

## NEW ISSUE

NOT RATED

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

*In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the section “TAX EXEMPTION” herein, interest on the Bonds (defined below) (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code (as defined herein)) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the section “TAX EXEMPTION.” See “TAX EXEMPTION” for a discussion of the opinion of Bond Counsel with respect to the Bonds.*

**\$9,588,000\*****CITY OF WHARTON, TEXAS,****(a municipal corporation of the State of Texas located in Wharton County)****SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025****(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT)****Dated Date: Closing Date (as defined herein)****Due: September 15, as shown on the inside cover****Interest to Accrue from Closing Date**

The City of Wharton, Texas, Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project) (the “Bonds”), are being issued by the City of Wharton, Texas (the “City”). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on each March 15 and September 15, commencing September 15, 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 U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), to Cede & Co. as the registered owner thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance (the “Bond Ordinance”) expected to be adopted by the City Council of the City (the “City Council”) on June 23, 2025 and an Indenture of Trust, dated as of July 1, 2025 (the “Indenture”), expected to be entered into by and between the City and the Trustee. *Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.*

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the Phases #1-2 Authorized Improvements, (ii) paying a portion of the costs incidental to the organization and administration of the District, (iii) paying certain capitalized interest on the Bonds, and (iv) paying the Bond Issuance Costs, including funding a reserve fund and other costs related to the issuance of the Bonds. See “THE PHASES #1-2 AUTHORIZED IMPROVEMENTS” and “APPENDIX B — Form of Indenture.”

The Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City payable solely from and secured by a first lien on, security interest in and pledge of the Trust Estate, consisting primarily of special assessments levied against assessable property in Phases #1-2 of the District in accordance with the respective Assessment Ordinance and other assets comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. The Bonds are not payable from funds raised or to be raised from taxation. See “SECURITY FOR THE BONDS.” The Bonds are subject to redemption at the times, in the amounts, and at the redemption prices more fully described herein under the subcaption “DESCRIPTION OF THE BONDS — Redemption Provisions.”

**The Bonds involve a significant degree of risk and are not suitable for all investors. See “BONDHOLDERS’ RISKS” and “SUITABILITY FOR INVESTMENT.” The Underwriter is limiting this offering to Qualified Institutional Buyers and Accredited Investors. The limitation of the initial offering to Qualified Institutional Buyers and Accredited Investors does not denote restrictions on transfers in any secondary market for the Bonds. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds.**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM A FIRST LIEN ON, SECURITY INTEREST IN AND PLEDGE OF 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 TRUST ESTATE AS 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 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 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 (identified below), subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Hunton Andrews Kurth LLP, “Bond Counsel” to the City, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX D — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, for the City by its counsel, Paul Webb, P.C., and for the Developer by its counsel, Coats Rose, P.C. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about July 23, 2025 (“Closing Date”).

**FMSbonds, Inc.**

\* Preliminary; subject to change.

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

CUSIP Prefix: \_\_\_\_\_ (a)

\$9,588,000\*

CITY OF WHARTON, TEXAS,

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

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025

(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT)

\$ \_\_\_\_\_ % Term Bonds, Due September 15, 20\_\_, Priced to Yield \_\_\_\_%; CUSIP \_\_\_\_\_ (a) (b) (c)

\$ \_\_\_\_\_ % Term Bonds, Due September 15, 20\_\_, Priced to Yield \_\_\_\_%; CUSIP \_\_\_\_\_ (a) (b) (c)

\$ \_\_\_\_\_ % Term Bonds, Due September 15, 20\_\_, Priced to Yield \_\_\_\_%; CUSIP \_\_\_\_\_ (a) (b) (c)

- 
- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by 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 service provided by CGS. CUSIP numbers are provided for convenience of reference only. The City, the City's Financial Advisor and the Underwriter do not take any responsibility for the accuracy of such numbers.
- (b) The Bonds maturing on or after September 15, 20\_\_ are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 15, 20\_\_, at the redemption price set forth herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- (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."

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\* Preliminary; subject to change.

**CITY OF WHARTON, TEXAS  
CITY OFFICIALS, STAFF AND CONSULTANTS**

**Elected Officials**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Tim Baker	Mayor	May 2026	Retired
Russell Machann	Mayor Pro Tem	May 2027	Sales Account Manager
Burnell Neal	Councilmember	May 2027	Logistics
Steven Schneider	Councilmember	May 2026	Real Estate
Terry Freese	Councilmember	May 2027	Retired
David Voulgaris	Councilmember	May 2026	College Instructor
Larry Pittman	Councilmember	May 2026	Retired

**Selective Administrative Staff**

**CITY  
MANAGER**  
Joseph R. Pace

**FINANCE  
DIRECTOR**  
Joan Andel

**CITY  
SECRETARY**  
Paula Favors

**FINANCIAL  
ADVISOR**

**PID  
ADMINISTRATOR**

**BOND COUNSEL**

USCA Municipal Advisors, LLC

MuniCap, Inc.

Hunton Andrews Kurth LLP

For additional information regarding the City, please contact:

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USCA Municipal Advisors, LLC  
4444 Westheimer Road, Suite G500  
Houston, Texas 77027  
Telephone: (512) 813-1110  
Email: jfgilley@uscallc.com

## REGIONAL LOCATION MAP OF THE DISTRICT





### AREA LOCATION MAP OF THE DISTRICT





## MAP SHOWING BOUNDARIES OF PHASES #1-2 OF THE DISTRICT





**LOT SUMMARY**

40'x120'	133 LOTS	60%
45'x120'	90 LOTS	40%
<b>TOTAL - 223 LOTS</b>		

**WHARTON LAKES**  
± 55.2 ACRES OF LAND  
prepared for  
**WHARTON 55, LLC**  
24275 Katy Freeway, Ste. 200  
Katy, Texas 77494  
Tel: 281-810-1422  
OCTOBER 11, 2023

**META**  
LANDSCAPE ARCHITECT  
SCALE: 1" = 40' 0"

THIS LAND AND ALL CHANGES THEREON ARE THE PROPERTY OF META LANDSCAPE ARCHITECTS, P.C. AND ARE NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF META LANDSCAPE ARCHITECTS, P.C. THIS PLAN IS A PRELIMINARY DESIGN AND IS NOT TO BE USED FOR CONSTRUCTION OR FOR ANY OTHER PURPOSE. THE DESIGNER ASSUMES NO LIABILITY FOR ANY DAMAGE OR INJURY TO PERSONS OR PROPERTY ARISING FROM THE USE OF THIS PLAN. THE DESIGNER'S LIABILITY IS LIMITED TO THE DESIGN OF THE LANDSCAPE ARCHITECTURE ONLY. THE DESIGNER DOES NOT WARRANT THE ACCURACY OF ANY INFORMATION PROVIDED BY OTHERS. THE DESIGNER'S LIABILITY IS LIMITED TO THE DESIGN OF THE LANDSCAPE ARCHITECTURE ONLY. THE DESIGNER DOES NOT WARRANT THE ACCURACY OF ANY INFORMATION PROVIDED BY OTHERS.

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

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

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

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE 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 NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

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

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE

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

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

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

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

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## **PRELIMINARY LIMITED OFFERING MEMORANDUM**

**\$9,588,000\***

**CITY OF WHARTON, TEXAS,**

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

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025**

**(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT)**

### **INTRODUCTION**

The purpose of this Limited Offering Memorandum, including the cover page, the inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Wharton, Texas (the “City”), of its \$9,588,000\* aggregate principal amount of Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 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. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.” THE LIMITATION OF THE INITIAL OFFERING TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS DOES NOT DENOTE RESTRICTIONS ON TRANSFERS IN ANY SECONDARY MARKET FOR THE BONDS. PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “BONDHOLDERS’ RISKS” AND “SUITABILITY FOR INVESTMENT.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be adopted by the City Council of the City (the “City Council”) on June 23, 2025 (the “Bond Ordinance”), and an Indenture of Trust, dated as of July 1, 2025 (the “Indenture”), expected to be entered into by and between the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Bonds will be secured by a first lien on, security interest in and pledge of the Trust Estate (as defined in the Indenture) consisting primarily of revenue from (i) special assessments (the “Phase #1 Assessments”) levied against assessable property (the “Phase #1 Assessed Property”) located within Phase #1 (as defined below) of the Wharton Public Improvement District No. 2 (the “District”) pursuant to a separate ordinance adopted by the City Council on May 13, 2024 (the “Phase #1 Assessment Ordinance”) and (ii) special assessments (the “Phase #2 Assessments” and, together with the Phase #1 Assessments, the “Assessments”) expected to be levied against assessable property (the “Phase #2 Assessed Property” and, together with the Phase #1 Assessed Property, the “Assessed Property”) located within Phase #2 (as defined below) of the District pursuant to a separate ordinance expected to be adopted by the City Council on June 23, 2025 (the “Phase #2 Assessment Ordinance” and, together with the Phase #1 Assessment Ordinance, the “Assessment Ordinances”), all to the extent and upon the conditions described in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.”

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

Set forth herein are brief descriptions of the City, the District, the Phases #1-2 Authorized Improvements, the Assessment Ordinances, the Bond Ordinance, the Service and Assessment Plan, the Development Agreement, the

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\* Preliminary; subject to change.

Reimbursement Agreement, the TIRZ Ordinance, the Developer and the PID Administrator (as each such term is defined herein), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas 75034, telephone number (214) 302-2246. The form of Indenture appears in APPENDIX B and the form of Service and Assessment Plan appears as APPENDIX C. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

## **PLAN OF FINANCE**

### **Development and Financing Plan**

Wharton 55, LLC, a Texas limited liability company (the “Developer”), is developing the approximately 55.48 acres of land within the District as a single-family development known as Wharton Lakes (the “Development”). The Development is expected to consist of two phases (each a “Phase”). The Developer’s development plans for the District began with the construction of certain public improvements (the “Major Improvements”) that benefit the entire District and certain public improvements (the “Phase #1 Improvements”) that benefit the first phase within the District (“Phase #1”) and was followed by the construction of certain public improvements (the “Phase #2 Improvements” and, together with the Major Improvements and the Phase #1 Improvements, the “Phases #1-2 Authorized Improvements”) that benefit the second phase within the District (“Phase #2” and, together with Phase #1, “Phases #1-2”). See “MAP SHOWING BOUNDARIES OF PHASES #1-2 OF THE DISTRICT” on page vi and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on page vii. See also “THE PHASES #1-2 AUTHORIZED IMPROVEMENTS” and “APPENDIX C — Form of Service and Assessment Plan.”

The District is expected to include approximately 223 single-family residential lots, consisting of 133 40’ lots and 90 45’ lots. The District also includes certain Amenities (as defined and described under “THE DEVELOPMENT — Amenities” herein). See “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on page vii and “THE DEVELOPMENT” herein.

The total costs of the Phase #1 Improvements and the Major Improvements allocable to Phase #1 (together, the “Phase #1 Projects”), in the approximate amount of \$4,887,791, were financed by the Developer with cash and proceeds of the Loan (as defined herein). The Developer expects to be reimbursed for a portion of such costs, in the approximate amount of \$3,519,109\* with proceeds of the Bonds in accordance with the Reimbursement Agreement City of Wharton Public Improvement District No. 2 between the Developer and the City, effective as of March 25, 2024 (the “Reimbursement Agreement”). See “THE DEVELOPER — History and Financing of the District.”

The total costs of the Phase #2 Improvements and the Major Improvements allocable to Phase #2 (together, the “Phase #2 Projects”) are expected to be approximately \$6,329,288\*, of which approximately \$4,046,495\* are expected to be reimbursed with proceeds of the Bonds in accordance with the Reimbursement Agreement. The Developer will finance the remaining costs with proceeds of the Loan without reimbursement by the City. See “THE DEVELOPER — History and Financing of the District.”

On November 27, 2023, the City adopted an ordinance (the “TIRZ Ordinance”), creating the Reinvestment Zone Number One, City of Wharton, Texas (the “TIRZ”), pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”), covering the District, and authorizing the use of TIRZ Revenues (as defined herein) for project costs under the TIRZ Act relating to the Phases #1-2 Authorized Improvements, as provided for in the Tax Increment Reinvestment Zone #1, City of Wharton, Texas Project and Financing Plan (including amendments or supplements thereto, the “TIRZ Project Plan”), and the Development Agreement between the City and the Developer, effective as of November 15, 2022 (the “Development Agreement”), as described in more detail under “SECURITY FOR THE OBLIGATIONS

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\* Preliminary; subject to change.



— Amount of Assessments May be Reduced by TIRZ Annual Credit Amount.” See also “BONDHOLDERS’ RISKS  
— TIRZ Annual Credit Amount and Marketing of the Development.”

### **Lot and Home Development**

*Lot Development.* All of the Major Improvements and the Phase #1 Improvements have been completed and dedicated to the City. The Developer commenced construction of the Phase #2 Improvements in May of 2025 and expects to complete such construction by October of 2025.

*Home Development.* Phase #1 includes of 99 lots, consisting of 48 40’ lots and 51 45’ lots. Phase #2 is expected to include 124 lots, consisting of 85 40’ lots and 39 45’ lots. The Developer has entered into lot purchase agreements with Lennar Homes of Texas Land and Construction, LLC (“Lennar”) to purchase 87 lots within Phase #1 and 124 lots within Phase #2. The Developer has reserved the remaining 12 45’ lots near the entrance in Phase #1 for a marketing window and future model lot locations. As of May 15, 2025, Lennar has taken down 65 lots in Phase #1 and has 20 homes under construction, 12 completed homes without residents and 25 homes with residents. The Developer expects that Lennar will begin taking down lots in Phase #2 upon completion of the Phase #2 Improvements anticipated for October of 2025. Lennar has deposited \$1,050,000 in earnest money, which has been and will be credited back pro rata at each lot closing. See “THE DEVELOPMENT — Lot and Home Development.”

### **The Bonds**

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the Phases #1-2 Authorized Improvements, (ii) paying a portion of the costs incidental to the organization and administration of the District, (iii) paying certain capitalized interest on the Bonds, and (iv) paying the Bond Issuance Costs (as defined herein), including funding a reserve fund and other costs related to the issuance of the Bonds. See “SOURCES AND USES OF FUNDS,” “THE PHASES #1-2 AUTHORIZED IMPROVEMENTS,” and “APPENDIX B — Form of Indenture.”

Payment of the Bonds is secured by a first lien on, security interest in and pledge of the Trust Estate, consisting primarily of the Assessments, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.”

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

### **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 Phases #1-2 Authorized Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for gross negligence, fraud or willful misconduct. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.

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

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

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

## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter (the “Closing Date”), will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on each March 15 and September 15, commencing September 15, 2025\* (each an “Interest Payment Date”), until maturity or prior redemption. U.S. Bank Trust Company, 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”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository

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\* Preliminary; subject to change.

Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry-only form. See “BOOK-ENTRY-ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

## Redemption Provisions

**Optional Redemption.** The City reserves the right and option to redeem Bonds maturing on or after September 15, 20\_\_\_\_, before their respective scheduled maturity dates, in whole or any part, on any date on or after September 15, 20\_\_\_\_, such redemption date or dates to be fixed by the City, at a redemption price of par plus accrued interest to the date of redemption (the “Redemption Price”).

**Extraordinary Optional Redemption.** Notwithstanding any provision in the Indenture to the contrary, the City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, and in an amount and on any date specified in a City Certificate, at the Redemption Price of such Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund made pursuant to the terms of the Indenture) or other transfers to the Redemption Fund under the terms of the Indenture, or as a result of unexpended amounts transferred from the Project Fund pursuant to the terms of the Indenture. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.

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

### \$ Term Bonds due September 15, 20

<u>Redemption Date</u>	<u>Principal Amount</u>
September 15, 20	\$
September 15, 20	
September 15, 20	
September 15, 20†	

† Stated maturity.

### \$ Term Bonds due September 15, 20

<u>Redemption Date</u>	<u>Principal Amount</u>
September 15, 20	\$
September 15, 20	
September 15, 20	
September 15, 20	
September 15, 20	
September 15, 20†	

† Stated maturity.

### \$ Term Bonds due September 15, 20

<u>Redemption Date</u>	<u>Principal Amount</u>
September 15, 20	\$
September 15, 20	
September 15, 20	
September 15, 20	
September 15, 20	
September 15, 20†	

† Stated maturity.

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

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

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

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

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

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

If less than all of the Bonds are called for extraordinary optional redemption, the Bonds or portion of a Bond, as applicable, to be redeemed shall be selected on a pro rata basis among all Outstanding Bonds. If less than all Bonds within a Stated Maturity are called for extraordinary optional redemption, the Trustee shall call by lot the Bonds, or portions thereof, within such Stated Maturity and in such principal amounts, for redemption.

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

*Notice of Redemption.* Upon written notification by the City to the Trustee of the exercise of any redemption to be provided no fewer than 45 days before the date fixed for redemption (or such shorter time as may be acceptable to the Trustee), the Trustee shall give notice of any redemption of Bonds by sending notice by United States mail, first-class, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. So long as the Bonds are in book-entry-only form and held by DTC as security depository, references to Owner in the Indenture means Cede & Co., as nominee for DTC. 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 Outstanding Bonds are to be redeemed, and subject to the partial redemption provisions in the Indenture, an identification of the Bonds or portions thereof to be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable. Any notice given as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The City has the right to provide written direction to the Trustee to rescind any optional redemption or extraordinary optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any

notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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

**Payment Upon Redemption.** 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. 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.

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

## **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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges



between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are collectively referred to herein as "Participants." DTC has a S&P Global Ratings' 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](http://www.dtcc.com).

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

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

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

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

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

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

statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

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

## **SECURITY FOR THE BONDS**

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

### **General**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM A FIRST LIEN ON, SECURITY INTEREST IN AND PLEDGE OF 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 TRUST ESTATE AS 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 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 TRUST ESTATE. SEE "APPENDIX B — FORM OF INDENTURE."

The principal of, premium, if any, and interest on the Bonds are secured by a first lien on, security interest in, and pledge of the Trust Estate consisting primarily of Pledged Revenues, 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, which was adopted by the City on May 13, 2024, and is expected to be updated simultaneously with approval of the Bond Ordinance to reflect the levy of the Phase #2 Assessments and the issuance of the Bonds (as updated and amended, the "Service and Assessment Plan").

The Service and Assessment Plan describes the special benefit received by the property within the District, including Phases #1-2, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of the Assessments pursuant to the Assessment Rolls (as defined herein), 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 at least annually for the purpose of determining the annual budget for Phases #1-2 Authorized Improvements, and the Annual Installments (as defined herein) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX C — Form of Service and Assessment Plan.”

## **Pledged Revenues**

The City is authorized by the PID Act, the Assessment Ordinances and other provisions of law to finance the Phases #1-2 Authorized Improvements by levying Assessments upon the Assessed Property benefitted thereby. For a description of the assessment methodology and the amounts of Assessments, see “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of Service and Assessment Plan.”

Pursuant to the Indenture, the following terms are assigned the following meanings:

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

“Additional Interest Rate” means an interest rate equal to 0.5% on the Assessments pursuant to Section 372.018 of the PID Act.

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

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of the Assessments (including both principal and interest) as shown in (i) the table of Annual Installments attached to the Service and Assessment Plan as Exhibit F and related to the Phase #1 Projects and (ii) the table of Annual Installments attached to the Service and Assessment Plan as Exhibit G and related to the Phase #2 Projects; which annual payment includes the Administrative Expenses and the Additional Interest collected on each annual payment of the Assessments as described in the Indenture and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update.

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

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

“Pledged Revenues” means the sum of (i) Assessment Revenue less the Administrative Expenses and (ii) any additional revenues that the City may pledge to the payment of Bonds.

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

The City will covenant in the Indenture that it will take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. See “— Pledged Revenue Fund” and “APPENDIX C — Form of Service and Assessment Plan.”

### **Assessments Payable in Annual Installments**

The Assessments on each parcel, tract or lot that are to be collected in each year during the term of the Bonds are shown on the Assessment Rolls. The Assessments, together with the interest thereon, will be deposited in the Pledged Revenue Fund for the payment of the principal of and interest on the Bonds, as and to the extent provided in the Service and Assessment Plan and the Indenture. See “SECURITY FOR THE BONDS — Pledged Revenue Fund.”

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

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

### **Unconditional Levy of Assessments**

The City has imposed or will impose Assessments on the Assessed Property sufficient 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 applicable Assessment Ordinance. Each outstanding 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 Ordinances, upon the issuance of Bonds, interest on the Assessments will be calculated at the rate of interest on the Bonds plus the Additional Interest 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 will be calculated annually during the Annual Service Plan Update and shall be due when 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.

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, and as part of the Annual Installment, an amount to pay the annual costs incurred by the City in the administration and operation of Phases #1-2 of the District (the “Administrative Expenses”). The portion of each Annual Installment of an Assessment used to pay Administrative Expenses shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount after an annual review in any year pursuant to Section 372.013 of the PID Act. The amount collected to pay Administrative Expenses will be due in the manner set forth in the Assessment Ordinances on or about October 1 of each year and will be delinquent if not paid by February 1 of the following year. **Amounts collected for Administrative Expenses are not part of the Trust Estate and will not secure repayment of the Bonds.**

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

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the applicable Assessed Property, superior to all other liens and claims, except liens and claims for the State, county, school district, or municipality for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the applicable Assessment Ordinance until the Assessments are paid (or otherwise discharged) and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See “ASSESSMENT PROCEDURES” herein. The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the applicable 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 applicable Assessment Ordinance (“Pre-existing Homestead

Rights”) for as long as such rights are maintained on the property. See “BONDHOLDERS’ RISKS — Assessment Limitations.”

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

### **Collection of Assessments and Enforcement of Lien**

The City will covenant, agree and warrant in the Indenture that for so long as any Bonds are Outstanding, it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments. To the extent permitted by law, notice of the Annual Installments shall be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

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

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

### **Perfecting Security Interest**

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

### **Amount of Assessments May be Reduced by TIRZ Annual Credit Amount**

The City adopted the TIRZ Ordinance authorizing the use of TIRZ Revenues for costs of the Phases #1-2 Authorized Improvements, as provided for in the TIRZ Project Plan. In the TIRZ Project Plan, the City agreed to contribute 50% of the incremental real property tax revenues generated from the collection of the ad valorem taxes on each parcel (the “TIRZ Revenues”) attributable to the new development within the TIRZ into a tax increment fund created by the City (the “TIRZ Fund”) to pay costs of improvements within the TIRZ, including the Phases #1-2 Authorized Improvements. The City has agreed to transfer TIRZ Revenues generated from each parcel or lot within the District (the “TIRZ Annual Credit Amount”) from the TIRZ Fund to the Bond Pledged Revenue Fund to offset a



portion of such lot's Annual Installment of Assessment due each year, as calculated by the PID Administrator in collaboration with the City, in accordance with the Service and Assessment Plan. The Annual Installment will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such parcel or lot. See "APPENDIX C — Form of Service and Assessment Plan."

Under the TIRZ Ordinance and TIRZ Project Plan, the TIRZ Revenues generated by each applicable parcel or lot in any given year shall be used to calculate such lot's TIRZ Annual Credit Amount in the following year (i.e., TIRZ Revenues collected in 2025 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2026). The TIRZ Revenues are generated only from the applicable portion of the ad valorem taxes levied and collected by the City on the captured appraised value on the applicable parcel or lot in any year. Consequently, the TIRZ Revenues are generated only if the appraised value of real property on such parcel or lot in any year is greater than the base value. Any delay or failure of the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. See "ASSESSMENT PROCEDURES — Assessment Amounts — TIRZ Annual Credit Amount" and "APPENDIX C — Form of Service and Assessment Plan."

The TIRZ will terminate on December 31, 2058, unless terminated by the City earlier. The City expects to collect TIRZ Revenues for the last year in calendar year 2054 and apply them to the TIRZ Annual Credit Amount in 2055.

THE TIRZ REVENUES WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT TIRZ REVENUES WILL BE GENERATED AS PROJECTED. 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 REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. SUCH TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE AVAILABLE TO REDUCE THE ANNUAL INSTALLMENT FOR ANY ASSESSED PROPERTY UNTIL 2027. THE ABILITY OF THE TIRZ ANNUAL CREDIT AMOUNT TO REDUCE THE ANNUAL INSTALLMENTS WITHIN THE DISTRICT IS DEPENDENT ON THE ACTUAL BUILDOUT VALUE IN THE DISTRICT MEETING THE PROJECTIONS FOR THE ESTIMATED BUILDOUT VALUES DESCRIBED IN THE SERVICE AND ASSESSMENT PLAN. SEE "OVERLAPPING TAXES AND DEBT," "BONDHOLDERS' RISKS — TIRZ ANNUAL CREDIT AMOUNT AND MARKETING OF THE DEVELOPMENT" AND "APPENDIX C — FORM OF SERVICE AND ASSESSMENT PLAN."

### **Pledged Revenue Fund**

On or before March 1 of each year while the Bonds are Outstanding and beginning March 1, 2026, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. From amounts deposited into the Pledged Revenue Fund, the City shall deposit or cause to be deposited Pledged Revenues as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due in such calendar year, (ii) second, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, in accordance with the Indenture, (iii) third, to the Additional Interest Reserve Account of the Reserve Fund in an amount equal to the Additional Interest collected, if any, in accordance with the Indenture, (iv) fourth, to pay Actual Costs of the Phases #1-2 Authorized Improvements, and (v) fifth, to pay other costs permitted by the PID Act.

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

If, after the foregoing transfers and any transfer from the Reserve Fund as provided in the Indenture, there are insufficient funds to make the payments provided in the preceding paragraph, the Trustee shall apply the available

funds in the Principal and Interest Account first, to the payment of interest, and second to the payment of principal (including any Sinking Fund Installments) on the Bonds, as described in the Indenture.

Notwithstanding the above, 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.

Notwithstanding the above, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first, to the Reserve Account to restore any transfers from the Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, and third, to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in an Account of the Reserve Fund, and the other deposits described in the first paragraph of this subsection, the City may direct the Trustee, by City Certificate, to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid.

### **Bond Fund**

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds, 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 Additional Interest Reserve Account of the Reserve Fund and *second* from the Reserve Account of the Reserve Fund amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

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

<u>Date</u>	<u>Amount</u>
September 15, 2025	
March 15, 2026	
September 15, 2026	

Not later than five Business Days prior to the Interest Payment Date specified above, the Trustee shall withdraw from the Capitalized Interest Account and transfer to the Principal and Interest Account of the Bond Fund the amount specified above.

Any amounts on deposit to the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred, on a proportionate basis, (i) to the Phase #1 Improvements Account of the Project Fund and the Phase #2 Improvements Account of the Project Fund, or (ii) if one or both of those Accounts have been closed as provided in the Indenture, such amounts remaining in the Capitalized Interest Account that would have been transferred to the closed Account or Accounts shall be transferred to the Redemption Fund to be used to redeem Bonds. Once all remaining amounts on deposit to the Capitalized Interest Account have been transferred to the Redemption Fund, the Capitalized Interest Account shall be closed.

### **Project Fund**

Money on deposit in the Project Fund shall be used for the purposes specified in the Indenture. Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee from time to time to pay certain

costs of issuance of the Bonds pursuant to one or more City Certificates or an executed, completed, and accepted Closing Disbursement Request.

Except as provided below and in the Indenture, (i) money on deposit in the Phase #1 Improvements Account shall only be used to pay Actual Costs of the Phase #1 Projects and (ii) money on deposit in the Phase #2 Improvements Account shall only be used to pay Actual Costs of the Phase #2 Projects.

Disbursements from the Phase #1 Improvements Account of the Project Fund to pay Actual Costs of the Phase #1 Projects shall be made by the Trustee from time to time upon receipt by the Trustee of either a properly executed and completed Certificate for Payment approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Phase #1 Improvements Account of the Project Fund pursuant to a Certificate for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Reimbursement Agreement.

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

Disbursements from the Phase #2 Improvements Account of the Project Fund to pay Actual Costs of the Phase #2 Projects shall be made by the Trustee from time to time upon receipt by the Trustee of either a properly executed and completed Certificate for Payment approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Phase #2 Improvements Account of the Project Fund pursuant to a Certificate for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Reimbursement Agreement.

If the City Representative determines in his or her sole discretion that amounts then on deposit in the Phase #2 Improvements Account of the Project Fund are not expected to be expended for purposes of such Account due to the abandonment, or constructive abandonment, of the Phase #2 Projects such that, in the opinion of the City Representative, it is unlikely that the amounts in the Phase #2 Improvements Account of the Project Fund will ever be expended for the purposes of such Account, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Phase #2 Improvements Account of the Project Fund that are not expected to be used for purposes of such Account. If such City Certificate is so filed, the amounts on deposit in the Phase #2 Improvements Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

Upon the filing of a City Certificate stating that all Phase #1 Projects have been completed and that all Actual Costs of the Phase #1 Projects have been paid, or that any such Actual Costs of the Phase #1 Projects are not required to be paid from the Phase #1 Improvements Account of the Project Fund pursuant to a Certificate for Payment or written direction from the City or its designee, the Trustee shall transfer the amount, if any, remaining within the Phase #1 Improvements Account of the Project Fund to the Principal and Interest Account of the Bond Fund or to the Redemption Fund to be used to redeem Bonds as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfer, the Phase #1 Improvements Account of the Project Fund shall be closed.

Upon the filing of a City Certificate stating that all Phase #2 Projects have been completed and that all Actual Costs of the Phase #2 Projects have been paid, or that any such Actual Costs of the Phase #2 Projects are not required to be paid from the Phase #2 Improvements Account of the Project Fund pursuant to a Certificate for Payment or written direction from the City or its designee, the Trustee shall transfer the amount, if any, remaining within the Phase #2 Improvements Account of the Project Fund to the Principal and Interest Account of the Bond Fund or to the Redemption Fund to be used to redeem Bonds as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfer, the Phase #2 Improvements Account of the Project Fund shall be closed.

The aggregate amount of funds that the Trustee may disburse from the Phase #2 Improvements Account shall not exceed \$[\_\_\_\_\_] \* (the “Authorized Amount”) except and until the Release Condition (defined below) has been satisfied. The Trustee may make disbursements from the Phase #2 Improvements Account that exceed the Authorized Amount only when the Developer provides written certification to the Trustee and the City in a Certificate for Payment that the Release Condition has been satisfied. The first Certificate for Payment that requests funds in excess of the Authorized Amount from the Phase #2 Improvements Account after satisfaction of the Release Condition shall be submitted to the City, the City’s financial advisor, Bond Counsel, and the PID Administrator for review and confirmation, and upon confirmation that the Release Condition has been satisfied, such Certificate for Payment shall be forwarded to the Trustee by the PID Administrator.

Money may be disbursed from the Phase #2 Improvements Account in excess of the Authorized Amount only if the City has issued a certificate of occupancy for at least 50 homes within Phase #2 (the “Release Condition”). The City may not approve a Certificate for Payment for payment from the Phase #2 Improvements Account for any amounts that exceed the Authorized Amount until the Release Condition has been satisfied.

Not later than six months following the Closing Date, or upon an earlier determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred first to another Account of the Project Fund and used to pay Actual Costs, or, if no Actual Costs remain to be funded, then to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Notwithstanding anything to the contrary in the Indenture or in the Reimbursement Agreement, the Trustee shall not be required to make any investigation into any facts or matters stated in any Certificate for Payment or any City Certificate provided as described in the Indenture or to review any attachments thereto and shall have no liability on account of any disbursement from the Project Fund in accordance with such Certificate for Payment or City Certificate provided that it has complied with the procedures required in the Indenture with respect to such Certificate for Payment or City Certificate. The Trustee shall have no responsibility whatsoever to disburse or transfer funds under the Indenture absent written directions from the City.

