, with an average unemployment rate of 5.6% in comparison to a 5.3% rate for the Houston MSA. A higher unemployment rate is a negative indicator.

Recent data shows that the Galveston County unemployment rate is 3.7% in comparison to a 3.8% rate for the Houston MSA, a positive sign that is consistent with the fact that Galveston County has outperformed the Houston MSA in the rate of job growth over the past two years.

Employment Trends

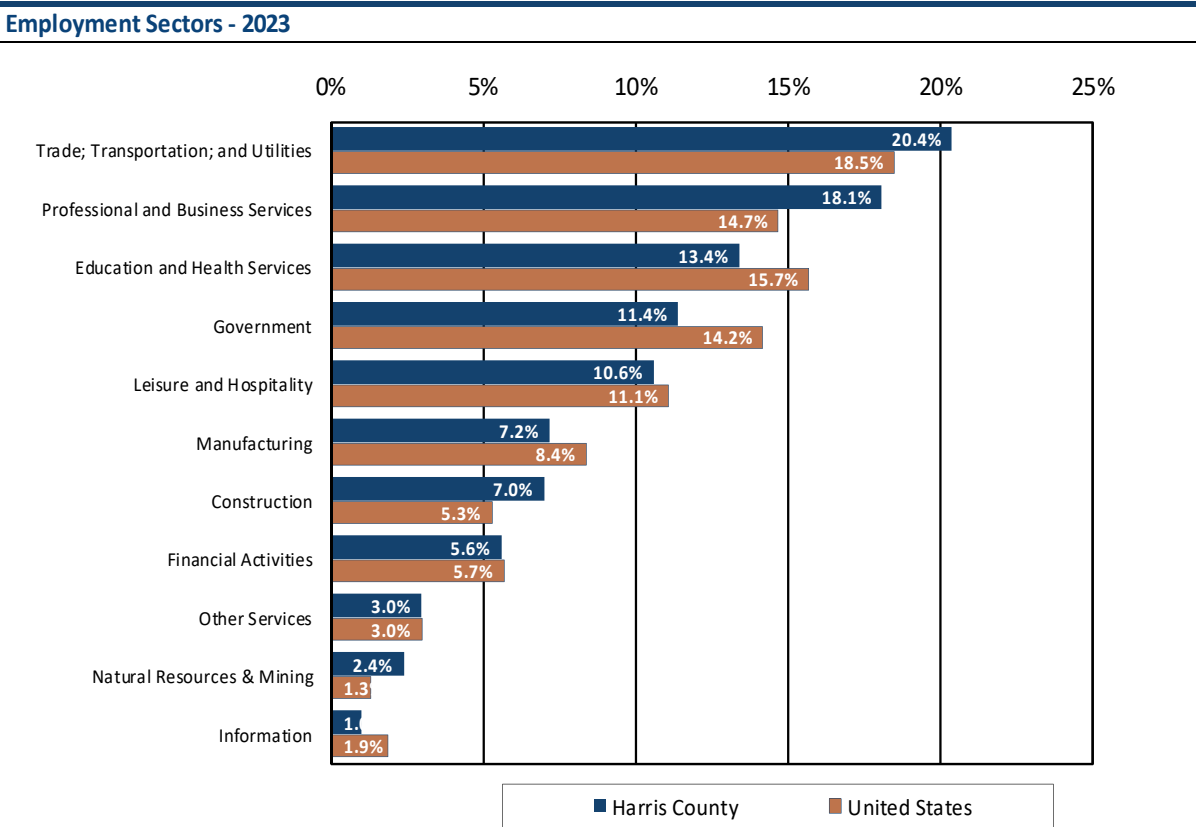
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Galveston County	% Change	Houston MSA	% Change	Galveston County	Houston MSA
2013	100,201		2,796,702		6.9%	6.1%
2014	102,592	2.4%	2,910,781	4.1%	5.7%	5.0%
2015	105,439	2.8%	2,911,751	0.0%	5.0%	4.6%
2016	110,204	4.5%	2,893,469	-0.6%	5.3%	5.3%
2017	110,931	0.7%	2,949,308	1.9%	5.3%	5.1%
2018	110,077	-0.8%	3,024,740	2.6%	4.7%	4.4%
2019	112,278	2.0%	3,073,972	1.6%	4.1%	3.8%
2020	106,328	-5.3%	2,896,849	-5.8%	8.8%	8.7%
2021	113,608	6.8%	3,063,436	5.8%	6.6%	6.3%
2022	121,987	7.4%	3,184,018	3.9%	4.4%	4.2%
2023*	123,256	1.0%	3,213,832	0.9%	4.4%	4.4%
Overall Change 2013-2023	23,055	23.0%	417,130	14.9%		
Avg Unemp. Rate 2013-2023					5.6%	5.3%
Unemployment Rate - April 2024					3.7%	3.8%

*Total employment data is as of June 2023.

Source: U.S. Bureau of Labor Statistics and Moody's Analytics. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Harris County job market is depicted in the chart below. A complete data set is not available for the Houston MSA, so Harris County will be compared to the United States. Total employment for the two areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Harris County jobs in each category.



Source: U.S. Bureau of Labor Statistics and Moody's Analytics



Harris County has greater concentrations than the United States in the following employment sectors:

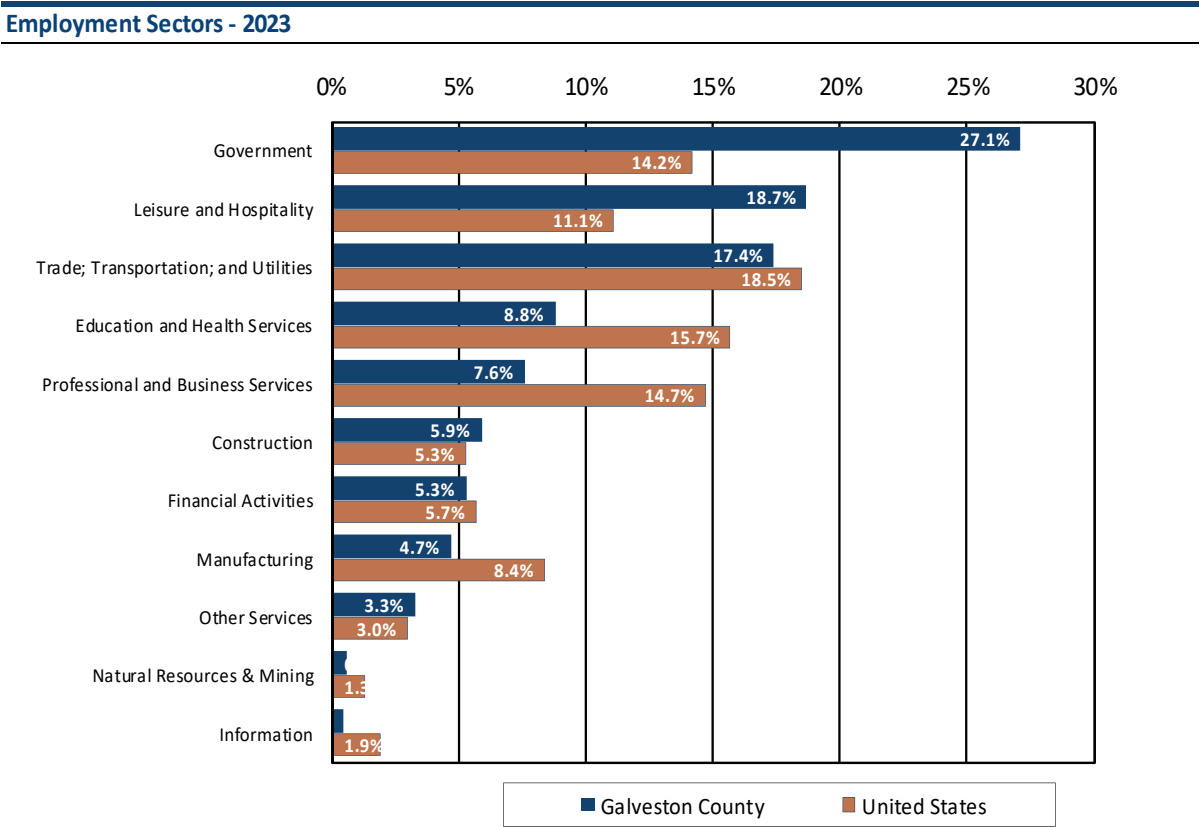
1. Trade; Transportation; and Utilities, representing 20.4% of Harris County payroll employment compared to 18.5% for the nation overall. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Professional and Business Services, representing 18.1% of Harris County payroll employment compared to 14.7% for the nation overall. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
3. Construction, representing 7.0% of Harris County payroll employment compared to 5.3% for the nation overall. This sector includes construction of buildings, roads, and utility systems.
4. Natural Resources & Mining, representing 2.4% of Harris County payroll employment compared to 1.3% for the nation overall. Agriculture, mining, quarrying, and oil and gas extraction are included in this sector.

Harris County is underrepresented in the following sectors:

1. Education and Health Services, representing 13.4% of Harris County payroll employment compared to 15.7% for the nation overall. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
2. Government, representing 11.4% of Harris County payroll employment compared to 14.2% for the nation overall. This sector includes employment in local, state, and federal government agencies.
3. Leisure and Hospitality, representing 10.6% of Harris County payroll employment compared to 11.1% for the nation overall. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
4. Manufacturing, representing 7.2% of Harris County payroll employment compared to 8.4% for the nation overall. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

Employment Sectors

The composition of the Galveston County job market is depicted in the chart below. A complete data set is not available for the Houston MSA, so Galveston County will be compared to the United States. Total employment for the two areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Galveston County jobs in each category.



Source: U.S. Bureau of Labor Statistics and Moody's Analytics



Galveston County has greater concentrations than the United States in the following employment sectors:

1. Government, representing 27.1% of Galveston County payroll employment compared to 14.2% for the nation overall. This sector includes employment in local, state, and federal government agencies.
2. Leisure and Hospitality, representing 18.7% of Galveston County payroll employment compared to 11.1% for the nation overall. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
3. Construction, representing 5.9% of Galveston County payroll employment compared to 5.3% for the nation overall. This sector includes construction of buildings, roads, and utility systems.
4. Other Services, representing 3.3% of Galveston County payroll employment compared to 3.0% for the nation overall. This sector includes establishments that do not fall within other defined categories, such as private households, churches, and laundry and dry cleaning establishments.

Galveston County is underrepresented in the following sectors:

1. Trade; Transportation; and Utilities, representing 17.4% of Galveston County payroll employment compared to 18.5% for the nation overall. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
2. Education and Health Services, representing 8.8% of Galveston County payroll employment compared to 15.7% for the nation overall. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
3. Professional and Business Services, representing 7.6% of Galveston County payroll employment compared to 14.7% for the nation overall. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
4. Financial Activities, representing 5.3% of Galveston County payroll employment compared to 5.7% for the nation overall. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.

Major Employers

Major employers in both Harris and Galveston County are shown in the following tables.

Major employers in Houston-The Woodlands et al, TX Metro County are shown in the following table.

Major Employers - Harris County, TX

	Name	Number of Employees
1	Walmart	34,000
2	H-E-B	32,635
3	Memorial Hermann Health System	29,130
4	Houston Methodist	28,304
5	The University of Texas MD Anderson Cancer	22,088
6	Amazon	20,000
7	Kroger	15,000
8	Texas Children's Hospital	14,378
9	HCA Houston Healthcare	12,614
10	United Airlines	11,832

Major Employers - Galveston County, TX

	Name	Number of Employees
1	University of Tex Medical Branch Health System	9,227
2	Clear Creek ISD	5,000
3	Landry's	3,304
4	Marathon Petroleum Corp.	1,960
5	Dickinson ISD	1,700
6	American National Insurance	1,550
7	Texas City ISD	1,400
8	Galveston County	1,247
9	Galveston ISD	1,069
10	Moody Gardens, Inc.	1,034

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area, and annual changes in Gross Domestic Product (GDP) are a gauge of economic growth.

Economic growth, as measured by annual changes in GDP, has been somewhat lower in Harris County than the Houston MSA overall during the past five years. Harris County has grown at a 1.3% average annual rate while the Houston MSA has grown at a 1.7% rate. Harris County continues to underperform the Houston MSA. GDP for Harris County rose by 2.2% in 2022 while the Houston MSA's GDP rose by 2.5%.

Harris County has a per capita GDP of \$84,250, which is 21% greater than the Houston MSA's GDP of \$69,928. This means that Harris County industries and employers are adding relatively more value to the economy than their counterparts in the Houston MSA.

Gross Domestic Product

Year	(\$,000s) Harris County	% Change	(\$,000s) Houston MSA	% Change
2017	377,601,083	—	470,676,136	—
2018	391,034,432	3.6%	491,166,782	4.4%
2019	382,109,887	-2.3%	484,359,415	-1.4%
2020	375,075,182	-1.8%	476,638,820	-1.6%
2021	394,061,459	5.1%	500,984,295	5.1%
2022	402,792,333	2.2%	513,276,462	2.5%
Compound % Chg (2017-2022)		1.3%		1.7%
GDP Per Capita 2022	\$84,250		\$69,928	

Source: U.S. Bureau of Economic Analysis and Moody's Analytics; data released December 2023.

The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2017 dollars.

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area, and annual changes in Gross Domestic Product (GDP) are a gauge of economic growth.

Economic growth, as measured by annual changes in GDP, has been somewhat lower in Galveston County than the Houston MSA overall during the past five years. Galveston County has grown at a 1.4% average annual rate while the Houston MSA has grown at a 1.7% rate. Galveston County continues to underperform the Houston MSA. GDP for Galveston County fell by 0.6% in 2022 while the Houston MSA's GDP rose by 2.5%.

Galveston County has a per capita GDP of \$45,592, which is 35% less than the Houston MSA's GDP of \$69,928. This means that Galveston County industries and employers are adding relatively less value to the economy than their counterparts in the Houston MSA.

Gross Domestic Product

Year	(\$,000s) Galveston County	% Change	(\$,000s) Houston MSA	% Change
2017	15,188,107	—	470,676,136	—
2018	15,365,270	1.2%	491,166,782	4.4%
2019	15,543,698	1.2%	484,359,415	-1.4%
2020	15,029,002	-3.3%	476,638,820	-1.6%
2021	16,375,548	9.0%	500,984,295	5.1%
2022	16,281,603	-0.6%	513,276,462	2.5%
Compound % Chg (2017-2022)		1.4%		1.7%
GDP Per Capita 2022	\$45,592		\$69,928	

Source: U.S. Bureau of Economic Analysis and Moody's Analytics; data released December 2023.

The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2017 dollars.

Income, Education and Age

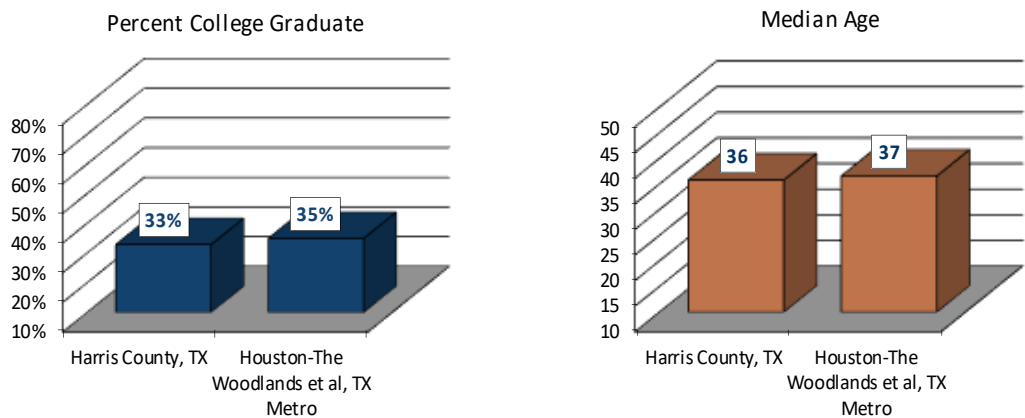
Harris County has a lower level of household income than the Houston MSA. Median household income for Harris County is \$68,506, which is 9.3% less than the corresponding figure for the Houston MSA.

Median Household Income - 2024

	Median
Harris County, TX	\$68,506
Houston-The Woodlands et al, TX Metro	\$75,489
Comparison of Harris County, TX to Houston-The Woodlands et a	- 9.3%
Source: Claritas	

Residents of Harris County have a slightly lower level of educational attainment than those of the Houston MSA. An estimated 33% of Harris County residents are college graduates with four-year degrees, versus 35% of Houston MSA residents. People in Harris County are slightly younger than their Houston MSA counterparts. The median age for Harris County is 36 years, while the median age for the Houston MSA is 37 years.

Education & Age - 2024



Source: Claritas

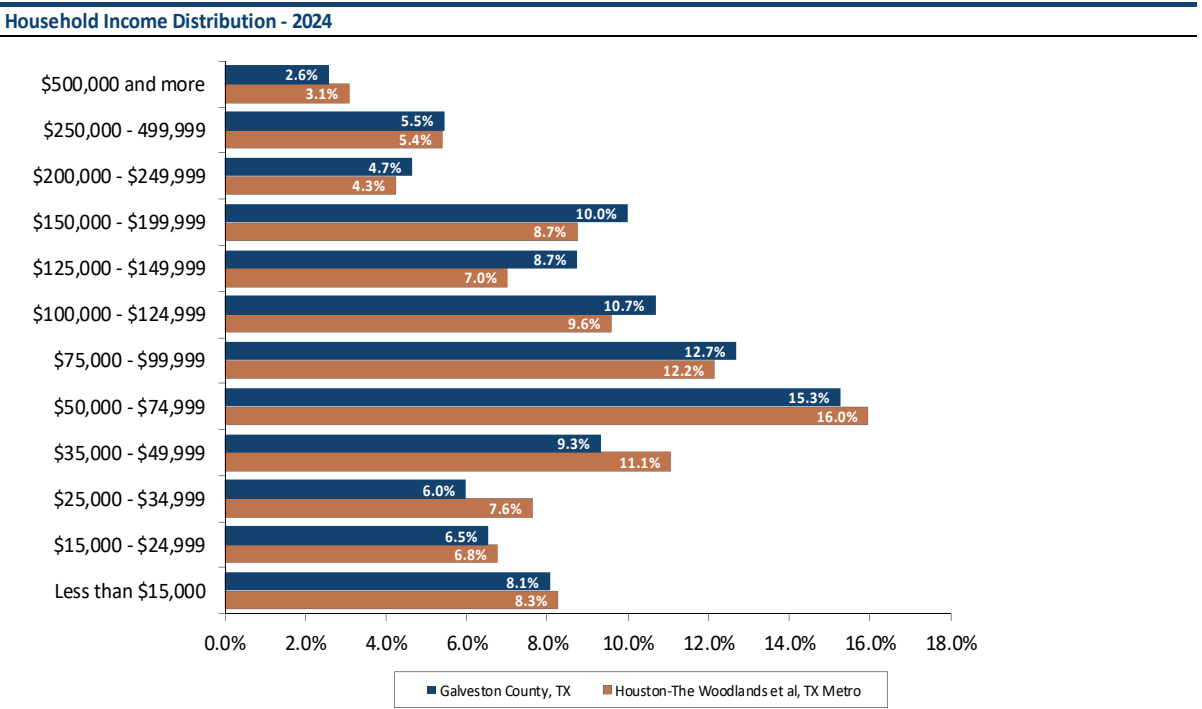


Household Income

Galveston County has a higher level of household income than the Houston MSA. Median household income for Galveston County is \$83,942, which is 11.2% greater than the corresponding figure for the Houston MSA.

Median Household Income - 2024	
	Median
Galveston County, TX	\$83,942
Houston-The Woodlands et al, TX Metro	\$75,489
Comparison of Galveston County, TX to Houston-The Woodlands	+ 11.2%
Source: Claritas	

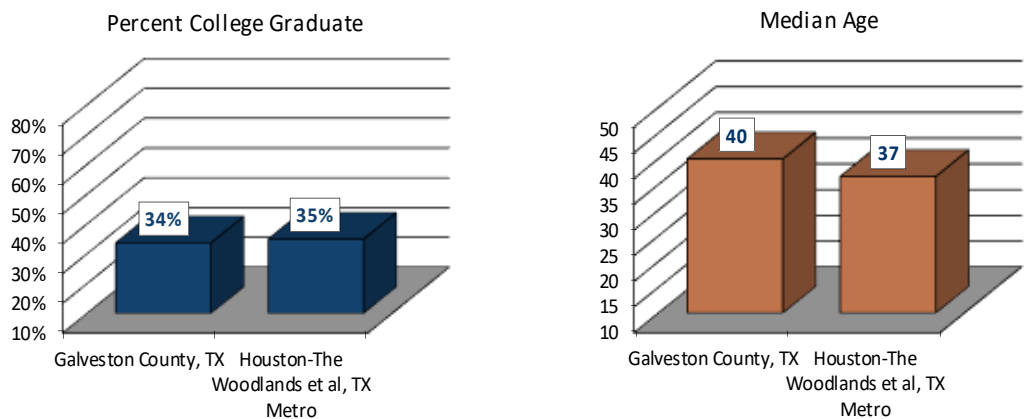
The following chart shows the distribution of households across twelve income levels. Galveston County has a greater concentration of households in the middle-income levels than the Houston MSA. Specifically, 47% of Galveston County households are between the \$50,000 - \$150,000 levels in household income as compared to 45% of Houston MSA households. A lesser concentration of households is apparent in the lower income levels, as 30% of Galveston County households are below the \$50,000 level in household income versus 34% of Houston MSA households.



Education and Age

Residents of Galveston County have a slightly lower level of educational attainment than those of the Houston MSA. An estimated 34% of Galveston County residents are college graduates with four-year degrees, versus 35% of Houston MSA residents. People in Galveston County are older than their Houston MSA counterparts. The median age for Galveston County is 40 years, while the median age for the Houston MSA is 37 years.

Education & Age - 2024



Source: Claritas

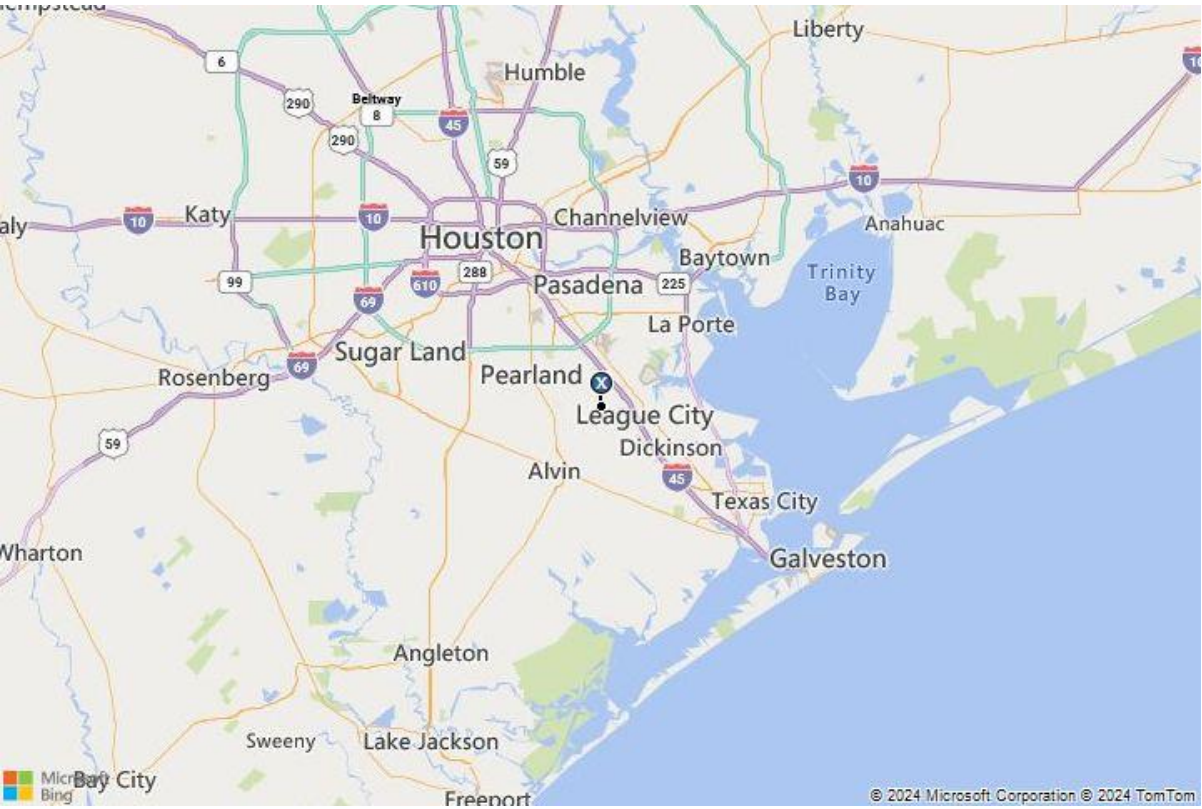
Conclusion

The Harris County economy will be affected by a growing population base and lower income and education levels. Harris County experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. It is anticipated that the Harris County economy will improve, and employment will grow, strengthening the demand for real estate.

The Galveston County economy will benefit from a growing population base and a higher level of median household income. Galveston County experienced growth in the number of jobs over the past decade, and it is reasonable to assume that employment growth will occur in the future. It is anticipated that the Galveston County economy will improve, and employment will grow, strengthening the demand for real estate.



Area Map



Surrounding Area Analysis

Boundaries

The subject is located in the far southern edge of Harris County near the boundary with Galveston County. This area is generally delineated as follows:

Boundaries & Delineation

Boundaries

Market Area	Houston, TX
Submarket	Baybrook/Clear Lake
Area Type	Suburban

Delineation

North	Sam Houston Tollway
South	SH-6
East	IH-45
West	SH-35

A map identifying the location of the property follows this section.

Access and Linkages

Access & Linkages

Vehicular Access

Major Highways	IH-45 and Sam Houston Tollway
Primary Corridors	SH-6, and SH-35
Vehicular Access Rating	Average

Public Transit

Providers	Metro
Transit Access Rating	Average

Airport(s)

Name	William P. Hobby	George Bush Intercontinental
Distance	13 Miles	40 Miles
Driving Time	25 Minutes	60 Minutes

Primary Transportation Mode	Automobile
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Life Cycle

Real estate is affected by cycles involving development trends within a market area as well as market and economic forces. Trends in demand for development in a particular market are described by the Market Area Life Cycle, while market and economic trends are described by the Real Estate Cycle.

A Market Area Life Cycle typically evolves through four stages:⁶

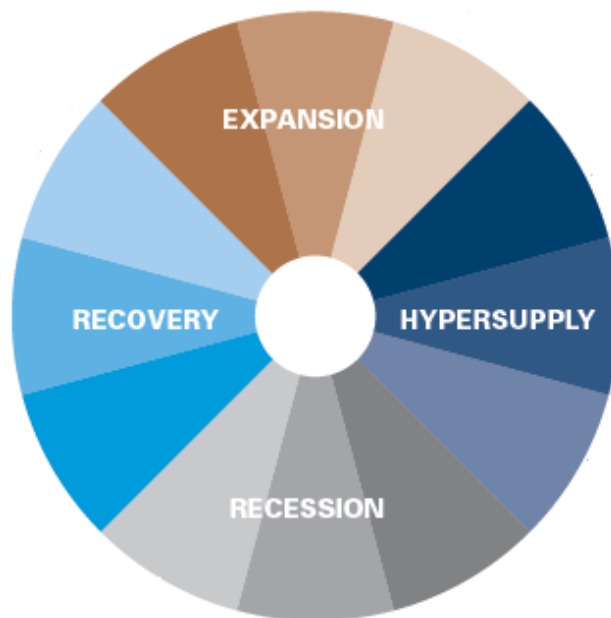
- Growth – a period during which the market area gains public favor and acceptance
- Stability – a period of equilibrium without marked gains or losses
- Decline – a period of diminishing demand
- Revitalization – a period of renewal, redevelopment, modernization, and increasing demand

The subject's market area is in the growth stage of the Market Area Life Cycle.

The Real Estate Cycle also impacts a neighborhood. The stages of the Real Estate Cycle include:

- Expansion – Sustained growth in demand, increasing construction
- Hypersupply – Positive but falling demand, increasing vacancy
- Recession – Falling demand, increasing vacancy
- Recovery – Increasing demand, decreasing vacancy

These stages are illustrated below, along with a summary of common characteristics of each stage of the Real Estate Cycle. The subject is in the expansion stage of the Real Estate Cycle.



⁶ Appraisal Institute, *The Appraisal of Real Estate*, 15th ed. (Chicago: Appraisal Institute, 2020)

EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High Absorption
Moderate/High Employment Growth
Med/High Rental Rate Growth

HYPERSUPPLY

Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Moderate/Low Employment Growth
Med/Low Rental Rate Growth

RECESSION

Increasing Vacancy Rates
Moderate/Low New Construction
Low Absorption
Low/Negative Employment Growth
Low/Neg Rental Rate Growth

RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental Rate Growth

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics

	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	Galveston County, TX	Houston-The Woodlands et al, TX Metro
2024 Estimates					
Population 2020	16,329	69,537	213,405	350,682	7,122,240
Population 2024	16,358	70,640	217,783	363,292	7,518,993
Population 2029	16,475	72,165	223,494	377,868	7,885,011
Compound % Change 2020-2024	0.0%	0.4%	0.5%	0.9%	1.4%
Compound % Change 2024-2029	0.1%	0.4%	0.5%	0.8%	1.0%
Households 2020	6,097	24,891	79,652	132,819	2,509,945
Households 2024	6,113	25,308	81,302	138,175	2,656,731
Households 2029	6,167	25,881	83,505	144,209	2,793,541
Compound % Change 2020-2024	0.1%	0.4%	0.5%	1.0%	1.4%
Compound % Change 2024-2029	0.2%	0.4%	0.5%	0.9%	1.0%
Median Household Income 2024	\$81,757	\$98,645	\$87,689	\$83,942	\$75,489
Average Household Size	2.7	2.8	2.7	2.6	2.8
College Graduate %	33%	43%	40%	34%	35%
Median Age	37	39	38	40	37
Owner Occupied %	58%	68%	62%	66%	60%
Renter Occupied %	42%	32%	38%	34%	40%
Median Owner Occupied Housing Value	\$281,784	\$349,787	\$305,627	\$313,315	\$294,115
Median Year Structure Built	1983	1991	1989	1988	1993
Average Travel Time to Work in Minutes	32	32	32	31	32

Source: Claritas

As shown above, the current population within a 10-minute drive time of the subject is 70,640, and the average household size is 2.8. Population in the area has grown since the 2020 census, and this trend is projected to continue over the next five years. Compared to Galveston County overall, the population within a 10-minute drive time is projected to grow at a slower rate.

Median household income is \$98,645, which is higher than the household income for Galveston County. Residents within a 10-minute drive time have a considerably higher level of educational attainment than those of Galveston County, while median owner-occupied home values are considerably higher.

Land Use

For the immediate vicinity of the subject, the land use characteristics are summarized as follows:

Immediate Surroundings	
North	Retail, church
South	Creek/single family homes
East	School, church, single family homes
West	Church, creek, single family homes



Development Activity and Trends

During the last five years, development has been predominantly single-family with supportive commercial along major thoroughfares. The pace of development has generally accelerated over this time. The subject neighborhood has several high-profile developments either within its boundaries, or afforded proximity to the boundaries. The most important are discussed as follows.

NASA's Johnson Space Center is NASA's center for human spaceflight in Houston, Texas (originally named the Manned Spacecraft Center), where human spaceflight training, research, and flight control are conducted. It was renamed in honor of the late U.S. president and Texas native, Lyndon B. Johnson, by an act of the United States Senate on February 19, 1973. It consists of a complex of 100 buildings constructed on 1,620 acres in the Clear Lake Area of Houston, which acquired the official nickname "Space City" in 1967. The center is home to NASA's astronaut corps, and is responsible for training astronauts from both the U.S. and its international partners. It houses the Christopher C. Kraft Jr. Mission Control Center, which has provided the flight control function for every NASA human spaceflight since Gemini 4 (including Apollo, Skylab, Apollo–Soyuz, and Space Shuttle). It is popularly known by its radio call signs "Mission Control" and "Houston".

Green Hydrogen - As more countries and companies turn to hydrogen, Texas is in a prime position to become a global hub for hydrogen manufacturing and export. According to the University of Texas, "Texas is the largest domestic producer of hydrogen, and already has a network of hydrogen pipelines in place. Plus, Texas's sprawling network of natural gas pipelines can be used to transport hydrogen with minimal retrofitting." Most of the hydrogen production in Texas is centered on the Gulf Coast. "The Texas Gulf Coast area anchors the world's leading H2 system, producing approximately one-third of U.S. total H2 gas per year. The system encompasses an expansive network of 48 H2 production plants, more than 900 mi of H2 pipelines (more than half of the U.S. H2 pipelines and one-third of H2 pipelines globally), as well as geologically unique and at-scale salt cavern storage." Texas and its Gulf Coast are set to be the center of hydrogen production for the 21st century.

Galveston Island - Founded in 1839, Galveston is often referred to as Texas' Playground. It is also an important component in the economic engine of the Gulf coast. Galveston has a diverse economic base featuring tourism, medical, financial services, port access to the Gulf of Mexico, and international air services to the rest of the world. Over 6.5 million people visit Galveston Island each year, which is not surprising since the Port of Galveston is the 4th largest Cruise Port in the United States. There are three higher education institutions located in the City of Galveston; Texas A&M Galveston, University of Texas Medical Branch (the oldest medical school west of the Mississippi River), and Galveston College. Galveston's 32 miles of beaches, historic downtown district, year-round cruise terminal and numerous attractions and special events sustain its bustling tourism industry.

Moody Gardens - Sitting on 242 lush acres, Moody Gardens features a 10-story glass Rainforest Pyramid, IMAX 3-D Theatre, Discovery Pyramid (designed in conjunction with NASA), Ridefilm Theatre, the breathtaking Aquarium Pyramid, Palm Beach and the Colonel Paddlewheel Boat featuring dinner cruises.

Schlitterbahn Galveston Island Waterpark - Rivers connect for a mile of fun through three distinct park sections at Schlitterbahn Galveston. The waterpark is a thrill seekers paradise with high thrill speed slides including Rohr!, MASSIV, and the immersive Screaming Serpents body slide. Each section has raft rides, pools and water coasters with great picnic pavilions and pint-sized water playgrounds for kids of all ages. The 26-acre Schlitterbahn park in Galveston opened in 2006. The park features the most thrill rides of any of the Schlitterbahn parks and is home to the world's former record holder of the world's tallest water coaster, MASSIV. MASSIV opened in 2016 and features the most current technology including water and power saving features never used before.

Port of Galveston - The world-renowned Port of Galveston was a key player in the island's success last year. In 2022, The Port of Galveston welcomed one million cruise passengers, marking the first time it has achieved this milestone since before the pandemic. Spending by cruise visitors contributed a total of \$80 million in 2022. The Port is expected to break passenger and sailing records with 362 sailings and more than a million cruise passengers in 2023, which would be a new record in the port's 22-year history. Following the establishment of its \$125 million Royal Caribbean International cruise terminal, the Port most recently announced the addition of the Carnival Cruise Line's Carnival Jubilee and, a \$53 million investment dedicated to the expansion of the two-decades-old Cruise Terminal 25. The expansion will help accommodate for the 6,500-guest capacity of the Jubilee and other high-capacity ships. The Carnival Jubilee is set to arrive in December. Additionally, the Port is working to sign an agreement with MSC Cruises for a public-private project to build a fourth cruise terminal and 1,500-space parking garage at Pier 16.

Lago Mar is a 2,000-acre master planned community located in Texas City. Located along the west side of IH-45 since 2016, the community is planned for approximately 7,000 homes. The development is anchored by a 12± acre Crystal Lagoon. The lagoon includes sand beaches and advanced technology to keep the water clean and a crystal-clear blue. Its depth ranges up to 10-12 feet deep, and its bottom is lined similar to a swimming pool. The lagoon also has private and public access.

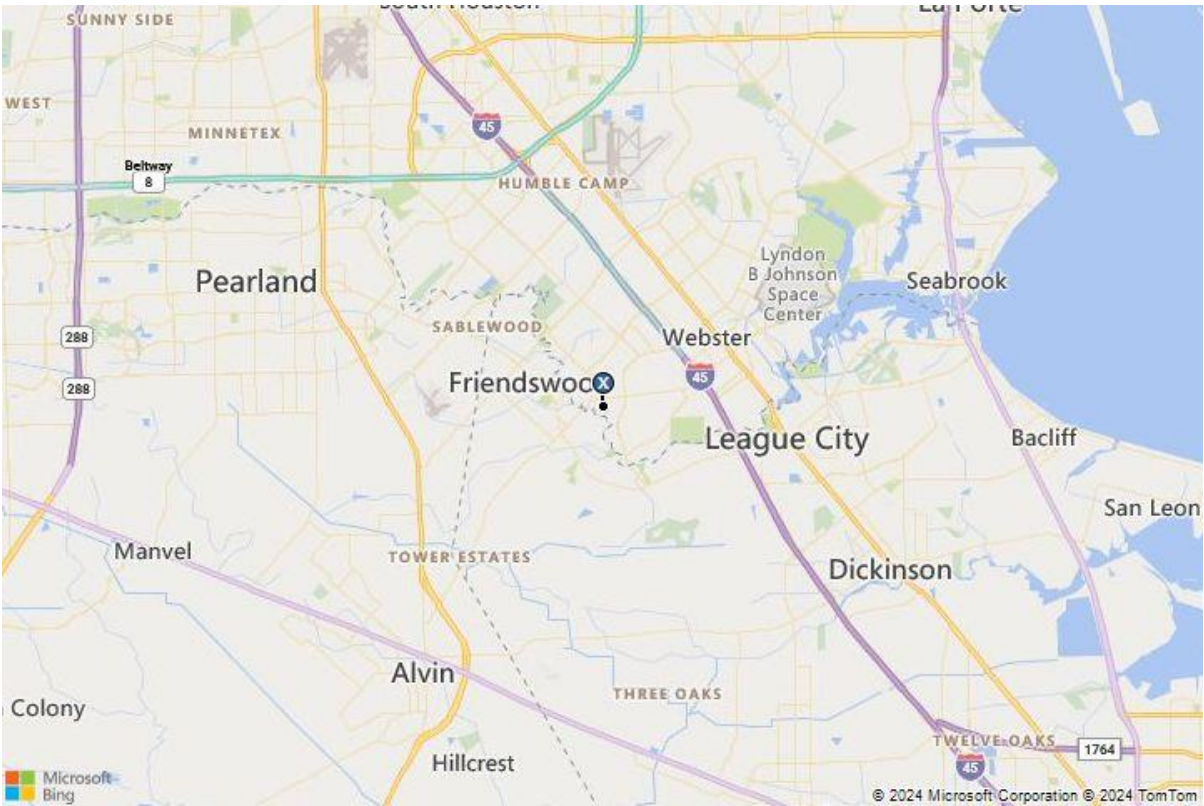
The **Tanger Outlet Texas City** is a fairly new outlet mall, which opened its doors late 2012. Located on IH-45 in Galveston County, it is considered to be a premier shopping experience. With nearly 90 stores and restaurants, this unique shopping center offers apparel, services, dining experiences, and gift shopping.