### **Redemption Fund**

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

### **Reserve Fund**

General Provisions. Pursuant to the Indenture, a Reserve Account and an Additional Interest Reserve Account will each be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee.

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

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

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\* Preliminary; subject to change.

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

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

*Reserve Account Provisions.* Pursuant to the Indenture, the Reserve Account will be funded with proceeds of the Bonds in the amount of the Reserve Account Requirement, and the City agrees with the Owners of the Bonds to accumulate and, when accumulated, maintain in the Reserve Account, an amount equal to not less than the Reserve Account Requirement, except to the extent such deficiency is due to the application of the following paragraph. All amounts deposited in the Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund, as provided in the Indenture. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds the least of: (i) Maximum Annual Debt Service on the Bonds as of the Closing Date of the Bonds, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date of the Bonds, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the Closing Date, the Reserve Account Requirement is \$\_\_\_\_\_.

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

Whenever, on any Interest Payment Date, or on any other date at the written request of a City Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds on the next Interest Payment Date in accordance with the Indenture, unless within 30 days of such notice to the City Representative, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts from the Rebate Fund, (ii) to a specified Account of the Project Fund if such application and the expenditure of funds is expected to occur within three years of the Closing Date of the Bonds, (iii) to be invested as directed in writing in such City Certificate at a yield which is not "materially higher" than the yield on the Bonds, as provided in Section 148(a) of the Code or invested in obligations the yield of which is in excess of the yield on the Bonds, provided the City agree to make yield reduction payments described in Section 1.148-5(c) of the Regulations, or (iv) for such other use specified in such City Certificate if the City and the Trustee receive a Favorable Opinion of Bond Counsel to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond.

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

*Additional Interest Reserve Account Provisions.* The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 and September 1 of each year, commencing March 1, 2026, an amount equal to the Additional Interest collected, if any, as shown on each of the Phase #1 Assessment Roll and the Phase #2 Assessment Roll attached to the Service and Assessment Plan or an Annual Service Plan Update, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any later time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall, and the City shall resume collecting the Additional Interest and shall file a City Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the City shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund and shall notify the City of such transfer in writing.

### **Administrative Fund**

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

The City may draw money from the Administrative Fund to pay organization, administrative, maintenance and operation expenses of the District and the other Administrative Expenses by delivery to the Trustee of a City Certificate.

Fees or charges incurred by the City payable to the Trustee in satisfaction of the City's liability to the Trustee for the services described in the Indenture shall be paid from the Administrative Fund. Other Administrative Expenses shall be paid from the Administrative Fund upon receipt by the Trustee of a City Certificate.

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

### **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 (as defined below) the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee for such purpose, shall be sufficient to pay when due the principal of and interest on of the Bonds 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 or other qualified third-party selected by the City verifying the sufficiency of the moneys and/or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on 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 then publishing a rating on the Bonds 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 the Indenture nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. 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. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

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

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

### **Events of Default**

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

- (i) the failure of the City to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;
- (ii) the failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
- (iii) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within 30 days; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the City to make the payments; and
- (iv) default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture and the continuation thereof for a period of 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 and 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 Trustee may, and at the written direction of the Owners of at least 25% of the Bonds then Outstanding and its receipt of indemnity satisfactory to it, shall proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by the Indenture or 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 Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

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

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

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of not less than 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for 90 days after such notice failed or refused to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 90-day period by the Owners of at least 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 thereunder except in the manner provided therein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided therein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

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 hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their



former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

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

All moneys, securities, funds and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, during the continuance of an Event of Default, 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 Owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or preference; and

(ii) **SECOND:** To the payment to the 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 or Redemption Price due and to the Owners entitled thereto, without any discrimination or preference.

In the event funds are not adequate to cure any of the Events 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.

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.

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

### **Investment of Funds**

Money in any Fund or Account established pursuant to the Indenture shall be invested by the Trustee, as directed by the City pursuant to a City Certificate, filed with the Trustee at least two days in advance of the making of such investment. The money in any Fund or Account shall be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Notwithstanding the preceding sentence, amounts in the Additional Interest Reserve Account may not be invested above the Yield on the Bonds, unless and until the City receives a Favorable Opinion of Bond Counsel to the effect that such investment and/or the failure to comply with such yield restriction will not adversely affect the exemption from federal income tax of the interest on any Bond. Investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds or Accounts may be invested in common investments of the kind described above, or in a common pool of such 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 or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold to prevent any default. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee is hereby directed to hold such funds uninvested and the Trustee shall bear no liability for interest on any such money.

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

### **Against Encumbrances**

In the Indenture, the City covenants that other than Refunding Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate, 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 under the Indenture, and except as set forth below, the City shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds and Refunding Bonds, if any, secured by any pledge of or other lien or charge on the Trust Estate, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

### **Additional Obligations; 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 any portion of the Trust Estate and are not payable from the Pledged Revenues or any other portion of the Trust Estate.

Other than Refunding Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on any portion of the Trust Estate and will not do or omit to do or suffer to be or omit to be done any matter or things whatsoever whereby the lien of the Indenture or the priority hereof might or could be lost or impaired.

Additionally, the City has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of Pledged Revenues securing payment of the Bonds.

Notwithstanding anything to the contrary in the Indenture, no Refunding Bonds, Additional Obligations, or subordinate obligations may be issued by the City unless: (1) the principal (including sinking fund installments) of such Refunding Bonds, Additional Obligations, or subordinate obligations are scheduled to mature on September 15 of the years in which principal is scheduled to mature, and (2) the interest on such Refunding Bonds, Additional Obligations or subordinate obligations must be scheduled to be paid on March 15 and September 15 of the years in which interest is scheduled to be paid.

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## SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds:<sup>(1)</sup>

### Sources of Funds:

Principal Amount	\$
<b>TOTAL SOURCES</b>	<b>\$</b>

### Use of Funds:

Deposit to Phase #1 Improvements Account of the Project Fund	\$
Deposit to Phase #2 Improvements Account of the Project Fund <sup>(2)</sup>	
Deposit to Costs of Issuance Account of the Project Fund	
Deposit to Capitalized Interest Account of the Bond Fund	
Deposit to Reserve Account of the Reserve Fund	
Deposit to Administrative Fund	
Underwriter's Discount <sup>(3)</sup>	
<b>TOTAL USES</b>	<b>\$</b>

<sup>(1)</sup> To be updated and completed upon pricing.

<sup>(2)</sup> The aggregate amount of funds that the Trustee may disburse from the Phase #2 Improvements Account shall not exceed \$[\_\_\_\_\_] except and until the Release Condition has been satisfied. See "SECURITY FOR THE BONDS — Project Fund."

<sup>(3)</sup> Includes Underwriter's Counsel's fee of \$\_\_\_\_\_.

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\* Preliminary; subject to change.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the anticipated debt service requirements for the Bonds:<sup>(1)</sup>

<b>Year Ending (September 30)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025 <sup>(2)</sup>	\$	\$	\$
2026 <sup>(2)</sup>			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<sup>(1)</sup> To be updated and completed upon pricing.

<sup>(2)</sup> Interest due on September 15, 2025 and a portion of the interest due March 15, 2026 and September 15, 2026 will be paid with amounts on deposit in the Capitalized Interest Account.

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## OVERLAPPING TAXES AND DEBT

### Overlapping Taxes

The land within Phases #1-2 of the District lies within the corporate limits of the City and has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments.

The City, Wharton County, Texas (the “County”), Wharton Independent School District (“Wharton ISD”), Coastal Bend Groundwater Conservation District (“Coastal Bend GCD”), Wharton County Emergency Services District #1 (“ESD #1”), Wharton County Emergency Services District #3 (“ESD #3”) and Wharton County Junior College District (“College District”) may each levy ad valorem taxes upon land in Phases #1-2 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes levied by such other taxing authorities. The following tables reflect the overlapping ad valorem tax rates currently levied on property located in Phases #1-2 of the District.

<u>Taxing Entity</u>	<b><u>Overlapping Taxes in Phase #1</u></b>	
	<i>Without application of TIRZ Maximum Annual Credit Amount</i> Phase #1 2024 Ad Valorem Tax Rate <sup>(1)</sup>	<i>With application of TIRZ Maximum Annual Credit Amount</i> Phase #1 2024 Ad Valorem Tax Rate <sup>(1)</sup>
The City	\$0.43663	\$0.43663
Wharton County	0.31579	0.31579
Wharton County (Funded Maintenance and Local Road)	0.03660	0.03660
Wharton ISD	1.03700	1.03700
Coastal Bend GCD	0.00600	0.00600
ESD #1	0.04971	0.04971
ESD #3	0.08367	0.08367
College District	<u>0.13280</u>	<u>0.13280</u>
Total Current Tax Rate	\$2.09820	\$2.09820
Estimated Average Annual Installment in Phase #1 as tax rate equivalent <sup>(2)</sup>	\$1.47524	\$1.47524
Estimated Average TIRZ Annual Credit Amount applicable to Annual Installment in Phase #1 as a tax rate equivalent <sup>(3)</sup>	-	<u>(\$0.21832)</u>
<i>Estimated Net Average Annual Installment in Phase #1 as tax rate equivalent<sup>(2)</sup></i>	<u>\$1.47524</u>	<u>\$1.25692<sup>(4)</sup></u>
<b>Estimated Total Tax Rate and Average Annual Installment in Phase #1 of the District as a tax rate equivalent<sup>(5)</sup></b>	<b>\$3.57344</b>	<b>\$3.35512</b>

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

<sup>(2)</sup> Derived from information in the Service and Assessment Plan, and from lot counts and estimated buildout values provided by the Developer. Includes the Phase #1 Assessments levied for the payment of the Bonds. Pursuant to the Development Agreement, the Annual Installment of Assessments as a tax rate equivalent, after taking into consideration the estimated TIRZ Annual Credit Amount, may not exceed \$1.25. See “ASSESSMENT PROCEDURES — Assessment Amounts – Method of Apportionment of Assessments” and “APPENDIX C — Form of Service and Assessment Plan.” Preliminary; subject to change.

<sup>(3)</sup> In the TIRZ Ordinance and TIRZ Project Plan, the City has agreed to use TIRZ Revenues generated from each parcel or lot within Phase #1 to offset a portion of such lot’s Annual Installment of Phase #1 Assessment due each year. Derived from information in the Service and Assessment Plan. See “ASSESSMENT PROCEDURES — Assessment Amounts – TIRZ Annual Credit Amount” herein. Preliminary; subject to change.

<sup>(4)</sup> Estimated Net Average Annual Installments of Assessments after applying TIRZ Annual Credit Amount to the Annual Installments of Assessments as a tax rate equivalent. Preliminary; subject to change.

<sup>(5)</sup> Totals may not add due to rounding.

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

**Overlapping Taxes in Phase #2**

<u>Taxing Entity</u>	<i>Without application of TIRZ Maximum Annual Credit Amount Phase #2 2024 Ad Valorem Tax Rate<sup>(1)</sup></i>	<i>With application of TIRZ Maximum Annual Credit Amount Phase #2 2024 Ad Valorem Tax Rate<sup>(1)</sup></i>
The City	\$0.43663	\$0.43663
Wharton County	0.31579	0.31579
Wharton County (Funded Maintenance and Local Road)	0.03660	0.03660
Wharton ISD	1.03700	1.03700
Coastal Bend GCD	0.00600	0.00600
ESD #1	0.04971	0.04971
ESD #3	0.08367	0.08367
College District	<u>0.13280</u>	<u>0.13280</u>
Total Current Tax Rate	\$2.09820	\$2.09820
Estimated Average Annual Installment in Phase #2 as tax rate equivalent <sup>(2)</sup>	\$1.46663	\$1.46663
Estimated Average TIRZ Annual Credit Amount applicable to Annual Installment in Phase #2 as a tax rate equivalent <sup>(3)</sup>	-	<u>(\$0.21832)</u>
<i>Estimated Net Average Annual Installment in Phase #2 as tax rate equivalent</i>	<u>\$1.46663</u>	<u>\$1.24831<sup>(4)</sup></u>
<b>Estimated Total Tax Rate and Average Annual Installment in Phase #2 of the District as a tax rate equivalent<sup>(5)</sup></b>	<b>\$3.56483</b>	<b>\$3.34651</b>

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

<sup>(2)</sup> Derived from information in the Service and Assessment Plan, and from lot counts and estimated buildout values provided by the Developer. Includes the Phase #2 Assessments levied for the payment of the Bonds. Pursuant to the Development Agreement, the Annual Installment of Assessments as a tax rate equivalent, after taking into consideration the estimated TIRZ Annual Credit Amount, may not exceed \$1.25. See "ASSESSMENT PROCEDURES — Assessment Amounts – Method of Apportionment of Assessments" and "APPENDIX C — Form of Service and Assessment Plan." Preliminary; subject to change.

<sup>(3)</sup> In the TIRZ Ordinance and TIRZ Project Plan, the City has agreed to use TIRZ Revenues generated from each parcel or lot within Phase #2 to offset a portion of such lot's Annual Installment of Phase #2 Assessment due each year. Derived from information in the Service and Assessment Plan. See "ASSESSMENT PROCEDURES — Assessment Amounts – TIRZ Annual Credit Amount" herein. Preliminary; subject to change.

<sup>(4)</sup> Estimated Net Average Annual Installments of Assessments after applying TIRZ Annual Credit Amount to the Annual Installments of Assessments as a tax rate equivalent. Preliminary; subject to change.

<sup>(5)</sup> Totals may not add due to rounding.

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

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## Overlapping Debt

As noted above, Phases #1-2 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Phases #1-2 of the District and City debt to be secured by the Assessments.

<b><u>Overlapping Debt in Phases #1-2</u></b>			
	Total Outstanding		
<u>Taxing or Assessing Entity</u>	<u>Debt as of</u>	<u>Estimated %</u>	<u>Estimated</u>
	<u>May 15, 2025</u>	<u>Applicable<sup>(1)</sup></u>	<u>Overlapping Debt</u>
The City (Assessments) <sup>(2)</sup>	\$ 9,588,000 <sup>(2)</sup>	100.000%	\$ 9,588,000 <sup>(2)</sup>
The City (Ad Valorem Taxes)	29,924,000	2.794%	836,077
Wharton County <sup>(3)</sup>	-	-	-
Wharton County (Funded Maintenance and Local Road) <sup>(3)</sup>	-	-	-
Wharton ISD	63,620,000	1.145%	728,449
Coastal Bend GCD <sup>(3)</sup>	-	-	-
ESD #1 <sup>(3)</sup>	-	-	-
ESD #3 <sup>(3)</sup>	-	-	-
College District <sup>(3)</sup>	-	-	-
<b>Total</b>	<b>\$103,132,000</b>		<b>\$11,152,526</b>

<sup>(1)</sup> Based on \$20,630,000 appraised value for the District as per the Appraisal (as defined herein) and on the Tax Year 2024 Taxable Assessed.

<sup>(2)</sup> Assumes the Bonds are issued. Preliminary; subject to change.

<sup>(3)</sup> Such entities have no general obligation debt outstanding.

Sources: Wharton County Appraisal District and Municipal Advisory Council of Texas.

## Homeowners' Association

In addition to the Assessments described above, each single-family residential lot owner in the District will pay an annual homeowners' association fee to the Wharton Lakes Homeowners Association, Inc. (the "HOA") formed by the Developer. The current HOA fee is \$750 per year.

## ASSESSMENT PROCEDURES

### General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Phases #1-2 Authorized Improvements through Assessments, it must adopt a resolution generally describing the Phases #1-2 Authorized Improvements and the land within Phases #1-2 of the District to be subject to Assessments to pay the costs therefor. The City has caused assessment rolls to be prepared for Phase #1 (the "Phase #1 Assessment Roll") and Phase #2 (the "Phase #2 Assessment Roll" and, together with the Phase #1 Assessment Roll, the "Assessment Rolls"), which Assessment Rolls show the land within Phases #1-2 assessed, the amount of the benefit to and the Assessment against each Assessed Property and the number of Annual Installments in which the Assessments are divided. The Assessment Rolls have been or will be filed with the City Secretary and made available for public inspection. Statutory notice was or will be given to the owners of the Assessed Property and public hearings were or will be conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Phases #1-2 Authorized Improvements and funding the same with Assessments. The City levied the Phase #1 Assessments and adopted the Phase #1 Assessment Ordinance, at which time the Phase #1 Assessments became legal, valid and binding liens upon the property against which the Phase #1 Assessments were made as of the date of the Phase #1 Assessment Ordinance. On June 23, 2025, the City expects to levy the Phase #2 Assessments and adopt the Phase #2 Assessment Ordinance, at which time the Phase #2 Assessments will become legal, valid and binding liens upon the property against which the Phase #2 Assessments were made as of the date of the Phase #2 Assessment Ordinance.

Under the PID Act, the costs of Phases #1-2 Authorized Improvements to be defrayed through Assessments may be assessed by the City against the applicable Assessed Property so long as the special benefit conferred upon such Assessed Property by the Phases #1-2 Authorized Improvements equals or exceeds the applicable Assessments. The Phases #1-2 Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on Assessed Property similarly benefited. The allocation of benefits and assessments to the benefitted land within Phases #1-2 of the District is set forth in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX C — Form of Service and Assessment Plan.”

### Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of Assessed Property as a result of the Phases #1-2 Authorized Improvements, provides the basis and justification for the determination that such special benefit equals or exceeds the Assessments levied, and establishes the methodology by which the City allocates the special benefit of the Phases #1-2 Authorized Improvements to parcels in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the Phases #1-2 Authorized Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessments.

As further set forth in the Service and Assessment Plan, (i) the Major Improvements were allocated to all Assessed Property on the basis of Equivalent Units (as defined in the Service and Assessment Plan) calculated using the average home price of each Lot Type once such property is developed, (ii) the Phase #1 Projects and the related costs of issuance were allocated to the Phase #1 Assessed Property on the basis of Equivalent Units calculated using the average home price of each Lot Type once such property is developed and (iii) the Phase #2 Projects and the related costs of issuance were allocated to the Phase #2 Assessed Property on the basis of Equivalent Units calculated using the average home price of each Lot Type once such property is developed.

The City has determined that such method of allocation will result in the imposition of equal shares of the Assessments on parcels similarly situated within the Assessed Property. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current owners of property within Phases #1-2 and all future owners within Phases #1-2. See “APPENDIX C — Form of Service and Assessment Plan.” The following table shows the current estimated number of lots by Lot Type expected to be built on the Parcel, and the corresponding equivalent unit factors and total Equivalent Units.

<b><u>Total Current Estimated Equivalent Units<sup>(1)</sup></u></b>			
<b><u>Lot Type</u></b>	<b><u>No. of Lots</u></b>	<b><u>Equivalent Unit Factor</u></b>	<b><u>Total Equivalent Units</u></b>
Phase #1 – 40’ Lot	48	0.96	46.08
Phase #1 – 45’ Lot	51	1.00	51.00
Phase #2 – 40’ Lot	85	0.96	81.60
Phase #2 – 45’ Lot	<u>39</u>	1.00	<u>39.00</u>
<b>Total</b>	<b>223</b>		<b>217.68</b>

<sup>(1)</sup> Derived from information in the Service and Assessment Plan.

### Collection and Enforcement of Assessment Amounts

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



county, school district or municipality ad valorem taxes. See “BONDHOLDERS’ RISKS — Assessment Limitations” herein.

In the Indenture, the City will covenant to collect, or cause to be collected, Assessments as provided in the applicable 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 updated Assessment Rolls and a calculation of the Annual Installment for each Parcel. Assessments for Administrative Expenses shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

In the Indenture, the City will covenant, agree and warrant that, for so long as any Bonds, it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments. See “SECURITY FOR THE BONDS — Collection of Assessments and Enforcement of Lien.”

To the extent permitted by law and to the extent possible, notice of the Annual Installments will be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. Notwithstanding the foregoing, the City shall be permitted to reduce the Assessments on a Parcel within the District by the TIRZ Annual Credit Amount pursuant to the Development Agreement, the TIRZ Project 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 Administrative Expenses.

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

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

The City shall not be required under any circumstances to expend any funds for Delinquent Collection Costs or Administrative Expenses in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund. See “SECURITY FOR THE BONDS — Collection of Assessments and Enforcement of Lien.”

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

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

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

## Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan. The Assessment Rolls, as updated to reflect the issuance of the Bonds, shall set forth for each year the Annual Installment for each Assessed Property. The Annual Installments for Phases #1-2 may not exceed the amounts shown on the applicable Assessment Roll. The Assessments have been or will be levied against the Parcels comprising the Assessed Property as indicated on the Assessment Rolls. See "APPENDIX C — Form of Service and Assessment Plan."

Pursuant to the Service and Assessment Plan, the following maximum assessments (the "Maximum Assessments") have been established for each Lot Type:

<u>Phase</u>	<u>Lot Type</u>	<u>Maximum Assessment<sup>(1)</sup></u>
1	40' Lot	\$42,353.52
1	45' Lot	44,118.25
2	40' Lot	42,228.86
2	45' Lot	43,988.39

<sup>(1)</sup> Preliminary subject to change.

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

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that (i) the Phase #1 Assessments shall be allocated to each Phase #1 Assessed Property based on the estimated number of Equivalent Units anticipated to be developed on each Parcel of Phase #1 Assessed Property and (ii) the Phase #2 Assessments shall be allocated to each Phase #2 Assessed Property based on the estimated number of Equivalent Units anticipated to be developed on each Parcel of Phase #2 Assessed Property. Upon subsequent divisions of any Parcel of Assessed Property, the Assessment applicable to it will then be apportioned pro rata based on the estimated number of Equivalent Units to be built on each new subdivided parcel within the applicable Assessed Property. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Parcel of Phase #1 Assessed Property or Phase #2 Assessed Property, as applicable, based on the ratio of the estimated Equivalent Units within such Assessed Property at the time residential Lots are platted to the total estimated Equivalent Units of all Lots in the platted Parcel, as determined by the PID Administrator and confirmed by the City Council. See "ASSESSMENT PROCEDURES — Assessment Methodology" and "APPENDIX C — Form of Service and Assessment Plan."

TIRZ Annual Credit Amount. The City has agreed to use TIRZ Revenues generated from each Assessed Property to offset a portion of such Parcel's Assessment related to the Phases #1-2 Authorized Improvements. The Annual Installment of the Assessments for each Parcel within the District will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such Parcel, as described under "SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount" and in "APPENDIX C — Form of Service and Assessment Plan." The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraised value on the applicable Parcel in any year. Consequently, the TIRZ Revenues are generated only if the appraised value of real property on such Parcel in any year is greater than the base value. See "APPENDIX C — Form of Service and Assessment Plan."

THE ABILITY OF THE TIRZ ANNUAL CREDIT AMOUNT TO REDUCE THE ANNUAL INSTALLMENTS WITHIN THE DISTRICT IS DEPENDENT ON THE ACTUAL BUILDOUT VALUE IN THE DISTRICT MEETING THE PROJECTIONS FOR THE ESTIMATED BUILDOUT VALUES DESCRIBED IN THE SERVICE AND ASSESSMENT PLAN. SEE “OVERLAPPING TAXES AND DEBT” AND “APPENDIX C — FORM OF SERVICE AND ASSESSMENT PLAN.” SUCH TIRZ REVENUES ARE NOT PLEDGED AS SECURITY FOR THE BONDS.

The tables below provide the allocation of the outstanding Assessments and the value to lien analysis for each Assessed Property subject to the Assessments based on lot type.

**Value to Lien Analysis in the District<sup>(1)</sup>**

Phase	Lot Type	No. of Lots	Estimated Finished Lot Value <sup>(2)</sup>	Estimated Buildout Value per Lot	Total Estimated Buildout Value per Lot Type	Maximum Assessment per Lot <sup>(3)</sup>	Estimated Ratio of Finished Lot Value to Assessment <sup>(3)</sup>	Estimated Ratio of Buildout Value to Assessment <sup>(3)</sup>
1	40' Lot	48	\$48,000	\$240,000	\$11,520,000	\$42,353.52	1.13 : 1	5.67 : 1
1	45' Lot	51	54,000	250,000	12,750,000	44,118.25	1.22 : 1	5.67 : 1
2	40' Lot	85	51,480	240,000	20,400,000	42,228.86	1.22 : 1	5.68 : 1
2	45' Lot	39	58,320	250,000	9,750,000	43,988.39	1.33 : 1	5.68 : 1
<b>Total</b>		<b>223</b>						

(1) Derived from information in the Service and Assessment Plan. Based on the concept plan for the Development.

(2) Derived from the lot purchase agreements with Lennar. Values in the Appraisal may vary.

(3) Preliminary subject to change.

**Assessment Allocation by Lot Type in the District<sup>(1)</sup>**

Phase	Lot Type	No. of Lots	Maximum Assessment per Lot	Average Annual Installment per Lot	Assessments Equivalent Tax Rate Per \$100 Assessed Value <sup>(2)(5)</sup>	Total Overlapping Equivalent Tax Rate Per \$100 Assessed Value <sup>(3)(5)</sup>	TIRZ Credit Per Lot <sup>(4)</sup>	Net Annual Installment per Lot <sup>(4)</sup>	Net Assessment per \$100 Assessed Value <sup>(2)(4)(5)</sup>	Net Total Overlapping Equivalent Tax Rate per \$100 Assessed Value <sup>(3)(4)(5)</sup>
1	40' Lot	48	\$42,353.52	\$3,540.57	\$1.48	\$3.57	\$523.96	\$3,016.61	\$1.26	\$3.36
1	45' Lot	51	44,118.25	3,688.09	1.48	3.57	545.79	3,142.31	1.26	3.36
2	40' Lot	85	42,228.86	3,519.90	1.47	3.56	523.96	2,995.94	1.25	3.35
2	45' Lot	39	43,988.39	3,666.56	1.47	3.56	545.79	3,120.78	1.25	3.35
<b>Total</b>		<b>223</b>								

(1) Derived from information presented in the Service and Assessment Plan. Based on the concept plan for the Development. Preliminary; subject to change.

(2) Pursuant to the Development Agreement, the Annual Installment of Assessments as a tax rate equivalent, after taking into consideration the estimated TIRZ Annual Credit Amount, may not exceed \$1.25. Preliminary; subject to change.

(3) Includes the Assessments and the 2024 ad valorem tax rates for the overlapping taxing units.

(4) For illustration purposes only. The annual installment of Assessments for each Parcel within the District will be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to such Parcel, as described under “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount,” “OVERLAPPING TAXES AND DEBT — Overlapping Taxes” and “APPENDIX C — Form of Service and Assessment Plan.” Preliminary; subject to change.

(5) Numbers have been rounded to the second decimal place. See “OVERLAPPING TAXES AND DEBT — Overlapping Taxes.”

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

**Prepayment of Assessments**

Pursuant to the PID Act and the Indenture, the owner of any Assessed Property may voluntarily prepay (a “Prepayment”) all or part of any Assessment levied against any Lot or Parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal,

interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

### **Mandatory Prepayment**

If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act.

If at any time the Assessment per Unit on a Parcel exceeds the applicable Maximum Assessment calculated in the Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by the Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the City prior to the recordation of the document subdividing the Parcel the amount calculated by the PID Administrator by which the Assessment per unit for the Parcel exceeds the applicable Maximum Assessment per unit calculated in the Service and Assessment Plan.

### **Reduction of Assessments**

If after all Phases #1-2 Authorized Improvements have been completed and Actual Costs for such Phases #1-2 Authorized Improvements are less than the budgeted costs used to calculate the Assessments resulting in excess Bond proceeds being available to redeem Bonds, and such excess Bond proceeds shall be applied to redeem Bonds as provided in the Indenture, then the Assessment securing such Bonds for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the related outstanding Bonds. If all of the Phases #1-2 Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Phases #1-2 Authorized Improvements completed.

If all the Phases #1-2 Authorized Improvements are not undertaken, resulting in excess Bond proceeds being available to redeem Bonds, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the City Council to reflect only the amounts required to repay the Bonds, including interest on the Bonds and Administrative Expenses, and, in such event, any such excess Bond proceeds shall be applied to redeem Bonds in accordance with the Indenture. The City Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Phases #1-2 Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on number of units, if determined by the City Council to be the most fair and practical means of reducing the Assessments for each Parcel such that the sum of the resulting reduced Assessments equals the amount required to repay the Bonds, including interest on the Bonds thereon and Administrative Expenses. The principal portion of the Assessment for each Parcel shall be reduced pro rata to the reduction in the Assessments for each Parcel such that the sum of the resulting reduced principal portion of the Bonds is equal to the outstanding principal amount of the Bonds.

### **Priority of Lien**

The Assessments or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the applicable Assessment Ordinance and will continue until the Assessment is paid and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any Assessed Property 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 or make payment for the purchase of the delinquent Assessment on the corresponding Assessed Property.

In the Indenture, the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption of 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 B — Form of Indenture.” See also “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer” for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If amounts on deposit 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 “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of Service and Assessment Plan.”

## **THE CITY**

The City, the county seat for Wharton County, was founded in 1847 and incorporated in 1902. The City is a political subdivision and duly incorporated home rule city of the State and operates under a City Council/Manager form government with a Mayor and six council members. The Mayor and all six Council members are elected at-large for two-year staggered terms. The City’s current estimated population is 8,742.

The current members of the City Council and their respective expiration of terms of office and the principal administrators of the City are shown on page ii hereof. General information regarding the City and the surrounding area can be found in “APPENDIX A — General Information Regarding the City and Surrounding Area.”

## **THE DISTRICT**

### **General**

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the City in accordance with the PID Act by a resolution adopted by the City Council on October 23, 2023 in accordance with the PID Act (the “Creation Resolution”), for the purpose of undertaking and financing, in phases, the cost of certain public improvements within the District, including the Phases #1-2 Authorized Improvements, authorized by the PID Act and approved by the City Council that confer a

special benefit on the portion of the District property being developed in a phase. The District is not a separate political subdivision of the State and is governed by the City Council. Maps of the property within the District are included on pages v and vi hereof.

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

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within the District, including Phases #1-2, 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 Phases #1-2 of the District, or portions thereof, payable in full or in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Phases #1-2 Authorized Improvements. See "THE PHASES #1-2 AUTHORIZED IMPROVEMENTS." Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain road, water, sanitary sewer, storm drainage, landscaping and hardscaping improvements within Phases #1-2 of the District comprising the Phases #1-2 Authorized Improvements 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 C — Form of Service and Assessment Plan."

### **The Development Agreement**

The City and the Developer entered into the Development Agreement, which sets forth, among other things, the Developer's agreement to construct the Phases #1-2 Authorized Improvements in accordance with the construction standards set forth therein and the anticipated issuance of bonds to fund the construction of the Phases #1-2 Authorized Improvements. Under the Development Agreement, (i) the Developer must provide evidence reasonably acceptable to the City of an executed loan document and/or private equity in an amount sufficient to complete the Phases #1-2 Authorized Improvements for such phase, (ii) the maximum projected tax equivalent rate for the Annual Installments, after taking into consideration the reduction of the Annual Installment by the TIRZ Annual Credit Amount, may not exceed \$1.25 per \$100.00 taxable assessed valuation, and (iii) the minimum appraised value to lien ratio is 3:1. In lieu of requiring a 3:1 appraised value as of the Closing Date, the City has agreed to holdback certain of the funds within the Project Fund until the Release Condition has been satisfied. See "SECURITY FOR THE BONDS — Project Fund."

The Development Agreement also includes provisions regarding (i) the requirement for the Developer to dedicate parkland, as described under "THE DEVELOPMENT — Amenities," (ii) the annexation of the land within the District into the City's corporate limits, which has taken place, (iii) the water and sewer service to be provided to residents within the District, as described under "— Utilities" below and (iv) the TIRZ over the boundaries of the Development.

### **Utilities**

The City operates and maintains its own water and wastewater systems. The water system consists of five wells and has a production capacity of 24 million gallons and a storage capacity of 4 million gallons. The City owns two wastewater treatment plants with a combined capacity of 2 million gallons per day.

In accordance with the Development Agreement, the City agrees to timely make water supply and wastewater treatment capacity available so as not to interrupt Developer's development of the District and/or home construction activities within the District. Upon inspection, approval, and acceptance of the water and wastewater improvements within the District, or any portion thereof, the City shall maintain and operate the accepted public infrastructure and timely provide retail water and sewer service to the District. According to the capacity letter from the City's engineer, the City has sufficient water and sewer capacity to serve the average daily flow of the District.

## THE PHASES #1-2 AUTHORIZED IMPROVEMENTS

### General

A portion of the costs of the Phases #1-2 Authorized Improvements will be funded with proceeds of the Bonds. The balance of the costs of the Phases #1-2 Authorized Improvements have been or will be paid by the Developer under the terms of the Reimbursement Agreement and the Service and Assessment Plan without reimbursement by the City. See “APPENDIX C — Form of Service and Assessment Plan” and “APPENDIX F — Reimbursement Agreement.”

### Phases #1-2 Authorized Improvements

Major Improvements. The Phases #1-2 Authorized Improvements include the following Major Improvements.

**Road Improvements.** The road improvement portion of the Major Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the entire District. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Water Improvements.** The water improvements portion of the Major Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the entire District. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

**Sanitary Sewer Improvements.** The sanitary sewer improvement portion of the Major Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to the entire District. The sanitary sewer improvements will be designed and constructed according to City standards and specifications and will be owned and operated by the City.

**Storm Drainage Improvements.** The storm drainage improvement portion of the Major Improvements consists of detention ponds, HDPE or HP storm sewer pipes and outfall structures, reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, and erosion control and storm water quality features, which benefit the entire District. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Landscaping and Hardscaping.** The landscaping improvement portion of the Major Improvements consists of landscaping, hardscaping, entry monumentation, walking trails, fountains, electrical services and lighting, and playground equipment and furnishings.

**Other Soft and Miscellaneous Costs.** The soft and miscellaneous costs portion of the Major Improvements consists of engineering and surveying, land acquisition costs, project management fees, City inspection fees, project management fees, contingency, and other soft and miscellaneous costs.

Phase #1 Improvements. The Phases #1-2 Authorized Improvements include the following Phase #1 Improvements.

**Road Improvements.** The road improvement portion of the Phase #1 Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Phase #1 Assessed Property.

All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Water Improvements.** The water improvements portion of the Phase #1 Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the Phase #1 Assessed Property. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

**Sanitary Sewer Improvements.** The sanitary sewer improvement portion of the Phase #1 Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Phase #1 Assessed Property. The sanitary sewer improvements will be designed and constructed according to City standards and specifications and will be owned and operated by the City.

**Storm Drainage Improvements.** The storm drainage improvement portion of the Phase #1 Improvements consists of detention ponds, HDPE or HP storm sewer pipes and outfall structures, reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, and erosion control and storm water quality features, which benefit the Phase #1 Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Other Soft and Miscellaneous Costs.** The soft and miscellaneous costs portion of the Phase #1 Improvements consists of engineering and surveying, land acquisition costs, project management fees, City inspection fees, project management fees, contingency, and other soft and miscellaneous costs.

**Phase #2 Improvements.** The Phases #1-2 Authorized Improvements include the following Phase #2 Improvements.

**Road Improvements.** The road improvement portion of the Phase #2 Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Phase #2 Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Water Improvements.** The water improvements portion of the Phase #2 Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the Phase #2 Assessed Property. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

**Sanitary Sewer Improvements.** The sanitary sewer improvement portion of the Phase #2 Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Phase #2 Assessed Property. The sanitary sewer improvements will be designed and constructed according to City standards and specifications and will be owned and operated by the City.

**Storm Drainage Improvements.** The storm drainage improvement portion of the Phase #2 Improvements consist of detention ponds, HDPE or HP storm sewer pipes and outfall structures, reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, and erosion control and storm water quality features, which benefit the Phase #2 Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.



**Other Soft and Miscellaneous Costs.** The soft and miscellaneous costs portion of the Phase #2 Improvements consists of engineering and surveying, land acquisition costs, project management fees, City inspection fees, project management fees, contingency, and other soft and miscellaneous costs.

### **Costs of Phases #1-2 Authorized Improvements**

The following table reflects the expected total costs of the Phases #1-2 Authorized Improvements. A portion of the costs of the Phases #1-2 Authorized Improvements are expected to be financed with proceeds of the Bonds.

#### **Costs of Phases #1-2 Authorized Improvements<sup>(1)</sup>**

<u>Phases #1-2 Authorized Improvements</u>	<u>Total Actual Costs</u>
<b>Major Improvements</b>	
Road Improvements	\$ 200,000
Water Improvements	229,645
Sanitary Sewer Improvements	215,867
Storm Drainage Improvements	1,310,308
Landscaping and Hardscaping	800,000
Other Soft and Miscellaneous Costs	<u>1,747,211</u>
<i>Subtotal</i>	\$ 4,503,031
<b>Phase #1 Improvements</b>	
Road Improvements	\$ 905,361
Water Improvements	261,456
Sanitary Sewer Improvements	247,678
Storm Drainage Improvements	490,974
Other Soft and Miscellaneous Costs	<u>974,078</u>
<i>Subtotal</i>	\$ 2,879,548
<b>Phase #2 Improvements</b>	
Road Improvements	\$ 1,200,000
Water Improvements	250,000
Sanitary Sewer Improvements	450,000
Storm Drainage Improvements	625,000
Other Soft and Miscellaneous Costs	<u>1,309,500</u>
<i>Subtotal</i>	\$ 3,834,500
<b>Bond Issuance Costs</b>	
Costs of Issuance	\$ 575,280
Administrative Expenses	50,000
Underwriter's Discount	287,640
Capitalized Interest	401,396
Reserve Fund	<u>708,080</u>
<i>Subtotal</i>	\$ 2,022,396
<b>Total<sup>(2)</sup></b>	<b><u>\$13,239,474</u></b>

<sup>(1)</sup> Derived from information in the Service and Assessment Plan. Preliminary; subject to change.

<sup>(2)</sup> Totals may not add due to rounding.

The total cost of all of the Phases #1-2 Authorized Improvements and the bond issuance costs listed in the table above (the "Bond Issuance Costs") are expected to be approximately \$13,239,474\*. Only a portion of the costs of the Phases #1-2 Authorized Improvements and Bond Issuance Costs, in the approximate amount of \$9,588,000\*, are expected to be paid with proceeds of the Bonds. The balance of the costs of the Phases #1-2 Authorized Improvements were or will be financed by the Developer with cash and/or proceeds of the Loan without

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\* Preliminary, subject to change.

reimbursement by the City. See “APPENDIX C — Form of Service and Assessment Plan,” and “APPENDIX F — Reimbursement Agreement.”

## **THE DEVELOPMENT**

*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 District is an approximately 55.48-acre single-family residential project within the corporate limits of the City. The District is located southeast of the intersection of S. Alabama Road (FM 1299) and E. Milam Street (Bay City Highway or TX 60) and northeast of the intersection of S. Alabama Road and Kingston Drive. Nearby attractions include City parks, City pool and splash pad, ball fields, historic downtown, Wharton County Junior College, HEB grocery store, restaurants and shopping.

The District is expected to include approximately 223 single-family residential lots, consisting of approximately 133 40’ lots and 90 45’ lots. The District is also expected to include the Amenities described herein.

### **Lot and Home Development**

*Lot Development.* The Development is expected to consist of Phase #1 and Phase #2. The Developer’s development plans for the District began with the construction of the Major Improvements and the Phase #1 Improvements, all of which are complete and have been dedicated to the City. The Developer is currently constructing the Phase #2 Improvements and expects to complete such construction by October of 2025.

*Home Development.* Phase #1 includes 99 lots, consisting of 48 40’ lots and 51 45’ lots. Phase #2 is expected to include 124 lots, consisting of 85 40’ lots and 39 45’ lots. The Developer has entered into lot purchase agreements with Lennar to purchase 87 lots within Phase #1 and 124 lots within Phase #2. The Developer has reserved the remaining 12 45’ lots near the entrance in Phase #1 for a marketing window and future model lots. As of May 15, 2025, Lennar has taken down 65 lots in Phase #1 and has 20 homes under construction, 12 completed homes without residents and 25 homes with residents. The Developer expects that Lennar will begin taking down lots in Phase #2 upon completion of the Phase #2 Improvements anticipated for October of 2025.

Pursuant to the Lennar’s lot purchase agreements, Lennar agreed to purchase 20 lots within Phase #1 or Phase #2, as applicable, within 30 days of substantial completion of the respective Phase. Lennar is required to purchase an additional 15 lots within the applicable Phase each 90 days thereafter until all lots under the respective contract have been purchased. Under the lot purchase contract for the lots within Phase #2, the Developer agreed to use reasonable efforts to achieve substantial completion of Phase #2 by December 11, 2025; provided, however, that if the Developer does not achieve substantial completion of Phase #2 (subject to force majeure) by March 31, 2026, Lennar may terminate the lot purchase agreement and the Developer shall return the earnest money (described below) for Phase #2 to Lennar.

Lennar has deposited \$1,050,000 in earnest money, consisting of \$400,000 for the Phase #1 lots and \$650,000 for the Phase #2 lots, which has been and will be credited back pro rata at each lot closing. The Developer executed earnest money deeds of trust securing the earnest money, which deeds of trust grant Lennar a second lien on certain property within the District.

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The information regarding actual and expected buildout of the District is shown in the following table.

<b><u>Expected Buildout of Single-Family Lots within the District<sup>(1)</sup></u></b>					
<u>Phase/Lot Size</u>	<u>Number of Lots<sup>(2)</sup></u>	<u>Actual/Expected Infrastructure Completion Date</u>	<u>Actual/Expected Initial Sale Date of Single-Family Lots to Homebuilders</u>	<u>Expected Final Sale Date of Single-Family Lots to Homebuilders</u>	<u>Actual/Expected Initial Sale Date of Single-Family Homes to Homeowners</u>
Phase #1					
40'	48	Q2 2024	Q2 2024	Q3 2025	Q4 2024
45'	<u>51</u>	Q2 2024	Q2 2024	Q3 2025 <sup>(3)</sup>	Q4 2024
Subtotal	99				
Phase #2					
40'	85	Q3 2025	Q4 2025	Q3 2027	Q1 2026
45'	<u>39</u>	Q3 2025	Q4 2025	Q3 2027	Q1 2026
Subtotal	124				
<b>Total</b>	<b>223</b>				

<sup>(1)</sup> These projections regarding final buildout and final sale dates were provided by the Developer. Expected buildout and final sale date projections in the Appraisal may vary.

<sup>(2)</sup> Numbers are estimates provided by the Developer and are subject to change.

<sup>(3)</sup> Does not include the 12 lots in Phase #1 reserved by the Developer for a marketing window and future model lots. The Developer expects such lots to be sold to a homebuilder by 2027.

The actual and anticipated schedule for sale of single-family lots to homebuilders in the District is shown in the following table.

<b><u>Actual/Expected Sale of Single-Family Lots to Homebuilders in the District<sup>(1)</sup></u></b>					
<u>Phase/Lot Size</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Total Lots</u>
Phase #1					
40'	27	21	-	-	48
45'	23	16	-	12	51
Phase #2					
40'	-	15	40	30	85
45'	<u>-</u>	<u>5</u>	<u>20</u>	<u>14</u>	<u>39</u>
<b>Total</b>	<b>50</b>	<b>57</b>	<b>60</b>	<b>56</b>	<b>223</b>

<sup>(1)</sup> These projections regarding expected absorption were provided by the Developer. Absorption projections in the Appraisal may vary.

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The anticipated schedule for sale of single-family homes to homeowners within the District is shown in the following table.

<b><u>Actual/Expected Sale of Single-Family Homes to Homeowners in the District<sup>(1)</sup></u></b>						
<u>Phase/Lot Size</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Total Lots</u>
Phase #1						
40'	-	36	12	-	-	48
45'	1	24	14	12	-	51
Phase #2						
40'	-	-	36	36	13	85
45'	-	-	24	12	3	39
<b>Total</b>	<b>1</b>	<b>60</b>	<b>86</b>	<b>60</b>	<b>16</b>	<b>223</b>

<sup>(1)</sup> These projections regarding expected absorption were provided by the Developer. Absorption projections in the Appraisal may vary.

The actual and expected average lot and home prices within Phases #1-2 are shown in the following table.

<b><u>Single-Family Lot and Home Prices in Phases #1-2</u></b>				
	<u>Lot Size</u>	<u>Total No. of Lots</u>	<u>Base Lot Price<sup>(1)</sup></u>	<u>Average Home Price</u>
Phase #1				
	40'	48	\$48,000	\$240,000 <sup>(2)</sup>
	45'	51	\$54,000	\$250,000 <sup>(2)</sup>
<b>Total</b>		<b>99</b>		
Phase #2				
	40'	85	\$51,840	\$240,000 <sup>(3)</sup>
	45'	39	\$58,320	\$250,000 <sup>(3)</sup>
<b>Total</b>		<b>123</b>		

<sup>(1)</sup> Based on the average of the actual base lot prices in the lot purchase agreements. The lot prices in Phase #1 are subject to an annual escalator equal to 8% accruing from the date of substantial completion of Phase #1 through the date of each closing. The lot prices in Phase #2 are subject to an annual escalator equal to 6% accruing from the date of substantial completion of Phase #2 through the date of each closing.

<sup>(2)</sup> Based on homes actually sold, as of May 15, 2025.

<sup>(3)</sup> Estimates provided by the Developer.

## Amenities

In the Development Agreement, Developer agreed to dedicate to the HOA, at Developer's discretion, fee simple interest or easements encompassing no less than ten acres of public parkland or private open space acres of land generally accessible to the public which acreage includes land in drainage/detention areas and areas left open because it is in the floodplain or wetlands. The Developer has dedicated a 10-acre detention/amenity lake with two fountains to the City, in accordance with such requirement. The Developer has also constructed a natural walking trail around the lake, sidewalk connections in reserve areas, entry monumentation, and a community park, consisting of ages 2-5 and 5-12 play areas, a swing set, picnic benches and bouncers (collectively, the "Amenities"). The Amenities have been dedicated to the City and will be operated and maintained by the HOA.

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## Photographs of the Development







### **Zoning/Permitting**

The development of the property within the District will be governed by the Development Agreement, the Subdivision Ordinance and the General Plan and Design Guidelines (each as defined in the Development Agreement).

### **Mineral Rights**

There are certain mineral rights reservations of one or more prior owners of real property within the District (the “Mineral Owners”) pursuant to one or more deeds in the chain of title for the property in the District. The reservations of mineral rights include a waiver of surface rights. Additionally, one or more deeds also provide that there is an oil, gas and mineral lease dated January 7, 1982 from Ralph I. Williams, et ux to Dal-Long Oil Co., recorded in Volume 579, Page 426 of the Wharton County Deed Records.

While there is currently no drilling or exploration of minerals, the Developer cannot predict whether the Mineral Owners will take new action in the future to explore or develop the above-described mineral rights. 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. Additionally, Chapter 50 of the City’s Code of Ordinances includes restrictions related to the production of oil and gas, including the requirement to submit an application and obtain a permit by the City.

Although the Developer does not expect the exercise of such rights or any other mineral rights or related 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 Mineral Rights.”

### **Education**

The Development is located within Wharton ISD. Wharton ISD operates two elementary schools, one middle school and one high school. Wharton Elementary School (approximately 2.4 miles from the District), Wharton Junior High School (approximately 1.5 miles from the District), and Wharton High School (approximately 1.8 miles from the District) are expected to serve the District.

Wharton Elementary, Wharton Junior High School and Wharton High School were each rated “below average” by GreatSchools.org. According to the Texas Education Agency accountability reports for 2022-2023, Wharton Junior High School was rated “C” and Wharton Elementary School and Wharton High School were rated “D”. The 2023-2024 accountability ratings are not available. The categories for public school districts and public schools are A, B, C, D or F.

## **Environmental**

Site Evaluation. A Phase I Environmental Site Assessment (a “Phase One ESA”) of the land within the District was completed on September 6, 2022, by InControl Technologies. Based on the information presented in the Phase One ESA, there was no evidence of recognized environmental conditions, historical recognized environmental conditions or controlled recognized environmental conditions involving the site. Additionally, InControl Technologies completed an aquatic resource site assessment and based on field observations and such review, did not observe any evidence of wetland habitat or special aquatic resources in the District that would be subject to USACE Clean Water Act 404 permitting.

Geotechnical Reports. A geotechnical exploration report covering the property in the District (the “Geotech”) was performed by Geotech Engineering and Testing in November 2022. The Geotech made recommendations for design and construction of the proposed post-tensioned slab foundations, underground utilities, paving and detention ponds. The Developer is following all such recommendations.

Endangered Species. According to the website for the Texas Parks & Wildlife, the Attwater’s greater prairie-chicken, whooping crane, interior least tern and the Texas pimpleback are endangered species in the County. The Developer is not aware of any endangered species located on District property.

## **Utilities**

Water and Wastewater. In accordance with the Development Agreement, the City will provide retail water and wastewater service to the District. The City currently has capacity to serve the District. See “THE DISTRICT — Utilities.”

Other Utilities. Additional utilities to be provided by the following entities:

Phone/Internet	Hotwire High Speed Internet/ AT&T
Electric	CenterPoint Electric
Gas	CenterPoint Gas

## **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 might 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 that it owns in a development. Furthermore, there is no restriction on the developer’s right to sell any or all of the land that the developer owns within a development. The developer is ordinarily the major tax and assessment payer within a district during its development.



## **Description of the Developer**

The Developer is a single-purpose entity created, owned and managed by its members, Jim/Judy Land Company, LLC, DEZHC, LLC, Brian Jarrard and Jim Maddox Properties, LLC, for the purpose of acquiring and developing a single-family residential subdivision in the City. Brian Jarrard is the Managing Member of the Developer. 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 by members of the Developer. 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 timely payments on the Bonds.

Below is a description of Brian Jarrard's experience with special districts.

### **Municipal Utility District (MUD) Experience:**

Rayford Road MUD: Development of several sections of lots and grocery-anchored retail center within a large, established MUD of over 4,000 homes. Oversaw the project management and reimbursement of approximately \$10,000,000 in developer proceeds.

Montgomery County MUD No. 99: Oversaw creation of the MUD and entitlement of 400 acres for single-family development. Approximately \$27,500,000 in bonds have been issued for developer reimbursement.

Montgomery County MUD No. 115: Oversaw creation of the MUD and entitlement of approximately 700 acres of land for single-family development. Managed all development within the MUD and oversaw reimbursement to developer of approximately \$40,000,000 in bond proceeds.

Montgomery County MUD No. 127: Oversaw creation of the MUD and entitlement of approximately 830 acres for residential and commercial development. Oversaw all development within the MUD including over 500 homes, 80 acres of retail and 25 acres of multi-family. The project is ongoing, but to date has issued approximately \$30,000,000 in bonds for developer reimbursement.

Cypress Hill MUD: Managed development of two retail shopping centers within the MUD and secured developer reimbursement for eligible costs

Northwest Harris County MUD No. 5: Annexation and development of approximately 200 homes. Developer reimbursement of approximately \$7,000,000.

Brookshire MUD: Annexation and entitlement of approximately 175 acres of land to serve 550 homes. A defined area was created and bonds authorized to reimburse the developer approximately \$20,000,000.

Stanley Lake MUD: Annexation and entitlement of approximately 86 acres of land to serve 280 homes. A defined area was created and bonds authorized to reimburse the developer approximately \$17,000,000.

### **Public Improvement District (PID) Experience**

City of Houston: Development of 86 single-family lots within the Spring Branch area of the City of Houston.

City of Brazoria: Creation of City's first PID and tax increment reinvestment zone to develop approximately 200 homes. Construction commenced late 2024.

City of Angleton: Development of 345 lots and creation of two PIDs. Approximately \$10,000,000 in developer reimbursements.

## **Executive Biographies**

James R. Holcomb (Managing Member of Jim/Judy Land Company, LLC and Founder of Holcomb Properties). As an industry veteran of over 50 years, Jim Holcomb has been responsible for the development and sale of countless properties and has created some of the most iconic and desirable master-planned communities in the area.

One of his flagship projects, Imperial Oaks, now contains over 7,000 homes, multiple retail shopping centers, multi-family and hundreds of acres of parks and amenity areas. Mr. Holcomb was named GHBA's "Developer of the Year" in 2008 and again in 2018.

*Brian Jarrard (Managing Member of the Developer)*. Since joining Holcomb Properties as Director of Land Development in 2006, Brian has been responsible for all aspects of land development, including the planning, financing, construction, management, and marketing of various real estate projects. As President of Jarrard Development, Brian utilizes his extensive experience by providing consulting services and project representation homebuilders and landowners in addition to managing developments of which he is a principal. Currently, Brian is managing the development of approximately 3,000 lots in various stages of production in the Greater Houston Area. Brian is a licensed Real Estate Broker in the State of Texas and a member of the Houston Area Association of Realtors.

*Lee Zieben (Managing Member of DEZHC, LLC)*. Lee Zieben is the managing member of DEZHC, LLC and the Founder and President of Zieben Group ("ZG"). Mr. Zieben serves as the visionary for all of ZG's investments and is heavily involved in all aspects of project site selection, design coordination and implementation, project financing and asset management. His experience includes almost two decades as an award-winning residential developer of projects with a cumulative value of over \$800 million.

A strong advocate for his community, Mr. Zieben currently serves as an active Board Member of the Houston Museum of Health and Silicon Valley Venture Fund. He previously served in the following board positions: Board Co-Chair for Texas Southern University Jones School of Business, Board Member of the University of Houston's College of Technology, Advisory Board Member for Teach For America, and was appointed by Governor Perry to the Texas Online Authority.

*Jim Maddox (Founder of Jim Maddox Properties, LLC)*. In 1970, Jim Maddox started his career selling rural land in Grimes County and gradually worked his way back to Houston selling land to investors and developers. In 1996, he started developing stores for Walgreens with his first store on HWY 6 at Forest Trails in Copperfield. Eventually Mr. Maddox became a Walgreens Preferred Developer and built 11 stores in Houston, Austin, College Station, Waco and Corpus Christi. He also consults and develops dialysis clinics for a group of 5 doctors whose tenant is U.S. Renal Care. Current single-family projects are 93 lots in Sugar Land, 40 lots in east Houston and 189 lots in Bay City. Current proposed and active developments include projects in Wharton, Bay City, Sugar Land, Montgomery, Wallis, and more.

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

On November 15, 2022, the Developer purchased the land within the District through two separate transactions for a total purchase price of \$1,381,000.86. The Developer financed such purchase with internal cash funding.

The Developer financed construction within Phase #1 and the Amenities through proceeds of a promissory note (the "Note") related to a loan and security agreement between Third Coast Bank (the "Lender"), the Developer, as debtor, and HFREL Management, LLC ("HFREL") and ZG Real Estate Holdings, LP ("ZG Holdings" and, together with HFREL, the "Guarantor"), dated December 28, 2023, with an initial principal amount of \$4,817,105, as amended on March 28, 2025 to \$5,650,360 (the "Loan"). The structure of the facility is a non-revolving acquisition and development loan, with an interest rate of the lesser of the (a) the Maximum Rate (as defined in the Note) or (b) the greater of (i) the Prime Rate plus 0.50% and (ii) 5.50%, and is secured by the Developer's right, title and interest in and the District, the lot purchase agreements with Lennar and an assignment of the receivables under the Reimbursement Agreement. The Loan has a maturity date of December 28, 2026, with an option to extend for 12 months. The loan is secured by a first lien on land, lot sales, and PID reimbursements. As of May 15, 2025, the outstanding principal balance of the loan is \$1,407,655.69. In connection with the Loan, pursuant to Guaranty Agreements, the Guarantor (i) guarantees to Lender (a) the punctual payment of all amounts due under the Loan documents when due and (b) the timely construction of the Phases #1-2 Authorized Improvements and (ii) assumes liability and indemnifies Lender for losses incurred by the Lender resulting from certain actions of the Developer or Guarantor related to the Development.

Pursuant to the Performance Deed of Trust and Security Agreement (the "Performance DOT"), to secure payment and performance of the Developer's obligation to pay Jim/Judy Land Company, LLC and DEZHC, LLC

(together, the “Beneficiaries”), all amounts required to be distributed to such entities under the Developer’s Limited Liability Company Agreement, the Developer granted and conveyed to James R Holcomb, as trustee, among other things, the Developer’s rights, title and interest in the land within the District and the improvements thereon and all contracts and agreements relating to the development of the District (the “Mortgaged Property”). The Performance DOT grants the trustee the authority to sell the Mortgaged Property upon a default in performance or payment of the obligations thereunder. The Beneficiaries signed a Subordinated and Intercreditor Agreement with the Lender and the Developer, whereby the Beneficiaries agreed that the Performance DOT is subordinated to the payment in full of the Loan and the liens securing the Performance DOT is subordinated to the lien securing the Loan. The Performance DOT is released from land within the District as it is sold to homebuilders.

The PID Act provides that the Assessment Lien is a first and prior lien against the Assessed Property within Phases #1-2 of the District and is superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes. The Lender has agreed to consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Loan to the Assessment Lien on property within Phases #1-2 securing payment of the Assessments at or prior to the Closing Date. As a result, the lien on the property within Phases #1-2 securing the Assessments will have priority over the lien on the property within Phases #1-2 securing the Loan.

### **APPRAISAL OF PROPERTY WITHIN THE DISTRICT**

Barletta & Associates, Inc. (the “Appraiser”) prepared an appraisal report for the City and the Underwriter dated January 16, 2025, based upon a physical inspection of the District conducted on January 14, 2025 (the “Appraisal”). The Appraisal was prepared at the request of the City and the Underwriter. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX G 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 G — Appraisal of the District.”

The Appraiser estimated the “as complete” retail value of 44 lots with homes within Phase #1, the “as-is” bulk market value of 55 lots within Phase #1 and the “upon completion” bulk market value of the 124 lots within Phase #2 under certain hypothetical conditions. The Appraisal does not reflect the value of the District as if sold to a single purchaser in a single transaction. The hypothetical conditions include the assumptions that all of the Phase #2 Improvements have been completed in accordance with plans and specifications as of the dates specified below. See “THE PHASES #1-2 AUTHORIZED IMPROVEMENTS,” “THE DEVELOPMENT — Lot and Home Development” and “APPENDIX G — Appraisal of the District.”

The value estimate for the Assessed Property using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, (i) as of January 14, 2025, with respect to the 44 lots with homes within Phase #1, is \$11,011,111, (ii) as of January 14, 2025, with respect to the remaining 55 lots within Phase #1 is \$3,038,889, and (iii) as of June 30, 2025, with respect to the 124 lots within Phase #2, is \$6,580,000. None of the City, the Developer or the Underwriter makes any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the City, the Developer and the Underwriter make no representation as to the reasonableness of such assumptions.

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

### **THE PID ADMINISTRATOR**

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

The City has entered into an agreement for administration of the District (the “MuniCap Agreement”) with MuniCap to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The MuniCap Agreement includes seven general types of services provided by MuniCap: (i) administrative support services related to the Assessments, (ii) delinquency management, (iii) prepayment of Assessments, (iv) arbitrage rebate services, (v) continuing disclosure services, (vi) accounting and audit coordination and (vii) IRS compliance monitoring.

MuniCap is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. MuniCap is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. MuniCap periodically donates to certain charitable or public events hosted by the City.

### **BONDHOLDERS’ RISKS**

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

**THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM A FIRST LIEN ON, SECURITY INTEREST IN, AND PLEDGE OF 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 TRUST ESTATE 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 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 TRUST ESTATE.**

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. See “— Limited Secondary Market for the Bonds” herein.

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. See “— No Credit Rating” herein.

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

Each Initial Purchaser 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 each Initial Purchaser, 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 Initial Purchaser can afford a complete loss of its investment in the Bonds.

## **General Factors Relating to Payment of the Bonds**

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 property within the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such property.

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

## **Assessment Limitations**

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

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

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

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

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the applicable 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 respective**

**Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property.** It is unclear under State law whether or not Pre-existing Homestead Rights would prevent the Assessment Lien from attaching to such homestead property or instead cause the Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

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

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

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

#### **State Law Requiring Notice of Assessment; Failure of Developer to Deliver Required Notice Pursuant to Texas Property Code**

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 for the purchase of such real property, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the intended purchaser is entitled to terminate the contract of purchase and sale. If the Developer does 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 should be prepaid. See “DESCRIPTION OF THE BONDS — Redemption Provisions.” In the event of such prepayment, a partial redemption of the Bonds could occur. On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further, if the Developer does not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The forms of notice to be provided to homebuyers are attached as Appendix E to the Service and Assessment Plan and will be included in each Annual Service Plan Update. See “Appendix C — Form of Service and Assessment Plan.”

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

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

special assessments under the PID Act. The 89th Legislative Session of the State convened on January 14, 2025 and concluded on June 2, 2025. 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. It is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

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

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

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

The real estate market is currently experiencing a slowing of new home sales and new home closings due in part to rising inflation and mortgage interest rates. It is difficult to determine what effects the tariffs imposed by the federal administration and the retaliatory tariffs against the United States will have on inflation and mortgage interest rates. Downturns in the real estate market, mortgage rates, and other factors beyond the control of the Developer, including general economic conditions, may impact the timing of parcel, lot, and home sales within the District. No assurances can be given that projected home prices and buildout values presented in this Limited Offering Memorandum will be realized.

### **Risks Related to Increase in Costs of Building Materials and Labor Shortages**

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's impositions and threatened impositions of tariffs and the imposition or threatened imposition of retaliatory tariffs against the United States will impact the ability of the Developer to estimate costs. If the cost of materials remains high or increase, it may affect the ability of the Developer to complete the Phase #2 Improvements or the ability of Lennar to construct homes within the District. There is no way to predict whether such cost increases will continue or the affect such increases may have on the development of the District. See "THE DEVELOPER — History and Financing of the District."

The federal administration's immigration policies may impact the State's workforce. Undocumented construction workers make up a large percentage of construction workers in the State. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages, particularly in construction. Labor shortages will impact the Developer's ability to construct the Phase #2 Improvements and Lennar's ability to construct homes within the District.

### Completion of Homes

The cost and time for completion of homes by Lennar or any other homebuilder within the District is uncertain and may be affected by 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 conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes yet to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer.

### Competition

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

Competitive projects in the area include, but are not limited to the following:<sup>(1)</sup>

<u>Project Name</u>	<u># of Units</u>	<u>Proximity to Development</u>	<u>Developer</u>	<u>Date Started</u>	<u>Actual/Expected Date of Completion</u>	<u>Prices</u>	<u># of Units Remaining</u>
Valor Park – Bay City	230	20 miles	Lynn Development	Jan 2023	Phase 1 – Jan 2024	\$225k - \$300k	150
Russell Ranch – Bay City	189	20 miles	Maddox Properties	October 2023	October 2024	\$250k - \$350k	160
Emberly – Beasley	2,000	16 miles	Starwood	Early 2023	2023	\$200s - \$500s	1,500

<sup>(1)</sup> Provided by the Developer.