The University of Houston–Clear Lake is a public university with campuses in Clear Lake and Pearland and Houston, Texas, with branch campuses in Pearland and Texas Medical Center. It is part of the University of Houston System. Founded in 1971, UHCL has a current enrollment of approximately 9,100 students.

Outlook and Conclusions

The area is in the growth stage of its life cycle. Given the history of the area and the growth trends, it is anticipated that property values will increase in the near future.

Surrounding Area Map



Retail Market Analysis

Metro Area Overview

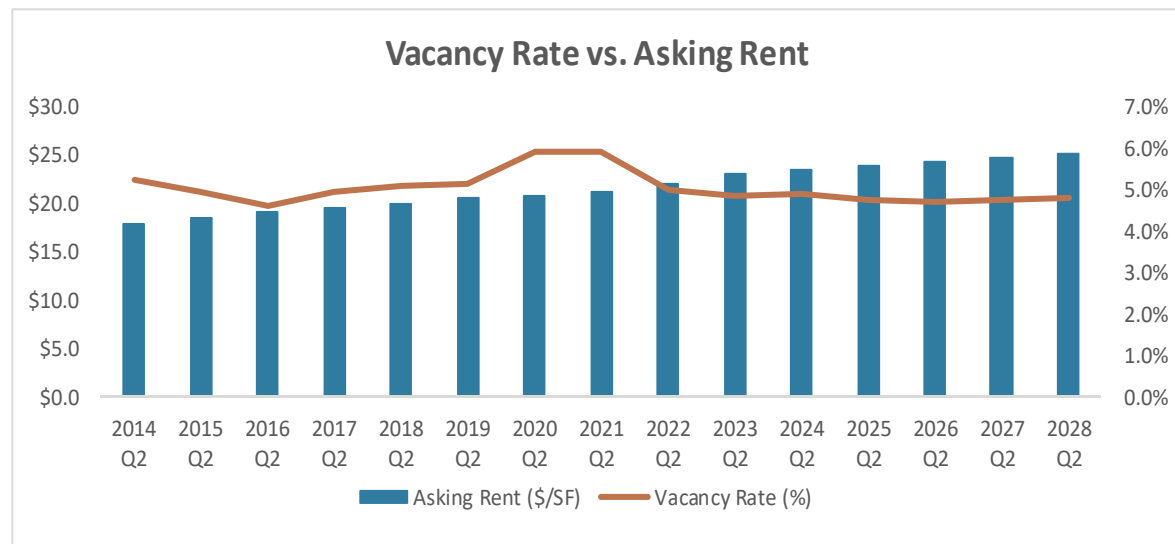
The subject is located in the Houston - TX USA metro area as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the ensuing table.

All Retail Houston - TX USA Metro Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Price Growth	Cap Rate
2014 Q2	385,968,543	365,628,000	5.27%	3,881,172	4,750,639	6,180,068	\$17.87	3.68%	8.94%	7.50%
2015 Q2	391,566,880	372,184,224	4.95%	5,577,864	7,730,785	6,536,463	\$18.54	3.80%	12.91%	7.10%
2016 Q2	401,331,636	382,734,176	4.63%	9,741,356	7,973,506	10,527,275	\$19.09	2.97%	3.92%	6.95%
2017 Q2	411,391,201	391,051,968	4.94%	9,839,002	6,186,451	8,154,288	\$19.51	2.20%	-0.49%	7.17%
2018 Q2	418,471,060	397,042,208	5.12%	6,697,690	5,059,245	5,581,422	\$20.07	2.82%	1.23%	7.20%
2019 Q2	424,190,455	402,289,760	5.16%	5,645,700	5,355,319	5,226,405	\$20.56	2.45%	1.67%	7.25%
2020 Q2	432,081,052	406,462,976	5.93%	7,821,973	4,817,721	4,097,038	\$20.82	1.26%	3.32%	7.11%
2021 Q2	437,240,990	411,209,504	5.95%	5,118,358	2,862,907	4,709,742	\$21.25	2.11%	3.41%	7.01%
2022 Q2	439,811,412	417,768,192	5.01%	2,568,422	4,262,560	6,548,550	\$22.15	4.19%	6.81%	6.88%
2023 Q2	442,521,710	421,025,632	4.86%	2,710,298	4,670,182	3,256,438	\$23.13	4.44%	2.98%	6.96%
2024 Q2	446,587,297	424,591,328	4.93%	4,053,587	3,654,525	3,553,685	\$23.55	1.81%	1.09%	7.02%
2025 Q2	450,404,007	428,891,616	4.78%	3,816,710	0	4,334,703	\$23.90	1.49%	-7.80%	7.73%
2026 Q2	453,003,875	431,701,376	4.70%	2,599,868	0	2,751,915	\$24.40	2.09%	-0.89%	7.97%
2027 Q2	455,870,904	434,176,992	4.76%	2,867,029	0	2,413,874	\$24.84	1.82%	5.33%	7.72%
2028 Q2	459,204,693	436,984,608	4.84%	3,333,789	0	2,743,510	\$25.23	1.58%	4.00%	7.56%

Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

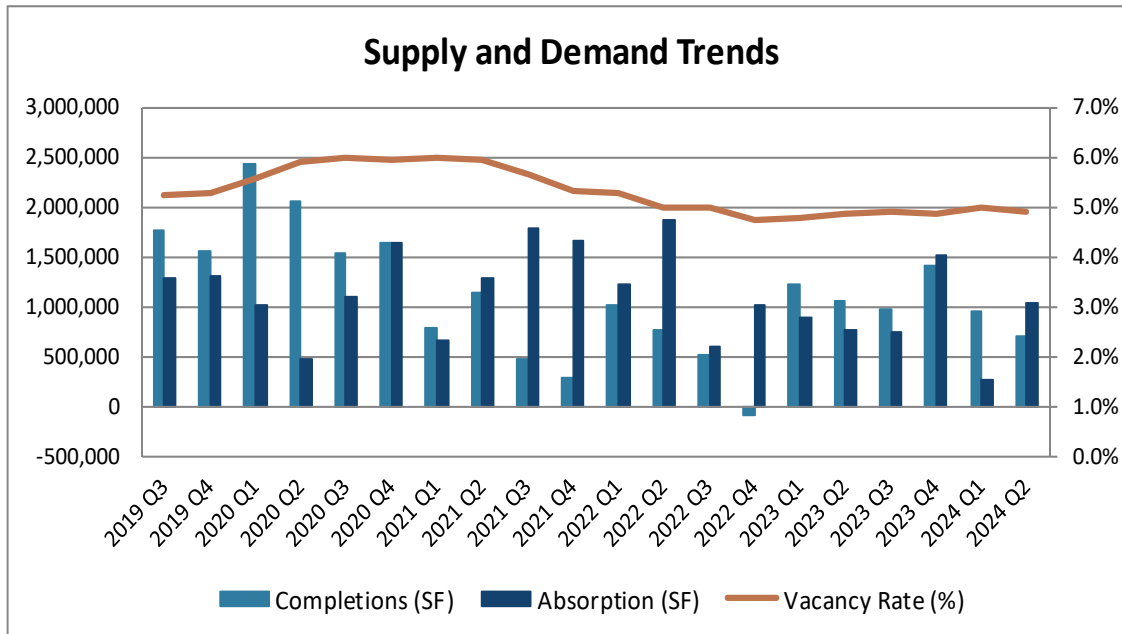
Houston - TX USA Metro Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the metro area is 4.93%; the vacancy rate has decreased by 9 bps from 2022 Q2.

- Two-year Base Case forecasts project a 4.70% vacancy rate in the metro area, representing a decrease of 22 bps by 2026 Q2.
- Asking rent averages \$23.55/SF in the metro area, and values have increased by 6.32% from 2022 Q2.
- Two-year Base Case forecasts project a \$24.40/SF asking rent in the metro area, representing an increase of 3.61% by 2026 Q2.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock (SF) has increased by 1.54% from 2022 Q2, while the demand has increased by 1.63%.
- Between 2019 Q3 and 2024 Q2, net completions in the metro area have averaged 4,454,528 SF annually and reached a peak of 2,434,659 SF in 2020 Q1.
- Between 2019 Q3 and 2024 Q2, net absorption in the metro area has averaged 4,433,091 SF annually and reached a peak of 1,866,998 SF in 2022 Q2.

Submarket Overview

The subject is located in the Southeast Outlier submarket as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the following table.

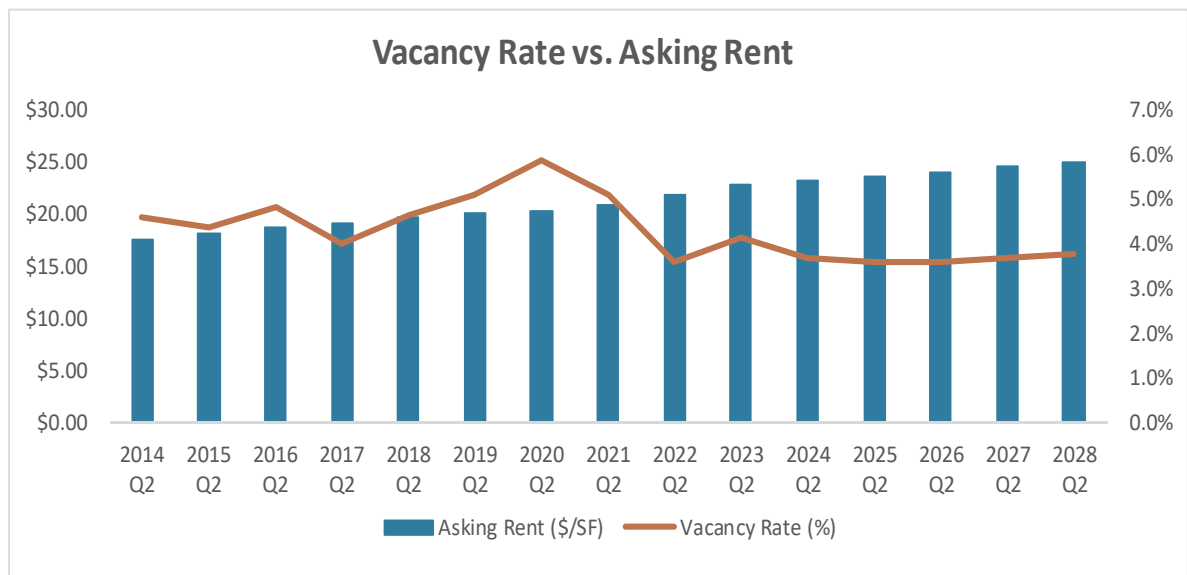
All Retail Southeast Outlier Submarket Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Price Growth	Cap Rate
2014 Q2	14,167,646	13,515,390	4.60%	400,863	390,844	428,964	\$17.53	3.71%	8.61%	7.40%
2015 Q2	14,340,233	13,715,105	4.36%	172,587	457,521	199,715	\$18.21	3.91%	11.82%	7.06%
2016 Q2	14,835,578	14,117,139	4.84%	495,345	514,977	402,034	\$18.75	2.97%	3.48%	6.93%
2017 Q2	15,392,808	14,774,228	4.02%	557,230	282,681	656,135	\$19.12	1.96%	0.17%	7.08%
2018 Q2	15,805,231	15,072,685	4.63%	401,078	453,229	288,544	\$19.68	2.90%	-0.54%	7.23%
2019 Q2	16,239,674	15,408,705	5.12%	434,443	161,188	336,020	\$20.13	2.29%	0.67%	7.23%
2020 Q2	16,412,572	15,443,210	5.91%	172,898	76,144	34,505	\$20.37	1.20%	1.77%	7.27%
2021 Q2	16,536,051	15,691,195	5.11%	123,479	73,465	247,985	\$20.86	2.41%	4.06%	7.10%
2022 Q2	16,617,052	16,021,289	3.59%	79,001	57,130	328,094	\$21.79	4.46%	4.36%	7.10%
2023 Q2	16,661,182	15,966,545	4.17%	44,130	122,608	-54,744	\$22.88	5.02%	3.58%	7.10%
2024 Q2	16,765,330	16,147,495	3.69%	104,148	138,621	180,950	\$23.24	1.54%	1.60%	7.14%
2025 Q2	16,915,836	16,304,168	3.62%	150,506	0	156,833	\$23.58	1.48%	-7.52%	7.85%
2026 Q2	17,003,032	16,393,084	3.59%	87,196	0	87,094	\$24.09	2.17%	-0.77%	8.09%
2027 Q2	17,106,168	16,478,122	3.67%	103,136	0	83,033	\$24.55	1.89%	5.31%	7.84%
2028 Q2	17,226,172	16,574,438	3.78%	120,004	0	94,240	\$24.95	1.65%	3.99%	7.68%

Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

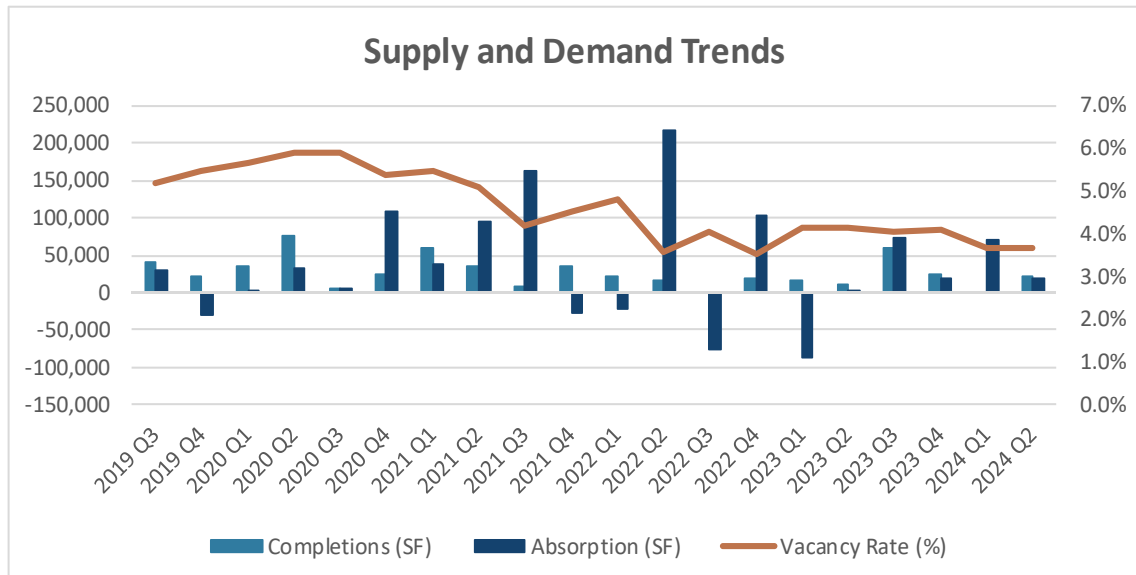
- The Southeast Outlier submarket comprises 3.8% of the metro building stock and 3.8% of the metro building demand.
- The vacancy rate in the Southeast Outlier submarket is 3.69%, which is less than the metro area's average of 4.93%.
- Southeast Outlier market rate is \$23.24/SF which is less than the metro area's average rate of \$23.55/SF.

Southeast Outlier Submarket Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the submarket area is 3.69%; the vacancy rate has increased by 10 bps from 2022 Q2.
- Two-year Base Case forecasts project a 3.59% vacancy rate in the submarket area, representing a decrease of 10 bps by 2026 Q2.
- Asking rent averages \$23.24/SF in the submarket area, and values have increased by 6.65% from 2022 Q2.
- Two-year Base Case forecasts project a \$24.09/SF asking rent in the submarket area, representing an increase of 3.66% by 2026 Q2.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock (SF) has increased by 0.89% from 2022 Q2, while the demand has increased by 0.79%.
- Between 2019 Q3 and 2024 Q2, net completions in the submarket area have averaged 104,731 SF annually, and reached a peak of 74,871 SF in 2020 Q2.
- Between 2019 Q3 and 2024 Q2, net absorption in the submarket area has averaged 147,358 SF annually, and reached a peak of 216,774 SF in 2022 Q2.

Retail Marketplace Profile

Retail sales trends in the market area are a key indicator of demand. Therefore, we have reviewed the retail market power (RMP) data from Claritas, which is included in the following table. The opportunity gap or surplus available represents the difference between demand and supply. When the demand is greater than supply, there is an opportunity gap, but when demand is less than supply, there is a surplus. A positive value signifies an opportunity gap, while a negative value signifies a surplus.