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

### Lien Foreclosure and 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. See "OVERLAPPING TAXES AND DEBT."



## **Direct and Overlapping Indebtedness, Assessments and Taxes**

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

Additionally, each homeowner will be required to pay an average annual installment of \$3,016.61 and \$3,142.31 for the 40’ and 45’ lots within Phase #1, respectively, and \$2,995.94 and \$3,120.78 for the 40’ and 45’ lots within Phase #2, respectively (assuming the full TIRZ Annual Credit Amount is applied), in addition to the overlapping taxes. If the full TIRZ Annual Credit Amount is not realized the Annual Installment will be higher and it may become difficult for a homeowner to pay its mortgage, taxes and Annual Installment. If the amount of delinquent installments exceeds amounts on deposit in the Additional Interest Account, a draw on the Reserve Account may be necessary thus depleting debt service reserves. See “OVERLAPPING TAXES AND DEBT” and “ASSESSMENT METHODOLOGY — Assessment Amounts.”

## **Depletion of Accounts of the 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 Reserve Account and the Additional Interest Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Reserve Account of the Reserve Fund will be fully funded from the proceeds of the Bonds; however, funding of the Additional Interest Reserve Account is accumulated over time, by the mechanism described in “SECURITY FOR THE BONDS — Reserve Fund – Additional Interest Reserve Account Provisions.”

The Indenture provides that if after a withdrawal from the Reserve Account the amounts therein are less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account sufficient to cure such deficiency. The Indenture also provides that if the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall resume depositing the Additional Interest into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. See “SECURITY FOR THE BONDS — Reserve Account – Reserve Account Provisions” and “– Additional Interest Reserve Account Provisions.”

## **TIRZ Annual Credit Amount and Marketing of the Development**

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraisal value in the TIRZ in any year. Any delay or failure by the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. The ability of the TIRZ Annual Credit Amount to reduce the Annual Installments within the District is dependent on the actual buildout values in the District meeting the projections for the estimated buildout value described in the Service and Assessment Plan. See “OVERLAPPING TAXES AND DEBT” and “APPENDIX C — Service and Assessment Plan.”

If the City contributes the TIRZ Revenues to the payment of the Phases #1-2 Authorized Improvements, the City will deposit less tax revenue into its general fund for use on public services, such as police and fire protection. Application of the TIRZ Annual Credit Amount may affect the City’s ability to provide for such basic services.

It is uncertain what impact, if any, the TIRZ Annual Credit Amount application to the Annual Installments will have on the underwriting of residential mortgages. If the underwriter of residential mortgages does not recognize the TIRZ Annual Credit Amount, it may make it more difficult for a borrower to qualify for a home mortgage which could have a negative impact on home sales and projected absorption.

## **Hazardous Substances**

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

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

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

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

## **Regulation**

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

## **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 DISTRICT — Utilities.”

## **100-Year Flood Plain**

All 99 lots within Phase #1 were in the 100-year flood plain (the “Floodplain”) as shown on the current Federal Emergency Management Agency’s Flood Insurance Rate Map Community Panel No. 48481C0365F, dated December 21, 2017 (the “Flood Map”). The Developer submitted an application for a Letter of Map Revision (“LOMR”) to remove such land from the Floodplain. The Federal Emergency Management Agency (“FEMA”) issued a Letter of Map Revision Based on Fill Determination (“LOMR-F”) removing all such land from the Floodplain. Additionally, all 124 lots within Phase #2 are in the Floodplain as shown on the Flood Map. The Developer has submitted a LOMR to remove such land from the Floodplain to the City. Upon approval by the City, the LOMR will be submitted to FEMA. The Developer expects to receive a determination on the LOMR by September 1, 2025.

FEMA will from time to time revise its Flood Insurance Rate Maps. None of the City, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such

revisions may result in homes that are currently outside of the 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may occur more often than assumed in creating the rate maps.

### **Risk from Weather Events**

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

### **Exercise of Mineral Rights**

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

The Developer does not expect the existence or exercise of any mineral rights or related 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, the Developer provides no representations, warranties or other assurances with respect to the existence or exercise of any mineral rights or related real property rights in or around the District. Furthermore, none of the City, the Financial Advisor, or the Underwriter provide any assurances as to such Developer expectations.

### **Bondholders’ Remedies and Bankruptcy of Property Owners**

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, and upon the written request of the Owners of at least 25% of the Bonds then Outstanding 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 action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by the Indenture or by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained therein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City’s obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so its use rests within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on 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 — Chapter 9 Bankruptcy Limitation to Bondholders’ Rights” herein.

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

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

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

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

## **Judicial Foreclosures**

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted (subject to provisions set forth in the Indenture) to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the 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 Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

### **No Acceleration**

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

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

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

### **No Credit Rating**

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. 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.

### **Chapter 9 Bankruptcy Limitation to Bondholders’ Rights**

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

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

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

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 EXEMPTION,” interest on the

Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

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

As further described in “TAX EXEMPTION” 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. In the past, the IRS has announced audit efforts focused in part on “developer-driven bond transactions,” including certain tax increment financings and certain assessment bond transactions. It cannot be predicted if this IRS focus could lead to an audit of the Bonds or what the result would be of any such audit. If an audit of the Bonds is commenced, under current procedures parties other than the City would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, regardless of the outcome, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds. Finally, if the IRS ultimately determines that the interest on the Bonds is not excluded from the gross income of Bondholders for federal income tax purposes, the City may not have the resources to settle with the IRS, the Bonds are not required to be redeemed, and the interest rate on the Bonds will not increase.

### **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 projects comparable to the Development.

### **Dependence Upon Developer and Lennar**

As of May 14, 2025, the Developer and Lennar have the obligation for payment of 34.49% and 48.37%, respectively, of the Assessments. The ability of the Developer and Lennar 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. 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. See “THE DEVELOPER — Description of the Developer.”

### **Use of Appraisal**

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation 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 the properties in the District is considered by the Appraiser to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analyses, an 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 to certain factual matters. Furthermore, the Appraiser's analysis, opinions and conclusions are necessarily based upon market, economic, financial, and other circumstances and conditions existing prior to the valuation and date of the Appraisal.

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

## **TAX EXEMPTION**

### **Opinion of Bond Counsel**

In the opinion of Hunton Andrews Kurth LLP, Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code (as defined below)) for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds. See "APPENDIX D — Form of Opinion of Bond Counsel."

Bond Counsel's opinion is given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the City to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions", 63 Bus. Law. 1277 (2008) and "Legal Opinion Principles", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

### **Alternative Minimum Tax**

*Individuals* – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

*Applicable Corporations* – Bond Counsel’s opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an “applicable corporation” generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

## **Other Tax Matters**

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

## **Original Issue Discount**

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the “Discount Bonds”). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder’s basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder’s adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder’s basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.



## **Bond Premium**

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State, payable from the proceeds of 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.

Hunton Andrews Kurth LLP serves as Bond Counsel to the City. Orrick, Herrington & Sutcliffe LLP serves as Underwriter's Counsel. The City expects to pay the legal fees of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. The legal fees paid to 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, limited 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, limited obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from and secured by a pledge of and lien on the Trust Estate. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX EXEMPTION," including the alternative minimum tax on certain corporations. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the legal opinion of Bond Counsel will make no statement as to such or any other information that may have been relied on by anyone in making the decision to purchase Bonds. A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX D —Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds," "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS," "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT" (except for the subcaption "— Utilities"), "TAX EXEMPTION," "LEGAL MATTERS — Legal Proceedings," "LEGAL MATTERS — Legal Opinions," "CONTINUING DISCLOSURE — The City," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and APPENDIX B and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinances 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 Ordinances 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**

On the Closing Date, the City will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to its knowledge, overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of Assessments securing the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Ordinances, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Trust Estate, 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**

On the Closing Date, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Reimbursement Agreement, the Development Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds.

## **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 of Property Owners.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by governmental immunity, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery, and by general principles of equity that permit the exercise of judicial discretion.

## **NO RATING**

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

## **CONTINUING DISCLOSURE**

### **The City**

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

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

### **The City’s Compliance with Prior Undertakings**

Except as described below, during the last five years the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. Due to an administrative oversight, the City failed to file certain operating data for fiscal years ending 2020-2024. The City filed notices of failure to file such operating data on June 4, 2025 and June 5, 2025. Additionally, the City did not timely file a notice of material event regarding the incurrence of a financial obligation in connection with the issuance of its (i) Tax Notes, Series 2020 (“Series 2020 Tax Note”), (ii) Tax and Revenue Certificates of Obligation, Series 2021 (“Series 2021 CO’s”) and (iii) Combination Tax and Surplus Revenue Certificates of Obligation, Series 2021A (“Series 2021A CO’s”). The City filed a notice of material event and the related notice of failure to file in connection with the Series 2020 Tax Note on April 14, 2025. The City filed notices of material event and the related notices of failure to file in connection with the Series 2021 CO’s and Series 2021A CO’s on June 4, 2025. The City has implemented policies and procedures to ensure timely filing of all operating data and material event notices in the future.

### **The Developer**

The Developer, the PID Administrator and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Developer”), for the benefit of the owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Developer, certain information regarding the Development and the Phases #1-2 Authorized Improvements (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Developer Reports is set forth in “APPENDIX E-2 — Form of Disclosure Agreement of the Developer.” Under certain circumstances, the failure of the Developer or the PID Administrator to comply with its obligations under the Disclosure Agreement of the Developer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Developer

would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

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

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

The Developer has not previously entered into any continuing disclosure agreements related to the issuance of public securities.

## **UNDERWRITING**

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

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of 1933 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.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

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

## **INVESTMENTS**

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above or clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two

nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

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

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

Under State law, the City’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the City’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting

period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

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

### **INFORMATION RELATING TO THE TRUSTEE**

The City has appointed U.S. Bank Trust Company, 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.usbank.com](http://www.usbank.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.

## **Developer**

The information contained in this Limited Offering Memorandum relating to the description of the Phases #1-2 Authorized Improvements, the Development and the Developer generally and, in particular, the information included in all of the maps herein and in the sections captioned “PLAN OF FINANCE” (except for the subcaption “— The Bonds”), “OVERLAPPING TAXES AND DEBT — Homeowners’ Association,” “THE PHASES #1-2 AUTHORIZED IMPROVEMENTS,” “THE DISTRICT — Development Agreement,” “THE DEVELOPMENT,” “THE DEVELOPER,” “BONDHOLDERS’ RISKS” (only as it pertains to the Developer, the Phases #1-2 Authorized Improvements and the Development), “LEGAL MATTERS — Litigation — The Developer,” “CONTINUING DISCLOSURE — The Developer” and “— The Developer’s Compliance with Prior Undertakings,” “APPENDIX E-2,” and “APPENDIX F” 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. On the Closing Date, 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 MuniCap, Inc. 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. The Appraiser has consented to the inclusion of the Appraisal herein.

## **Updating of Limited Offering Memorandum**

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

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of



1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED 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**

The City Council will approve the form and content of this Preliminary Limited Offering Memorandum and the use thereof by the Underwriter in connection with the marketing and sale of the Bonds. In the Bond Ordinance, the City Council will approve the form and content of the final Limited Offering Memorandum.

CITY OF WHARTON, TEXAS

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Mayor

ATTEST:

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City Secretary

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY AND SURROUNDING AREA

The following information has been provided for informational purposes only.

#### General Information

The City, located in Wharton County, is a political subdivision and duly incorporated home rule city of the State and operates under a Mayor and a City Council comprised of six members. The Mayor and all six Council members are elected at-large for two-year staggered terms. The City's current estimated population is 8,742.

#### Historical Employment in Wharton County (Average Annual)

	Average Annual				
	2025 <sup>(1)</sup>	2024	2023	2022	2021
Civilian Labor Force	19,689	19,489	19,393	18,804	18,610
Total Employed	18,915	18,645	18,561	17,989	17,415
Total Unemployed	774	844	832	815	1,195
Unemployment Rate	3.9%	4.3%	4.3%	4.3%	6.4%

<sup>(1)</sup> Data through April of 2025.  
Source: Texas Labor Market Information.

#### Ten Largest Employers in the City

The ten largest employers in the City for fiscal year 2022 are set forth in the table below.

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Wharton ISD	Education	393
Wharton County Junior College	Education	362
Wharton County	Government	241
Buc-ee's	Gas Station	205
Wharton County Foods	Retail	203
HEB Food Store	Grocery Retail	173
Wal-Mart	Grocery Retail	165
Nan Ya Plastics	Ridged PVC Film	150
City of Wharton	Government	141
J-M Manufacturing	PVC Pipe	128

Source: Municipal Advisory Council of Texas

## Surrounding Economic Activity

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

City of Richmond, TX Approximately 30 Miles from Wharton		City of Sugar Land, TX Approximately 40 Miles from Wharton		City of Katy, TX Approximately 50 Miles from Wharton	
Employer	Employees	Employer	Employees	Employer	Employees
Lamar CISD	5,103	Methodist Sugar Land Hospital	2,459	Katy Mills	2,800
Fort Bend County	2,942	Schlumberger	2,118	Katy ISD	2,585
Richmond State School	1,300	Memorial Hermann Sugar Land	1,035	Amazon	1,500
Oak Bend Medical Center	1,166	Fluor Enterprises, Inc.	925	Igloo	1,250
Oak Bend Hospital	1,115	ChampionX	800	Typhoon Texas	1,140
HEB Grocery Company	650	Accredo Packaging	576	HEB Grocery/Gas	432
Wharton County Junior College	339	QuVa Pharma Inc.	518	Wal-Mart Stores #3226	363
Access Health	253	St. Luke's Hospital Sugar Land	500	Southern Glazers Wine	334
NRG WA Parish Power Plant	250	HCSS	425	Costco	317
City of Richmond	179	Applied Optoelectronics	357	Buc-ee's	298

City of Houston, TX Approximately 60 Miles from Wharton	
Employer	Employees
Memorial Hermann Health System	35,360
Wal-Mart	29,797
HEB	29,657
Houston Methodist	26,098
University of Texas MD Anderson Cancer Center	21,576
HCA Houston Healthcare	15,000
Kroger Company	14,868
ExxonMobil	13,000
United Airlines	11,900
Schlumberger Limited	11,700

Friendswood, TX Approximately 75 Miles from Wharton	
Employer	Employees
Friendswood ISD	817
HEB	505
City of Friendswood	258
Kroger	226
Clear Creek ISD	173
McDonalds	102
Friendship Haven Nursing Home	100
U.S. Post Office	75
Morada (Formerly Atria)	72
UTMB	60

Source: Municipal Advisory Council of Texas.

APPENDIX B  
FORM OF INDENTURE

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**INDENTURE OF TRUST**

**By and Between**

**CITY OF WHARTON, TEXAS**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
as Trustee**

**DATED AS OF JULY 1, 2025**

**SECURING**

**\$ \_\_\_\_\_  
CITY OF WHARTON, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)**

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## INDENTURE OF TRUST

THIS INDENTURE, dated as of July 1, 2025 is by and between the CITY OF WHARTON, TEXAS (the “City”), and U.S. BANK TRUST COMPANY, 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 I.

WHEREAS, a petition was submitted and filed with the City Secretary of the City (the “City Secretary”) pursuant to the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code (the “PID Act”), requesting the creation of a public improvement district located within the extraterritorial jurisdiction of the City to be known as the Wharton Public Improvement District No. 2 (the “District”); and

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

WHEREAS, on October 23, 2023 after due notice, the City Council of the City (the “City Council”) held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the petition as required by Section 372.009 of the PID Act; and

WHEREAS, on October 23, 2023, the City Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 2023-88, adopted by a majority of the members of the City Council, authorized the creation of the District in accordance with its findings as to the advisability of the improvement projects and also made findings and determinations relating to the estimated total costs of certain Authorized Improvements; and

WHEREAS, on October 27, 2023 the City Secretary filed a copy of Resolution No. 2023-88 with the county clerk of Wharton County, the county in which all of the District is located in accordance with the provisions of the PID Act; and

WHEREAS, no written protests of the District from any owners of record of property within the District were filed with the City Secretary within 20 days after October 23, 2023; and

WHEREAS, on January 8, 2024, the land within the District was incorporated into the corporate limits of the City; and

WHEREAS, on April 8, 2024, the City Council by Resolution No. 2024-42 made findings and determinations relating to the Actual Costs of certain Phase #1 Projects, received and accepted a preliminary service and assessment plan and a proposed assessment roll for Phase #1, called a public hearing for May 13, 2024 and directed City staff to (i) file the proposed assessment roll with the City Secretary and to make it available for public inspection as required by Section 372.016(b) of the PID Act, and (ii) publish and mail such notice relating to the May 13, 2024 hearing as required by Section 372.016(b) of the PID Act; and

WHEREAS, on May 1, 2024, City staff, pursuant to Section 372.016(b) of the PID Act, published notice of the public hearing in the *Wharton County Leader Journal*, a newspaper of general circulation in the City and in the part of the corporate limits of the City in which the District is located, to consider the

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

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

WHEREAS, the City Council opened and convened the hearing on May 13, 2024, and at such public hearing all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the proposed Service and Assessment Plan, the proposed Phase #1 Assessment Roll, and the proposed Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of estimated costs of the Phase #1 Projects to the Assessed Property within Phase #1 of the District, the purposes of the Assessments, the special benefits of the Phase #1 Projects, and the penalties and interest on Annual Installments of the Assessments and on delinquent Annual Installments; and

WHEREAS, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of estimated costs of the Phase #1 Projects to the Assessed Property within Phase #1 of the District, the Phase #1 Assessment Roll, and the levy of the Assessments; and

WHEREAS, the City Council closed the hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, the City Council approved and accepted Ordinance No. 2024-08, which levied the Assessments on Assessed Property within Phase #1, and approved and accepted the Service and Assessment Plan, including the Phase #1 Assessment Roll, in conformity with the requirements of the PID Act; and

WHEREAS, the City Council found and determined that the Assessments should be levied on the Assessed Property within Phase #1, as provided in the Service and Assessment Plan; and

WHEREAS, the City Secretary of the City filed a copy of the Phase #1 Assessment Ordinance not later than the seventh day after the date the City Council approved the Phase #1 Assessment Ordinance and the Service and Assessment Plan with the County Clerk of Wharton County; and

WHEREAS, on May 27, 2025, the City Council by Resolution No. 2025-\_\_\_\_\_ made findings and determinations relating to the Actual Costs of certain Phase #2 Projects, received and accepted a preliminary update to the Service and Assessment Plan and a proposed assessment roll for Phase #2, called a public hearing for June 23, 2025 and directed City staff to (i) file the proposed assessment roll with the City Secretary and to make it available for public inspection as required by Section 372.016(b) of the PID Act, and (ii) publish and mail such notice relating to the June 23, 2025 hearing as required by Section 372.016(b) of the PID Act; and

WHEREAS, on June \_\_, 2025, City staff, pursuant to Section 372.016(b) of the PID Act, published notice of the public hearing in the *Wharton County Leader Journal*, a newspaper of general circulation in the City, to consider the proposed Service and Assessment Plan, the Phase #2 Assessment Roll, and the levy of the Assessments on the property within Phase #2 of the District; and

WHEREAS, City staff, pursuant to Section 372.016(c) of the PID Act, mailed notice of the public hearing to consider the proposed Phase #2 Assessment Roll, the Service and Assessment Plan, and the levy

of the Assessments on property within Phase #2 of the District, to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, the City Council opened and convened the hearing on June 23, 2025, and at such public hearing all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the proposed Service and Assessment Plan, the proposed Phase #2 Assessment Roll, and the proposed Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of estimated costs of the Phase #2 Projects to the Assessed Property within Phase #2 of the District the purposes of the Assessments, the special benefits of the Phase #2 Projects, and the penalties and interest on Annual Installments of the Assessments and on delinquent Annual Installments; and

WHEREAS, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of estimated costs of the Phase #2 Projects to the Assessed Property within Phase #2 of the District, the Phase #2 Assessment Roll and the levy of the Assessments; and

WHEREAS, the City Council closed the hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, the City Council approved and accepted Ordinance No. 2025-\_\_\_\_\_, which levied the Assessments on the Assessed Property within Phase #2, and approved and accepted the updated Service and Assessment Plan, including the Phase #2 Assessment Roll, in conformity with the requirements of the PID Act; and

WHEREAS, the City Council found and determined that the Assessments should be levied on the Assessed Property within Phase #2, as provided in the Service and Assessment Plan; and

WHEREAS, the City Secretary of the City filed a copy of the Phase #2 Assessment Ordinance not later than the seventh day after the date the City Council approved the Phase #2 Assessment Ordinance and the Service and Assessment Plan with the County Clerk of Wharton County; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purpose of (i) paying a portion of the Actual Costs of the Phases #1-#2 Authorized Improvements, (ii) paying a portion of the costs incidental to the organization and administration of the District, (iii) paying certain capitalized interest on the Bonds, and (iv) paying the Bond Issuance Costs, including funding a reserve fund and other costs related to the issuance of the Bonds; and

WHEREAS, the City Council now desires to issue revenue bonds, in accordance with the PID Act, such bonds to be entitled “City of Wharton, Texas Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project)” (the “Bonds”), such Bonds being payable solely from the Trust Estate and for the purposes set forth in the preamble of this Indenture; and

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

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered and the Trust Estate hereby created, assigned, and pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the 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 I

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.1. Definitions.

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

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

“Actual Costs” means with respect to a Phases #1-2 Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Phases #1-2 Authorized Improvement, as specified in a Certificate for Payment that has been reviewed and approved by the City. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Phases #1-2 Authorized Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Phases #1-2 Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Phases #1-2 Authorized Improvement, (d) the costs for external professional costs associated with such Phases #1-2 Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (property and franchise), (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Phases #1-2 Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, City permit fees, development fees), insurance premiums, and miscellaneous expenses.

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

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

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

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

“Additional Obligations” means any bonds or obligations (including specifically, any installment contracts, reimbursement agreements, temporary notes, or time warrants) secured in whole or in part by an

assessment, other than the Assessments securing the Bonds, levied against property within the District in accordance with the PID Act.

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

“Administrator” means the employee or designee of the City, identified in this Indenture relating to the Bonds or in any other agreement approved by the City Council, who shall have the responsibilities provided for in the Service and Assessment Plan. The initial Administrator is MuniCap, Inc.

“Administrative Expenses” means the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the District, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses in one year shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

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

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of the Assessments (including both principal and interest) as shown in (i) the table of Annual Installments attached to the Service and Assessment Plan as Exhibit F and related to the Phase #1 Projects and (ii) the table of Annual Installments attached to the Service and Assessment Plan as Exhibit G and related to the Phase #2 Projects; which annual payment includes the Administrative Expenses and the Additional Interest collected on each annual payment of the Assessments as described in Section 6.7 herein and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update.

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

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

“Assessed Parcel” means each Parcel of land located within Phase #1 and Phase #2 of the District against which an Assessment is levied by the applicable Assessment Ordinance in accordance with the Service and Assessment Plan.

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

“Assessment Ordinances” means, collectively, the Phase #1 Assessment Ordinance and the Phase #2 Assessment Ordinance.

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

“Assessments” means, together, the aggregate assessments shown on the Phase #1 Assessment Roll and the Phase #2 Assessment Roll. The singular of such term means the assessment levied against an Assessed Parcel, as shown on the Phase #1 Assessment Roll, the Phase #2 Assessment Roll, or in the Service and Assessment Plan, subject to reallocation upon the subdivision of an Assessed Parcel or reduction according to the provisions of the Service and Assessment Plan and the PID Act.

“Authorized Amount” shall have the meaning assigned to such term in Section 6.5(k)(1) in this Indenture.

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

“Authorized Improvements” means improvements authorized by Section 372.003 of the PID Act, including, but not limited to the Major Improvements, Phase #1 Improvements, Phase #2 Improvements, and applicable Bond Issuance Costs and Administrative Expenses, as described and listed in Section III of the Service and Assessment Plan or an Annual Service Plan Update.

“Bond” means any of the Bonds.

“Bond Counsel” means Hunton Andrews Kurth LLP or such other attorney or firm of attorneys nationally recognized as having expertise in the practice of tax exempt municipal finance law as approved by the City.

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

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

“Bond Ordinance” means Ordinance No. 2025-\_\_\_\_\_ adopted by the City Council on June 23, 2025 authorizing the issuance of the Bonds pursuant to this Indenture.

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

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



“Bonds” means the City’s bonds authorized to be issued by Section 3.1 of this Indenture entitled “City of Wharton, Texas Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project).”

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

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

“Certificate for Payment” means a certificate substantially in the form of Exhibit A to the PID Reimbursement Agreement or otherwise signed by the Developer and approved by a City Representative, delivered to a City Representative and the Trustee specifying the amount of work performed related to the Phase #1 Projects and/or the Phase #2 Projects and the Actual Costs thereof, and requesting payment for such Actual Costs from money on deposit in an account of the Project Fund, as further described in the PID Reimbursement Agreement and Section 6.5 herein.

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

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

“Closing Date” means the date of the initial delivery of and payment for the Bonds. With respect to the Bonds, the Closing Date is July 23, 2025.

“Closing Disbursement Request” means a certificate substantially in the form of Exhibit B attached to the PID Reimbursement Agreement or otherwise signed by the Developer and approved by a City Representative, delivered to a City Representative and the Trustee at the time of the Closing Date, specifying the costs incurred in the establishment, administration, and operation of the District or issuing the Bonds, and requesting payment for such costs from money on deposit in the Costs of Issuance Account of the Project Fund, as further described in Section 6.5 herein.

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

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

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

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

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office located in Houston, 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 Wharton 55, LLC, a Texas limited liability corporation and any successors or assigns that intends to develop the property in the District for the ultimate purpose of transferring title to end users.

“District” means the Wharton Public Improvement District No. 2.

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

“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.

“Favorable Opinion of Bond Counsel” means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel delivered to and in form and substance satisfactory to the Trustee to the effect that such action does not violate the laws of the State (including the PID Act), the Code, and this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

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

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

“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 to this Indenture.

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

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

“Major Improvements” means the Authorized Improvements which benefit all Assessed Property within the District and are described in Section III.B of the Service and Assessment Plan.

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

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

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

“Parcel” means a specific property within the District identified by either a tax parcel identification number assigned by the Wharton Central Appraisal District for real property tax purpose, by legal description, or by lot and block number in a final subdivision plat recorded in the Official Public Records of Wharton County, or by any other means determined by the City.

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

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

“Phase #1” means the initial phase to be developed within the District and further identified and depicted in Exhibit A in the Service and Assessment Plan.

“Phase #1 Assessment Ordinance” means Ordinance No. 2024-08 adopted by the City Council on May 13, 2024, that levied the Assessments on the Assessed Property located within Phase #1 of the District.

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

“Phase #1 Improvements” means the Authorized Improvements which only benefit the Assessed Property within Phase #1 of the District, as described in Section III.C of the Service and Assessment Plan.

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

“Phase #1 Projects” means, collectively, the Phase #1 Improvements and Phase #1’s allocable share of the Major Improvements.

“Phase #2” means the phase to be developed within the District and further identified and depicted in Exhibit A in the Service and Assessment Plan.

“Phase #2 Assessment Ordinance” means Ordinance No. 2025-\_\_\_ adopted by the City Council on June 23, 2025, that levied the Assessments on the Assessed Property located within Phase #2 of the District.

“Phase #2 Assessment Roll” means, the assessment roll attached as Exhibit G to the Service and Assessment Plan or any other assessment roll for Phase #2 of the District in an amendment or supplement to the Service and Assessment Plan or in an Annual Service Plan Update, showing the total amount of the Assessment against each Assessed Parcel related to the Bonds and the Phase #2 Projects, as updated, modified, or amended from time to time in accordance with the terms of the Service and Assessment Plan and the PID Act.

“Phase #2 Improvements” means the Authorized Improvements which only benefit the Assessed Property within Phase #2 of the District, as described in Section III.D of the Service and Assessment Plan.

“Phase #2 Improvements Account” means the Account of such name established pursuant to Section 6.1.

“Phase #2 Projects” means, collectively, the Phase #2 Improvements and Phase #2’s allocable share of the Major Improvements.

“Phases #1-2 Authorized Improvements” means, collectively, the Phase #1 Projects and the Phase #2 Projects.

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

“PID Reimbursement Agreement” means that certain Reimbursement Agreement between the City and the Developer relating to the District and the Bonds, dated as of March 25, 2024, which provides, in part, for the deposit of proceeds from the issuance and sale of the Bonds and the payment of costs of Phases #1-2 Authorized Improvements in the District, the issuance of bonds, the reimbursement of costs to the Developer from assessments or the proceeds of the bonds for funds advanced by the Developer and used to pay costs of such Phases #1-2 Authorized Improvements and other matters related thereto.

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

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

“Pledged Revenues” means the sum of (i) Assessment Revenue less the Administrative Expenses and (ii) any additional revenues that the City may pledge to the payment of Bonds.

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

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

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

“Purchaser” means the initial purchaser of the Bonds.

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

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

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

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

“Redemption Price” means, when used with respect to any Bond or portion thereof, the amount of par plus accrued and unpaid interest to the date of redemption.

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

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

“Regulations” shall have the meaning set forth in Section 7.5(a) hereof. means any proposed, temporary or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

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

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

“Reserve Account Requirement” means the least of: (i) Maximum Annual Debt Service on the Bonds as of the Closing Date of the Bonds, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date of the Bonds, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the Closing Date for the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_, which is an amount equal to the Maximum Annual Debt Service on the Bonds as of the Closing Date.

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

“Service and Assessment Plan” means the “Wharton Public Improvement District No. 2 Service and Assessment Plan” dated May 13, 2024, as updated on June 23, 2025, including the Phase #1 Assessment Roll and the Phase #2 Assessment Roll as hereinafter amended, updated, and/or restated by an Annual Service Plan Update or otherwise, a version of which is attached as an exhibit to the Assessment Ordinance.

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

“State” means the State of Texas.

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

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

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

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

“Trustee” means U.S. Bank Trust Company, 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 IX, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds.

#### Section 1.2. Findings.

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

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

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

#### Section 1.4. Interpretation.

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

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

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

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

## ARTICLE II

### GRANTING CLAUSES; SECURITY FOR THE BONDS

#### Section 2.1. Granting Clauses

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

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

(ii) Any and all other property or money of every name and nature which is, from time to time hereafter by delivery or by writing of any kind, conveyed, pledged, assigned or transferred, to the Trustee as additional security hereunder by the 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.

(b) The Trustee shall have and hold the Trust Estate, whether now owned or hereafter acquired or received by the Trustee and its successors or assigns, in trust upon the terms and trusts herein set forth for the benefit of all present and future Owners of the Bonds from time to time issued under and secured by this Indenture, and for enforcement of the payment of the Bonds in accordance with their terms, and for the performance of and compliance with the obligations, covenants, and conditions of this Indenture. Provided, however, if the 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 shall remain in full force and effect.

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

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

Section 2.2. Security for the Bonds.

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

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

Section 2.3. 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 THE BONDS SHALL NEVER BE PAYABLE OUT OF FUNDS RAISED OR TO BE RAISED BY TAXATION OR FROM ANY OTHER REVENUES, PROPERTIES OR INCOME OF THE CITY.

Section 2.4. Authorization for Indenture.

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

Section 2.5. Contract with Owners and Trustee.

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

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

##### Section 3.1. Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State, including particularly the PID Act, as amended. The Bonds shall be issued in the aggregate principal amount of \$\_\_\_\_\_ for the purpose of (i) paying a portion of the Actual Costs of Phases #1-2 Authorized Improvements, (ii) paying a portion of the costs incidental to the organization and administration of the District, (iii) paying certain capitalized interest on the Bonds, and (iv) paying the Bond Issuance Costs, including funding a reserve fund and other costs related to the issuance of the Bonds.