Opportunity Gap - All Retail Stores - Drive Time									
Retail Store Type	5 minutes			10 minutes			15 minutes		
	2022 Demand (Consumer Expenditures)	2022 Supply (Retail Sales)	2022 Opportunity Gap/Surplus	2022 Demand (Consumer Expenditures)	2022 Supply (Retail Sales)	2022 Opportunity Gap/Surplus	2022 Demand (Consumer Expenditures)	2022 Supply (Retail Sales)	2022 Opportunity Gap/Surplus
Motor Vehicle and Parts Dealers	\$74,495,015	\$47,093,018	\$27,401,997	\$364,713,062	\$313,607,840	\$51,105,222	\$1,088,981,991	\$1,212,432,084	-\$123,450,093
Non-Store Retailers	\$46,673,421	\$19,335,530	\$27,337,891	\$224,484,708	\$121,529,320	\$102,955,388	\$673,151,109	\$194,671,468	\$478,479,641
Building Material and Garden Equipment and Supplies Dealers	\$21,003,390	\$16,044,947	\$4,958,443	\$102,695,969	\$134,463,648	-\$31,767,679	\$304,420,979	\$326,739,243	-\$22,318,264
General Merchandise Stores	\$34,527,776	\$34,543,413	-\$15,637	\$165,450,939	\$243,536,059	-\$78,085,120	\$496,834,359	\$519,116,854	-\$22,282,495
Food Services and Drinking Places	\$32,907,030	\$33,695,329	-\$788,299	\$158,164,273	\$247,792,219	-\$89,627,946	\$476,053,502	\$579,200,503	-\$103,147,001
Food and Beverage Stores	\$40,014,948	\$42,801,623	-\$2,786,675	\$190,646,421	\$277,105,430	-\$86,459,009	\$573,989,307	\$733,426,934	-\$159,437,627
Miscellaneous Store Retailers	\$5,564,583	\$9,804,852	-\$4,240,269	\$26,575,954	\$71,359,116	-\$44,783,162	\$80,051,857	\$103,621,462	-\$23,569,605
Electronics and Appliance Stores	\$4,436,269	\$9,605,006	-\$5,168,737	\$21,238,353	\$61,394,011	-\$40,155,658	\$63,819,728	\$81,457,323	-\$17,637,595
Sporting Goods, Hobby, Musical Instrument, and Book Stores	\$3,835,345	\$9,147,881	-\$5,312,536	\$18,627,224	\$65,228,836	-\$46,601,612	\$55,585,681	\$98,055,562	-\$42,469,881
Furniture and Home Furnishings Stores	\$5,591,428	\$11,006,414	-\$5,414,986	\$26,623,786	\$61,981,437	-\$35,357,651	\$80,061,724	\$87,283,953	-\$7,222,229
Gasoline Stations	\$24,161,850	\$35,176,439	-\$11,014,589	\$115,166,779	\$137,765,994	-\$22,599,215	\$345,770,190	\$320,369,457	\$25,400,733
Health and Personal Care Stores	\$17,221,613	\$33,752,267	-\$16,530,654	\$83,078,358	\$124,447,180	-\$41,368,822	\$248,645,065	\$281,497,628	-\$32,852,563
Clothing and Clothing Accessories Stores	\$11,508,138	\$31,614,178	-\$20,106,040	\$55,259,701	\$108,624,136	-\$53,364,435	\$166,702,424	\$244,262,082	-\$77,559,658
Total Retail Sales Incl Eating and Drinking Places	\$321,940,806	\$333,620,897	-\$11,680,091	\$1,552,725,527	\$1,968,835,226	-\$416,109,699	\$4,654,067,916	\$4,782,134,553	-\$128,066,637

Source: Claritas; compiled by Integra Realty Resources, Inc.

Retail Opportunity Gap Key Takeaways

- The total retail surplus between consumer demand and retail supply within a 5-minute drive of the subject is \$11,680,091.
- The Motor Vehicle and Parts Dealers retail category presents the greatest opportunity gap of \$27,401,997 within a 5-minute drive of the subject.
- The Clothing and Clothing Accessories Stores retail category presents the lowest retail opportunity within a 5-minute drive of the subject.
- The Sporting Goods, Hobby, Musical Instrument, and Book Stores retail category saw the lowest consumer demand within a 5-minute drive of the subject.
- Of the 13 main retail category groups, 3 present an opportunity gap based on consumer demand within a 5-minute drive of the subject.
- Of the 13 main retail category groups, 10 present a surplus based on the supply within a 5-minute drive of the subject.
- The total retail surplus between consumer demand and retail supply within a 10-minute drive of the subject is \$416,109,699.
- The total retail surplus between consumer demand and retail supply within a 15-minute drive of the subject is \$128,066,637.

Retail Market Outlook and Conclusions

Based on the key metro and submarket area trends, construction outlook, and the performance of competing properties, IRR expects the mix of property fundamentals and economic conditions in the Houston metro area to have a positive impact on the subject property's performance in the near-term.

Office Market Analysis

Metro Area Overview

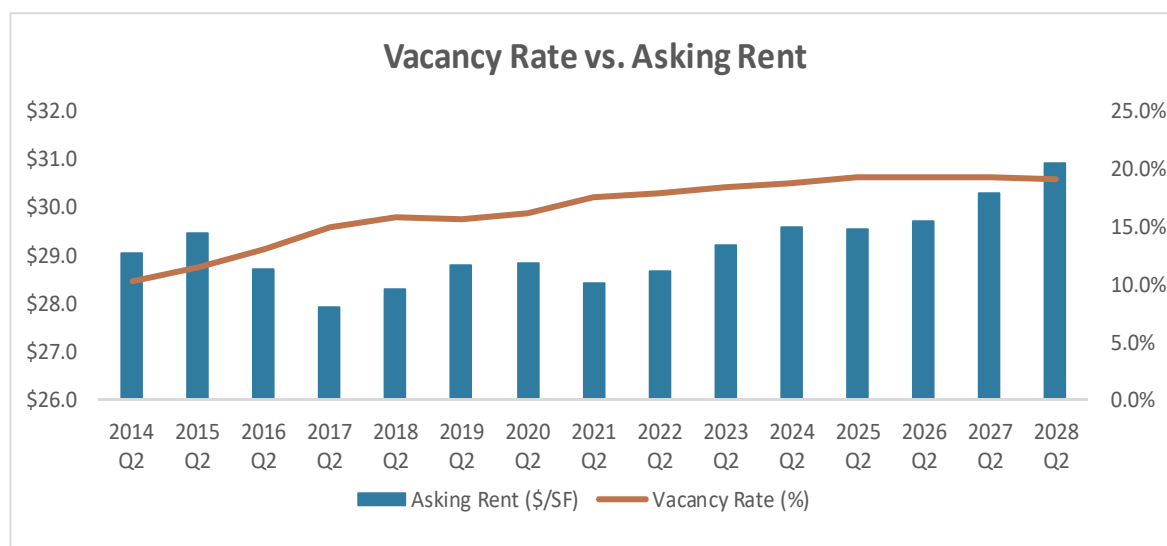
The subject is located in the Houston - TX USA metro area as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the ensuing table.

All Office Houston - TX USA Metro Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Price Growth	Cap Rate
2014 Q2	315,751,095	283,111,264	10.34%	7,521,451	19,774,040	9,907,019	\$29.03	5.29%	9.94%	6.89%
2015 Q2	328,167,806	290,281,504	11.54%	12,416,711	12,591,303	7,174,021	\$29.48	1.57%	4.89%	6.84%
2016 Q2	336,423,699	292,403,968	13.08%	8,255,893	6,462,146	2,113,666	\$28.70	-2.67%	1.02%	6.91%
2017 Q2	340,264,306	289,660,160	14.87%	3,835,607	4,260,678	-2,747,126	\$27.91	-2.73%	-4.55%	7.37%
2018 Q2	342,534,441	288,582,496	15.75%	2,234,790	3,496,042	-1,198,338	\$28.29	1.36%	-3.87%	7.77%
2019 Q2	344,977,452	291,053,600	15.63%	2,429,212	4,083,764	2,436,812	\$28.79	1.75%	-2.91%	8.06%
2020 Q2	346,751,830	290,468,160	16.23%	1,774,378	6,049,593	-580,226	\$28.86	0.26%	1.26%	8.14%
2021 Q2	349,592,969	288,194,176	17.56%	2,841,139	5,457,808	-2,273,910	\$28.43	-1.51%	-0.25%	7.98%
2022 Q2	353,636,987	290,117,056	17.96%	4,042,418	4,804,992	1,921,270	\$28.68	0.88%	0.82%	8.15%
2023 Q2	355,876,707	290,471,200	18.38%	2,239,720	3,977,442	355,655	\$29.20	1.80%	-7.11%	9.07%
2024 Q2	358,573,747	291,057,536	18.83%	2,697,040	2,504,275	586,333	\$29.61	1.41%	-7.92%	9.64%
2025 Q2	359,993,250	290,604,800	19.27%	1,419,503	0	-428,062	\$29.54	-0.23%	-5.62%	10.09%
2026 Q2	360,725,690	290,919,040	19.35%	732,440	0	324,178	\$29.71	0.57%	1.33%	9.98%
2027 Q2	361,804,300	292,240,384	19.23%	1,078,610	0	1,331,694	\$30.29	1.96%	5.58%	9.63%
2028 Q2	363,386,493	293,990,528	19.10%	1,582,193	0	1,759,860	\$30.93	2.12%	6.87%	9.23%

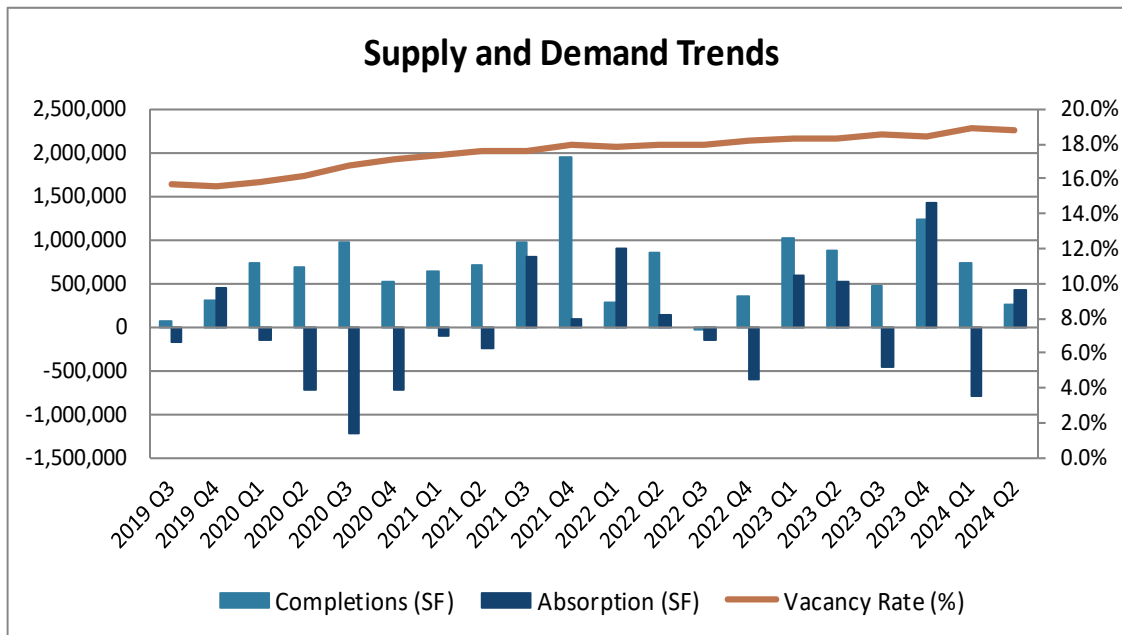
Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

Houston - TX USA Metro Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the metro area is 18.83%; the vacancy rate has increased by 87 bps from 2022 Q2.
- Two-year Base Case forecasts project a 19.35% vacancy rate in the metro area, representing an increase of 52 bps by 2026 Q2.
- Asking rent averages \$29.61/SF in the metro area, and values have increased by 3.24% from 2022 Q2.
- Two-year Base Case forecasts project a \$29.71/SF asking rent in the metro area, representing an increase of 0.34% by 2026 Q2.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock (SF) has increased by 1.40% from 2022 Q2, while the demand has increased by 0.32%.
- Between 2019 Q3 and 2024 Q2, net completions in the metro area have averaged 2,718,939 SF annually and reached a peak of 1,955,308 SF in 2021 Q4.
- Between 2019 Q3 and 2024 Q2, net absorption in the metro area has averaged 1,824 SF annually and reached a peak of 1,420,003 SF in 2023 Q4.

Submarket Overview

The subject is located in the Southeast Outlier submarket as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the following table.

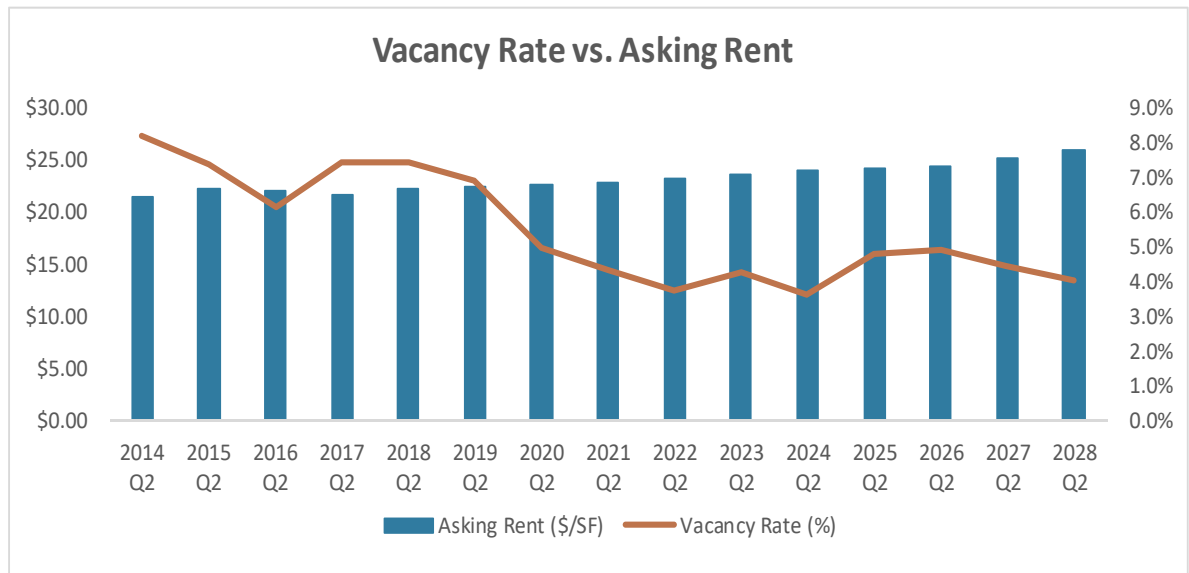
All Office Southeast Outlier Submarket Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Price Growth	Cap Rate
2014 Q2	5,272,787	4,838,545	8.24%	18,157	25,915	39,391	\$21.57	5.43%	9.54%	7.20%
2015 Q2	5,299,035	4,906,586	7.41%	26,248	62,458	68,041	\$22.22	3.01%	4.27%	7.15%
2016 Q2	5,334,415	5,007,054	6.14%	35,380	32,659	100,468	\$22.14	-0.34%	2.63%	7.17%
2017 Q2	5,371,874	4,970,345	7.47%	37,459	39,780	-39,659	\$21.77	-1.67%	-2.58%	7.58%
2018 Q2	5,406,654	5,002,933	7.47%	34,780	5,000	34,325	\$22.21	2.03%	-1.51%	7.89%
2019 Q2	5,418,726	5,044,696	6.90%	12,072	0	41,763	\$22.54	1.46%	-0.23%	8.26%
2020 Q2	5,322,737	5,056,532	5.00%	-95,989	7,500	11,836	\$22.71	0.76%	3.20%	8.29%
2021 Q2	5,330,237	5,099,665	4.33%	7,500	0	43,133	\$22.92	0.91%	3.37%	7.98%
2022 Q2	5,330,237	5,131,651	3.73%	0	5,000	31,986	\$23.30	1.70%	1.47%	8.17%
2023 Q2	5,326,168	5,097,045	4.30%	-4,069	0	-34,606	\$23.66	1.52%	-8.12%	9.19%
2024 Q2	5,326,168	5,132,568	3.63%	0	0	35,523	\$24.04	1.62%	-6.71%	9.80%
2025 Q2	5,318,327	5,061,418	4.83%	-7,841	0	-70,778	\$24.14	0.39%	-4.67%	10.26%
2026 Q2	5,310,451	5,050,538	4.89%	-7,876	0	-10,326	\$24.49	1.46%	2.20%	10.15%
2027 Q2	5,305,232	5,069,923	4.44%	-5,219	0	19,927	\$25.19	2.86%	6.43%	9.80%
2028 Q2	5,301,502	5,086,995	4.05%	-3,730	0	17,696	\$25.95	3.03%	7.68%	9.40%

Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The Southeast Outlier submarket comprises 1.5% of the metro building stock and 1.8% of the metro building demand.
- The vacancy rate in the Southeast Outlier submarket is 3.63%, which is less than the metro area's average of 18.83%.
- Southeast Outlier market rate is \$24.04/SF which is less than the metro area's average rate of \$29.61/SF.

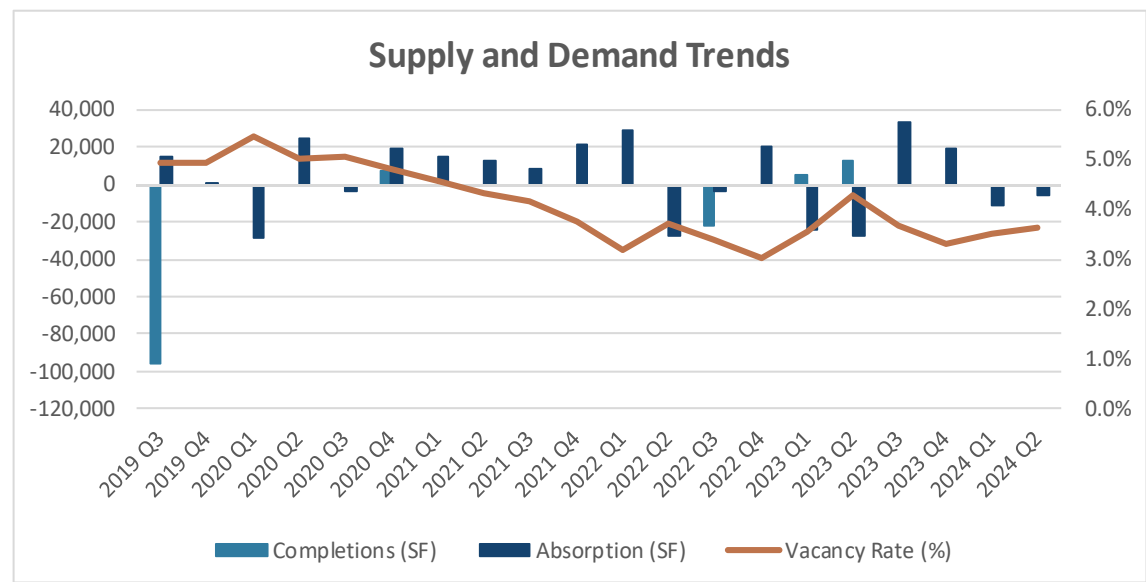
Southeast Outlier Submarket Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the submarket area is 3.63%; the vacancy rate has decreased by 9 bps from 2022 Q2.
- Two-year Base Case forecasts project a 4.89% vacancy rate in the submarket area, representing an increase of 126 bps by 2026 Q2.
- Asking rent averages \$24.04/SF in the submarket area, and values have increased by 3.18% from 2022 Q2.
- Two-year Base Case forecasts project a \$24.49/SF asking rent in the submarket area, representing an increase of 1.87% by 2026 Q2.