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

(a) The Bonds shall be dated July 23, 2025 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 I-1.

(b) Interest shall accrue and be paid on each Bond from the later of the Closing Date of the Bonds or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 15 and September 15 of each year, commencing September 15, 2025, and shall be 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>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
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(d) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article IV herein, and shall otherwise have the terms, tenor, denominations, details, and specifications as set forth in the Form of Bond set forth in Exhibit A to this Indenture.

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

(a) The Bonds 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 the following (all of which may be provided in electronic format)::

- (i) certified copies of the Assessment Ordinances;
- (ii) a certified copy of the Bond Ordinance;

- (iii) a copy of the executed PID Reimbursement Agreement;
- (iv) a copy of this Indenture executed by the Trustee and the City; and
- (v) a City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section have been delivered to the Trustee in form and substance satisfactory to the City.

Section 3.4. Medium, Method and Place of Payment.

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

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

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

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

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State, any such payments remaining unclaimed by the Owners entitled thereto for two 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 Owners of such Bonds for any

further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State.

Section 3.5. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the City by the Mayor or Mayor Pro Tem and City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds 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 hold such office 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 with respect to the Initial Bond, 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 in Exhibit A herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Trustee. It shall not be required that the same officer or authorized signatory of the Trustee sign the Certificate of Trustee on all of the Bonds. In lieu of the executed Certificate of Trustee described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State, or by his or her duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State, is a valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State.

(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 or Mayor Pro Tem and the City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser 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 shall 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 in accordance with this Indenture. The Paying Agent/Registrar represents and warrants that it will, upon written direction, file and maintain a copy of the Register with the City, and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

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

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and bearing the same interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond 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 for other Bonds in accordance with this Section. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first-class, postage prepaid, to the Owner or his designee. Each transferred Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the 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 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 redeemed in part.

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 its records retention requirements.

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 Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

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

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

Section 3.10. Replacement Bonds.

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

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

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

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

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

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

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

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

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, 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.

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.

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 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 IV

### REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1. Limitation on Redemption.

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

Section 4.2. Mandatory Sinking Fund Redemption.

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

**Term Bonds Maturing September 15, [ ]**

<u>Redemption Date</u>	<u>Sinking Fund</u>
	<u>Installment (\$)</u>

---

\*Stated Maturity

**Term Bonds Maturing September 15, [ ]**

<u>Redemption Date</u>	<u>Sinking Fund</u>
	<u>Installment (\$)</u>

---

\*Stated Maturity

---

**Term Bonds Maturing September 15, [ ]**

Redemption Date

Sinking Fund  
Installment (\$)

---

\*Stated Maturity

---

**Term Bonds Maturing September 15, [ ]**

Redemption Date

Sinking Fund  
Installment (\$)

---

\*Stated Maturity

---

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

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

(d) The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or



extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3. Optional Redemption.

The City reserves the right and option to redeem the Bonds maturing on or after September 15, \_\_, before their respective scheduled maturity date, in whole or in part, on any date on or after September 15, \_\_, such redemption date or dates to be fixed by the City, at the Redemption Price for such Bonds.

Section 4.4. Extraordinary Optional Redemption.

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

Section 4.5. Partial Redemption.

(a) If less than all of 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 multiple 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) In selecting the Bonds to be redeemed pursuant to Section 4.2, the Trustee may select Bonds in any method that results in a random selection.

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

(d) If less than all of the Bonds are called for extraordinary optional redemption pursuant to Section 4.4 hereof, the Bonds or portion of a Bond to be redeemed shall be allocated on a pro rata basis (as nearly as practicable) among all Outstanding Bonds. If less than all Bonds within a Stated Maturity are called for extraordinary optional redemption pursuant to Section 4.4 hereof, the Trustee shall call by lot the Bonds, or portions thereof, within such Stated Maturity and in such principal amounts, for redemption.

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

Section 4.6. Notice of Redemption to Owners.

(a) Upon written notification by the City to the Trustee of the exercise of any redemption to be provided no fewer than 45 days before the date fixed for redemption (or such shorter time as may be

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

(b) The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Outstanding Bonds 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 has the right to provide written direction to the Trustee to rescind any optional redemption or extraordinary optional redemption described in Section 4.3 or 4.4 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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

#### Section 4.7. Payment Upon Redemption.

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

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

#### Section 4.8. Effect of Redemption.

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

## ARTICLE V

### FORM OF THE BONDS

#### Section 5.1. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State, 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 may be typewritten and photocopied or otherwise reproduced.

#### Section 5.2. CUSIP Registration.

The City may secure identification numbers through the CUSIP Services, managed by FactSet Research Systems Inc. behalf of The American Bankers Association, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof; and none of the City, the Trustee, nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. 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 VI

### FUNDS AND ACCOUNTS

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

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

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

(b) Creation of Accounts.

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

- (A) Bond Pledged Revenue Account.

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

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

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

- (A) Phase #1 Improvements Account;
- (B) Phase #2 Improvements Account and
- (C) Costs of Issuance Account.

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

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

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

(A) District Administration Account.

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

(d) Except as set forth in Section 6.10(f), 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.

(e) The Trustee may, from time to time, upon written direction from the City pursuant to a City Certificate, create additional Funds or Accounts hereunder as may be necessary for the receipt and application of the Assessment Revenues, to account properly for the payment of the Actual Costs of the Phases #1-2 Authorized Improvements or to facilitate the payment or redemption of the Bonds.

Section 6.2. Initial Deposits to Funds and Accounts.

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

- (i) to the Capitalized Interest Account of the Bond Fund: \$\_\_\_\_\_;
- (ii) to the Reserve Account of the Reserve Fund: \$\_\_\_\_\_;
- (iii) to the Phase #1 Improvements Account of the Project Fund: \$\_\_\_\_\_;
- (iv) to the Phase #2 Improvements Account of the Project Fund: \$\_\_\_\_\_;
- (v) to the Costs of Issuance Account of the Project Fund: \$\_\_\_\_\_; and
- (vi) to the District Administration Account of the Administrative Fund: \$\_\_\_\_\_.

Section 6.3. Pledged Revenue Fund.

(a) On or before March 1 of each year while the Bonds are Outstanding and beginning March 1, 2026, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. From amounts deposited into the Pledged Revenue Fund, the City shall deposit or cause to be deposited Pledged Revenues as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due in such calendar year, (ii) second, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, in accordance with Section 6.7(a) hereof, (iii) third, to the Additional Interest Reserve Account of the Reserve Fund in an amount equal to the Additional Interest collected, if any, in accordance with Section 6.7(b) hereof, (iv) fourth, to pay Actual Costs of the Phases #1-2 Authorized Improvements, and (v) fifth, to pay other costs permitted by the PID Act.

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

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

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

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

(f) After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in an Account of the Reserve Fund, and the other deposits described in (a) above, the City may direct the Trustee, by City Certificate, to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid.

#### Section 6.4. Bond Fund.

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

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

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

<u>Date</u>	<u>Amount</u>
September 15, 2025	
March 15, 2026	
September 15, 2026	

Not later than five Business Days prior to the Interest Payment Date specified above, the Trustee shall withdraw from the Capitalized Interest Account and transfer to the Principal and Interest Account of the Bond Fund the amount specified above.

Any amounts on deposit to the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred, on a proportionate basis, (i) to the Phase #1 Improvements Account of the Project Fund and the Phase #2 Improvements Account of the Project Fund, or (ii) if one or both of those Accounts have been closed as provided in either Section 6.5(i) or Section 6.5(j), such amounts remaining in the Capitalized Interest Account that would have been transferred to the closed Account or Accounts shall be transferred to the Redemption Fund to be used to redeem Bonds. Once all remaining amounts on deposit to the Capitalized Interest Account have been transferred to the Redemption Fund, the Capitalized Interest Account shall be closed.

Section 6.5. Project Fund.

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

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee from time to time to pay certain costs of issuance of the Bonds pursuant to one or more City Certificates or an executed, completed, and accepted Closing Disbursement Request.

(c) Except as provided herein, (i) money on deposit in the Phase #1 Improvements Account shall only be used to pay Actual Costs of the Phase #1 Projects and (ii) money on deposit in the Phase #2 Improvements Account shall only be used to pay Actual Costs of the Phase #2 Projects.

(d) Disbursements from the Phase #1 Improvements Account of the Project Fund to pay Actual Costs of the Phase #1 Projects shall be made by the Trustee from time to time upon receipt by the Trustee of either a properly executed and completed Certificate for Payment approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Phase #1 Improvements Account of the Project Fund pursuant to a Certificate for Payment shall be pursuant to and in accordance with the disbursement procedures described in the PID Reimbursement Agreement. Such provisions and procedures related to such disbursements contained in the PID Reimbursement Agreement, are herein incorporated by reference and deemed set forth herein in full.

(e) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Phase #1 Improvements Account of the Project Fund are not expected to be expended for purposes of such Account due to the abandonment, or constructive abandonment, of the Phase #1 Projects such that, in the opinion of the City Representative, it is unlikely that the amounts in the Phase #1 Improvements Account of the Project Fund will ever be expended for the purposes of such Account, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Phase #1 Improvements Account of the Project Fund that are not expected to be used for purposes of such Account. If such City Certificate is so filed, the amounts on deposit in the Phase #1

Improvements Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with this Indenture.

(f) Disbursements from the Phase #2 Improvements Account of the Project Fund to pay Actual Costs of the Phase #2 Projects shall be made by the Trustee from time to time upon receipt by the Trustee of either a properly executed and completed Certificate for Payment approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Phase #2 Improvements Account of the Project Fund pursuant to a Certificate for Payment shall be pursuant to and in accordance with the disbursement procedures described in the PID Reimbursement Agreement.

(g) If the City Representative determines in his or her sole discretion that amounts then on deposit in the Phase #2 Improvements Account of the Project Fund are not expected to be expended for purposes of such Account due to the abandonment, or constructive abandonment, of the Phase #2 Projects such that, in the opinion of the City Representative, it is unlikely that the amounts in the Phase #2 Improvements Account of the Project Fund will ever be expended for the purposes of such Account, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Phase #2 Improvements Account of the Project Fund that are not expected to be used for purposes of such Account. If such City Certificate is so filed, the amounts on deposit in the Phase #2 Improvements Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with this Indenture.

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

(i) Upon the filing of a City Certificate stating that all Phase #1 Projects have been completed and that all Actual Costs of the Phase #1 Projects have been paid, or that any such Actual Costs of the Phase #1 Projects are not required to be paid from the Phase #1 Improvements Account of the Project Fund pursuant to a Certificate for Payment or written direction from the City or its designee, the Trustee shall transfer the amount, if any, remaining within the Phase #1 Improvements Account of the Project Fund to the Principal and Interest Account of the Bond Fund or to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfer, the Phase #1 Improvements Account of the Project Fund shall be closed.

(j) Upon the filing of a City Certificate stating that all Phase #2 Projects have been completed and that all Actual Costs of the Phase #2 Projects have been paid, or that any such Actual Costs of the Phase #2 Projects are not required to be paid from the Phase #2 Improvements Account of the Project Fund pursuant to a Certificate for Payment or written direction from the City or its designee, the Trustee shall transfer the amount, if any, remaining within the Phase #2 Improvements Account of the Project Fund to the Principal and Interest Account of the Bond Fund or to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.4 as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfer, the Phase #2 Improvements Account of the Project Fund shall be closed.

(k) (1) The aggregate amount of funds that the Trustee may disburse from the Phase #2 Improvements Account shall not exceed \$\_\_\_\_\_ (the "Authorized Amount") except and until the Release Condition (defined below) has been satisfied. The Trustee may make disbursements from the Phase #2 Improvements Account that exceed the Authorized Amount only when the Developer provides written certification to the Trustee and the City in a Certificate for Payment that the Release Condition has been satisfied. The first Certificate for Payment that requests funds in excess of the Authorized Amount from the Phase #2 Improvements Account after satisfaction of the Release Condition shall be submitted to the



City, the City's financial advisor, Bond Counsel, and the Administrator for review and confirmation, and upon confirmation that the Release Condition has been satisfied, such Certificate for Payment shall be forwarded to the Trustee by the Administrator.

(2) Money may be disbursed from the Phase #2 Improvements Account in excess of the Authorized Amount only if the City has issued a certificate of occupancy for at least 50 homes within Phase #2 (the "Release Condition"). The City may not approve a Certificate for Payment for payment from the Phase #2 Improvements Account for any amounts that exceed the Authorized Amount until the Release Condition has been satisfied.

(l) Not later than six months following the Closing Date, or upon an earlier determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred first to another Account of the Project Fund and used to pay Actual Costs, or, if no Actual Costs remain to be funded, then to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

(m) Notwithstanding anything to the contrary herein or in the PID Reimbursement Agreement, the Trustee shall not be required to make any investigation into any facts or matters stated in any Certificate for Payment or any City Certificate provided as described in this Section 6.5 or to review any attachments thereto and shall have no liability on account of any disbursement from the Project Fund in accordance with such Certificate for Payment or City Certificate provided that it has complied with the procedures required in this Section 6.5 with respect to such Certificate for Payment or City Certificate. The Trustee shall have no responsibility whatsoever to disburse or transfer funds hereunder absent written directions from the City.

#### Section 6.6. Redemption Fund.

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

#### Section 6.7. Reserve Fund.

(a) The City agrees with the Owners of the Bonds to accumulate from the deposits described in Sections 6.2 and 6.3(a) hereof, and when accumulated, maintain in the Reserve Account of the Reserve Fund, an amount equal to not less than the Reserve Account Requirement, except to the extent such deficiency is due to the application of Section 6.7(d) hereof. All amounts deposited in the Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund, as provided in this Indenture.

(b) The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 and September 1 of each year, commencing March 1, 2026, an amount equal to the Additional Interest collected, if any, as shown on each of the Phase #1 Assessment Roll and the Phase #2 Assessment Roll attached to the Service and Assessment Plan or an Annual Service Plan Update, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any later time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall, and the City shall resume collecting the Additional Interest and shall file a City Certificate with the Trustee instructing the Trustee to

resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the City shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to Section 4.4 of this Indenture. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the City of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on each of the Phase #1 Assessment Roll and the Phase #2 Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update unless and until it receives a City Certificate directing that a different amount be used.

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

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

(e) Whenever, on any Interest Payment Date, or on any other date at the written request of a City Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds on the next Interest Payment Date in accordance with Section 6.4 hereof, unless within 30 days of such notice to the City Representative, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof, (ii) to a specified Account of the Project Fund if such application and the expenditure of funds is expected to occur within three years of the Closing Date of the Bonds, (iii) to be invested as directed in writing in such City Certificate at a yield which is not "materially higher" than the yield on the Bonds, as provided in Section 148(a) of the Code or invested in obligations the yield of which is in excess of the yield on the Bonds, provided the City agree to make yield reduction payments described in Section 1.148-5(c) of the Regulations, or (iv) for such other use specified in such City Certificate if the City and the Trustee receive a Favorable Opinion of Bond Counsel to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond.

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

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

(h) If, after a Reserve Account withdrawal pursuant to Section 6.7(f), the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments, the amount of such deficiency, in accordance with Section 6.3.

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

#### Section 6.8. Rebate Fund; Rebate Amount.

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

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

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

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

#### Section 6.9. Administrative Fund.

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

(b) Moneys in the District Administration Account of the Administrative Fund shall be held by the Trustee separate and apart from the other Funds and Accounts created and administered hereunder

and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan.

(c) The Administrative Fund shall not be part of the Trust Estate and shall not be security for the Bonds.

(d) The City may draw money from the Administrative Fund to pay organization, administrative, maintenance and operation expenses of the District and the other Administrative Expenses (as defined in the Service and Assessment Plan) by delivery to the Trustee of a City Certificate.

(e) Fees or charges incurred by the City payable to the Trustee in satisfaction of the City's liability to the Trustee for the services described herein shall be paid from the Administrative Fund. Other Administrative Expenses shall be paid from the Administrative Fund upon receipt by the Trustee of a City Certificate.

#### Section 6.10. Investment of Funds.

(a) Money in any Fund or Account established pursuant to this Indenture shall be invested by the Trustee, as directed by the City pursuant to a City Certificate, filed with the Trustee at least two days in advance of the making of such investment. The money in any Fund or Account shall be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act, 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. Notwithstanding the preceding sentence, amounts in the Additional Interest Reserve Account may not be invested above the Yield (as defined in Section 7.5(a) hereof) on the Bonds, unless and until the City receives a Favorable Opinion of Bond Counsel to the effect that such investment and/or the failure to comply with such yield restriction will not adversely affect the exemption from federal income tax of the interest on any Bond. Investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds or Accounts may be invested in common investments of the kind described above, or in a common pool of such 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 or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold to prevent any default. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee is hereby directed to hold such funds uninvested and the Trustee shall bear no liability for interest on any such money.

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

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall have no investment discretion and the Trustee's only responsibility for investments shall be to follow the written instructions contained in any City Certificate and the Trustee may rely on a City Certificate provided pursuant to this Section 6.10 as prima facie evidence that an investment is permitted under this Indenture. The Trustee shall have no duty to confirm or any responsibility to monitor the ratings of any investments made hereunder. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments. The parties acknowledge that the Trustee is not providing investment supervision, recommendations, or advice.

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

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

(f) If, following an annual calculation of the Rebate Amount in accordance with Sections 6.8 and 7.5(h) hereof, it is determined that a Rebate Amount is owed with respect to the Bonds, the City shall direct the Trustee, pursuant to a City Certificate, to transfer to the Rebate Fund an amount equal to the Rebate Amount owed by the City from investment earnings derived from the investment of the amount on deposit in Pledged Funds. The City Certificate shall specify the amount to be transferred and identify the Pledged Fund or Pledged Funds from which the investment earnings shall be transferred.

(g) The Trustee may conclusively rely on City Certificates pursuant to Section 6.10(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 6.11. Security of Funds.

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

### ARTICLE VII

#### COVENANTS

#### Section 7.1. Confirmation of Assessments.

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

Section 7.2. Collection and Enforcement of Assessments.

(a) For so long as any Bonds 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 Assessments.

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

Section 7.3. Against Encumbrances.

(a) Other than Refunding Bonds, the City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate, 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, and except as set forth in Section 13.2 hereof, the City shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds and Refunding Bonds, if any, secured by any pledge of or other lien or charge on the Trust Estate except for other indebtedness incurred in compliance with Section 13.2 hereof.

Section 7.4. Records, Accounts, Accounting Reports.

The City hereby covenants and agrees that so long as any of the Bonds or any interest thereon remain Outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and the Owners of any Bonds or any duly authorized agent or agents of such Owners 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 30 days after the City receives such request.

Section 7.5. Covenants to Maintain Tax-Exempt Status.

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

“*Closing Date*” means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

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

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

“*Gross Proceeds*” means any proceeds as defined in Section 1.1481(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

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

“*Issue Date*” for the Bonds is the respective date on which such bonds are delivered against payment therefor.

“*Net Sale Proceeds*” has the meaning stated in Section 1.148-1(b) of the Regulations.

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

“*Proceeds*” has the meaning stated in Section 1.148-1(b) of the Regulations.

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

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

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

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

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

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

(d) No Private Loan.

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

(ii) The City covenants and agrees that the levied Assessments will meet the requirements of the “tax assessment loan exception” within the meaning of Section 1.1415(d) of the Regulations on the date the Bonds are delivered and will ensure that the Assessments continue to meet such requirements for so long as the Bonds are outstanding hereunder.

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

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

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

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



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

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

(iii) As additional consideration for the purchase of the Bonds by the Purchaser and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall, pursuant to a City Certificate, pay to the United States the amount described in paragraph (ii) above at the times, in the installments, to the place, in the manner and accompanied by such forms or other information as is or may be required by Section 148(f) of the Code and the regulations and rulings thereunder.

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

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

(j) Not Hedge Bonds. The City will not invest more than 50 percent of the Proceeds of each series of the Bonds in Nonpurpose Investments having a substantially guaranteed yield for four years or more. On the Issue Date of each series of the Bonds, the City reasonably expects that at least 85 percent of the Net Sale Proceeds of each series of the Bonds will be used to carry out the governmental purpose of such series within three years after the respective Issue Date of such series.

(k) Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Manager or City Secretary, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

## ARTICLE VIII

### LIABILITY OF CITY

The City shall not incur any responsibility in respect of the Bonds 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 in connection with the issuance, sale, delivery, or administration of the Bonds (the "Bond Documents"), shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Trust Estate and the Administrative Expenses) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

Neither the Owners nor any other Person shall have any claim against the City or any of its officers, officials, agents, or employees for damages suffered as a result of the City's failure to perform in any respect any covenant, undertaking, or obligation under any Bond Documents or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the City, in accordance with the Bond Documents and the PID Act. Any such claim shall be payable only from the Trust Estate, the funds available for such payment in any of the Pledged Funds, if any, or the amounts collected to pay Administrative Expenses on deposit in the Administrative Fund. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds 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, the City Manager or other person designated by the City Council to so act on behalf of the City, and such certificate shall be

full warrant to the City for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

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

## ARTICLE IX

### THE TRUSTEE

#### Section 9.1. Trustee as Paying Agent/Registrar.

The Trustee is hereby designated and agrees to act as Paying Agent/Registrar for and in respect to the Bonds.

#### Section 9.2. Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to spend its own funds, to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Owners, to the extent permitted by law and the provisions of this Indenture, to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except to the extent the same shall have been finally adjudicated by a court of competent jurisdiction to have been directly caused by the Trustee's own negligence or willful misconduct; provided, however, that in no event shall the Trustee request or require indemnification as a condition to making any deposits, payments, or transfers (provided such payment or transfer is prior to an Event of Default) when required hereunder, or to delivering any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may, to the extent permitted pursuant to the provisions of this Indenture, make transfers from the District Administration Account of the Administrative Fund, and to the extent moneys in the District Administration Account of the Administrative Fund are insufficient, from the Pledged Revenue Fund, to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall, to the extent permitted by law, be entitled to a preference therefor over any Bonds Outstanding hereunder.

#### Section 9.3. Responsibilities of the Trustee.

The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(a) Prior to the occurrence of an Event of Default of which the Trustee has been notified in writing, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically and expressly in this Indenture, and no duties or obligations shall be implied to

the Trustee, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants shall be read into this Indenture against the Trustee; and

(ii) the Trustee may request and rely conclusively, as to the due execution, the truth of the statements, and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance therewith; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified in writing), the Trustee shall exercise those rights and powers vested in it by this Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(i) 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;

(ii) the Trustee shall not be liable for any actions taken, or error of judgment, made in good faith by any one of its officers, employees or agents unless it shall be finally adjudicated by a court of competition that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it 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

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

(d) The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the City only and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to, and undertakes no duty to verify, the validity or sufficiency of the offering documents, this Indenture, or the Bonds or with respect to the security afforded by this Indenture, the right, title or interest of the District therein, or the technical or financial feasibility of the Phases #1-2 Authorized Improvements, or the compliance of the Phases #1-2 Authorized Improvements with the PID Act or the tax-exempt status of the Bonds, 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; or (iv) any calculation of arbitrage or rebate under the Code. The Trustee has the right

to act through agents and attorneys and shall have no liability for the acts or omissions of any of the agents and attorneys appointed by it with due care.

(e) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for such losses, damages, or expenses which have been fully adjudicated by a court of competent jurisdiction to have directly resulted from the Trustee's own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, punitive, special or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) in connection with or arising from this Indenture, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Trustee will not be liable with respect to any action taken or omitted to be taken in good faith in accordance with the written direction of the Owners of not less than a majority in principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(f) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care.

(g) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for:

(i) the validity, priority, recording, re-recording, filing or re-filing of this Indenture or any Supplemental Indenture,

(ii) any instrument or document of further assurance or collateral assignment,

(iii) the filing, execution, delivery, recording, or authorization of any financing statements, amendments thereto or continuation statements,

(iv) insurance of the Phases #1-2 Authorized Improvements or collection of insurance money,

(v) the validity of the execution by the City of this Indenture, any Supplemental Indenture or instruments or documents of further assurance, or

(vi) the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(h) The Trustee shall not be accountable for the application by any Person of the proceeds of any Bonds authenticated or delivered hereunder; provided the Trustee follows the written instructions provided by the City with respect to the use of the proceeds of the Bonds.

(i) The Trustee may request, conclusively rely on and shall be protected in acting upon any resolution, statement, instrument, opinion, report, notice, request, direction, consent, certificate, order, judgment, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, not only as to due execution, validity, and effectiveness, but also as to the truth and accuracy of any information contained therein. Any action taken by the Trustee pursuant to this Indenture upon the direction, request, authority or consent of any Person who is the Owner of any Bonds 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.

(j) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any events or information, default or Event of Default, except Events of Default described in Section 11.1(a)(i), unless the Trustee has actual knowledge thereof or shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the Owners of more than 66-2/3% of the aggregate outstanding principal amount of Bonds. 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. Notwithstanding the foregoing or anything to the contrary contained herein, no notice to the Trustee shall be deemed given to or received by the Trustee unless actually delivered to an officer of the Trustee having responsibility under this Indenture.

(k) 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.

(l) Any resolution by the City, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions or inactions taken hereunder.

(m) The Trustee shall be entitled to file proofs of claim in bankruptcy at the written direction of no less than 66-2/3% of the Owners. Ordinary trustee and paying agent/registrar fees and expenses and extraordinary fees and expenses of the Trustee and the Paying Agent/Registrar incurred hereunder are intended to constitute administrative expenses in bankruptcy.

(n) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation for trustee and paying agent/registrar services, subject to the limitations set forth herein, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(o) 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.

(p) 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.

(q) 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.

(r) The Trustee shall not be responsible or liable for the environmental condition or any contamination of the Phases #1-2 Authorized 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 Phases #1-2 Authorized 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.

(s) Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the City, or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all Persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other Person.

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

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

#### Section 9.4. Property Held in Trust.

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

#### Section 9.5. Trustee Protected in Relying on Certain Documents.

The Trustee may request, conclusively rely on and shall be protected in acting or refraining from acting upon any resolution, instrument, opinion, report, direction, order, notice, judgment, 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 believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or for any action taken or omitted to be taken upon the advice or written opinion of any counsel, architect, engineer, insurance consultant, management consultant, accountant or other professional retained or consulted by the Trustee, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. Subject to Section 9.1 and 9.3 hereof, the Trustee may consult with counsel, selected by the Trustee with due care, who may or may not be Bond Counsel, and the opinion of such counsel shall be full

and complete authorization and protection in respect of, and the Trustee shall not be liable for, any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, the Trustee may request a City Certificate, and such matter may be deemed to be conclusively proved and established by such City Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such City Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its sole discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision hereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by the City Representative and the Trustee may presume the signature of such City Representative to be valid and shall have no duty or obligation to make any investigation or inquiry into such signature.

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

#### Section 9.6. Compensation.

Unless otherwise provided by contract with the Trustee, and subject to the limitations set forth above, the Trustee shall transfer from the District Administration Account of the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by specific agreement, and the Trustee shall have a lien therefor on any and all funds at any time held by it in the Administrative Fund. To the extent of a deficiency in such Administrative Fund, the Trustee may request payment and reimbursement, and the City shall promptly pay upon request from any available source such fees, charges and expenses, and all counsel fees, advances and other expenses made or incurred by the Trustee in connection with such services. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession in the Administrative Fund, subject to the limitations set forth herein. Any payment obligation under this Section 9.6 shall survive discharge of this Indenture, final payment of the Bonds or resignation or removal of the Trustee.

In the event that the Trustee renders any service not contemplated in this Indenture, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Indenture or the subject matter hereof, then the Trustee shall, subject to the limitations set forth herein, be compensated from any and all funds at any time held by it for such extraordinary services and any services or work performed by Trustee in connection with any delay, controversy, litigation or event, and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event.

#### Section 9.7. Permitted Acts.



The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds 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 Owners 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 Owners of a majority in aggregate outstanding principal amount of the Bonds.

Section 9.8. Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 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 appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.9. Removal of Trustee.

The Trustee may be removed at any time on 30 days' advance written notice to the Trustee by (i) the Owners of at least a majority of the aggregate Outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City, or (ii) the City, so long as the City is not in default under this Indenture. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate Outstanding principal of the Bonds. Such removal shall take effect only upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.10. Successor Trustee.

(a) If the Trustee shall resign, be removed, be dissolved, or become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

(b) Subject to subsection 9.10(d), 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 after any such vacancy shall have occurred by the Owners of at least 25% of the aggregate outstanding principal amount 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.

(c) Unless and 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 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 30 days after such appointment. Any appointment of a successor Trustee made by the City immediately and without further act shall be superseded and revoked

by an appointment subsequently made by the Owners of Bonds in accordance with the immediately preceding paragraph.

(d) If in a proper case no appointment of a successor Trustee shall be made within 45 days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process.

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

(f) Each successor Trustee shall mail, in accordance with the provisions of the Bonds, 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.

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

#### Section 9.11. Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the City an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the City or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing 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, including any supplement or amendment to this Indenture, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

#### Section 9.12. Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder and will have and succeed to the rights, powers, duties, immunities, and privileges as predecessor, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial

bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 9.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

Section 9.13. Trustee to File Continuation Statements.

If necessary, the Trustee may file or cause to be filed, such continuation statements as are delivered to the Trustee by the City, or on behalf of the City, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the “UCC”), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. Under no circumstances shall the Trustee have an obligation or responsibility to file such financing statements or continuation statements except as provided in this Section. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any UCC financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the UCC, and unless the Trustee shall have been notified by the City that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in relying on such initial filing and descriptions in filing any continuation statements or modifications thereto pursuant to this Section 9.13 and in filing any continuation statements in the same filing offices as the initial filings were made. The City will pay all costs of preparation and filing the continuation statements required hereunder.

Section 9.14. 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. Permissive rights of the Trustee are not to be construed as duties.

## ARTICLE X

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1. Amendments Permitted.

(a) This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, executed by both the City and the Trustee, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds, or with the written consent without a meeting, of the Owners of at least 51% 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 Trust Estate 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 and this Indenture), or reduce the percentage of Owners of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights, immunities or obligations of the Trustee without its written consent.

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

(i) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds;

(iv) to provide for the issuance of Refunding Bonds, as set forth in Section 13.2 hereof;

(v) to appoint or accept a successor trustee in accordance with the provisions of Section 9.10 hereof; provided, however, in no event shall this provision limit the Owners ability to appoint a successor trustee pursuant to Section 9.10(b) hereof; and

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

(c) Any modification or amendment made pursuant to Section 10.1(b) shall not be subject to the notice procedures specified in Section 10.3 below.

(d) Notwithstanding the above, no Supplemental Indenture under this Section shall be effective unless the City first delivers to the Trustee a Favorable Opinion of Bond Counsel to the effect that such amendment or supplement: (i) is permitted under Applicable Laws and the provisions of this Indenture in effect after taking into account the proposed amendment or supplement; (ii) will not adversely affect the interests of the Owners in any material respect; provided, however, that an appointment of a successor trustee in accordance with the provisions hereof and the issuance of Refunding Bonds in accordance with the provisions of Section 13.2 hereof are each deemed to not be a material adverse effect for purposes of such opinion; and (iii) will not adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation.

#### Section 10.2. Owners' Meetings.

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

#### Section 10.3. Procedure for Amendment with Written Consent of Owners.

The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 10.1 herein, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, shall be mailed by first-class mail, by the Trustee to each Owner of Bonds from whom consent is required under this Indenture, but failure to mail copies of such

Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided and the City or Bond Counsel, acting on the City's behalf, has delivered to the Trustee a Favorable Opinion of Bond Counsel to the effect that such amendment is permitted and will not adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.6 herein. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the 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 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period; provided, that the Trustee shall have no obligation to take or refrain from taking any such action and the Trustee shall have no liability with respect to any action taken or any instance of inactions.