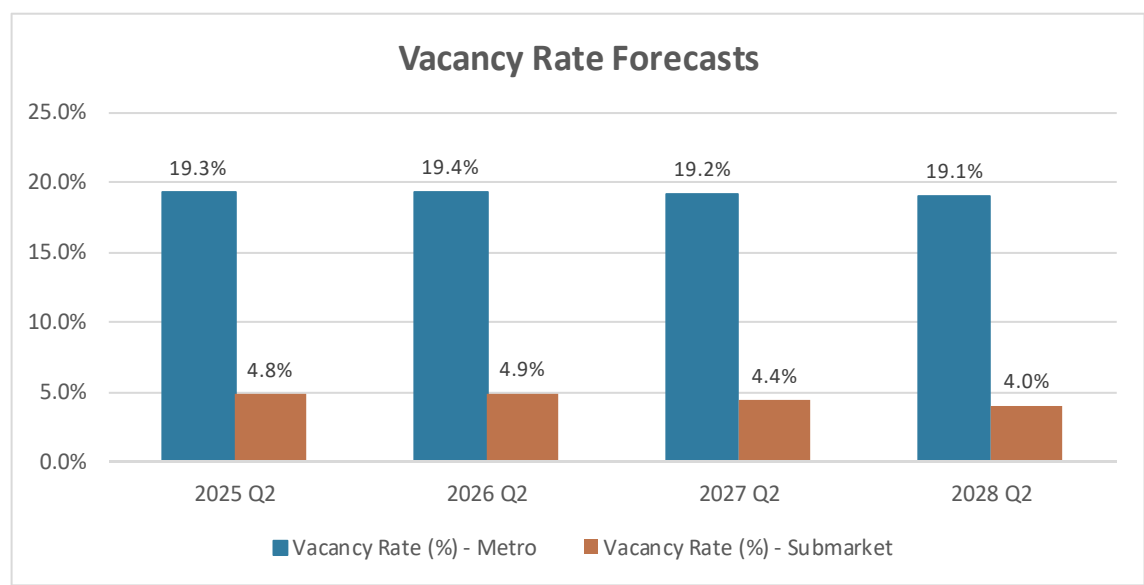




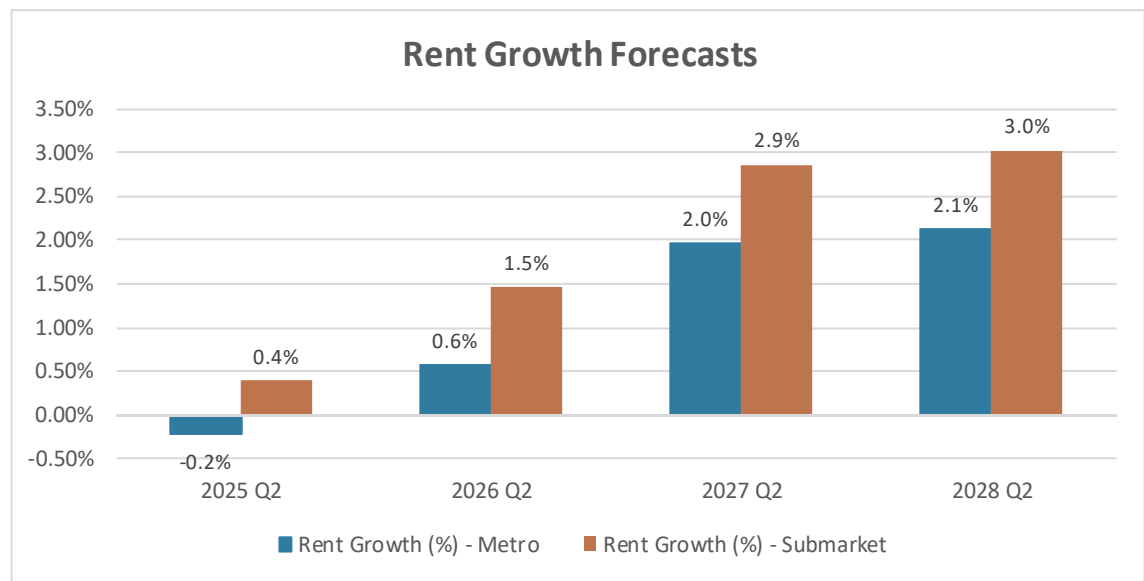
Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock (SF) has decreased by 0.08% from 2022 Q2, while the demand has increased by 0.02%.
- Between 2019 Q3 and 2024 Q2, net completions in the submarket area have averaged -18,512 SF annually and reached a peak of 13,151 SF in 2023 Q2.
- Between 2019 Q3 and 2024 Q2, net absorption in the submarket area has averaged 17,574 SF annually and reached a peak of 33,383 SF in 2023 Q3.

Office Market Forecast Comparisons

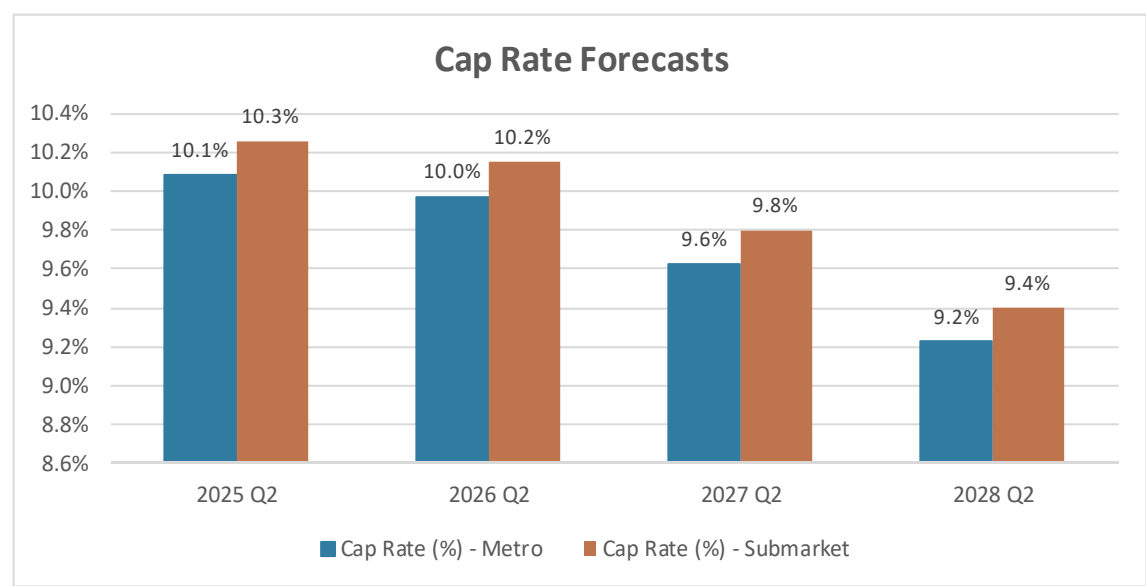


Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.





Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

Office Market Outlook and Conclusions

Based on the key metro and submarket area trends, construction outlook, and the performance of competing properties, IRR expects the mix of property fundamentals and economic conditions in the DFW metro area to have a positive impact on the subject property’s performance in the near-term.



Multifamily Market Analysis

Metro Area Overview

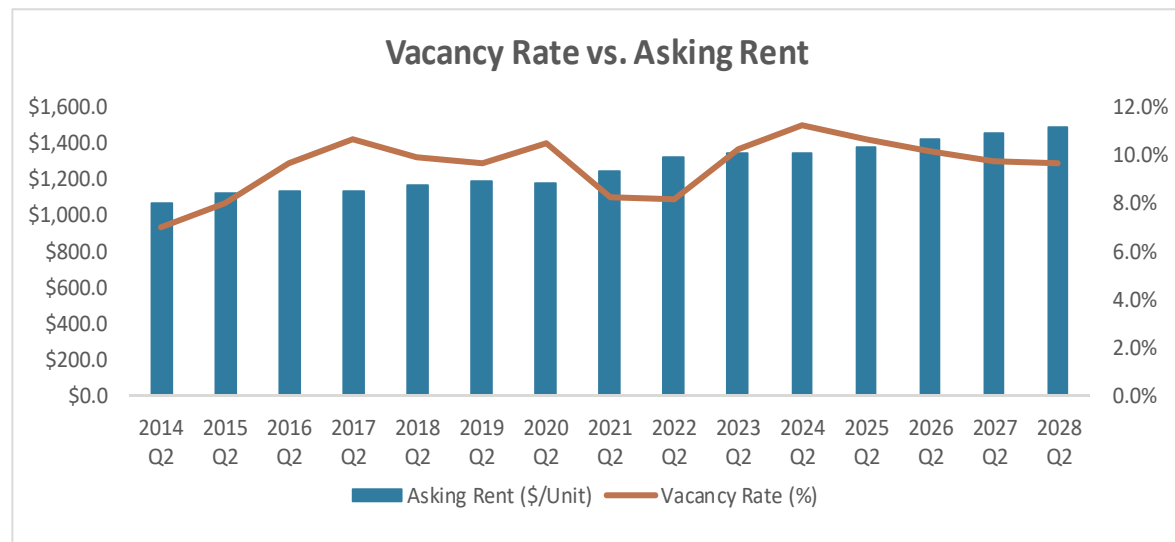
The subject is located in the Houston - TX USA metro area as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the ensuing table.

All Multifamily Houston - TX USA Metro Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Price Growth	Cap Rate
2014 Q2	536,553	498,910	7.02%	6,440	29,138	8,603	\$1,068	2.66%	5.94%	6.48%
2015 Q2	558,143	513,390	8.02%	21,590	27,526	14,483	\$1,122	5.00%	9.39%	6.18%
2016 Q2	576,580	520,822	9.67%	18,437	26,954	7,458	\$1,132	0.93%	3.73%	6.15%
2017 Q2	594,859	531,566	10.64%	18,276	16,620	10,742	\$1,134	0.16%	3.28%	6.16%
2018 Q2	604,966	544,752	9.95%	10,107	16,130	13,187	\$1,168	3.00%	6.81%	6.01%
2019 Q2	613,863	554,549	9.66%	8,896	25,702	9,802	\$1,184	1.40%	4.25%	5.94%
2020 Q2	631,147	565,129	10.46%	17,281	33,152	10,576	\$1,181	-0.33%	4.25%	5.77%
2021 Q2	651,270	597,716	8.22%	20,123	29,379	32,594	\$1,242	5.22%	14.00%	5.29%
2022 Q2	670,047	615,434	8.15%	18,777	33,922	17,717	\$1,321	6.31%	9.07%	5.19%
2023 Q2	690,998	620,302	10.23%	20,951	37,772	4,869	\$1,341	1.51%	-8.76%	6.06%
2024 Q2	716,046	635,327	11.27%	25,048	19,962	15,025	\$1,344	0.29%	-5.42%	6.44%
2025 Q2	726,469	649,146	10.64%	10,423	0	13,787	\$1,377	2.43%	-2.40%	6.80%
2026 Q2	735,054	660,340	10.16%	8,585	0	11,194	\$1,420	3.10%	7.91%	6.55%
2027 Q2	742,581	670,058	9.77%	7,527	0	9,717	\$1,457	2.59%	8.58%	6.23%
2028 Q2	753,499	680,927	9.63%	10,918	0	10,869	\$1,487	2.13%	8.44%	5.89%

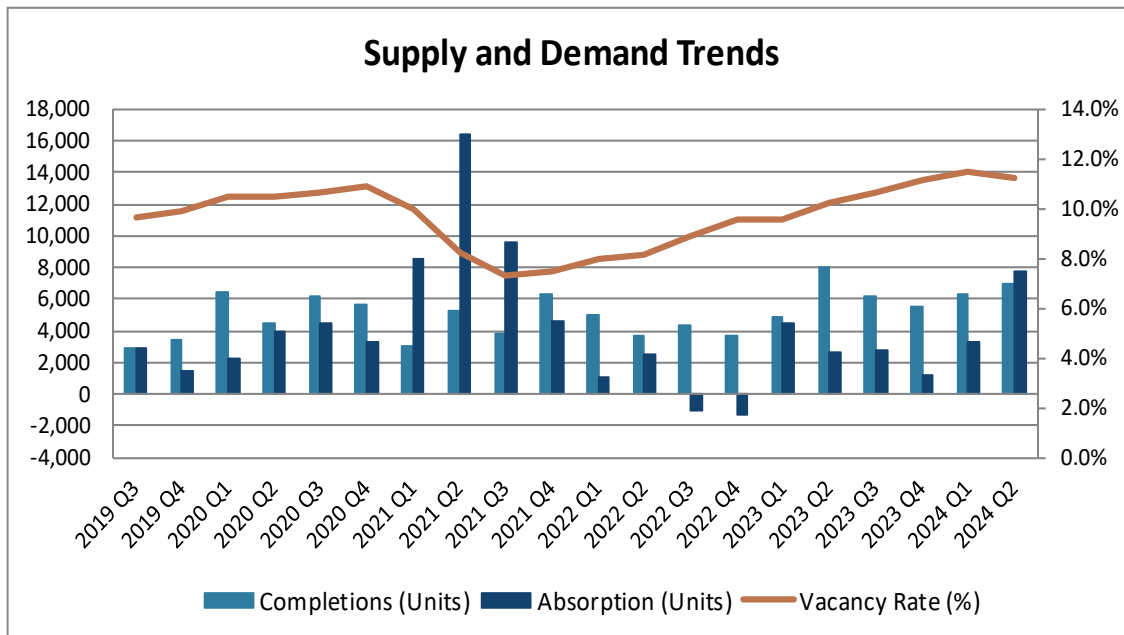
Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

Houston - TX USA Metro Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the metro area is 11.27%; the vacancy rate has increased by 312 bps from 2022 Q2.
- Two-year Base Case forecasts project a 10.16% vacancy rate in the metro area, representing a decrease of 111 bps by 2026 Q2.
- Asking rent averages \$1,344/unit in the metro area, and values have increased by 1.77% from 2022 Q2.
- Two-year Base Case forecasts project a \$1,420/unit asking rent in the metro area, representing an increase of 5.62% by 2026 Q2.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The total stock (units) has increased by 6.87% from 2022 Q2, while the demand has increased by 3.23%.
- Between 2019 Q3 and 2024 Q2, net completions in the metro area have averaged 20,436 units annually and reached a peak of 8,019 units in 2023 Q2.
- Between 2019 Q3 and 2024 Q2, net absorption in the metro area has averaged 16,156 units annually and reached a peak of 16,410 units in 2021 Q2.

Submarket Overview

The subject is located in the Southeast Houston submarket as defined by CoStar. Trended supply and demand statistics, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented in the following table.

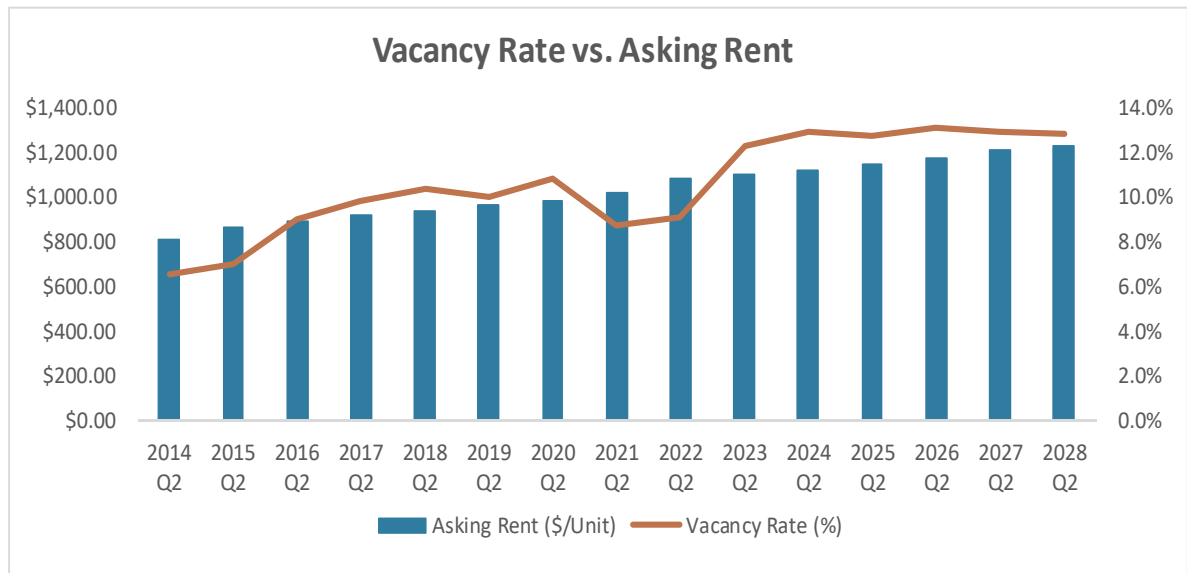
All Multifamily Southeast Houston Submarket Trends

Period	Stock	Demand	Vacancy	Net Completions 12 Months	Under Construction Stock	Net Absorption 12 Months	Asking Rent	Rent Growth 12 Month	Price Growth	Cap Rate
2014 Q2	68,828	64,301	6.58%	-612	503	512	\$808	3.01%	5.79%	6.95%
2015 Q2	68,900	64,091	6.98%	72	695	-210	\$867	7.35%	9.00%	6.64%
2016 Q2	69,595	63,315	9.02%	695	372	-778	\$898	3.52%	6.37%	6.54%
2017 Q2	70,236	63,303	9.87%	638	408	-12	\$921	2.52%	4.40%	6.52%
2018 Q2	70,320	63,028	10.37%	84	715	-276	\$944	2.51%	8.88%	6.32%
2019 Q2	70,684	63,586	10.04%	364	555	559	\$967	2.50%	8.26%	6.13%
2020 Q2	71,826	64,055	10.82%	1,142	987	469	\$981	1.38%	6.32%	5.90%
2021 Q2	72,363	66,020	8.77%	537	1,132	1,965	\$1,021	4.11%	13.93%	5.39%
2022 Q2	73,146	66,491	9.10%	783	1,963	471	\$1,083	6.10%	7.21%	5.33%
2023 Q2	74,412	65,252	12.31%	1,266	1,901	-1,240	\$1,107	2.22%	-11.09%	6.18%
2024 Q2	75,485	65,713	12.95%	1,073	1,328	460	\$1,118	0.98%	-4.13%	6.55%
2025 Q2	75,697	66,005	12.80%	212	0	292	\$1,147	2.63%	-2.28%	6.90%
2026 Q2	76,675	66,588	13.16%	978	0	583	\$1,181	2.92%	7.69%	6.65%
2027 Q2	77,021	67,068	12.92%	346	0	480	\$1,210	2.43%	8.35%	6.33%
2028 Q2	77,576	67,624	12.83%	555	0	556	\$1,234	1.98%	8.21%	5.99%

Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The Southeast Houston submarket comprises 10.5% of the metro building stock and 10.3% of the metro building demand.
- The vacancy rate in the Southeast Houston submarket is 12.95%, which is greater than the metro area's average of 11.27%.
- Southeast Houston market rate is \$1,118/unit which is less than the metro area's average rate of \$1,344/unit.