#### Section 10.4. Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the City, the Trustee, and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

#### Section 10.5. Endorsement or Replacement of Bonds Issued After Amendments.

The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the 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 office of the Trustee or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, 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 10.6. Amendatory Endorsement of Bonds.

The provisions of this Article X shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

Section 10.7. Waiver of Default.

Subject to the second and third sentences of Section 10.1 hereof, with the written consent of at least 51% of the Owners in aggregate principal amount of the Bonds then Outstanding, the Owners may waive non-compliance by the City with certain past defaults under this Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners. For the avoidance of doubt, any waiver given pursuant to this Section shall be subject to Section 11.5 hereof.

Section 10.8. Execution of Supplemental Indenture.

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive, and shall be fully protected in relying upon, an opinion of counsel addressed and delivered to the Trustee and the City stating that the execution of such Supplemental Indenture is permitted by and in compliance with this Indenture. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties and immunities under this Indenture or otherwise.

## ARTICLE XI

### DEFAULT AND REMEDIES

Section 11.1. Events of Default.

(a) Each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," to wit:

(i) The failure of the City to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;

(ii) The failure of the City to enforce the collection of the Assessments, including the prosecution of foreclosure proceedings;

(iii) The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within 30 days; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the City to make the payments; and

(iv) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture and the continuation thereof for a period of 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 and requesting that the failure be remedied.

(b) Nothing in Section 11.1(a) will be an Event of Default if it is in violation of any applicable state law or court order.

Section 11.2. Immediate Remedies for Default.

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Trustee may, and at the written direction of the Owners of at least 25% of the Bonds then Outstanding and its receipt of indemnity satisfactory to it, shall proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by this Indenture or by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

(b) THE PRINCIPAL OF THE BONDS 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 XI, irrespective of and whether other remedies authorized under this Indenture shall have been pursued in whole or in part, the Trustee may but solely upon receipt of indemnity satisfactory in the sole discretion of the Trustee in accordance with Section 9.2 hereof, cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the reasonable judgment of the Trustee, proper for the purpose which may be designated in such request.

Section 11.3. Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of not less than 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in Section 9.2 herein, (iv) the Trustee has for 90 days after such notice failed or refused to exercise the powers

hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 90-day period by the Owners of at least a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his, or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article VIII, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond 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 11.4. Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 11.2 hereof, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

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

SECOND: To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds, 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 or Redemption Price due and to the Owners entitled thereto, without any discrimination or preference.

Within 10 days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 11.4.



(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds 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 11.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 11.5. Effect of Waiver.

No delay or omission of the Trustee, or any Owner, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 11.6. Evidence of Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(i) The fact and date of the execution of such instruments by any Owner of Bonds or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate, or affidavit shall also constitute sufficient proof of his authority.

(ii) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds shall bind all future Owners of the same Bonds in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 11.7. No Acceleration.

In the event of the occurrence of an Event of Default under Section 11.1 hereof, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 11.8. Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first-class, postage prepaid, only to each Owner at the address appearing upon the Register.

Section 11.9. Exclusion of Bonds.

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.

Section 11.10. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity, by statute or by contract.

Section 11.11. Direction by Owners.

Anything herein to the contrary notwithstanding, the Owners of at least 25% of the aggregate outstanding principal of the Bonds shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the choice of remedies and the time, method, and place of conducting a proceeding for any remedy available to the Trustee hereunder, under each Supplemental Indenture, or otherwise, or exercising any trust or power conferred upon the Trustee, including the power to direct or withhold directions with respect to any remedy available to the Trustee or the Owners, provided, (i) such direction shall not be otherwise than in accordance with Applicable Laws and the provisions hereof, (ii) that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (iii) that the Trustee shall have the right to decline to follow any such direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction.

ARTICLE XII  
GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. Representations as to Trust Estate.

(a) The City represents and warrants that it is authorized by Applicable Laws to authorize and issue the Bonds, to execute and deliver this Indenture and to pledge the Trust Estate in the manner and to the extent provided in this Indenture, and that the Pledged Revenues and the Trust Estate are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

(b) The City shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Trust Estate and all the rights of the Owners and the Trustee, under this Indenture against all claims and demands of all Persons whomsoever.

(c) The City will take all steps reasonably necessary and appropriate, and will direct the Trustee in writing to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable Laws.

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

Section 12.2. Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City and the Owner or Owners of not less than 10% in principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

Section 12.3. General.

The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of this Indenture.

## ARTICLE XIII

### SPECIAL COVENANTS

Section 13.1. Further Assurances; Due Performance.

(a) At any and all times the City will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for better conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues, Funds, Accounts and properties constituting the Pledged Revenues, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The City will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

Section 13.2. Additional Obligations; Other Liens.

(a) The City reserves the right, subject to the provisions contained in this Section 13.2, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on any portion of the Trust Estate and are not payable from the Pledged Revenues or any other portion of the Trust Estate.

(b) Other than Refunding Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on any portion of the Trust Estate and will not do or omit to do or suffer to be or omit to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired.

(c) Additionally, the City has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of Pledged Revenues securing payment of the Bonds.

(d) Notwithstanding anything to the contrary herein, no Refunding Bonds, Additional Obligations, or subordinate obligations may be issued by the City unless: (1) the principal (including sinking fund installments) of such Refunding Bonds, Additional Obligations, or subordinate obligations are scheduled to mature on September 15 of the years in which principal is scheduled to mature, and (2) the interest on such Refunding Bonds, Additional Obligations or subordinate obligations must be scheduled to be paid on March 15 and September 15 of the years in which interest is scheduled to be paid.

Section 13.3. Books of Record.

(a) The City shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the City, which relate to the Pledged Revenues, the Pledged Funds, the Trust Estate, and the Bonds.

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain the same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

## ARTICLE XIV

### PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THIS INDENTURE

Section 14.1. Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds secured hereby are fully paid or provision is made for their payment as provided in this Article.

Section 14.2. Satisfaction of Indenture.

If the 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 this Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 14.3. Bonds Deemed Paid.

All Outstanding Bonds shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee for such purpose, 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 or other qualified third-party selected by the City verifying the sufficiency of the moneys and/or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on 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 then publishing a rating on the Bonds 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. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

## ARTICLE XV MISCELLANEOUS

### Section 15.1. Benefits of Indenture Limited to Parties.

Except as provided in Section 15.10 hereof, nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Except as provided in Section 15.10 hereof, any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee. This Indenture and the exhibit(s) hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

### Section 15.2. Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

### Section 15.3. Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds 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 15.4. Waiver of Personal Liability.

No member, officer, agent, or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

Section 15.5. Notices to and Demands on City and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any City Certificate, shall be in writing and shall be telexed, cabled, delivered by hand, mailed by first-class mail, postage prepaid, or transmitted by telephone, facsimile or e-mail and addressed as follows:

If to the City:

City of Wharton, Texas  
120 East Caney Street  
Wharton, Texas 77488  
Attn: City Manager  
Phone: (979) 532-2491  
Fax : (979) 532-0181  
Email: [tbarker@cityofwharton.com](mailto:tbarker@cityofwharton.com)

If to the Trustee  
or the Paying Agent/Registrar:

U.S. Bank Trust Company, National Association  
8 Greenway Plaza, Ste. 1100  
Houston, Texas 77046  
Attn: Global Corporate Trust  
Phone: (713) 212-7577  
Fax: (713) 212-3718  
Email: [Zeina.Moorefield@usbank.com](mailto:Zeina.Moorefield@usbank.com)

With a copy to:

U.S. Bank Trust Company, National Association  
Attention: Bond Operations  
111 Fillmore Avenue East  
St. Paul, Minnesota 55107-1402

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this

Section shall be deemed to have been given five Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond 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 or directions, including funds transfer instructions, pursuant to this Indenture by Electronic Means (as hereinafter defined); provided, however, that the City shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions (“Authorized Officers”), which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. As used in this paragraph, “Electronic Means” means a portable document format (“pdf”) or other replicating image attached to an unsecured 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. If the City elects to give the Trustee instructions by 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 agrees that the Trustee cannot determine the identity of the actual sender of such instructions and that the Trustee shall conclusively presume that instructions 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 the Authorized Officers are responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and authentication keys provided by the Trustee, if any. The Trustee shall not be liable for any losses, costs, or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction delivered by other means. The City agrees (i) to assume all risks arising out of the use of such Electronic Means to submit instructions and direction 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 use of Electronic Means; (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) that it will notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

#### Section 15.6. Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

#### Section 15.7. Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State. With respect to this Indenture and any conflicts arising therefrom, the parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal district or state district court with jurisdiction in Wharton County, Texas, (ii) waive any objection to laying

of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party. Each of the parties hereto hereby waives the right to trial by jury with respect to any litigation directly or indirectly arising out of, under, or in connection with this Indenture.

Section 15.8. Payment on Business Day.

In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 15.9. Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original. The City and the Trustee agree that electronic signatures to this Indenture may be regarded as original signatures. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto, and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 15.10. Dispute Resolution

If any conflict, disagreement or dispute arises between, among, or involving any of the parties hereto concerning the meaning or validity of any provision hereunder or concerning any other matter relating to this Indenture, or the Trustee is in doubt as to the action to be taken hereunder, the Trustee may, at its option, after sending written notice of the same to the Issuer, refuse to act until such time as it (a) receives a final non-appealable order of a court of competent jurisdiction directing it as to such matter or (b) receives a written instruction, executed by each of the parties involved in such disagreement or dispute, in a form reasonably acceptable to the Trustee, directing it as to such matter. The Trustee will be entitled to act on any such written instruction or final, non-appealable order of a court of competent jurisdiction without further question, inquiry or consent. The Trustee may file an interpleader action in a state or federal court, and upon the filing thereof, the Trustee will be relieved of all liability as to the assets deposited with the court and will be entitled to recover reasonable and documented out-of-pocket attorneys' fees, expenses and other costs incurred in commencing and maintaining any such interpleader action.

Section 15.11. Statutory Verifications.

The Trustee makes the following representation and verifications to enable the City to comply with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Indenture. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Indenture shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Indenture, notwithstanding anything in this Indenture to the contrary.

(a) Not a Sanctioned Company. The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list



prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(b) No Boycott of Israel. The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Indenture. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

(c) No Discrimination Against Firearm Entities. The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Indenture. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

(d) No Boycott of Energy Companies. The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Indenture. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CITY OF WHARTON, TEXAS

By: \_\_\_\_\_  
Tim Barker, Mayor

ATTEST:

\_\_\_\_\_  
Paula Favors, City Secretary

U.S. BANK TRUST COMPANY, 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 WHARTON, TEXAS  
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER</u>
_____ %	September 15, 20__	July 23, 2025	_____

The City of Wharton, Texas (the “City”), for value received, hereby promises to pay, solely from the Trust Estate, to

\_\_\_\_\_

or registered assigns, on the Maturity Date, as specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 15 and September 15 of each year, commencing September 15, 2025, until maturity or prior redemption.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Houston, Texas (the “Designated Payment/Transfer Office”), of U.S. Bank Trust Company, National Association, as trustee and paying agent/registrar (the “Trustee”, which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated

Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last Business Day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

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

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated July 23, 2025 and issued in the aggregate principal amount of \$\_\_\_\_\_ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of July 1, 2025 (the "Indenture"), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Actual Costs of the Phases #1-2 Authorized Improvements, (ii) paying a portion of the costs incidental to the organization and administration of the District, (iii) paying certain capitalized interest on the Bonds, and (iv) paying the Bond Issuance Costs, including funding a reserve fund and other costs related to the issuance of the Bonds.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE TRUST ESTATE AS DEFINED IN THE INDENTURE. REFERENCE IS HEREBY MADE TO THE INDENTURE, COPIES OF WHICH ARE ON FILE WITH AND AVAILABLE UPON REQUEST FROM THE TRUSTEE, FOR THE PROVISIONS, AMONG OTHERS, WITH RESPECT TO THE NATURE AND EXTENT OF THE DUTIES AND OBLIGATIONS OF THE CITY, THE TRUSTEE AND THE OWNERS. THE OWNER OF THIS BOND, BY THE ACCEPTANCE HEREOF, IS DEEMED TO HAVE AGREED AND CONSENTED TO THE TERMS, CONDITIONS AND PROVISIONS OF THE INDENTURE.

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

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$100,000 and any multiple of \$1,000 in excess thereof.

The Bonds are subject to sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

**Term Bonds Maturing September 15, [ ]**

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
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**Term Bonds Maturing September 15, [ ]**

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
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**Term Bonds Maturing September 15, [ ]**

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
------------------------	--

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**Term Bonds Maturing September 15, [ ]**

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
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At least 45 days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by the Indenture, the Trustee shall select for redemption, pursuant to the provisions of the Indenture, a principal amount of Bonds of such maturity equal to the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

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

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

The City reserves the right and option to redeem the Bonds maturing on and after September 15, \_\_ before their scheduled maturity date, in whole or in part, on any date on or after September 15, \_\_, such redemption date or dates to be fixed by the City, at the redemption price of par plus accrued interest to the date of redemption.

Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, and in an amount and on any date specified in a City Certificate, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, pursuant to the provisions of the Indenture, from amounts on deposit in the Redemption Fund as a result of Prepayments, other transfers to the Redemption Fund pursuant to the Indenture, or as a result of unexpended amounts transferred from the Project Fund as provided in the Indenture.

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

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

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

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

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

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

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

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF WHARTON, TEXAS, WHARTON 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.

---

Mayor, City of Wharton, Texas

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City Secretary, City of Wharton, Texas



[City Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond:

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO. _____
	§	
THE STATE OF TEXAS	§	

I HEREBY CERTIFY THAT there is on file and of record in my office 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.

U.S. Bank Trust Company, National Association,  
as Trustee

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

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

(d) Form of Assignment.

ASSIGNMENT

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

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(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:

---

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

Authorized Signatory

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

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

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

<u>Years</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
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(Information to be inserted from Section 3.2(c) hereof); and

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

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APPENDIX C

FORM OF SERVICE AND ASSESSMENT PLAN

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# WHARTON PUBLIC IMPROVEMENT DISTRICT No. 2

CITY OF WHARTON, TEXAS

## PRELIMINARY SERVICE AND ASSESSMENT PLAN

MAY 13, 2024  
and updated for Phase #2 and Phase #1 and Phase #2 Bonds  
on June 23, 2025

**PREPARED BY:**

**MUNICAP, INC.**  
— PUBLIC FINANCE —

# WHARTON PUBLIC IMPROVEMENT DISTRICT No. 2

## PRELIMINARY SERVICE AND ASSESSMENT PLAN

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## ***I. PLAN DESCRIPTION AND DEFINED TERMS***

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### **A. INTRODUCTION**

On October 23, 2023 (the “Creation Date”) the City Council (the “City Council”) of the City of Wharton, Texas (the “City”) passed and approved Resolution No. 2023-88 approving and authorizing the creation of the Wharton Public Improvement District No. 2 (the “PID”) to finance the costs of certain public improvements for the benefit of property in such public improvement district (the “Authorized Improvements”), all of which was located within the extraterritorial jurisdiction of the City at the time the PID was created. On January 8, 2024, the land within the PID was annexed into the City limits.

The property in the PID is proposed to be developed in multiple phases, and the PID will finance public improvements for each phase as each phase is developed. Assessments will be imposed on the property in each phase for the public improvements to be constructed for the benefit of that phase.

Chapter 372 of the Texas Local Government Code, the “Public Improvement District Assessment Act” (as amended, the “PID Act”), governs the creation and operation of public improvement districts within the State of Texas. The Wharton Public Improvement District No. 2 Service and Assessment Plan (the “Service and Assessment Plan”) has been prepared in accordance with the PID Act and specifically Sections 372.013, 372.014, 372.015 and 372.016, which address the requirements of a service and assessment plan and the assessment roll. According to Section 372.013 of the PID Act, a service plan “must (i) cover a period of at least five years; (ii) define the annual indebtedness and the projected costs for improvements; and (iii) include a copy of the notice form required by Section 5.014, Property Code.” The service plan is described in Section IV of this Service and Assessment Plan. The copy of the notice form required by Section 5.014 of the Texas Property Code, as amended, is attached hereto as Appendix E.

Section 372.014 of the PID Act requires that “an assessment plan must be included in the annual service plan.” The assessment plan is described in Section V of this Service and Assessment Plan.

Section 372.015 of the PID Act requires that “the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district.” The method of assessing the costs of the Authorized Improvements and apportionment of such costs to the property in the PID is included in Section V of this Service and Assessment Plan.

Section 372.016 of the PID Act requires that “after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter.” The Assessment Rolls for the PID are included as Appendix F and Appendix G of this Service and Assessment Plan. The Assessments as shown on the Assessment Rolls are based on the method

of assessment and apportionment of costs described in Section V of this Service and Assessment Plan.

## **B. DEFINITIONS**

Capitalized terms used herein shall have the meanings ascribed to them as follows:

**“Actual Cost(s)”** means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certification for Payment that has been reviewed and approved by the City. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (property and franchise), (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, City permit fees, development fees), insurance premiums, miscellaneous expenses, and all advances and payments for Administrative Expenses.

Actual Costs include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent of the eligible Actual Costs described in a Certification for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

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

**“Additional Interest”** means the up to 0.50% additional interest rate charged on Assessments (if applicable) pursuant to Section 372.018 of the PID Act.

**“Additional Interest Reserve”** has the meaning set forth in Section V.G. of this Service and Assessment Plan.

**“Administrative Expenses”** mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the PID, including, but not limited to, the costs of: (i) creating and organizing the PID, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including

engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the PID, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses in one year shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

**“Administrator”** means the employee or designee of the City, identified in any indenture of trust relating to the Bonds or in any other agreement approved by the City Council, who shall have the responsibilities provided for herein.

**“Annual Installment”** means, with respect to each Parcel, each annual payment of: (i) the Assessments including both principal and interest, as shown on the Assessment Rolls attached hereto as Appendix F and Appendix G or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) the Additional Interest Component designated for the Additional Interest Reserve Accounts described in Section V of this Service and Assessment Plan, if applicable, and (iii) the Administrative Expenses.

**“Annual Service Plan Update”** has the meaning set forth in Section IV of this Service and Assessment Plan.

**“Assessed Property”** means the property that benefits from the Authorized Improvements to be provided by the PID on which Assessments have been imposed as shown in each Assessment Roll, as each Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes Parcels within the PID other than Non-Benefited Property.

**“Assessment”** means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and the PID Act. An Assessment for a Parcel consists of the Annual Installments to be collected in all years including the portion of those Annual Installments collected to pay Administrative Expenses and interest on all Assessments.

**“Assessment Ordinance”** means an Assessment Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

**“Assessment Revenues”** mean the revenues actually received by or on behalf of the City from the collection of Assessments.

**“Assessment Roll”** means the Phase #1 Assessment Roll, Phase #2 Assessment Roll, or any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an Annual Service Plan Update.

**“Authorized Improvements”** mean those public improvements described in Appendix B of this Service and Assessment Plan and Section 372.003 of the PID Act, constructed and installed in accordance with this Service and Assessment Plan, and any future updates and/or amendments.

**“Bonds”** mean any bonds issued by the City in one or more series and secured in whole or in part by the Assessment Revenues.

**“Budgeted Cost(s)”** means the amounts budgeted to construct the Authorized Improvements as used in the preparation of this Service and Assessment Plan.

**“Certification for Payment”** means the certificate to be provided by the Developer, or his designee, to substantiate the Actual Cost of one or more Authorized Improvement.

**“City”** means the City of Wharton, Texas.

**“City Council”** means the duly elected governing body of the City.

**“County”** means Wharton County, Texas.

**“Delinquent Collection Costs”** mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

**“Developer”** means Wharton 55, LLC, a Texas limited liability company.

**“Development Agreement”** means that certain “Development Agreement” by and between the City and the Developer and related to the PID effective November 15, 2022, as the same may be amended from time to time.

**“Equivalent Units”** mean, as to any Parcel the number of dwelling units by lot type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix F attached hereto.

**“Homeowner Association”** means a homeowner’s association or property owners’ association established for the benefit of property owners within the boundaries of the PID.

**“Homeowner Association Property”** means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, a homeowner’s Association.

**“Lot”** means a tract of land described as a “lot” in a subdivision plat recorded in the official public records of Wharton County, Texas.

**“Lot Type”** means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the City Council. In the case of single family residential lots, the Lot Type shall be further defined by classifying the residential lots by the estimated average home value for each home at the time of assessment levy, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the lot, as determined by the Administrator and confirmed by the City Council.

**“Major Improvements”** mean the Authorized Improvements which benefit all Assessed Property within the PID and are described in Section III.B.

**“Non-Benefited Property”** means Parcels that accrue no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property and easements that create an exclusive use for a public utility provider to the extent they accrue no special benefit. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.D.

**“Parcel” or “Parcels”** means a parcel or parcels within the PID identified by either a tax map identification number assigned by the Wharton County Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Wharton County.

**“Phase”** means one or more Parcels within the PID that will be developed in the same general time period.

**“Phase #1”** means the initial Phase to be developed and generally shown in Appendix A.2, as specifically depicted and described as the sum of all Parcels shown in Appendix F.

**“Phase #1 and Phase #2 Bonds”** mean those certain City of Wharton, Texas, Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project) that are secured primarily by Phase #1 Assessment Revenues and Phase #2 Assessment Revenues.

**“Phase #1 Assessed Property”** means all Parcels within Phase #1 other than Non-Benefited Property and shown in the Phase #1 Assessment Roll against which an Assessment relating to the Phase #1 Projects is levied.

**“Phase #1 Assessment Revenues”** mean the actual revenues received by or on behalf of the City from the collection of Assessments levied against Phase #1 Assessed Property, or the Annual Installments thereof, for Phase #1 Projects.

**“Phase #1 Assessment Roll”** means the document included in this Service and Assessment Plan as Appendix F, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of the Phase #1 and Phase #2 Bonds or in connection with any Annual Service Plan Update.

**“Phase #1 Maximum Assessment Per Unit”** means for Phase #1 an Assessment per unit for each applicable Lot Type as follows:

Lot Type 1 (45 Ft Lot) - \$44,118.25

Lot Type 2 (40 Ft Lot) - \$42,353.52

**“Phase #1 Improvements”** mean the Authorized Improvements which only benefit Phase #1 Assessed Property, which are described in Section III.C.

**“Phase #1 Projects”** mean (i) the pro rata portion of the Major Improvements allocable to Phase #1, and (ii) the Phase #1 Improvements.

**“Phase #1 and Phase #2 Assessment Roll”** means the document included in this Service and Assessment Plan as Exhibit 1 as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service Plan Update.

**“Phase #2”** means the second and final Phase to be developed and generally shown in Appendix A.3, as specifically depicted and described as the sum of all Parcels shown in Appendix G.

**“Phase #2 Assessed Property”** means all Parcels within Phase #2 other than Non-Benefited Property and shown in the Phase #2 Assessment Roll against which an Assessment relating to the Phase #2 Projects is levied.

**“Phase #2 Assessment Revenues”** mean the actual revenues received by or on behalf of the City from the collection of Assessments levied against Phase #2 Assessed Property, or the Annual Installments thereof, for Phase #2 Projects.

**“Phase #2 Assessment Roll”** means the document included in this Service and Assessment Plan as Appendix G, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Phase #1 and Phase #2 Bonds or in connection with any Annual Service Plan Update.

**“Phase #2 Maximum Assessment Per Unit”** means for Phase #2 an Assessment per unit for each applicable Lot Type as follows:

Lot Type 1 (45 Ft Lot) - \$43,988.39

Lot Type 2 (40 Ft Lot) - \$42,228.86

**“Phase #2 Improvements”** mean the Authorized Improvements which only benefit Phase #2 Assessed Property, which are described in Section III.D.

**“Phase #2 Projects”** mean (i) the pro rata portion of the Major Improvements allocable to Phase #2, and (ii) the Phase #2 Improvements.

**“PID”** has the meaning set forth in Section I.A of this Service and Assessment Plan.

**“PID Act”** means Texas Local Government Code Chapter 372, Public Improvement District Assessment Act, Subchapter A, Public Improvement Districts, as amended.

**“Prepayment Costs”** mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the City as a result of any prepayment of an Assessment.

**“Public Property”** means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Wharton County, the City, a school district or any other public agency, whether in fee simple or through an exclusive use easement.

**“Service and Assessment Plan”** means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

**“TIRZ No. 1”** means the Tax Increment Reinvestment Zone No. 1, City of Wharton, Texas.

**“TIRZ Annual Credit”** means, for each Parcel, the prorated amount of TIRZ Revenues calculated pursuant to Section VI of this Service and Assessment Plan.

**“TIRZ Ordinance”** means an ordinance adopted by the City Council authorizing the use of TIRZ Revenues for project costs under the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, relating to the Authorized Improvements as provided for in the Tax Increment Reinvestment Zone No. 1 Project Plan and Financing Plan (including amendments or supplements thereto).

**“TIRZ Revenues”** mean, for each year, the amounts paid by the City from the TIRZ No. 1 tax increment fund pursuant to the TIRZ Ordinance to reduce an Annual Installment, as calculated each year by the Administrator in collaboration with the City, in accordance with Section VI of this Service and Assessment Plan.

**“Trust Indenture”** means an indenture of trust, ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended, and/or supplemented from time to time.

**“Trustee”** means the fiscal agent or trustee as specified in the Trust Indenture, including a substitute fiscal agent or trustee.

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## ***II. PROPERTY INCLUDED IN THE PID***

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### **A. PROPERTY INCLUDED IN THE PID**

The PID is presently located within the City and contains approximately 55.48 acres of land. A map of the property within the PID is shown on Appendix A to this Service and Assessment Plan.

At completion, the PID is expected to consist of approximately 223 single family residential units, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID.

The property within the PID was originally proposed to be developed as follows:

**Table II-A.1**  
**Proposed Development – PID - Original**

<b>Proposed Development</b>	<b>Quantity</b>	<b>Measurement</b>
45 Ft Lot	95	Units
40 Ft Lot	138	Units
<b>Total</b>	<b>233</b>	<b>Units</b>

The property within the PID is now proposed to be developed as follows:

**Table II-A.2**  
**Proposed Development – PID – Revised**

<b>Proposed Development</b>	<b>Quantity</b>	<b>Measurement</b>
45 Ft Lot	90	Units
40 Ft Lot	133	Units
<b>Total</b>	<b>223</b>	<b>Units</b>

### **B. PROPERTY INCLUDED IN PHASE #1**

Phase #1 consists of approximately 18.69 acres and consists of 99 single family residential units, to be developed as Phase #1, as further described in Section III. A map of the property within Phase #1 and depicting the boundaries is shown in Appendix A.2.

**Table II-B**  
**Proposed Development – Phase #1**

<b>Proposed Development</b>	<b>Quantity</b>	<b>Measurement</b>
45 Ft Lot	51	Units
40 Ft Lot	48	Units
<b>Total</b>	<b>99</b>	<b>Units</b>

### C. PROPERTY INCLUDED IN PHASE #2

Phase #2 consists of approximately 36.79 acres and is projected to consist of 124 single family residential units, to be developed as Phase #2, as further described in Section III. A map of the property within Phase #2 and depicting the boundaries is shown in Appendix A.3.

**Table II-C**  
**Proposed Development – Phase #2**

<b>Proposed Development</b>	<b>Quantity</b>	<b>Measurement</b>
45 Ft Lot	39	Units
40 Ft Lot	85	Units
<b>Total</b>	<b>124</b>	<b>Units</b>

The estimated number of units at the build-out of the PID is based on the land use approvals for the property, the anticipated subdivision of property in the PID, and the Developer's estimate of the highest and best use of the property within the PID.

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### ***III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS***

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#### **A. AUTHORIZED IMPROVEMENT OVERVIEW**

##### 372.003. Authorized Improvements

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement may include:

- (i) landscaping;
- (ii) erection of fountains, distinctive lighting, and signs;
- (iii) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- (iv) construction or improvement of pedestrian malls;
- (v) acquisition and installation of pieces of art;
- (vi) acquisition, construction, or improvement of libraries;
- (vii) acquisition, construction, or improvement of off-street parking facilities;
- (viii) acquisition, construction, improvement, or rerouting of mass transportation facilities;
- (ix) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (x) the establishment or improvement of parks;
- (xi) projects similar to those listed in Subdivisions (i)-(x);
- (xii) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (xiii) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
- (xiv) payment of expenses incurred in the establishment, administration and operation of the district; and
- (xv) the development, rehabilitation, or expansion of affordable housing

After analyzing the public improvement projects authorized by the PID Act, the City has determined at this time to undertake only Authorized Improvements listed in Section III.B, Section III.C, and Section III.D and shown in the opinion of probable costs and on the diagrams included

as Appendix B for the benefit of the Assessed Property. Any change to the list of Authorized Improvements will require the approval of the City and an update to this Service and Assessment Plan.

## **B. DESCRIPTIONS AND BUDGETED COSTS OF THE MAJOR IMPROVEMENTS**

The Major Improvements descriptions are presented below as provided by the project engineer. The Budgeted Costs of the Major Improvements are shown in Table III-A. The costs shown in Table III-A are estimates and may be revised in Annual Service Plan Updates, including such other improvements as deemed necessary to further improve the properties within the PID.

A description of the Major Improvements are as follows:

### Road Improvements

The road improvement portion of the Major Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the entire PID. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### Water Improvements

The water improvements portion of the Major Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the entire PID. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

### Sanitary Sewer Improvements

The sanitary sewer improvement portion of the Major Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to the entire PID. The sanitary sewer improvements will be designed and constructed according to City standards and specifications and will be owned and operated by the City.

### Storm Drainage Improvements

The storm drainage improvement portion of the Major Improvements consists of detention ponds, HDPE or HP storm sewer pipes and outfall structures, reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, and erosion control and storm water quality features, which benefit the entire PID. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### Landscaping and Hardscaping

The landscaping improvement portion of the Major Improvements consists of landscaping, hardscaping, entry monumentation, walking trails, fountains, electrical services and lighting, and playground equipment and furnishings.

### Other Soft and Miscellaneous Costs

The soft and miscellaneous costs portion of the Major Improvements consists of engineering and surveying, land acquisition costs, project management fees, City inspection fees, project management fees, contingency, and other soft and miscellaneous costs.

Table III-A details the Budgeted Costs for the Major Improvements.

**Table III-A**  
**Budgeted Costs – Major Improvements**

<b>Authorized Improvements</b>	<b>Total Major Improvements</b>	<b>Phase #1 Allocated Amount</b>	<b>Phase #2 Allocated Amount</b>
Road improvements	\$200,000	\$89,195	\$110,805
Water improvements	\$229,645	\$102,416	\$127,229
Sanitary sewer improvements	\$215,867	\$96,271	\$119,596
Storm drainage improvements	\$1,310,308	\$584,365	\$725,942
Landscaping & Hardscaping	\$800,000	\$356,781	\$443,219
Other soft and miscellaneous costs	\$1,747,211	\$779,214	\$967,998
<b>Total Authorized Improvements</b>	<b>\$4,503,031</b>	<b>\$2,008,243</b>	<b>\$2,494,788</b>

### **C. DESCRIPTIONS AND BUDGETED COSTS OF PHASE #1**

The Phase #1 Improvements descriptions are presented below as provided by the project engineer. The Budgeted Costs of the Phase #1 Improvements are shown in Table III-C. The costs shown in Table III-C are estimates and may be revised in Annual Service Plan Updates, including such other improvements as deemed necessary to further improve the properties within the PID.

A description of the Phase #1 Improvements are as follows:

#### Road Improvements

The road improvement portion of the Phase #1 Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Phase #1 Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### Water Improvements

The water improvements portion of the Phase #1 Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the Phase #1 Assessed Property. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

### Sanitary Sewer Improvements

The sanitary sewer improvement portion of the Phase #1 Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Phase #1 Assessed Property. The sanitary sewer improvements will be designed and constructed according to City standards and specifications and will be owned and operated by the City.

### Storm Drainage Improvements

The storm drainage improvement portion of the Phase #1 Improvements consists of detention ponds, HDPE or HP storm sewer pipes and outfall structures, reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, and erosion control and storm water quality features, which benefit the Phase #1 Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

### Other Soft and Miscellaneous Costs

The soft and miscellaneous costs portion of the Phase #1 Improvements consists of engineering and surveying, land acquisition costs, project management fees, City inspection fees, project management fees, contingency, and other soft and miscellaneous costs.

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**Table III-B**  
**Budgeted Costs - Phase #1 Projects**

<b>Authorized Improvements</b>	<b>Phase #1's Proportional Share of Major Improvements</b>	<b>Phase #1 Improvements</b>	<b>Total Phase #1 Projects</b>
Road Improvements	\$89,195	\$905,361	\$994,556
Water Improvements	\$102,416	\$261,456	\$363,872
Sanitary Sewer Improvements	\$96,271	\$247,678	\$343,949
Storm Drainage Improvements	\$584,365	\$490,974	\$1,075,340
Landscaping & Hardscaping	\$356,781	\$0	\$356,781
Other Soft and Miscellaneous Costs	\$779,214	\$974,078	\$1,753,292
<b>Total Authorized Improvements</b>	<b>\$2,008,243</b>	<b>\$2,879,548</b>	<b>\$4,887,790</b>

Note: Costs provided by the Developer. The figures shown in Table III-B may be revised in Annual Service Plan Updates and may be reallocated between line items so long as the total Assessment relating to Phase #1 does not increase.

#### **D. DESCRIPTIONS AND BUDGETED COSTS OF PHASE #2**

The Phase #2 Improvements descriptions are presented below as provided by the project engineer. The Budgeted Costs of the Phase #2 Improvements are shown in Table III-D. The costs shown in Table III-D are estimates and may be revised in Annual Service Plan Updates, including such other improvements as deemed necessary to further improve the properties within the PID.

A description of the Phase #2 Improvements are as follows:

##### Road Improvements

The road improvement portion of the Phase #2 Improvements consists of the construction of road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Phase #2 Assessed Property. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

##### Water Improvements

The water improvements portion of the Phase #2 Improvements consists of construction and installation of a looped water main network, waterlines, mains, pipes, valves and appurtenances, necessary for the portion of the water distribution system that will service the Phase #2 Assessed Property. The water improvements will be designed and constructed according to City standards and will be owned and operated by the City.

##### Sanitary Sewer Improvements

The sanitary sewer improvement portion of the Phase #2 Improvements consists of construction and installation of pipes, service lines, manholes, encasements, and appurtenances necessary to

provide sanitary sewer service to Phase #2 Assessed Property. The sanitary sewer improvements will be designed and constructed according to City standards and specifications and will be owned and operated by the City.

#### Storm Drainage Improvements

The storm drainage improvement portion of the Phase #2 Improvements consists of detention ponds, HDPE or HP storm sewer pipes and outfall structures, reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, and erosion control and storm water quality features, which benefit the Phase #2 Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

#### Other Soft and Miscellaneous Costs

The soft and miscellaneous costs portion of the Phase #2 Improvements consists of engineering and surveying, land acquisition costs, project management fees, City inspection fees, project management fees, contingency, and other soft and miscellaneous costs.

**Table III-C**  
**Budgeted Costs - Phase #2 Projects**

<b>Authorized Improvements</b>	<b>Phase #2's Proportional Share of Major Improvements</b>	<b>Phase #2 Improvements</b>	<b>Total Phase #2 Projects</b>
Road Improvements	\$110,805	\$1,200,000	\$1,310,805
Water Improvements	\$127,229	\$250,000	\$377,229
Sanitary Sewer Improvements	\$119,596	\$450,000	\$569,596
Storm Drainage Improvements	\$725,942	\$625,000	\$1,350,942
Landscaping & Hardscaping	\$443,219	\$0	\$443,219
Other Soft and Miscellaneous Costs	\$967,998	\$1,309,500	\$2,277,498
<b>Total Authorized Improvements</b>	<b>\$2,494,788</b>	<b>\$3,834,500</b>	<b>\$6,329,288</b>

Note: Costs provided by McKim & Creed. The figures shown in Table III-C may be revised in Annual Service Plan Updates and may be reallocated between line items so long as the total Assessment relating to Phase #2 does not increase.

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## ***IV. SERVICE PLAN***

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### **A. PROJECTED SOURCES AND USES OF FUNDS**

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 PID during the five-year period. The Major Improvements and Phase #1 Improvements were completed and accepted by the City in the 3rd quarter of 2024. The Developer commenced construction of the Phase #2 Improvements in May of 2025. It is anticipated that the Phase #2 Improvements will be completed and accepted by the City in the 4th quarter of 2025.

The original Budgeted Costs for Phase #1 Projects and expenses incurred in the establishment, administration, and operation of the PID were \$4,866,274 as shown in Table IV-A.1. The revised Budgeted Costs for Phase #1 Projects and expenses incurred in the establishment, administration, and operation of the PID, as well as Phase #1's allocable share of the bond issuance costs for the Phase #1 and Phase #2 Bonds, are \$5,651,682 as shown in Table IV-A.2.

The Budgeted Costs for the Phase #2 Projects, expenses incurred in the establishment, administration, and operation of the PID, as well as Phase #2's allocable share of the bond issuance costs for the Phase #1 and Phase #2 Bonds, are \$7,587,793, as shown in Table IV-B.

The Phase #1 and Phase #2 Bonds will be issued to acquire or construct the Phase #1 Projects and the Phase #2 Projects, and to pay for costs related to the issuance of the Phase #1 and Phase #2 Bonds and payment of expenses incurred in the establishment, administration and operation of the PID. The Budgeted Costs for the Phase #1 Projects, the Phase #2 Projects, costs of issuance of the Phase #1 and Phase #2 Bonds and payment of expenses incurred in the establishment, administration and operation of the PID are \$13,239,474, as shown in Table IV-C.

The service plan shall be reviewed and updated at least annually for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll(s). Any update to this Service and Assessment Plan is herein referred to as an "Annual Service Plan Update."

#### ***Phase #1***

Table IV-A.1 shows the projected sources and uses for Phase #1 Projects. Tables in this Section may be rounded to the nearest whole dollar.

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**Table IV-A.1**  
**Projected Sources and Uses – Phase #1 Projects - Original**

<b>Sources of Funds</b>	<b>Total</b>
Assessment	\$4,333,000
Other funding sources	\$533,274
<b>Total Sources</b>	<b>\$4,866,274</b>
<b>Uses of Funds</b>	
<i>Major Improvements:</i>	
Road Improvements	\$85,353
Water Improvements	\$98,004
Sanitary Sewer Improvements	\$92,124
Storm Drainage Improvements	\$559,190
Landscaping & Hardscaping	\$341,410
Other Soft and Miscellaneous Costs	\$745,645
<i>Subtotal Major Improvements</i>	<i>\$1,921,726</i>
<i>Phase #1 Improvements:</i>	
Road improvements	\$905,361
Water improvements	\$261,456
Sanitary sewer improvements	\$247,678
Storm drainage improvements	\$490,974
Other soft and miscellaneous costs	\$974,078
<i>Subtotal Phase #1 Improvements</i>	<i>\$2,879,548</i>
<i>Other Assessment Related Costs:</i>	
Assessment levy fee and first year Administrative Expenses	\$65,000
<i>Subtotal</i>	<i>\$65,000</i>
<b>Total Uses</b>	<b>\$4,866,274</b>

A portion of the costs of the Phase #1 Projects will be reimbursed to the Developer from the proceeds of the Phase #1 and Phase #2 Bonds. The updated sources and uses for the Phase #1 portion of the Phase #1 and Phase #2 Bonds are shown in Table IV-A.2.

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**Table IV-A.2**  
**Projected Sources and Uses – Phase #1 Projects – Revised**

<b>Sources of Funds</b>	<b>Total<sup>1</sup></b>
Par Amount	\$4,283,000
Other funding sources	\$1,368,682
<b>Total Sources</b>	<b>\$5,651,682</b>
<b>Uses of Funds</b>	
<u>Major Improvements</u>	
Road Improvements	\$89,195
Water Improvements	\$102,416
Wastewater Improvements	\$96,271
Storm Drainage Improvements	\$584,365
Landscaping & Hardscaping	\$356,781
Other Soft and Miscellaneous Costs	\$779,214
<i>Subtotal Major Improvements</i>	<i>\$2,008,243</i>
<u>Phase #1 Improvements</u>	
Road Improvements	\$905,361
Water Improvements	\$261,456
Wastewater Improvements	\$247,678
Storm Drainage Improvements	\$490,974
Other Soft and Miscellaneous Costs	\$974,078
<i>Subtotal Phase #1 Improvements</i>	<i>\$2,879,548</i>
<u>Estimated Bond Issuance Costs</u>	
Issuance costs	\$256,980
Administrative expenses	\$25,000
Underwriter's discount	\$85,660
Underwriter's counsel fee	\$42,830
Capitalized interest	\$37,119
Reserve fund	\$316,302
<i>Subtotal Estimated Bond Issuance Costs</i>	<i>\$763,892</i>
<b>Total Uses</b>	<b>\$5,651,682</b>

<sup>1</sup>Sources and Uses for Phase #1 Projects at the time of the issuance of Phase #1 and Phase #2 Bonds.

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## Phase #2

A portion of the costs of the Phase #2 Projects will be reimbursed to the Developer from the proceeds of the Phase #1 and Phase #2 Bonds. The sources and uses for the Phase #2 portion of the Phase #1 and Phase #2 Bonds are shown in Table IV-B.

**Table IV-B**  
**Projected Sources and Uses – Phase #2 Projects**

<b>Sources of Funds</b>	<b>Total<sup>1</sup></b>
Par Amount	\$5,305,000
Other funding sources	\$2,282,793
<b>Total Sources</b>	<b>\$7,587,793</b>
<b>Uses of Funds</b>	
<u>Major Improvements</u>	
Road Improvements	\$110,805
Water Improvements	\$127,229
Wastewater Improvements	\$119,596
Storm Drainage Improvements	\$725,942
Landscaping & Hardscaping	\$443,219
Other Soft and Miscellaneous Costs	\$967,998
<i>Subtotal Major Improvements</i>	<i>\$2,494,788</i>
<u>Phase #2 Improvements</u>	
Road Improvements	\$1,200,000
Water Improvements	\$250,000
Wastewater Improvements	\$450,000
Storm Drainage Improvements	\$625,000
Other Soft and Miscellaneous Costs	\$1,309,500
<i>Subtotal Phase #1 Improvements</i>	<i>\$3,834,500</i>
<u>Estimated Bond Issuance Costs</u>	
Issuance costs	\$318,300
Administrative expenses	\$25,000
Underwriter's discount	\$106,100
Underwriter's counsel fee	\$53,050
Capitalized interest	\$364,277
Reserve fund	\$391,778
<i>Subtotal Estimated Bond Issuance Costs</i>	<i>\$1,258,504</i>
<b>Total Uses</b>	<b>\$7,587,793</b>

<sup>1</sup>Sources and Uses for Phase #2 Projects at the time of the issuance of Phase #1 and Phase #2 Bonds.

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Phase #1 and Phase #2 Bonds

The Phase #1 and Phase #2 Bonds are being issued to finance a portion of both the Phase #1 Projects and the Phase #2 Projects. Table IV-C shows the sources and uses of the Phase #1 and Phase #2 Bonds.

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**Table IV-C**  
**Projected Sources and Uses - Phase #1 and Phase #2 Bonds**

<b>Sources of Funds</b>	<b>Phase #1</b>	<b>Phase #2</b>	<b>Total<sup>1</sup></b>
Par amount	\$4,283,000	\$5,305,000	\$9,588,000
Other funding sources	\$1,368,682	\$2,282,793	\$3,651,474
<b>Total Sources</b>	<b>\$5,651,682</b>	<b>\$7,587,793</b>	<b>\$13,239,474</b>
<b>Uses of Funds</b>			
<i><u>Major Improvements</u></i>			
Road Improvements	\$89,195	\$110,805	\$200,000
Water Improvements	\$102,416	\$127,229	\$229,645
Wastewater Improvements	\$96,271	\$119,596	\$215,867
Storm Drainage Improvements	\$584,365	\$725,942	\$1,310,308
Landscaping & Hardscaping	\$356,781	\$443,219	\$800,000
Other Soft and Miscellaneous Costs	\$779,214	\$967,998	\$1,747,211
<i>Subtotal Major Improvements</i>	<i>\$2,008,243</i>	<i>\$2,494,788</i>	<i>\$4,503,031</i>
<i><u>Phase #1 Improvements</u></i>			
Road Improvements	\$905,361	\$0	\$905,361
Water Improvements	\$261,456	\$0	\$261,456
Wastewater Improvements	\$247,678	\$0	\$247,678
Storm Drainage Improvements	\$490,974	\$0	\$490,974
Other Soft and Miscellaneous Costs	\$974,078	\$0	\$974,078
<i>Subtotal Phase #1 Improvements</i>	<i>\$2,879,548</i>	<i>\$0</i>	<i>\$2,879,548</i>
<i><u>Phase #2 Improvements</u></i>			
Road Improvements	\$0	\$1,200,000	\$1,200,000
Water Improvements	\$0	\$250,000	\$250,000
Wastewater Improvements	\$0	\$450,000	\$450,000
Storm Drainage Improvements	\$0	\$625,000	\$625,000
Other Soft and Miscellaneous Costs	\$0	\$1,309,500	\$1,309,500
<i>Subtotal Phase #2 Improvements</i>	<i>\$0</i>	<i>\$3,834,500</i>	<i>\$3,834,500</i>
<i><u>Estimated Bond Issuance Costs</u></i>			
Issuance costs	\$256,980	\$318,300	\$575,280
Administrative expenses	\$25,000	\$25,000	\$50,000
Underwriter's discount	\$85,660	\$106,100	\$191,760
Underwriter's counsel fee	\$42,830	\$53,050	\$95,880
Capitalized interest	\$37,119	\$364,277	\$401,396
Reserve fund	\$316,302	\$391,778	\$708,080
<i>Subtotal Estimated Bond Issuance Costs</i>	<i>\$763,892</i>	<i>\$1,258,504</i>	<i>\$2,022,396</i>
<b>Total Uses</b>	<b>\$5,651,682</b>	<b>\$7,587,793</b>	<b>\$13,239,474</b>

<sup>1</sup>Sources and Uses for Phase #1 Projects, Phase #2 Projects, and cost of issuance at the time of the issuance of Phase #1 and Phase #2 Bonds.

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## B. PROJECTED FIVE YEAR SERVICE PLAN

### Phase #1

The annual projected costs and annual projected indebtedness for Phase #1 is shown by Table IV-D. The annual projected costs and indebtedness is subject to revision, and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**Table IV-D**  
**Annual Projected Costs and Annual Projected Indebtedness – Phase #1 Projects**

Year	Annual Projected Cost <sup>1</sup>	Annual Projected Indebtedness	Other Funding Sources	Projected Phase #1 Annual Installments
2024	\$4,887,790	\$4,283,000	\$533,274	\$0
2025	\$763,892	\$0	\$835,408	\$0
2026	\$0	\$0	\$0	\$358,480
2027	\$0	\$0	\$0	\$358,675
2028	\$0	\$0	\$0	\$358,363
2029	\$0	\$0	\$0	\$358,865
2030	\$0	\$0	\$0	\$359,118
<b>Total</b>	<b>\$5,651,682</b>	<b>\$4,283,000</b>	<b>\$1,368,682</b>	<b>\$1,793,501</b>

<sup>1</sup>Administrative Expenses in year 2024 were funded by the Developer.

The annual projected costs shown in Table IV-D are the annual expenditures relating to the Phase #1 Projects shown in Table III-B, the costs associated with setting up the PID, and the costs of issuance for the Phase #1 and Phase #2 Bonds related to Phase #1. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

### Phase #2

The annual projected costs and annual projected indebtedness for Phase #2 is shown by Table IV-E. The annual projected costs and indebtedness is subject to revision, and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

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**Table IV-E**  
**Annual Projected Costs and Annual Projected Indebtedness – Phase #2 Projects**

<b>Year</b>	<b>Annual Projected Cost</b>	<b>Annual Projected Indebtedness</b>	<b>Other Funding Sources</b>	<b>Phase #2 Annual Installments</b>
2025	\$7,587,793	\$5,305,000	\$2,282,793	\$0
2026	\$0	\$0	\$0	\$0
2027	\$0	\$0	\$0	\$442,115
2028	\$0	\$0	\$0	\$441,942
2029	\$0	\$0	\$0	\$442,521
2030	\$0	\$0	\$0	\$441,785
2031	\$0	\$0	\$0	\$441,797
<b>Total</b>	<b>\$7,587,793</b>	<b>\$5,305,000</b>	<b>\$2,282,793</b>	<b>\$2,210,160</b>

The annual projected costs shown in Table IV-E are the annual expenditures relating to the Phase #2 Projects shown in Table III-C, and the costs associated with setting up the PID and Phase #2's share of the costs of issuance of the Phase #1 and Phase #2 Bonds. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

#### **C. PID ASSESSMENT NOTICE**

The PID Act requires that this Service and Assessment Plan and each Annual Service Plan Update include a copy of the notice form required by Section 5.014 of the Texas Property Code. The "PID Assessment Notice" is attached hereto as Appendix E and may be updated in an Annual Service Plan Update.

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## ***V. ASSESSMENT PLAN***

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### **A. INTRODUCTION**

The PID Act requires the City Council to apportion the costs of the Authorized Improvements on the basis of special benefits conferred upon the property because of the Authorized Improvements. The PID Act provides that the costs of the Authorized Improvements may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

The proposed Authorized Improvement program anticipated reimbursement agreements potentially followed by a series of bond financings that are intended to finance the public infrastructure required for the development. This financing will necessarily be undertaken in phases to coincide with the private investment and development of the Authorized Improvements. The City has levied Assessments on property related to Phase #1 to finance the Phase #1 Projects. This Service and Assessment Plan is being updated to provide for the Phase #1 and Phase #2 Bonds and the levy of Assessments for property within Phase #2 to finance the Phase #2 Projects.

The purpose of this gradual levy of assessment and related execution of a reimbursement agreement and/or issuance of bonds in phases is to mirror the actual private development of the Authorized Improvements. The levy of Assessments and related execution of a reimbursement agreement and/or issuance of bonds are most prudently and efficiently utilized when directly coinciding with construction of public infrastructure needed for private development that is to occur once the infrastructure is completed; it is most effective to issue the Bonds and/or execute the reimbursement agreement when the infrastructure is needed, not before. Furthermore, there is no economic advantage, and several disadvantages, to issuing debt and encumbering property within the PID prior to the need for the Authorized Improvements.

Additionally, phased issuance of debt will maintain a prudent value to lien ("VtL") within the financing program. In order to maintain a prudent VtL, the initial issuance of bonds and/or execution of a reimbursement agreement for a specific set of Authorized Improvements may not fund the entire desired level of public infrastructure because the property value is not high enough to support the entire debt load at the VtL chosen for the development. In that case, the Developer will need to fund the additional infrastructure costs with cash at closing. This cash investment by the Developer for certain Authorized Improvements, if necessary, can be reimbursed by a subsequent parity lien bond financing, secured by the same Assessments, once the assessed property is partially or fully developed and the value has increased sufficiently to permit the issuance of the additional bonds in a prudent fashion.

For purposes of this Service and Assessment Plan, the City Council has determined that the costs of the Major Improvements, Phase #1 Improvements, and Phase #2 Improvements shall be allocated as described below:

1. The Budgeted Costs of the Major Improvements were allocated to the Phase #1 Assessed Property and the Phase #2 Assessed Property on the basis of Equivalent Units calculated using the average home price of each Lot Type once such property is developed, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements to Parcels similarly benefited
2. The Budgeted Costs of the Phase #1 Projects and Phase #2 Projects are allocated to the Phase #1 Assessed Property and the Phase #2 Assessed Property, respectively, on the basis of Equivalent Units calculated using the average home price of each Lot Type once such property is developed, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements to Parcels similarly benefited.
3. The City Council has concluded that larger more expensive homes are likely to be built on the larger lots, and that larger more expensive homes are likely to make greater use of and receive greater benefit from the Authorized Improvements. In determining the relative values of Parcels, the City Council has taken in to consideration: (i) the type of development (i.e., residential, commercial, etc.), (ii) single-family lot sizes and the size of homes likely to be built on lots of different sizes, (iii) current and projected home prices provided by the Developer, (iv) the Authorized Improvements to be provided and the estimated costs, and (v) the ability of different property types to utilize and benefit from the improvements.
4. The Assessed Property is classified into different Lot Types as described in Appendix D based on the type and size of proposed development on each Parcel.
5. Equivalent Units are calculated for each Lot Type based on the relative value of each Lot Type.

This section of this Service and Assessment Plan currently (i) describes the special benefit received by each Parcel within the PID as a result of the Phase #1 Projects and Phase #2 Projects, (ii) provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments to be levied on the Phase #1 Assessed Property and Phase #2 Assessed Property for such improvements, and (iii) establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Phase #1 Projects and Phase #2 Projects, to Parcels in a manner that results in equal shares of the Actual Costs of such improvements being apportioned to Parcels similarly benefited. The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

## **B. SPECIAL BENEFIT**

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and Assessment Plan) and the costs of issuance of the Phase #1 and Phase #2 Bonds and payment of costs incurred in the establishment of the PID shown in Table IV-C are authorized by the PID Act. These Authorized Improvements are provided specifically for the benefit of the Assessed Property.

Each owner of the Assessed Property at the time the Assessments were levied has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed use of the property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Developer has evaluated the potential use of the property and has determined that the highest and best use of the property is the use intended and the legal use for the property as described in Section II of this Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

The Assessments will repay financing that is on advantageous terms, as the Phase #1 and Phase #2 Bonds issued to finance the Authorized Improvements will pay interest that is exempt from federal income tax. As a result, all other terms being equal (e.g., maturity, fixed vs. variable rate, credit quality), the tax-exempt bonds will have a lower interest rate than debt that is not tax-exempt. The Phase #1 and Phase #2 Bonds also have a longer term than other available financings and may either be repaid or assumed by a buyer at the buyer’s option. As a result of these

advantageous terms, the financing provided by the PID is the most beneficial means of financing the Authorized Improvements.

Each owner of the Assessed Property will ratify, confirm, accept, agree to and approve: (i) the determinations and finding by the City Council as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs of the Authorized Improvements through the PID has been determined by the City Council to be the most beneficial means of doing so. As a result, the Authorized Improvements result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

In summary, the Authorized Improvements result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed best use of the property and provide a special benefit to the Assessed Property as a result;
2. The Developer has consented to the imposition of the Assessments for the purpose of providing the Authorized Improvements and the Developer is acting in its interest by consenting to this imposition;
3. The Authorized Improvements are required for the highest and best use of the property;
4. The highest and best use of the Assessed Property is the use of the Assessed Property that is most valuable (including any costs associated with the use of the Assessed Property);
5. Financing of the costs of the Authorized Improvement through the PID is determined to be the most beneficial means of providing for the Authorized Improvements; and,
6. As a result, the special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

### **C. ALLOCATION OF COSTS TO ASSESSED PROPERTY**

The Major Improvements will provide a special benefit to all property in the PID. Accordingly, the Budgeted Costs of the Major Improvements must be allocated throughout all Assessed Property in the PID. Table V-A summarizes the allocation of Actual Costs for each type of Major Improvement to Phase #1 and Phase #2. The Budgeted Costs shown in Table V-A are estimates and may be revised in Annual Service Plan Updates, but the related Assessment may not be increased.

Phase #1 is projected to contain 99 single family residential units, and Phase #2 is projected to contain 124 single family residential units, for a total of 223 single family residential units within the PID. As shown in Appendix D, the total projected Equivalent Units for Phase #1 is calculated as 97.08 and the total projected Equivalent Units for Phase #2 is 120.60. The total projected Equivalent Units for the PID is calculated as 217.68. As a result, 44.60 percent of the Budgeted Costs of the Major Improvements (i.e.  $97.08 \div 217.68 = 44.60\%$ ) are allocated to the Phase #1 Assessed Property, and 55.40 percent of the Budgeted Costs of the Major Improvements (i.e.,  $120.60 \div 217.68 = 55.40\%$ ) are allocated to Phase #2. The Phase #1 and Phase #2 Bonds will fund the Budgeted Costs of the Phase #1 Projects and the Phase #2 Projects. One hundred percent (100%) of the Phase #1 Improvements and Phase #2 Improvements are allocated to the Phase #1 Assessed Property and Phase #2 Assessed Property, respectively.

**Table V-A**  
**Allocation of the Budgeted Costs of the Major Improvements**

<b>Authorized Improvement</b>	<b>Total</b>
Road Improvements	\$200,000
Water Improvements	\$229,645
Sanitary Sewer Improvements	\$215,867
Storm Drainage Improvements	\$1,310,308
Landscaping & Hardscaping	\$800,000
Other Soft and Miscellaneous Costs	\$1,747,211
<b>Total Major Improvements</b>	<b>\$4,503,031</b>
<b>Phase #1</b>	
Projected total number of Equivalent Units	97.08
% of total units	44.60%
Proportionate Share of Costs	\$2,008,243
<b>Phase #2</b>	
Projected total number of Equivalent Units	120.60
% of total units	55.40%
Proportionate Share of Costs	\$2,494,788

<sup>1</sup>See Table III-A for details.

#### **D. ASSESSMENT METHODOLOGY**

The costs of the Authorized Improvements may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the Assessments. The costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

## *1. Assessment Methodology for Phase #1*

For purpose of this Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Phase #1 Projects and related costs of issuance to be financed with the Phase #1 and Phase #2 Bonds, shall be allocated to the Phase #1 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated number of Equivalent Units anticipated to be developed on each Parcel.

Based on the Budgeted Costs of the Phase #1 Projects and related costs of issuance, as set forth in Table III-B, the City Council has determined that the benefit to Phase #1 Assessed Property of the Phase #1 Projects and related costs of issuance is at least equal to the Assessments levied on the Phase #1 Assessed Property.

Upon subsequent divisions of any Parcel of Phase #1 Assessed Property, the Assessment applicable to it will then be apportioned pro rata based on the estimated Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Parcel based on the ratio of the estimated Equivalent Units at the time residential Lots are platted to the total estimated Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the City Council.

The Assessment and Annual Installments for each Parcel or Lot located within Phase #1 is shown on the Phase #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

## *2. Assessment Methodology for Phase #2*

For purpose of this Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Phase #2 Projects and related costs of issuance to be financed with the Phase #1 and Phase #2 Bonds, shall be allocated to the Phase #2 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated number of Equivalent Units anticipated to be developed on each Parcel.

Based on the Budgeted Costs of the Phase #2 Projects and related costs of issuance, as set forth in Table III-C, the City Council has determined that the benefit to Phase #2 Assessed Property of the Phase #2 Projects and related costs of issuance is at least equal to the Assessments levied on the Phase #2 Assessed Property.

Upon subsequent divisions of any Parcel of Phase #2 Assessed Property, the Assessment applicable to it will then be apportioned pro rata based on the estimated Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Parcel based on the ratio of the estimated Equivalent Units at the time residential Lots are platted to the total estimated Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the City Council.

The Assessment and Annual Installments for each Parcel or Lot located within Phase #2 is shown on the Phase #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

#### **E. ASSESSMENTS**

The Assessments for Phase #1 and Phase #2 are levied on each Parcel or Lot according to the Phase #1 Assessment Roll and the Phase #2 Assessment Roll, respectively. The Annual Installments for Phase #1 and Phase #2 Bonds will be collected during the year and in the amounts shown on the Phase #1 Assessment Roll and Phase #2 Assessment Roll, respectively, attached hereto as Appendix F and Appendix G, respectively, and are subject to revisions made during an Annual Service Plan Update. Non-Benefited Property will not be subject to any Assessments.

See Appendix D for Assessment per unit, leverage, and estimated tax rate equivalent calculation details.

#### **F. ADMINISTRATIVE EXPENSES**

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown on the Assessment Roll, which may be revised based on actual costs incurred in Annual Service Plan Updates.

#### **G. ADDITIONAL INTEREST RESERVE**

Pursuant to the PID Act, the interest rate for Assessments securing the Bonds may exceed the actual interest rate per annum paid on the related Bonds, by no more than one half of one percent (0.50%) (the “Additional Interest”). The interest rate used to determine the Assessments securing any such Bonds is one half of one percent (0.50%) per annum higher than the actual rate paid on the Bonds, with the Additional Interest Component of the Annual Installments allocated to fund a reserve to be used for paying interest associated with a prepayment and to offset any possible delinquency related costs (the “Additional Interest Reserve”). If applicable, the Additional Interest Reserve shall be funded until it reaches 5.50% of the outstanding Bonds unless otherwise stipulated in the Trust Indenture. Once the Additional Interest Reserve is funded in full, the City may allocate the Additional Interest Component of the Annual Installments as provided in the applicable Trust Indenture.

#### **H. TIRZ ANNUAL CREDIT**

Pursuant to the TIRZ Ordinance, the City has agreed to use TIRZ Revenues representing 50% of the City’s total increments generated from each Parcel within Phase #1 and Phase #2 to offset a portion of such Parcel’s Assessments. The Annual Installment for each Parcel shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Parcel then on deposit in the TIRZ No. 1 tax increment fund. The TIRZ Annual Credit Amount applicable to each Parcel shall be calculated as described under Section VI of this Service and Assessment Plan.



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## ***VI. TERMS OF THE ASSESSMENTS***

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### **A. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN PHASE #1**

The Assessment and Annual Installments for each Assessed Property located within Phase #1 is shown on the Phase #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

Following the issuance of the Phase #1 and Phase #2 Bonds, the Annual Installments from the Phase #1 Assessed Property shall be collected in an amount sufficient to pay (i) principal and interest on the Phase #1 share of the Phase #1 and Phase #2 Bonds, (ii) the Additional Interest Component to fund the Additional Interest Reserve, if any, and (iii) Administrative Expenses related to Phase #1. The Annual Installment for each Parcel shall be calculated by taking into consideration any available capitalized interest and TIRZ Annual Credit Amount applicable to the Parcel. The TIRZ Annual Credit Amount shall be calculated separately for each Parcel and such TIRZ Annual Credit Amount shall be applied on a Parcel-by-Parcel basis. As described in Section V.H., the TIRZ Revenues attributable to each Parcel of Assessed Property collected in any given year shall be used to calculate each Parcel's TIRZ Annual Credit Amount for such Parcel in the following year (i.e., TIRZ Revenues collected in 2025 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2026). TIRZ Annual Credit Amounts shall be calculated for those Parcels that are subject to Assessments in the PID. The number of units to be used for the calculation of the TIRZ Annual Credit Amount, if applicable, shall be determined by the Administrator based on the information available to the Administrator at the time of such calculations.

### **B. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN PHASE #2**

The Assessment and Annual Installments for each Assessed Property located within Phase #2 is shown on the Phase #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act. The Assessments shall not exceed the benefit received by the Assessed Property.