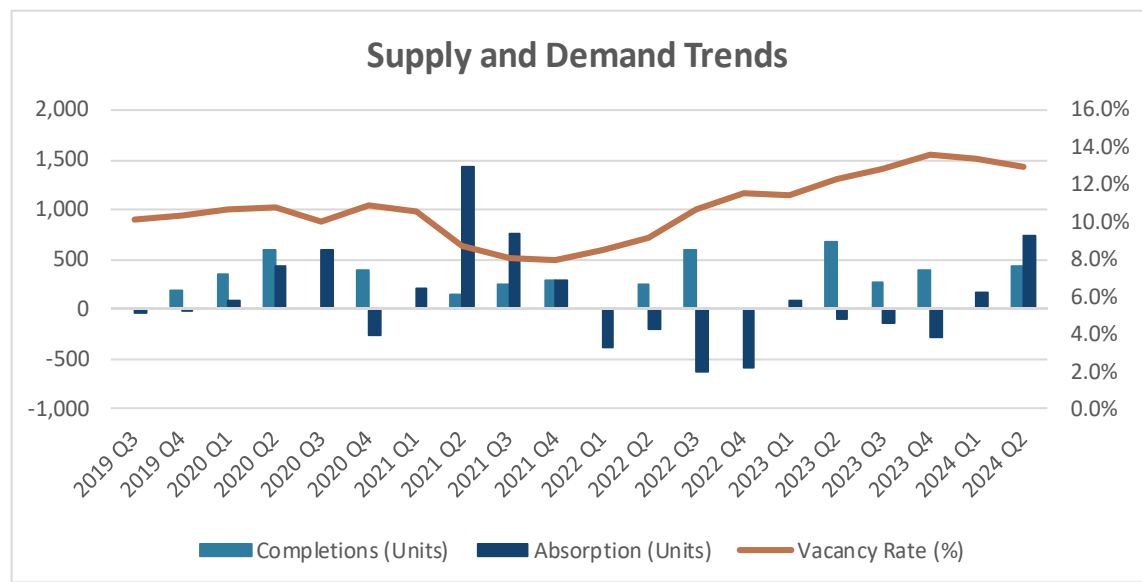
Southeast Houston Submarket Trends and Forecasts



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

- The current vacancy rate in the submarket area is 12.95%; the vacancy rate has increased by 385 bps from 2022 Q2.
- Two-year Base Case forecasts project a 13.16% vacancy rate in the submarket area, representing an increase of 21 bps by 2026 Q2.
- Asking rent averages \$1,118/unit in the submarket area, and values have increased by 3.23% from 2022 Q2.
- Two-year Base Case forecasts project a \$1,181/unit asking rent in the submarket area, representing an increase of 5.62% by 2026 Q2.



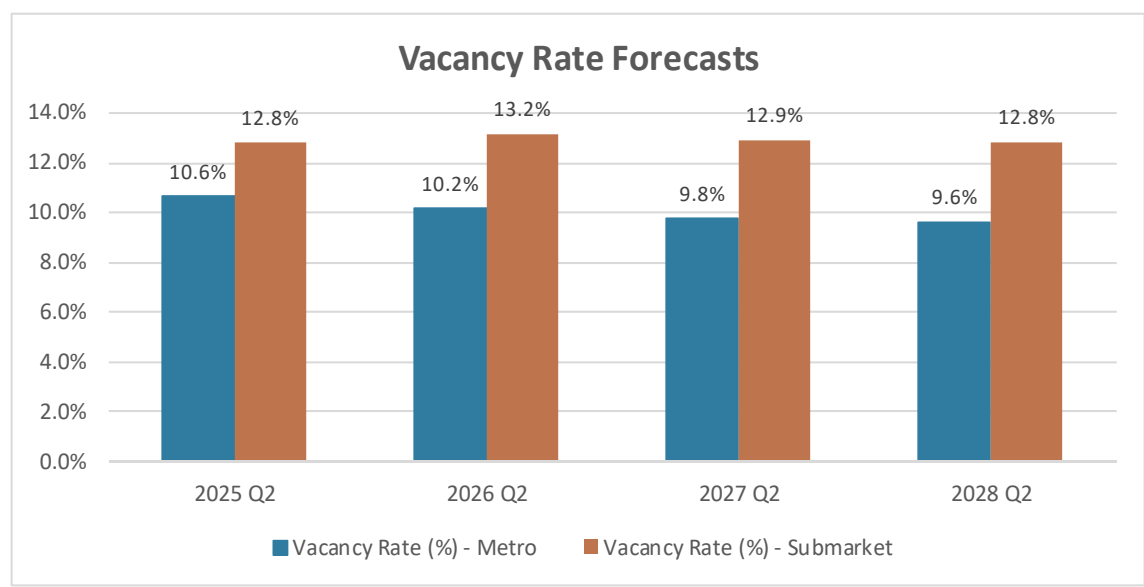


Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

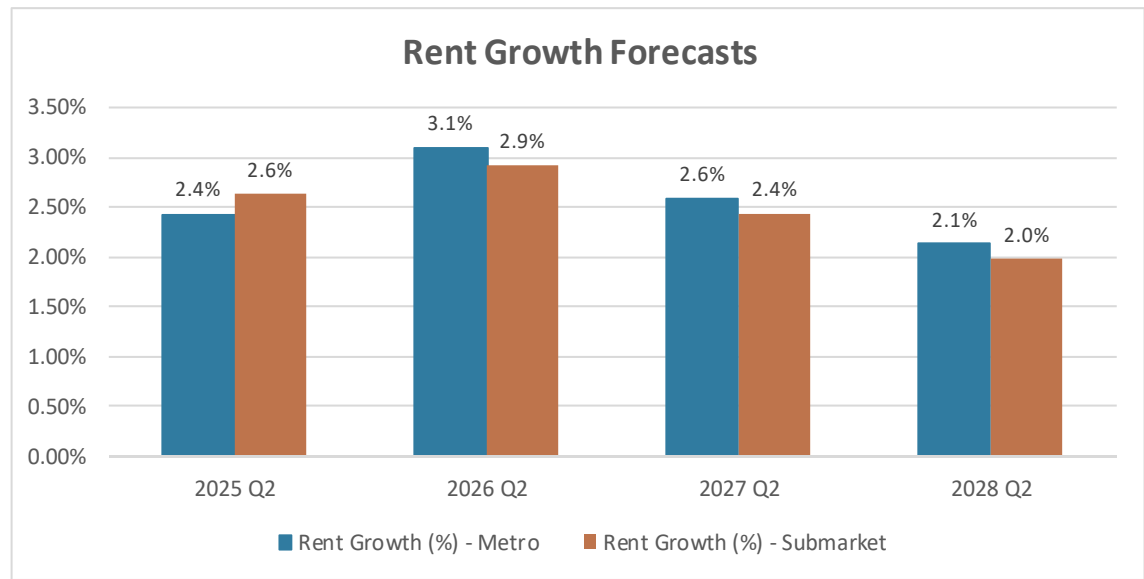
- The total stock (units) has increased by 3.20% from 2022 Q2, while the demand has decreased by 1.17%.
- Between 2019 Q3 and 2024 Q2, net completions in the submarket area have averaged 960 units annually and reached a peak of 675 units in 2023 Q2.
- Between 2019 Q3 and 2024 Q2, net absorption in the submarket area has averaged 425 units annually and reached a peak of 1,436 units in 2021 Q2.



Multifamily Market Forecast Comparisons

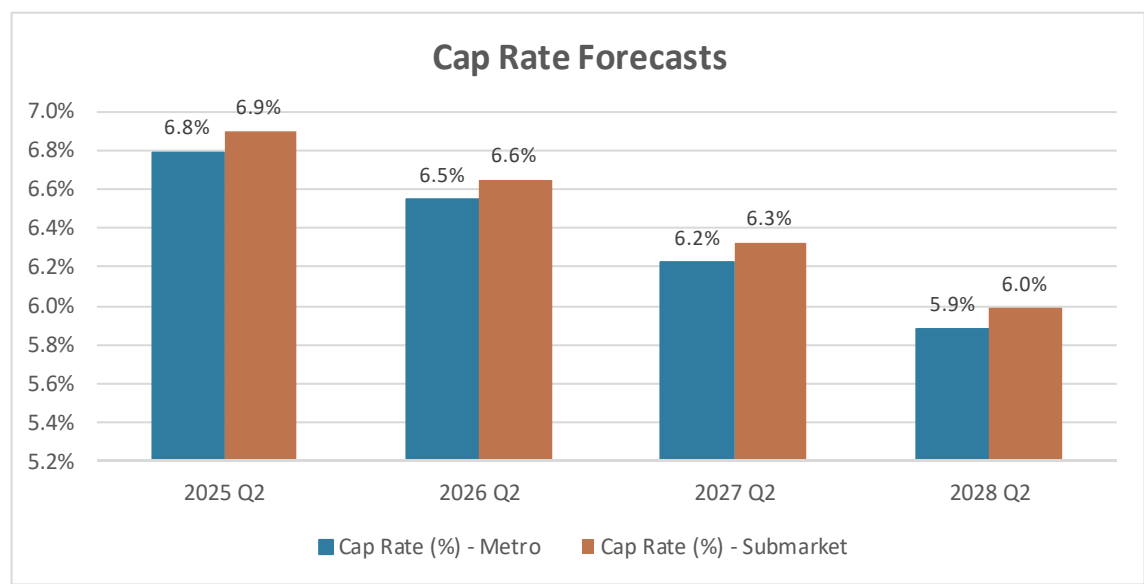


Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.



Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.





Source: CoStar, Inc.; compiled by Integra Realty Resources, Inc.

Multifamily Market Outlook and Conclusions

Based on the key metro and submarket area trends, construction outlook, and the performance of competing properties, IRR expects the mix of property fundamentals and economic conditions in the DFW metro area to have a positive impact on the subject property’s performance in the near-term.



Property Analysis

Land Description and Analysis

Location

The property is located on the south side of FM-528, west of W. Bay Area Boulevard in the city of Friendswood in south Harris County near the edge of Galveston County.

Land Area

The subject lots are located within the larger 106.472-acre Friendswood City Center Public Improvement District. The following table summarizes the land area for the 12 lots to be valued.

Land Area Summary

Parcel	SF	Acres
Lot 1	72,266	1.659
Lot 2	64,207	1.474
Lot 3	72,048	1.654
Lot 4	69,565	1.597
Lot 5	63,336	1.454
Lot 6	119,790	2.750
Lot 7	118,309	2.716
Lot 8	115,870	2.660
Lot 9	133,816	3.072
Lot 10	160,606	3.687
Lot 11	78,669	1.806
Lot 12	762,953	17.515

Source: Engineering Report

Shape and Dimensions

The sites are generally rectangular in shape. Site utility based on shape and dimensions are average for each.

Topography

The sites are generally level. The topography does not result in any particular development limitations.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table indicates applicable flood hazard information for the subject property, as determined by review of available flood maps obtained from the Federal Emergency Management Agency (FEMA).

Flood Hazard Status	
Community Panel Number	48167C0018G
Date	August 15, 2019
Zone	AE
Description	Within 100-year floodplain
Insurance Required?	Yes

It is noted that portion of Lots 6-12 are currently in the AE flood zone. However, as part of the development process these lots will be elevated out of the flood zone.

Environmental Hazards

An environmental assessment report was not provided for review, and during the inspection, no obvious signs of contamination on or near the subject were observed. However, environmental issues are beyond the scope of expertise of the assignment participants. It is assumed the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for review. Based on the viewing of the subject and development on nearby sites, there are no apparent ground stability problems. However, soils analyses are beyond the scope of expertise of the assignment participants. It is assumed the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

Utilities

Utilities available to the subject are summarized below.

Utilities	
Service	Provider
Water	City of Friendswood
Sewer	City of Friendswood

Interpretation of zoning ordinances is beyond the scope of expertise of the assignment participants. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

Streets, Access and Frontage

Details pertaining to street access and frontage for the entire Friendswood City Center Public Improvement District are provided in the following table.

Streets, Access and Frontage	
Street	FM-528
Frontage Feet	2,250±
Paving	Concrete
Curbs	Yes
Sidewalks	No
Lanes	2 way, 3 lanes each way
Direction of Traffic	East/West
Condition	Average
Traffic Levels	Moderate
Signals/Traffic Control	None
Access/Curb Cuts	None
Visibility	Good

Zoning

The subject is within a Planned Unit Development (PUD) district. The Planning Concept is to provide a strong neighborhood identity with walkable mixed -use facilities that allow access to services and other businesses without requiring residents to use a car as their main mode of transportation. To accomplish this, Friendswood City Center PUD will combine commercial, retail, hospitality, office, and multifamily residential developments into a vibrant community with walkable streets that support alternative modes of transportation.

The following table summarizes the applicable zoning requirements affecting the subject.

Zoning Summary	
Zoning Jurisdiction	City of Friendswood
Zoning Designation	PUD (Planned Unit Development)
Description	Mixed-use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Office, retail and multi-family

According to the local planning department, there are no pending or prospective zoning changes. A summary of the restrictions for the 12 lots is summarized in the following table:



Building Regulations

Friendswood City Center PUD Regulation Matrix

PUD Zoning District	Units Per Acre	Lot Area	Lot Width	Lot Depth	Front Yard Setback	Rear Yard Setback	Interior Side Yard	Exterior Side Yard	Maximum Height (4 stories)	Landscape Buffer	Landscape Buffer Width
		Minimum Sq Ft	Minimum Sq Ft	Minimum Sq Ft						Width (FM 528)	(Except FM 528)
Lot 1	n/a	15000	100	150	100	10	10	25	40	15	5
Lots 2-5	n/a	15000	100	150	160	10	10	25	40	15	5
Lots 7	29	15000	100	150	0	10	10	10	70	0	0
Lots 8	n/a	15000	100	150	0	10	10	10	70	0	0
Lots 6, 9, 10	29	15000	100	150	50	0	10	25	70	15	5
Lot 11	29	15000	100	150	0	0	10	25	70	0	0
Lot 12 MFR	29	n/a	n/a	n/a	25	0	25	25	70	0	5

Base zoning districts CSC and MFR-H per COF Zoning Ordinance.

Lot coverage based on approved drainage plan.

Landscape buffers may include walkways, boardwalks, patios, plazas, courtyards, bulkheads, retaining walls, and similar structures are permitted in the landscape buffer except for along FM 528.

No multifamily use shall be allowed on the first floor of Lots 6, 7, 9 and 10.

Other Land Use Regulations

There are no other known land use regulations that would affect the property.

Easements, Encroachments and Restrictions

Based upon a review of the property survey, there are no apparent easements, encroachments, or restrictions that would adversely affect value. This valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Conclusion of Site Analysis

Overall, the physical characteristics and the availability of utilities result in a functional site, suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include office, retail and multi-family. No other restrictions on development are apparent.

General Description - Friendswood City Center Public Improvement District

The Friendswood City Center Development is a 106.472-acre property that will eventually include multi-family residential and commercial properties; installation of a Fire Station, an extension of Blackhawk Boulevard to W. Bay Area Boulevard, and two detention basins to mitigate stormwater runoff increases from the development of the site and two adjacent properties. Although currently the majority of the overall site is located in a flood zone, upon completion of development, only the southern 52.343 acres will remain as a flood/drainage/recreation/open space area.

The subject represents 12 lots within the Friendswood City Center Public Improvement District (the "PID"). Currently, six of the 12 lots (1-6) are developable with the remaining lots requiring infrastructure which is scheduled for completion by May 31, 2025. In addition, portions, or all, of Lots 6-12 are currently located within a flood zone. We specifically assume that they will be elevated out of the flood zone as part of the development process. However, Lots 1-5 are currently ready for vertical development and are to be improved with retail buildings as of the effective date of the appraisal. Our valuation also includes both the land values as well as the improvement values for these improvements on a stabilized basis. The 12 lots are zoned under a PUD (Planned Unit Development) which allows for office, retail and multi-family uses.

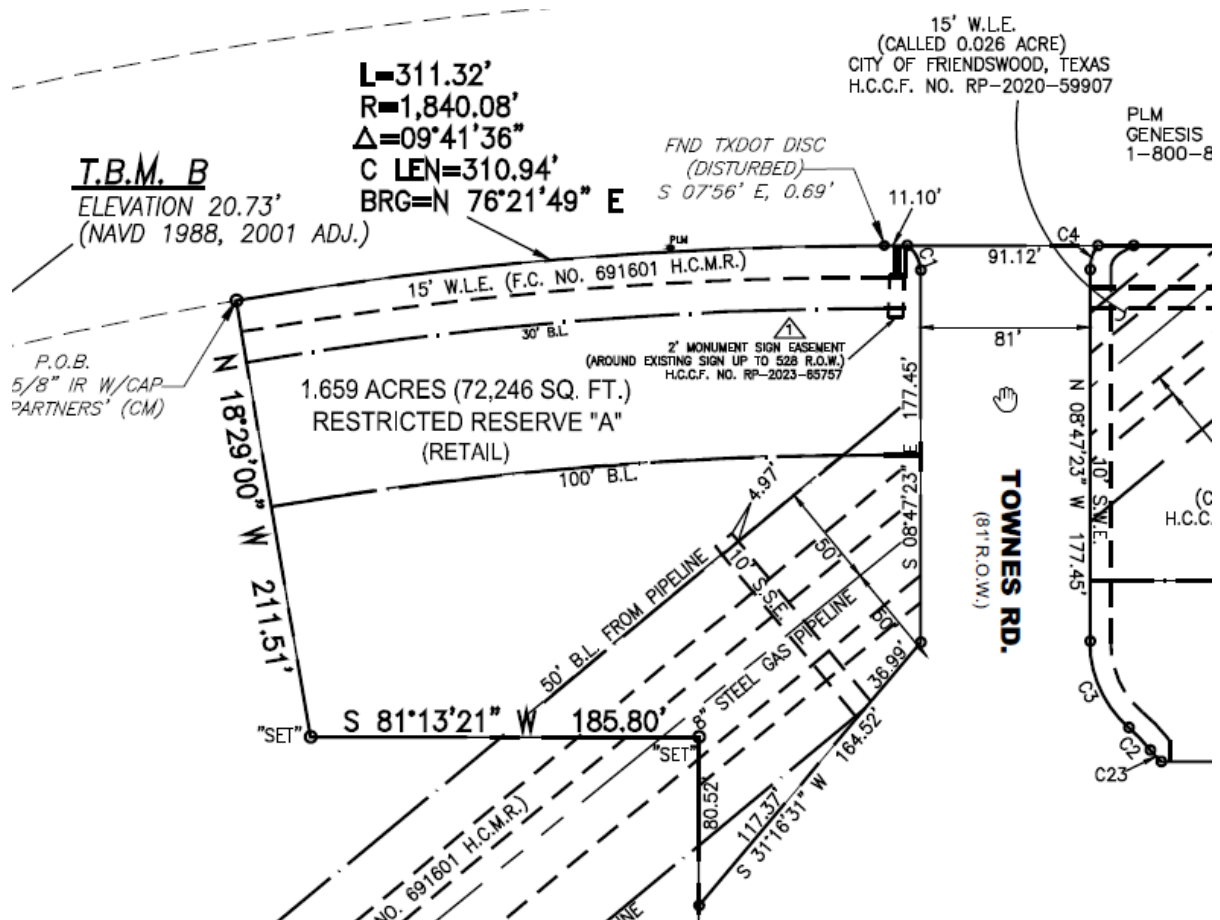
As part of the development process, six of the 12 lots (6-12) will be elevated from the flood zone and interior streets will be constructed to provide access to all 12 lots. Improvements will include concrete streets with curbs and gutters, streetlights, landscaping, and an entry feature. In addition, as part of the PID Improvements development a public park will be constructed.

"The Park at Friendswood Center" will be a 50± acre park amenity that will be located along the banks of Clear Creek. It is designed to serve as a storm water detention area for the neighboring developments as well as a place for the residents of these neighborhoods to experience nature. Within the Park there will be a 2.2-mile network of trails that will connect exercise stations, stone benches, bird viewing platforms and other amenities along the paths. The paths will be lit with solar powered led lighting along the entire trail.

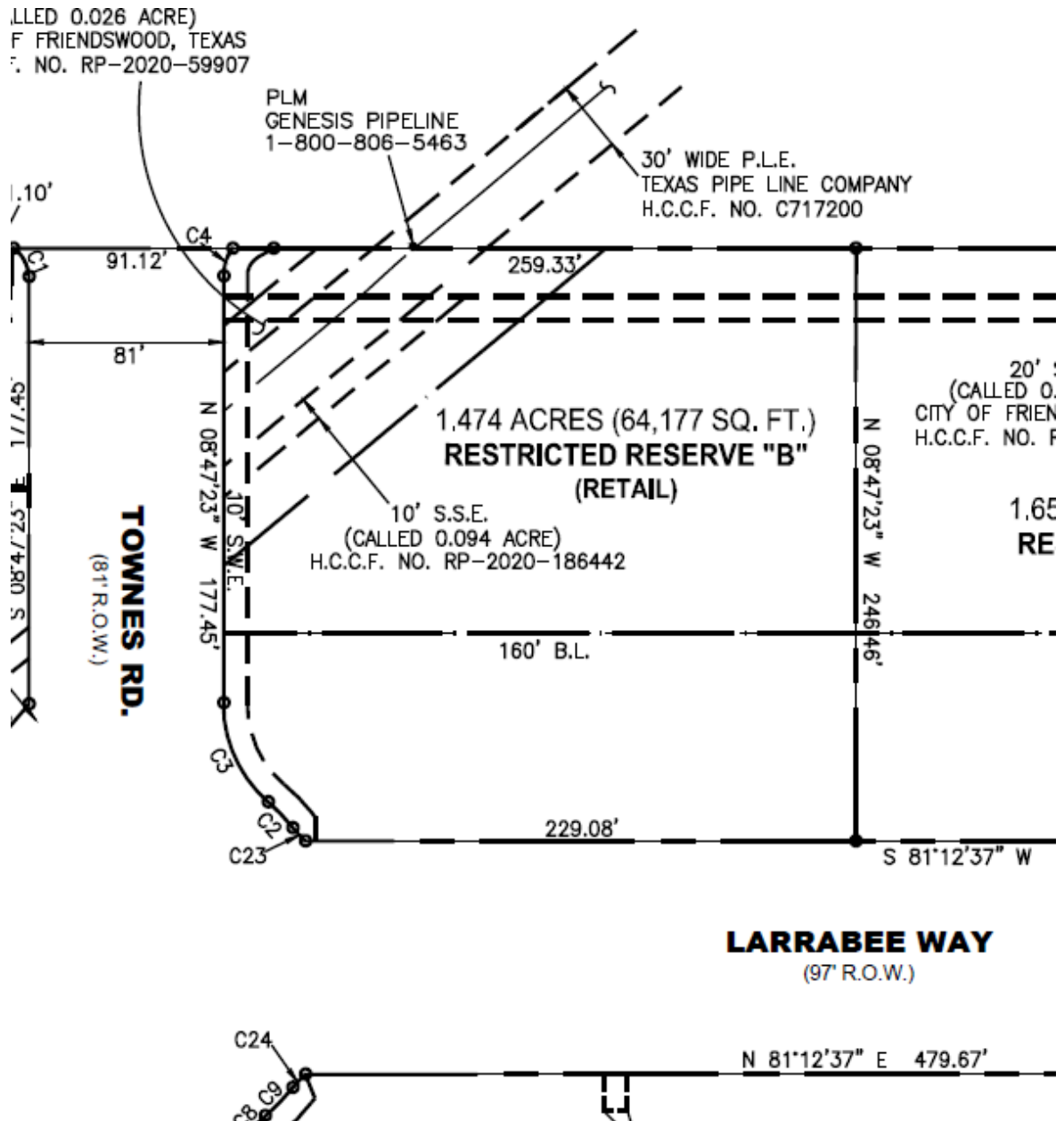
"The Park at Friendswood Center" will be anchored on the southern end by Clear Creek and on the northern edge by a 4-acre fishing pond with dock and pier, which will be connected by a waterfall to a lower 5-acre wetland pond for a natural lead into the forest beyond. In addition to the trails, the park will also have a bath house with toilet and outdoor shower facilities, lighted parking and groundskeeping facilities.

A summary of each lot follows:

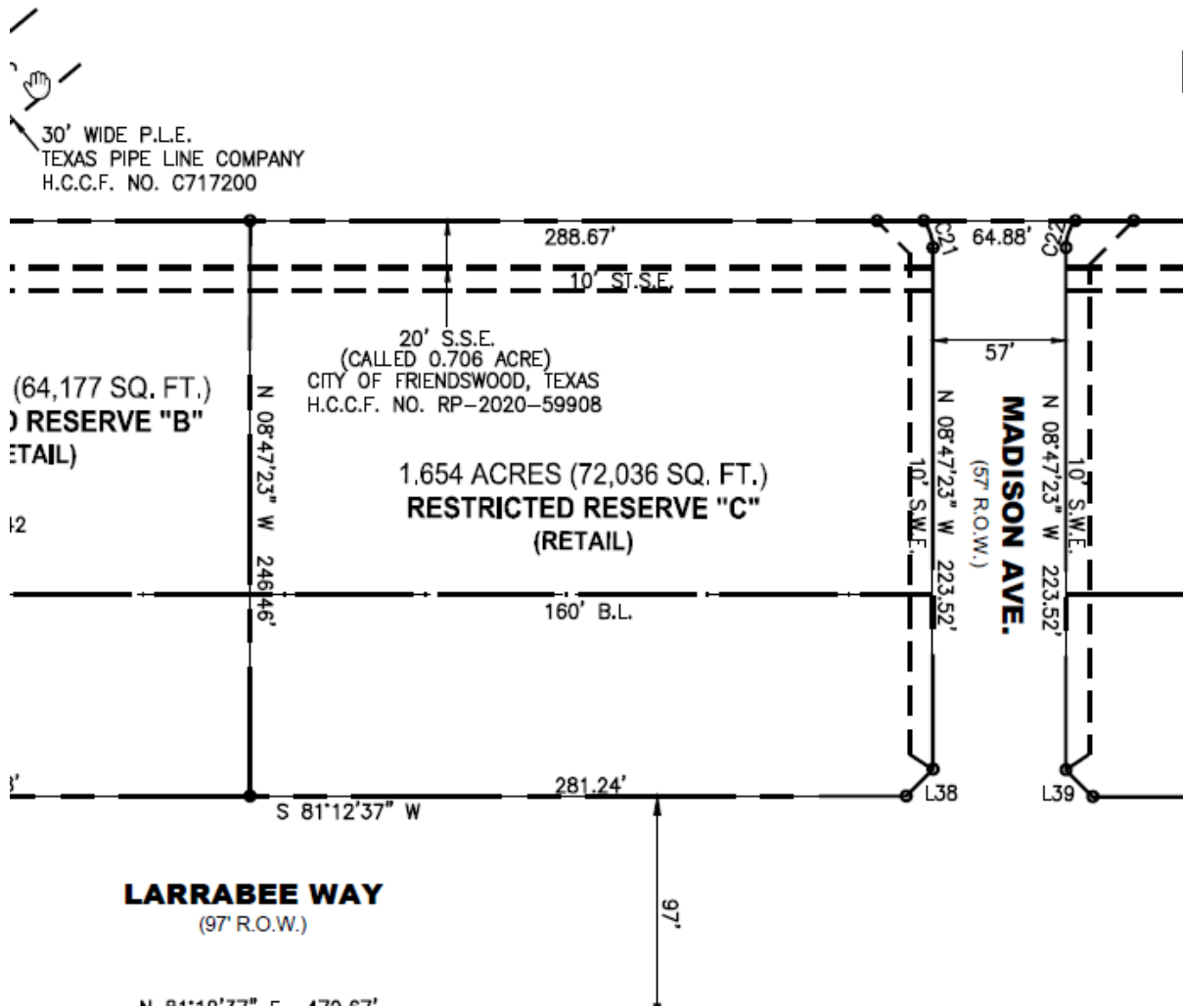
Lot 1 (Reserve A) is located at the southwest corner of FM-528 and existing Townes Road in the northwest quadrant of the PID. This semi-rectangular shaped lot contains 1.659 gross acres (72,246 square feet) and is to be developed for retail uses with a 15,374 square foot building. The site has a 50' pipeline easement located in the southeast quadrant; however, this area can be used for parking and drive thru.



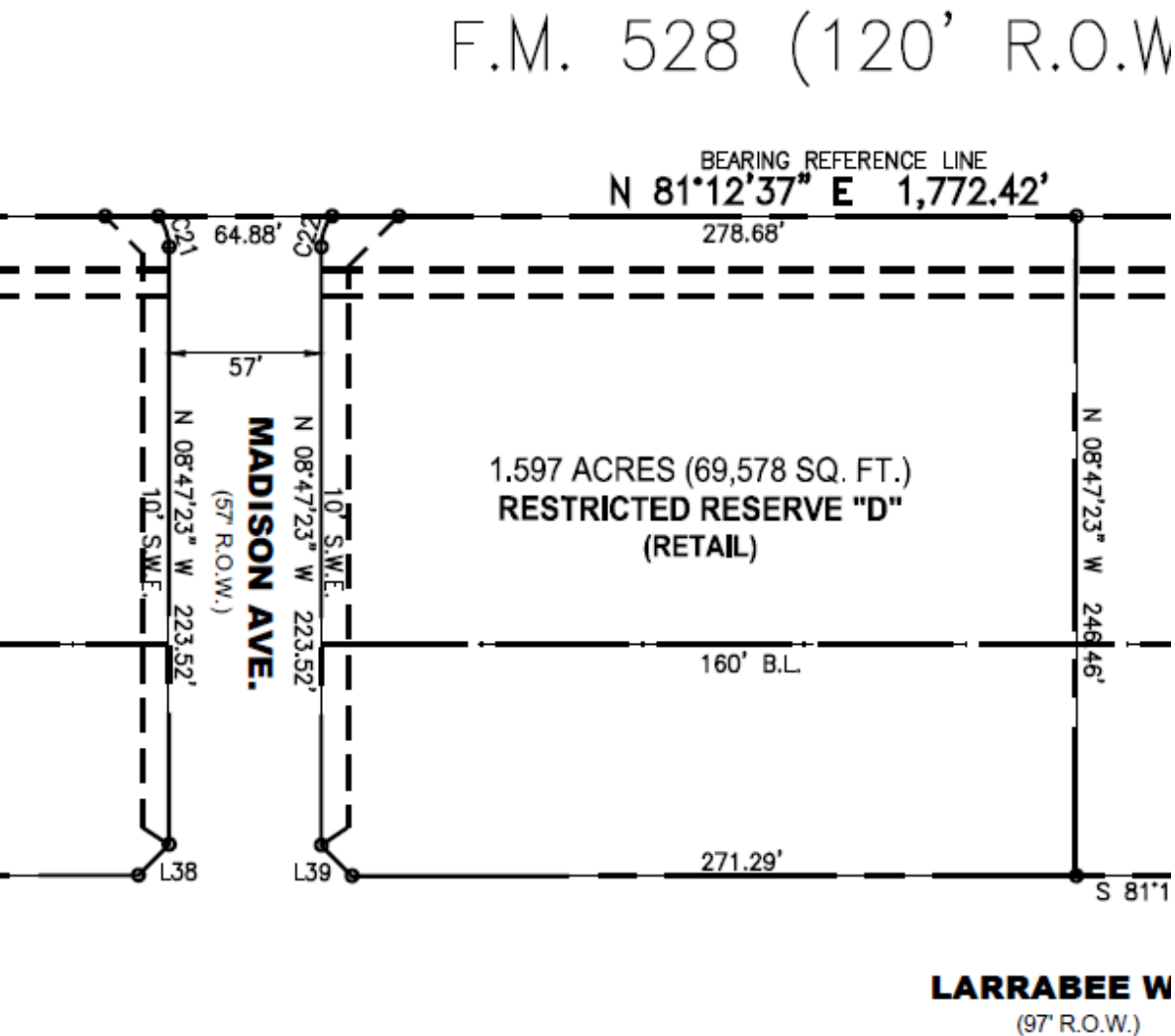
Lot 2 (Reserve B) is located at the southeast corner of FM-528 and existing Townes Road in the northwest quadrant of the PID. The lot also encompasses the northeast corner of Townes Road and proposed Larrabee Way. This rectangular shaped lot contains 1.474 gross acres (64,177 square feet) and is to be developed for retail/office uses with a 14,880 square foot building. The site has a 50' pipeline easement located in the northwest quadrant; however, this area can be used for parking.



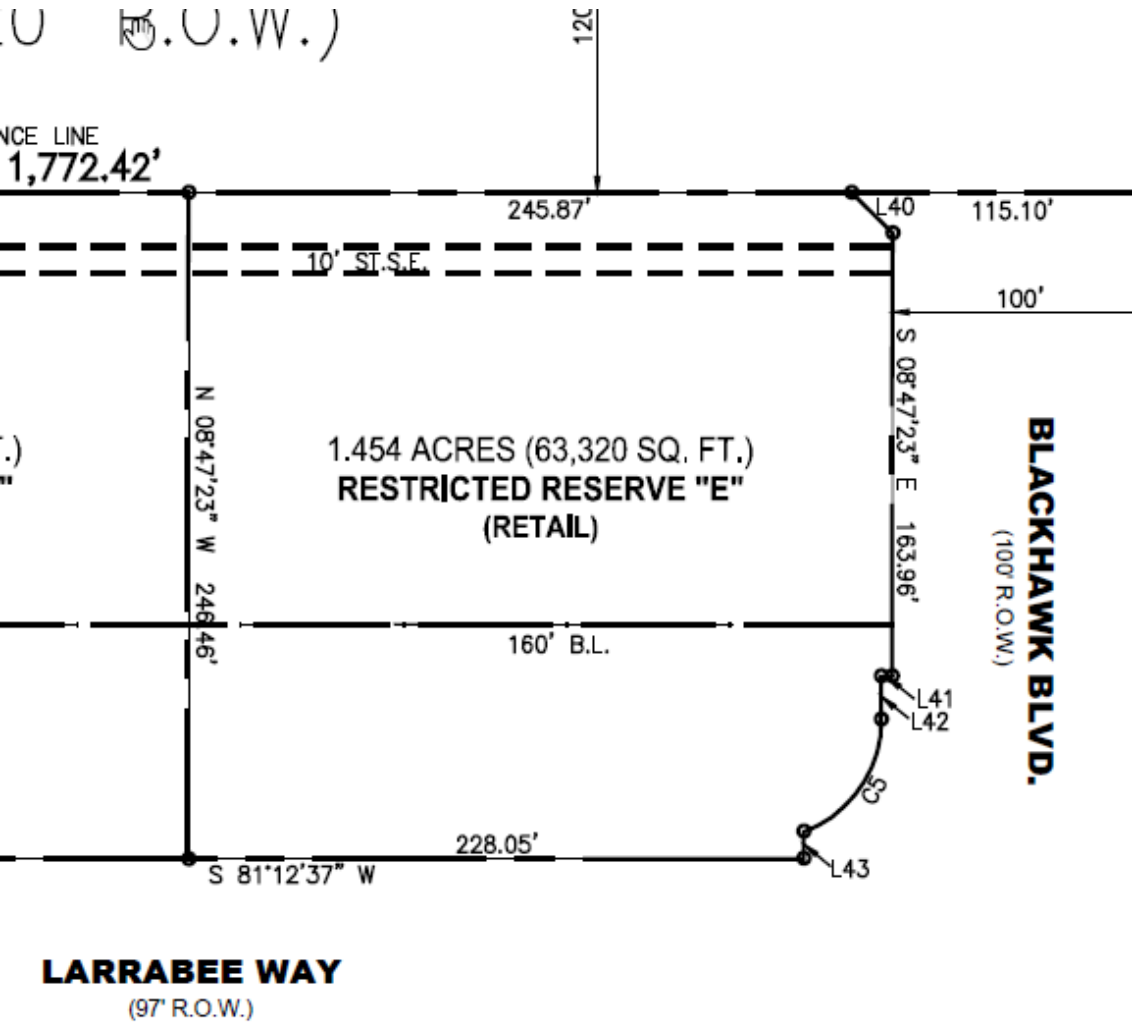
Lot 3 (Reserve C) is located at the southwest corner of FM-528 and proposed Madison Avenue in the northwest quadrant of the PID. The lot also encompasses the northwest corner of proposed Madison Avenue and proposed Larrabee Way. This rectangular shaped lot contains 1.654 gross acres (72,036 square feet) and is to be developed for retail/office uses with a 16,608 square foot building.



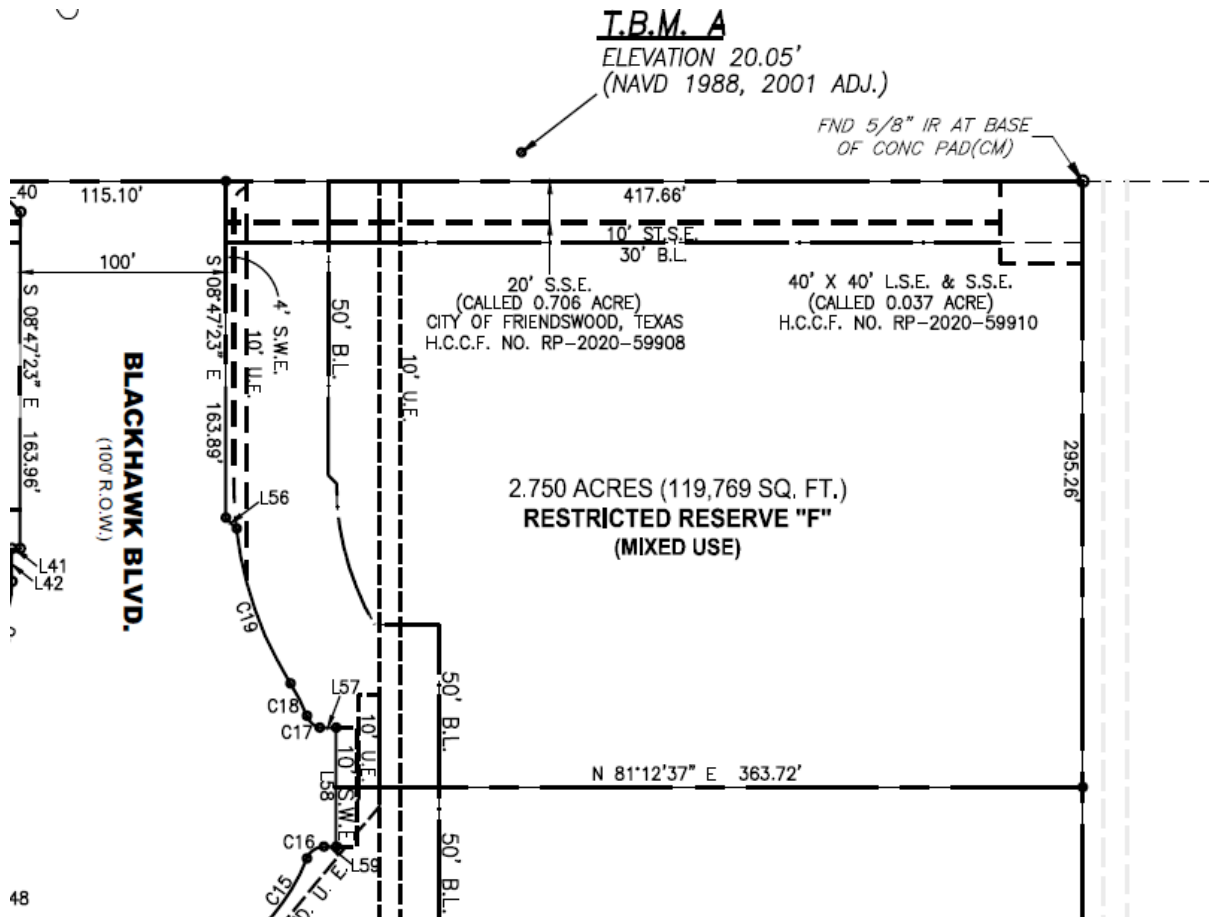
Lot 4 (Reserve D) is located at the southeast corner of FM-528 and proposed Madison Avenue in the central quadrant of the PID. The lot also encompasses the northeast corner of proposed Madison Avenue and proposed Larrabee Way. This rectangular shaped lot contains 1.597 gross acres (69,578 square feet) and is to be developed for retail/office uses with a 14,862 square foot building.



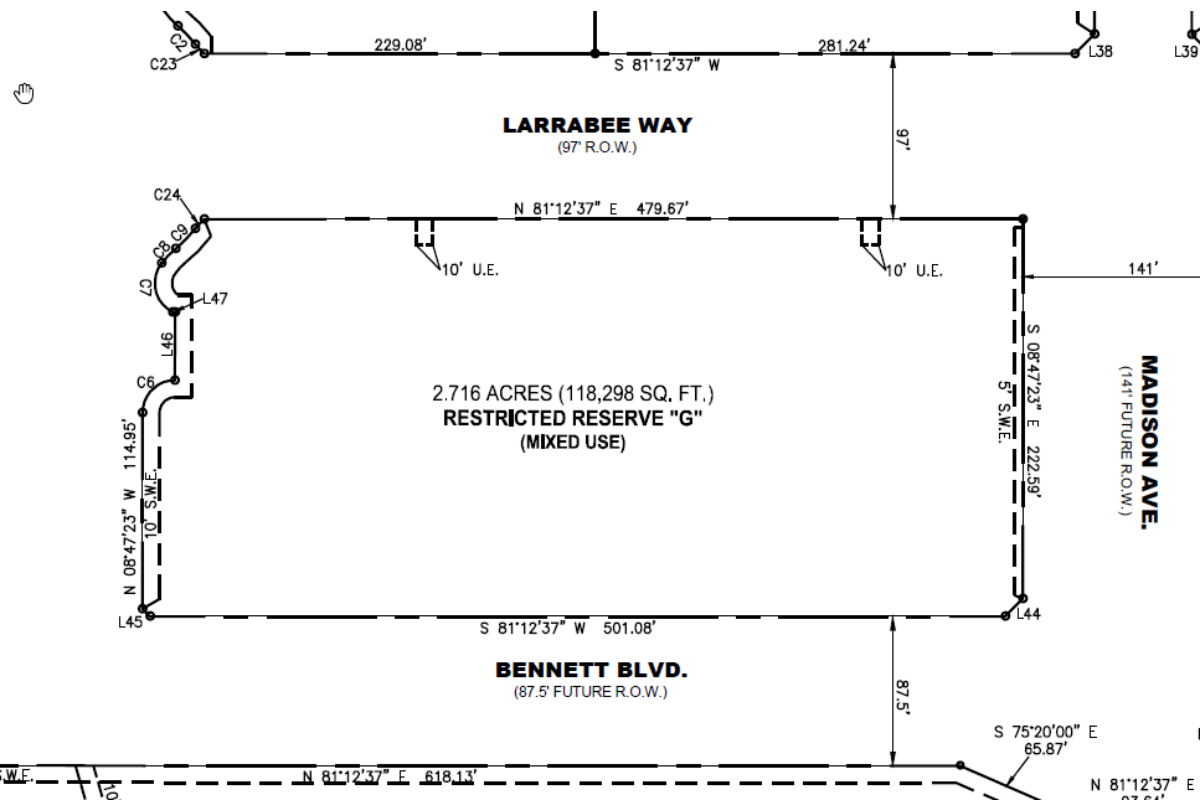
Lot 5 (Reserve E) is located at the southwest corner of FM-528 and proposed Blackhawk Avenue in the northeast quadrant of the PID. The lot also encompasses the northwest corner of proposed Blackhawk Avenue and proposed Larrabee Way. This rectangular shaped lot contains 1.454 gross acres (63,320 square feet) and is to be developed for retail/office uses with a 15,684 square foot building.



Lot 6 (Reserve F) is located at the southeast corner of FM-528 and proposed Blackhawk Avenue in the northeast quadrant of the PID. This rectangular shaped lot contains 2.750 gross acres (119,769 square feet) and is to be developed for a combination of multi-family and retail/office uses with a 100,000 square foot building.



Lot 7 (Reserve G) is located at the southwest corner of proposed Madison Avenue and proposed Larrabee Way in the western central quadrant of the PID. The lot is bounded on all four sides by proposed roadways. This rectangular shaped lot contains 2.716 gross acres (118,298 square feet) and is to be developed for a combination of multi-family and retail/office uses with a 111,000 square foot building.



LARRABEE WAY
(97' R.O.W.)

N 81°12'37" E 477.59'

10' U.E.

2,660 ACRES (115,878 SQ. FT.)
RESTRICTED RESERVE "H"
(MIXED USE)

10' S.W.E.

N 08°47'23" W 223.62'

141'

MADISON AVE.
(141' FUTURE R.O.W.)

L51

S 81°12'37" W 482.39'

BENNETT BLVD.
(87.5' FUTURE R.O.W.)

S 53°47'00" E 21.60'

S 08°47'23" E

L48

C10

C11

C12

S 08°47'23" E 119.44'

L49

L50

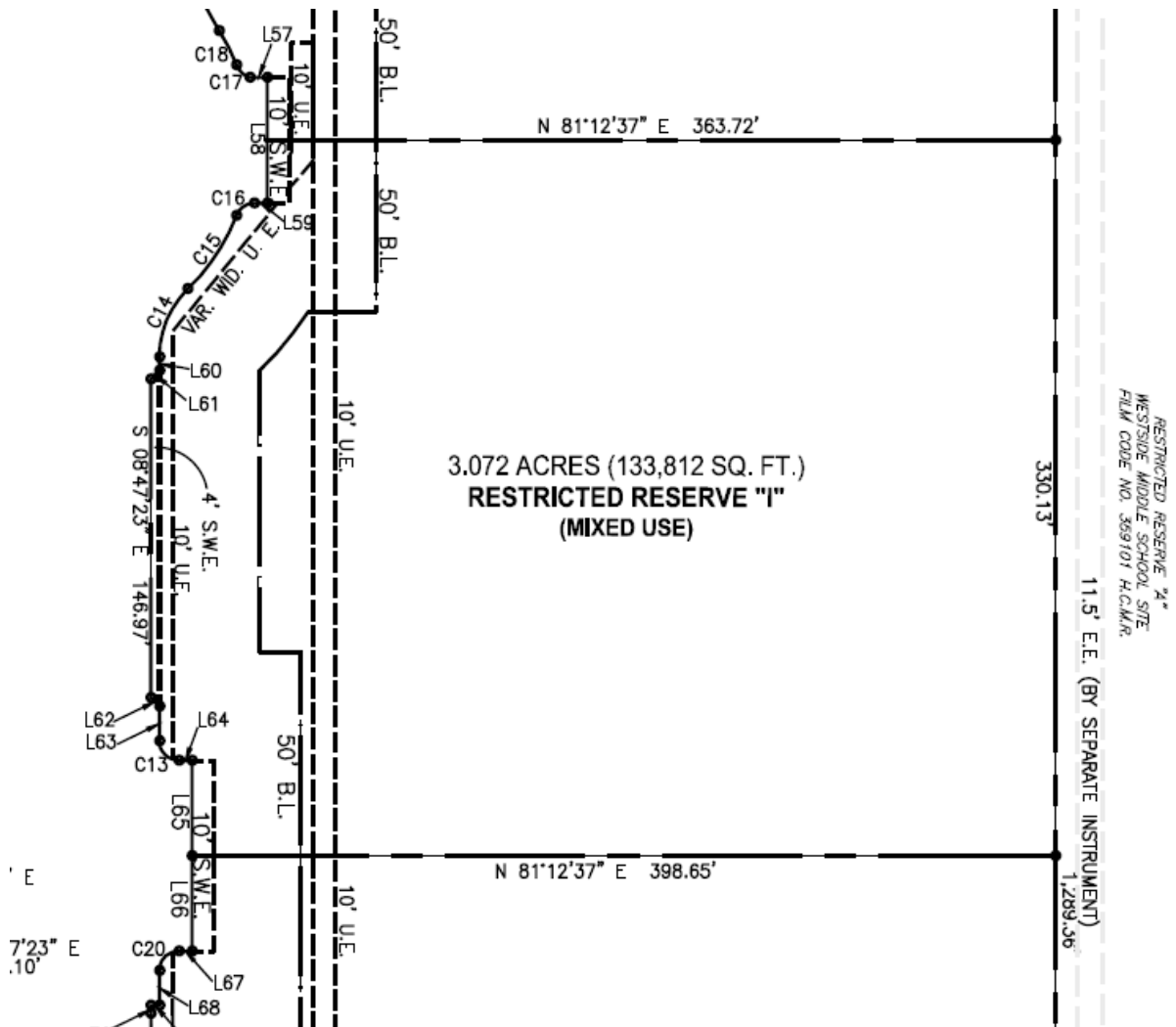
L62

L63

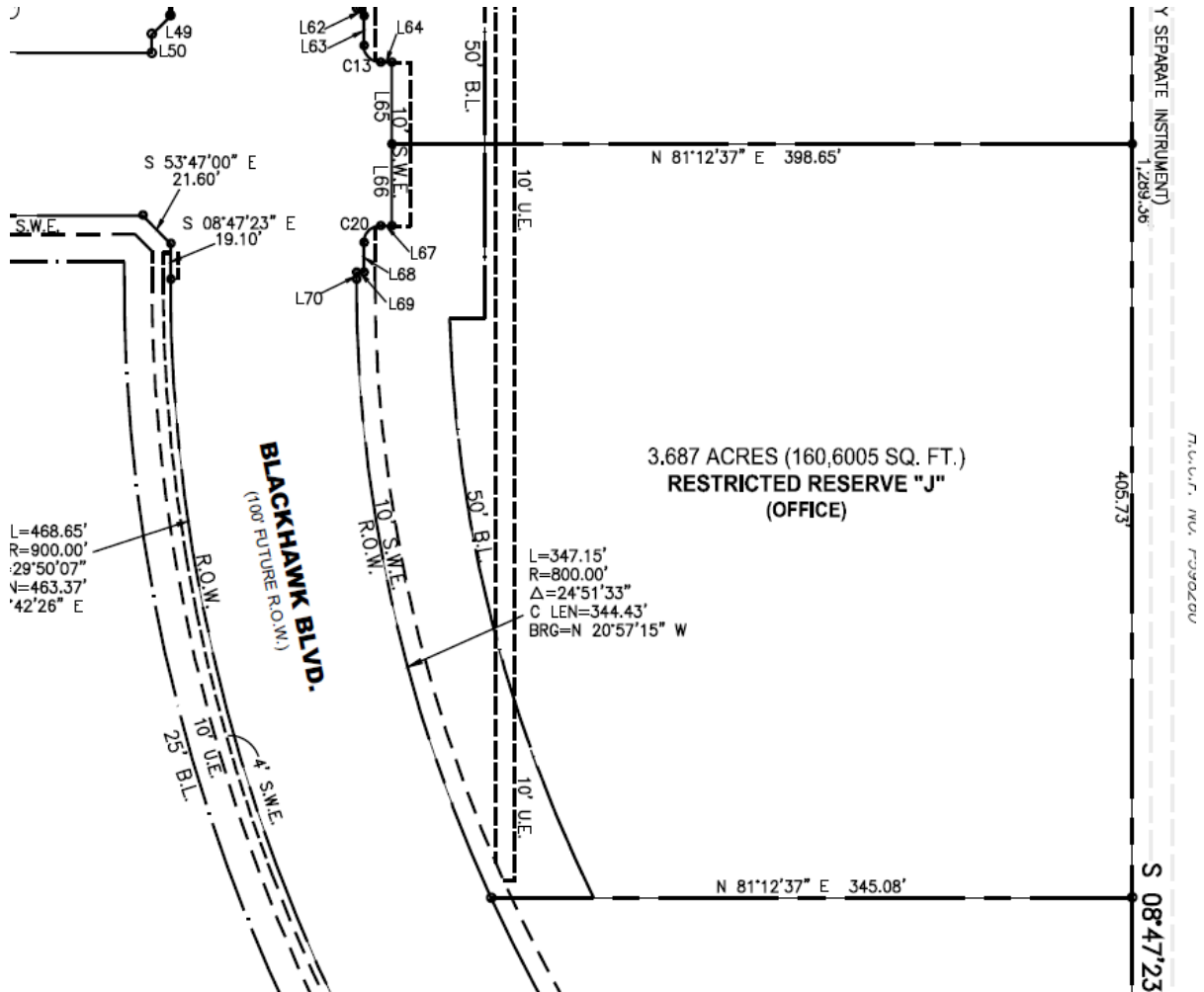
C13

N 57°46'20" E 65.92'

Lot 9 (Reserve I) is located on the east side of proposed Blackhawk Boulevard at proposed Larrabee Way in the eastern central quadrant of the PID. This rectangular shaped lot contains 3.072 gross acres (133,812 square feet) and is to be developed for a combination of multi-family and retail/office uses with a 100,000 square foot building.

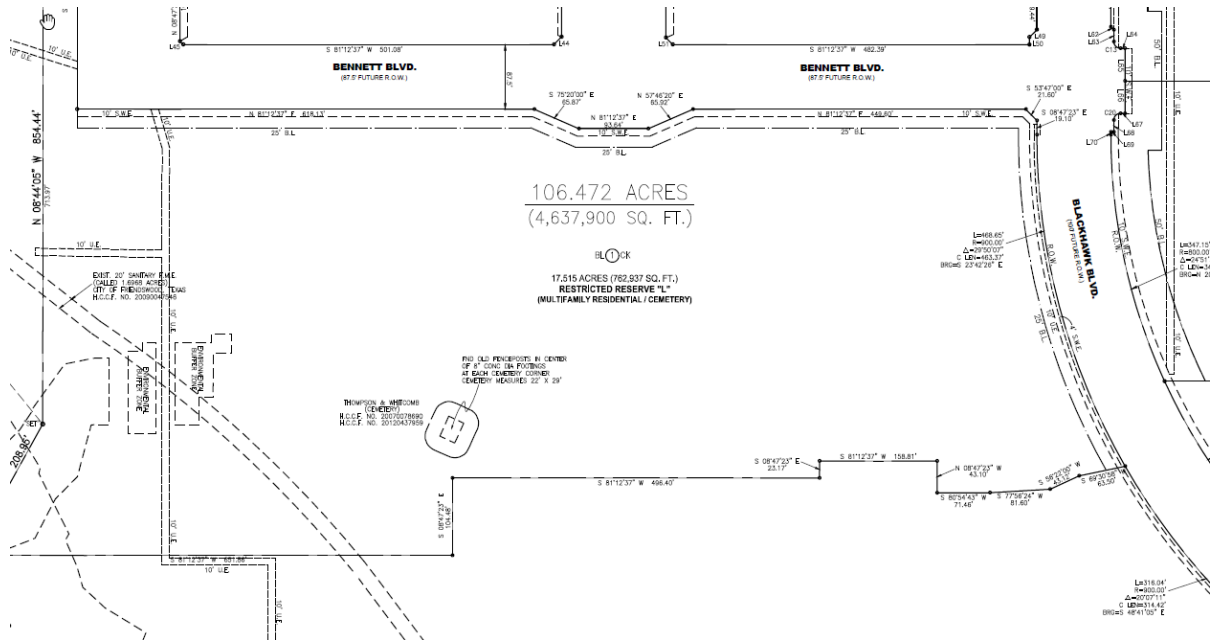


Lot 10 (Reserve J) is located on the east side of proposed Blackhawk Boulevard at proposed Bennett Boulevard in the eastern central quadrant of the PID. This rectangular shaped lot contains 3.687 gross acres (160,605 square feet) and is to be developed with a medical office building with a 115,000 square foot building.



[illegible]

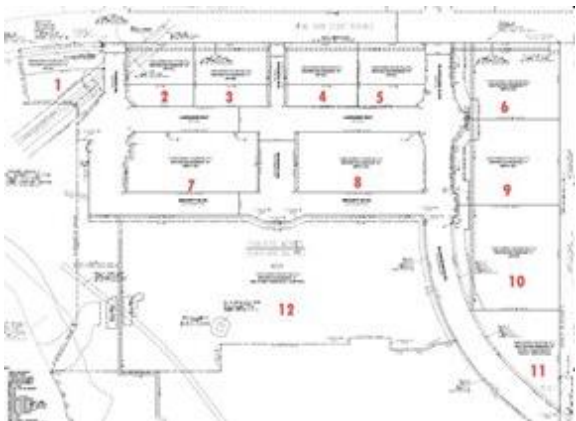
Lot 12 (Reserve L) is located at the southwest corner of proposed Blackhawk Boulevard and proposed Bennett Boulevard in the south-central quadrant of the PID. This rectangular shaped lot contains 17.515 gross acres (762,937 square feet) and is to be developed with a 500-unit apartment complex. It is also noted that this slot will be adjacent to the open space portion of the development with a large man-made pond with fishing pier.



The 12 lots and buildings to be valued within the Friendswood City Center Public Improvement District are summarized in the following exhibit:

Friendswood City Center Public Improvement District

Parcel/Building	Legal	Size/Acres	Building	Expected
			Size SF	Completion Date
Lot 1	(Reserve A)	1.659	N/A	July 5, 2024
Lot 2	(Reserve B)	1.474	N/A	July 5, 2024
Lot 3	(Reserve C)	1.654	N/A	July 5, 2024
Lot 4	(Reserve D)	1.597	N/A	July 5, 2024
Lot 5	(Reserve E)	1.454	N/A	July 5, 2024
Lot 6	(Reserve F)	2.75	N/A	May 31, 2025
Lot 7	(Reserve G)	2.716	N/A	May 31, 2025
Lot 8	(Reserve H)	2.66	N/A	May 31, 2025
Lot 9	(Reserve I)	3.072	N/A	May 31, 2025
Lot 10	(Reserve J)	3.687	N/A	May 31, 2025
Lot 11	(Reserve K)	1.806	N/A	May 31, 2025
Lot 12	(Reserve L)	17.515	N/A	May 31, 2025
Building 1	(Reserve A)	1.659	15,374	May 31, 2025
Building 2	(Reserve B)	1.474	14,880	May 31, 2025
Building 3	(Reserve C)	1.654	16,608	May 31, 2025
Building 4	(Reserve D)	1.597	14,862	May 31, 2025
Building 5	(Reserve E)	1.454	14,684	May 31, 2025







Aerial Photograph



Tax Plat Map