Following the issuance of the Phase #1 and Phase #2 Bonds, the Annual Installments shall be collected from Phase #2 Assessed Property in an amount sufficient to pay (i) principal and interest on the Phase #2 portion of the Phase #1 and Phase #2 Bonds, (ii) the Additional Interest Component to fund the Additional Interest Reserve, if any, and (iii) Administrative Expenses related to Phase #2. The Annual Installment for each Parcel shall be calculated by taking into consideration any available capitalized interest and TIRZ Annual Credit Amount applicable to the Parcel. The TIRZ Annual Credit Amount shall be calculated separately for each Parcel and such TIRZ Annual Credit Amount shall be applied on a Parcel-by-Parcel basis. As described in Section V.H., the TIRZ Revenues attributable to each Parcel of Assessed Property collected in any given year shall be used to calculate each Parcel's TIRZ Annual Credit Amount for such Parcel in the



following year (i.e., TIRZ Revenues collected in 2025 shall be used to calculate the TIRZ Annual Credit Amount applicable to Annual Installments to be collected in 2026). TIRZ Annual Credit Amounts shall be calculated for those Parcels that are subject to Assessments in the PID. The number of units to be used for the calculation of the TIRZ Annual Credit Amount, if applicable, shall be determined by the Administrator based on the information available to the Administrator at the time of such calculations.

## **C. REALLOCATION OF ASSESSMENTS**

### **1. Subdivision**

Upon the subdivision of any Parcel, the Assessment for the Parcel prior to the subdivision shall be reallocated among the new subdivided Parcels according to the following formula:

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

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel
- B = the Assessment for the Parcel prior to subdivision
- C = the estimated number of Equivalent Units to be built on each new subdivided Parcel
- D = the sum of the estimated number of Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of Equivalent Units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of Equivalent Units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

### **2. Consolidation**

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid

by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

#### **D. MANDATORY PREPAYMENT OF ASSESSMENTS**

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act.

2. If at any time the Assessment per Unit on a Parcel of the Phase #1 Assessed Property or Phase #2 Assessed Property exceeds the applicable Phase#1 Maximum Assessment per Unit or Phase #2 Maximum Assessment per Unit calculated in this Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by this Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the City prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Unit for the Parcel exceeds the applicable Phase #1 Maximum Assessment per Unit or Phase #2 Maximum Assessment per Unit calculated in this Service and Assessment Plan.

3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

#### **E. REDUCTION OF ASSESSMENTS**

1. If after all Authorized Improvements to be funded with the Phase #1 and Phase #2 Bonds have been completed and Actual Costs for such Authorized Improvements are less than the Budgeted Costs of the Authorized Improvements used to calculate the Assessments securing such Phase #1 and Phase #2 Bonds resulting in excess Phase #1 and Phase #2 Bond proceeds being available to redeem Phase #1 and Phase #2 Bonds, such excess Phase #1 and Phase #2 Bond proceeds shall be applied to redeem Phase #1 and Phase #2 Bonds as provided in the Trust Indenture, then the Assessments securing such Phase #1 and Phase #2 Bonds for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the related outstanding Phase #1 and Phase #2 Bonds. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

2. If all the Authorized Improvements are not undertaken, resulting in excess Phase #1 and Phase #2 Bond proceeds being available to redeem Phase #1 and Phase #2 Bonds, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the City Council to reflect only the amounts required to repay the Phase #1 and Phase #2 Bonds, including interest on the Phase #1 and Phase #2 Bonds and Administrative Expenses, and, in such event, any

such excess bond proceeds shall be applied to redeem Phase #1 and Phase #2 Bonds. The City Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on number of units, if determined by the City Council to be the most fair and practical means of reducing the Assessments for each Parcel such that the sum of the resulting reduced Assessments equals the amount required to repay the Phase #1 and Phase #2 Bonds, including interest on the Phase #1 and Phase #2 Bonds thereon and Administrative Expenses. The principal portion of the Assessment for each Parcel shall be reduced pro rata to the reduction in the Assessments for each Parcel such that the sum of the resulting reduced principal portion of the Phase #1 and Phase #2 Bonds, is equal to the outstanding principal amount of the Phase #1 and Phase #2 Bonds.

## **F. PAYMENT OF ASSESSMENTS**

### **1. Payment in Full**

(a) The Assessment for any Parcel may be paid in full at any time. Such payment shall include all Prepayment Costs. If prepayment in full will result in redemption of Bonds, the payment amount shall be reduced by the amount, if any, of interest through the date of redemption of Bonds and reserve funds applied to the redemption under the Trust Indenture, net of any other costs applicable to the redemption of Bonds.

(b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

(c) Upon payment in full of the Assessment and all Prepayment Costs, the City shall deposit the payment in accordance with the Trust Indenture; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.

(d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part in an amount sufficient to allow for a convenient redemption of Bonds as determined by the Administrator. Upon the payment of such amounts for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

### **2. Payment in Annual Installments**

The PID Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the PID Act authorizes the Assessment to be paid in installments and additionally allows the City to collect interest, administrative expenses and other authorized charges in installments. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown on the Assessment Rolls, as updated as provided for herein, which include interest, Administrative Expenses, and payments required for the Additional Interest

Reserve. Payment of the Annual Installments shall commence with tax bills mailed after the initial issuance of Bonds.

#### Phase #1 and Phase #2

Following the issuance of the Phase #1 and Phase #2 Bonds, each Assessment for the Phase #1 Assessed Property and the Phase #2 Assessed Property shall be paid with interest related to the actual interest rate paid on the Phase #1 and Phase #2 Bonds as shown in the Phase #1 and Phase #2 Assessment Roll and the Additional Interest, if applicable. Currently, interest on the Phase #1 and Phase #2 Bonds is based on an estimated interest rate of 6.00% in years 1 through 30 (2025 – 2055), plus the Additional Interest at the rate of up to 0.5% to fund the Additional Interest Reserve. Furthermore, the Annual Installments may not exceed the amounts shown on the Phase #1 and Phase #2 Assessment Roll. The Phase #1 and Phase #2 Assessment Roll is shown as Exhibit 1.

#### Reduction of Assessments

The Annual Installments shall be reduced to equal the actual costs of repaying the obligations and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The City reserves and shall have the right and option to refund the Phase #1 and Phase #2 Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installments so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds, and such refunding bonds shall constitute Bonds for purposes of this Service and Assessment Plan.

### **G. COLLECTION OF ANNUAL INSTALLMENTS**

No less frequently than annually, the Administrator shall prepare, and the City Council shall consider 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 a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment shall be reduced by any credits applied under the applicable Trust Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any existing deposits for the Additional Interest Reserve and any applicable TIRZ Annual Credit Amounts. Annual Installments shall be collected by the City in the same manner and at the same time as ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated as of September 1 and updated annually. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

*Phase #1*

The collection of the first Annual Installment for a Phase #1 Lot or Parcel shall commence on September 1, 2025, with the Annual Installment being due by January 31, 2026.

*Phase #2*

The collection of the first Annual Installment for a Phase #2 Lot or Parcel shall commence on September 1, 2026, with the Annual Installment being due by January 31, 2027.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

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## ***VII. THE ASSESSMENT ROLL***

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### **A. PHASE #1 ASSESSMENT ROLL**

The City Council has evaluated each Parcel in Phase #1 (based on numerous factors such as the applicable zoning for developable area, the use of proposed Homeowner Association Property, the Public Property, the types of public improvements, and other development factors deemed relevant by the City Council) to determine the amount of Assessed Property within Phase #1.

The Phase #1 Assessed Property has been assessed for the special benefits conferred upon the property resulting from the Phase #1 Projects. Table VII-A summarizes the \$5,651,682 in special benefit received by the Phase #1 Assessed Property from the Phase #1 Projects, and Phase #1's allocable share of the costs of issuance of the Phase #1 and Phase #2 Bonds. The par amount of Phase #1's allocable share of the Phase #1 and Phase #2 Bonds is \$4,283,000, which is less than the benefit received by the Phase #1 Assessed Property. Accordingly, the total Assessment to be applied to all the Phase #1 Assessed Property is \$4,283,000. The Assessment for each Phase #1 Assessed Property is calculated based on the allocation methodologies described in Section V.D. The Phase #1 Assessment Roll is attached hereto as Appendix F.

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**Table VII-A**  
**Phase #1**  
**Special Benefit Summary**

<b>Special Benefit</b>	<b>Total Cost</b>
Total Phases #1 Projects <sup>1</sup>	<b>\$4,887,790</b>
<b>Estimated Bond Issuance Costs</b>	
Issuance costs	\$256,980
Administrative expenses	\$25,000
Underwriter's discount	\$85,660
Underwriter's counsel fee	\$42,830
Capitalized interest	\$37,119
Reserve fund	\$316,302
<i>Subtotal Estimated Bond Issuance Costs</i>	<i>\$763,892</i>
<b>Total Special Benefit</b>	<b>\$5,651,682</b>
<b>Special Benefit</b>	
Total Special Benefit	\$5,651,682
Special Assessment	\$4,283,000
<b>Excess Benefit</b>	<b>\$1,368,682</b>

<sup>1</sup>See Table III-B for details.

## **B. PHASE #2 ASSESSMENT ROLL**

The City Council has evaluated each Parcel in Phase #2 (based on numerous factors such as the applicable zoning for developable area, the use of proposed Homeowner Association Property, the Public Property, the types of public improvements, and other development factors deemed relevant by the City Council) to determine the amount of Assessed Property within Phase #2.

The Phase #2 Assessed Property has been assessed for the special benefits conferred upon the property resulting from the Phase #2 Projects. Table VII-B summarizes the \$7,587,793 in special benefit received by the Phase #2 Assessed Property from the Phase #2 Projects and Phase #2's allocable share of the costs of issuance of the Phase #1 and Phase #2 Bonds. The par amount of Phase #2's allocable share of the Phase #1 and Phase #2 Bonds is \$5,305,000, which is less than the benefit received by the Phase #2 Assessed Property. Accordingly, the total Assessment to be applied to all the Phase #2 Assessed Property is \$5,305,000. The Assessment for each Phase #2 Assessed Property is calculated based on the allocation methodologies described in Section V.D. The Phase #2 Assessment Roll is attached hereto as Appendix G.

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**Table VII-B**  
**Phase #2**  
**Special Benefit Summary**

<b>Special Benefit</b>	<b>Total Cost</b>
Total Phases #2 Projects <sup>1</sup>	<b>\$6,329,288</b>
<b>Estimated Bond Issuance Costs</b>	
Issuance costs	\$318,300
Administrative expenses	\$25,000
Underwriter's discount	\$106,100
Underwriter's counsel fee	\$53,050
Capitalized interest	\$364,277
Reserve fund	\$391,778
<i>Subtotal Estimated Bond Issuance Costs</i>	<i>\$1,258,504</i>
<b>Total Special Benefit</b>	<b>\$7,587,793</b>
<b>Special Benefit</b>	
Total Special Benefit	\$7,587,793
Projected Special Assessment	\$5,305,000
<b>Excess Benefit</b>	<b>\$2,282,793</b>

<sup>1</sup>See Table III-C for details.

### C. ANNUAL ASSESSMENT ROLL UPDATES

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Phase #1 Assessment Roll and Phase #2 Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by this Service and Assessment Plan or in the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.G of this Service and Assessment Plan.

Following the issuance of the Phase #1 and Phase #2 Bonds, the Assessment Rolls shall be updated, which update may be done in the next Annual Service Plan Update, to reflect any changes resulting from the issuance of the Phase #1 and Phase #2 Bonds. This update shall reflect the actual interest on the Phase #1 and Phase #2 Bonds on which the Annual Installments shall be paid, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by the Phase #1 and Phase #2 Bonds and Developer funds.

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## ***VIII. MISCELLANEOUS PROVISIONS***

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### **A. ADMINISTRATIVE REVIEW**

The City may elect to designate a third party to serve as Administrator. The City shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the PID Act, an owner of an Assessed Property claiming that a calculation error has been made in the Assessment Roll(s), including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Property owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Property owner, such change or modification shall be presented to the City Council for approval to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Property owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll(s) pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the City Council, the decision of the City Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

### **B. TERMINATION OF ASSESSMENTS**

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable “Notice of the PID Assessment Termination”.

### **C. AMENDMENTS**

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The City Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels:(i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Delinquent Collection Costs, Administrative Expenses, and other charges imposed by the Service and Assessment Plan.

#### **D. ADMINISTRATION AND INTERPRETATION OF PROVISIONS**

The City Council shall administer the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Trust Indenture, such determination shall be conclusive.

#### **E. SEVERABILITY**



If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed Property or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

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**APPENDIX A**  
**PID MAP**



LOT SUMMARY			
	40'x120'	133 LOTS	60%
	45'x120'	90 LOTS	40%

**TOTAL - 223 LOTS**

a schematic development plan for  
**WHARTON LAKES**  
 ± 55.2 ACRES OF LAND

prepared for  
**WHARTON 55, LLC**



24275 Katy Freeway, Ste. 200  
 Katy, Texas 77494  
 Tel: 281-810-1422



META-S1003  
 OCTOBER 11, 2023

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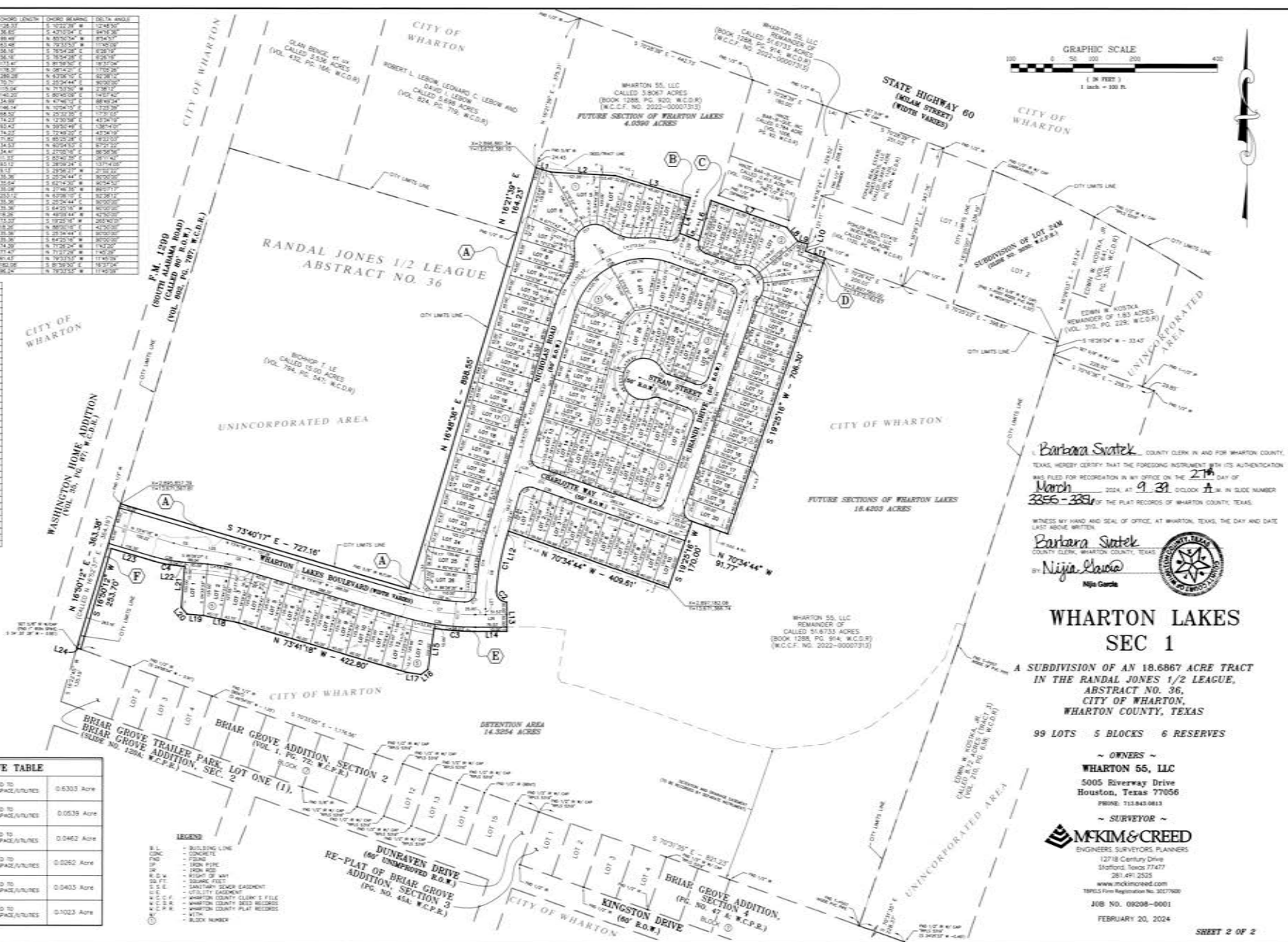
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**APPENDIX A.2**  
**PHASE #1 OUTLINE**

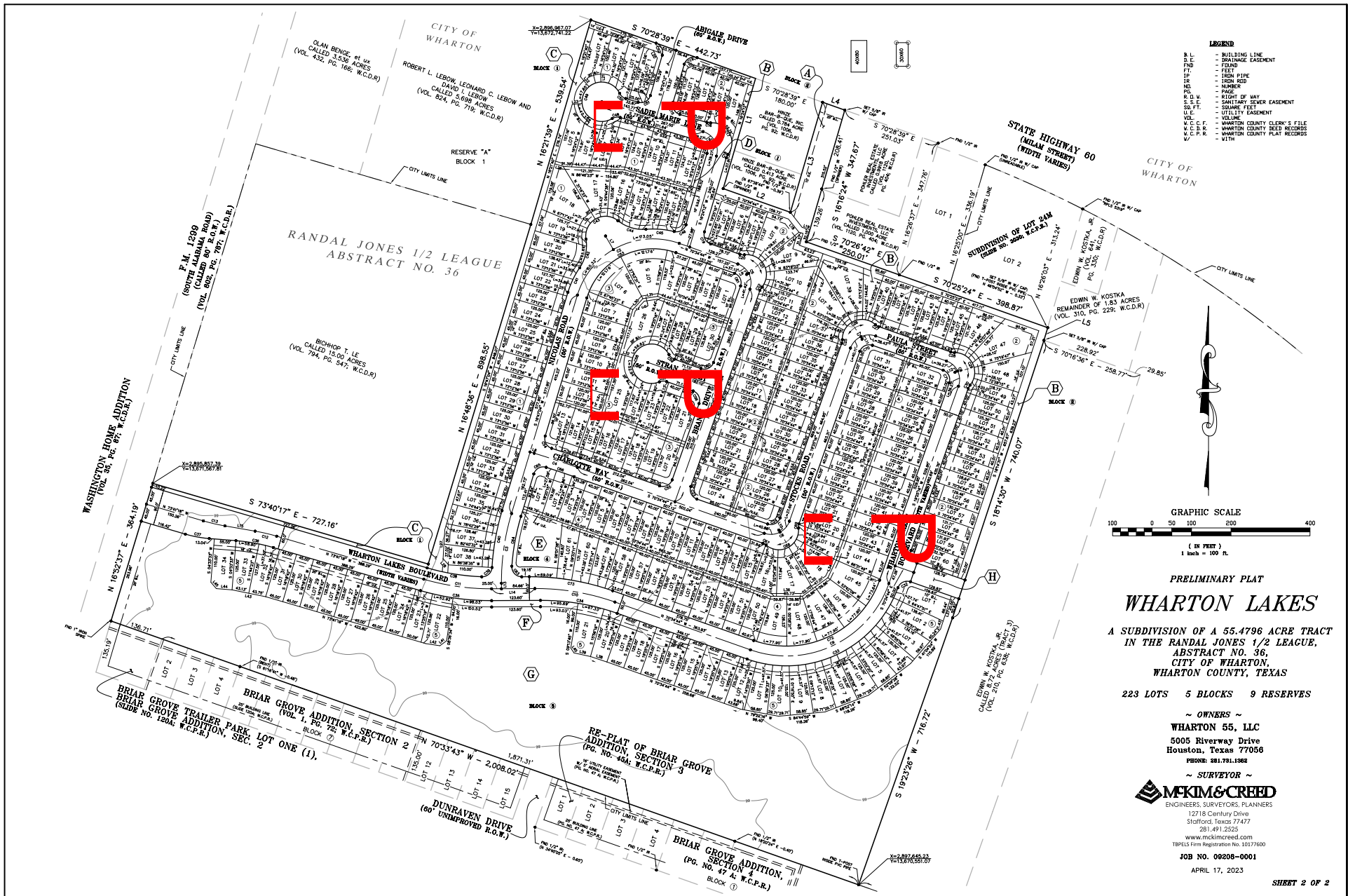


LINE	REMARK	QTY	PRICE	AMOUNT
1.01	1/2" 20-32500	1	17.00	17.00
1.02	1/2" 20-32500	1	17.00	17.00
1.03	1/2" 20-32500	1	17.00	17.00
1.04	1/2" 20-32500	1	17.00	17.00
1.05	1/2" 20-32500	1	17.00	17.00
1.06	1/2" 20-32500	1	17.00	17.00
1.07	1/2" 20-32500	1	17.00	17.00
1.08	1/2" 20-32500	1	17.00	17.00
1.09	1/2" 20-32500	1	17.00	17.00
1.10	1/2" 20-32500	1	17.00	17.00
1.11	1/2" 20-32500	1	17.00	17.00
1.12	1/2" 20-32500	1	17.00	17.00
1.13	1/2" 20-32500	1	17.00	17.00
1.14	1/2" 20-32500	1	17.00	17.00
1.15	1/2" 20-32500	1	17.00	17.00
1.16	1/2" 20-32500	1	17.00	17.00
1.17	1/2" 20-32500	1	17.00	17.00
1.18	1/2" 20-32500	1	17.00	17.00
1.19	1/2" 20-32500	1	17.00	17.00
1.20	1/2" 20-32500	1	17.00	17.00
1.21	1/2" 20-32500	1	17.00	17.00
1.22	1/2" 20-32500	1	17.00	17.00
1.23	1/2" 20-32500	1	17.00	17.00
1.24	1/2" 20-32500	1	17.00	17.00
1.25	1/2" 20-32500	1	17.00	17.00
1.26	1/2" 20-32500	1	17.00	17.00
1.27	1/2" 20-32500	1	17.00	17.00
1.28	1/2" 20-32500	1	17.00	17.00
1.29	1/2" 20-32500	1	17.00	17.00
1.30	1/2" 20-32500	1	17.00	17.00
1.31	1/2" 20-32500	1	17.00	17.00
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1.35	1/2" 20-32500	1	17.00	17.00
1.36	1/2" 20-32500	1	17.00	17.00
1.37	1/2" 20-32500	1	17.00	17.00
1.38	1/2" 20-32500	1	17.00	17.00
1.39	1/2" 20-32500	1	17.00	17.00
1.40	1/2" 20-32500	1	17.00	17.00
1.41	1/2" 20-32500	1	17.00	17.00
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1.43	1/2" 20-32500	1	17.00	17.00
1.44	1/2" 20-32500	1	17.00	17.00
1.45	1/2" 20-32500	1	17.00	17.00
1.46	1/2" 20-32500	1	17.00	17.00
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1.50	1/2" 20-32500	1	17.00	17.00
1.51	1/2" 20-32500	1	17.00	17.00
1.52	1/2" 20-32500	1	17.00	17.00
1.53	1/2" 20-32500	1	17.00	17.00
1.54	1/2" 20-32500	1	17.00	17.00
1.55	1/2" 20-32500	1	17.00	17.00
1.56	1/2" 20-32500	1	17.00	17.00
1.57	1/2" 20-32500	1	17.00	17.00
1.58	1/2" 20-32500	1	17.00	17.00
1.59	1/2" 20-32500	1	17.00	17.00
1.60	1/2" 20-32500	1	17.00	17.00
1.61	1/2" 20-32500	1	17.00	17.00
1.62	1/2" 20-32500	1	17.00	17.00
1.63	1/2" 20-32500	1	17.00	17.00
1.64	1/2" 20-32500	1	17.00	17.00
1.65	1/2" 20-32500	1	17.00	17.00
1.66	1/2" 20-32500	1	17.00	17.00
1.67	1/2" 20-32500	1	17.00	17.00
1.68	1/2" 20-32500	1	17.00	17.00
1.69	1/2" 20-32500	1	17.00	17.00
1.70	1/2" 20-32500	1	17.00	17.00
1.71	1/2" 20-32500	1	17.00	17.00
1.72	1/2" 20-32500	1	17.00	17.00
1.73	1/2" 20-32500	1	17.00	17.00
1.74	1/2" 20-32500	1	17.00	17.00
1.75	1/2" 20-32500	1	17.00	17.00
1.76	1/2" 20-32500	1	17.00	17.00
1.77	1/2" 20-32500	1	17.00	17.00
1.78	1/2" 20-32500	1	17.00	17.00
1.79	1/2" 20-32500	1	17.00	17.00
1.80	1/2" 20-32500	1	17.00	17.00
1.81	1/2" 20-32500	1	17.00	17.00
1.82	1/2" 20-32500	1	17.00	17.00
1.83	1/2" 20-32500	1	17.00	17.00
1.84	1/2" 20-32500	1	17.00	17.00
1.85	1/2" 20-32500	1	17.00	17.00
1.86	1/2" 20-32500	1	17.00	17.00
1.87	1/2" 20-32500	1	17.00	17.00
1.88	1/2" 20-32500	1	17.00	17.00
1.89	1/2" 20-32500	1	17.00	17.00
1.90	1/2" 20-32500	1	17.00	17.00
1.91	1/2" 20-32500	1	17.00	17.00
1.92	1/2" 20-32500	1	17.00	17.00
1.93	1/2" 20-32500	1	17.00	17.00
1.94	1/2" 20-32500	1	17.00	17.00
1.95	1/2" 20-32500	1	17.00	17.00
1.96	1/2" 20-32500	1	17.00	17.00
1.97	1/2" 20-32500	1	17.00	17.00
1.98	1/2" 20-32500	1	17.00	17.00
1.99	1/2" 20-32500	1	17.00	17.00
2.00	1/2" 20-32500	1	17.00	17.00

RESERVE TABLE		
<b>A</b>	RESTRICTED TO LANDSCAPE/OPEN SPACE/UTILITIES	0.6303 Acre
<b>B</b>	RESTRICTED TO LANDSCAPE/OPEN SPACE/UTILITIES	0.0519 Acre
<b>C</b>	RESTRICTED TO LANDSCAPE/OPEN SPACE/UTILITIES	0.0462 Acre
<b>D</b>	RESTRICTED TO LANDSCAPE/OPEN SPACE/UTILITIES	0.0262 Acre
<b>E</b>	RESTRICTED TO LANDSCAPE/OPEN SPACE/UTILITIES	0.0403 Acre
<b>F</b>	RESTRICTED TO LANDSCAPE/OPEN SPACE/UTILITIES	0.1023 Acre



**APPENDIX A.3**  
**PHASE #2 OUTLINE**





**APPENDIX B**  
**BUDGETED COSTS OF AUTHORIZED IMPROVEMENTS**



ENGINEERS

SURVEYORS

PLANNERS

1/24/2025

M&C #09208-0001

City of Wharton  
120 East Caney St  
Wharton, TX 77488

**RE: Wharton lakes Subdivision (Phase 1 and 2) Engineer's Estimate of Probably Costs (EOP)**

To whom it may concern:

Please accept this Estimate of Probable Costs with regards to Wharton Lakes Subdivision.

If you have any questions, please feel free to contact me.

Respectfully,

McKIM & CREED, INC.

Osiel Perez, P.E.  
Project Engineer

12718 Century Drive

Stafford, TX 77477

281.491.2525

[www.mckimcreed.com](http://www.mckimcreed.com)

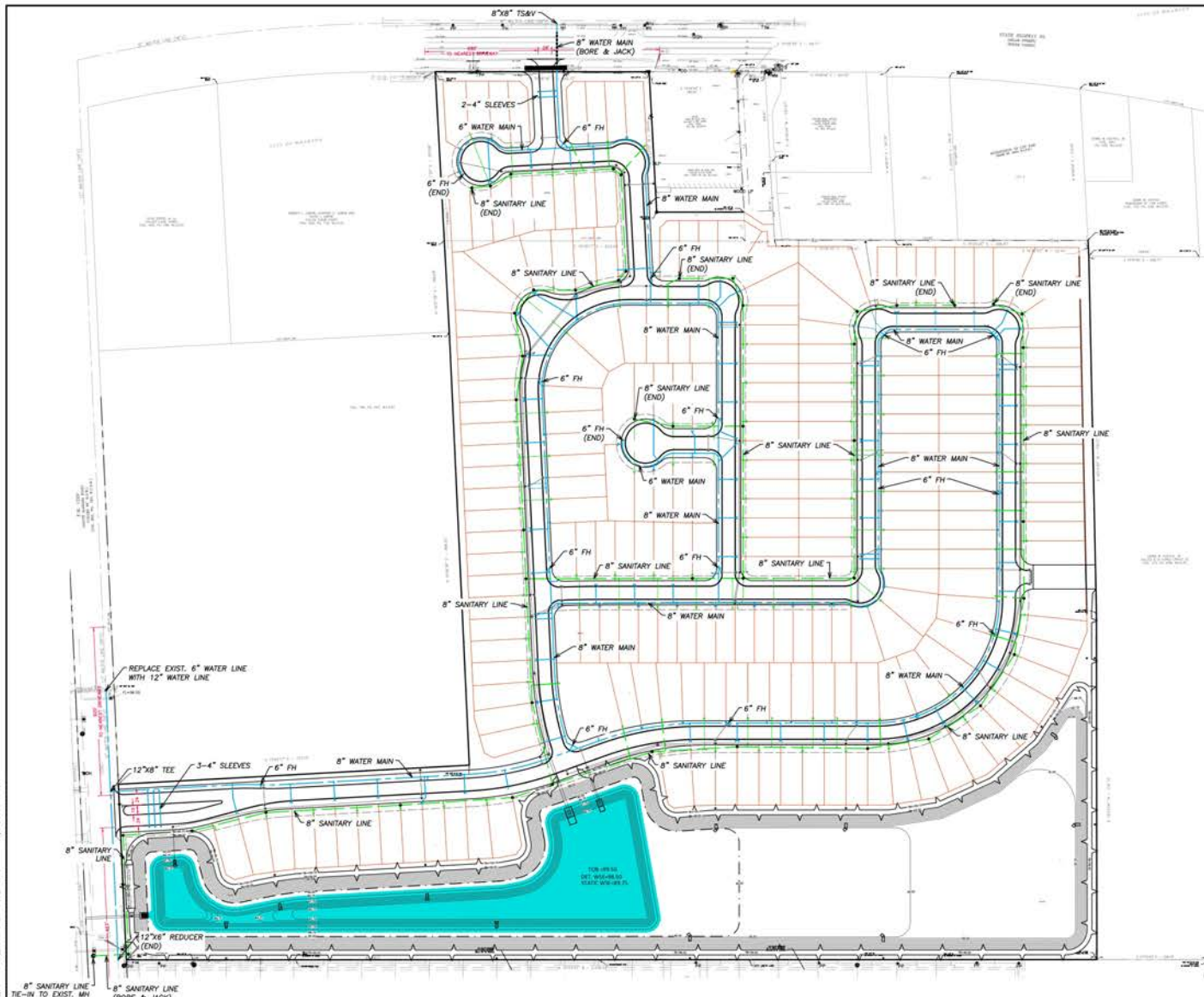
TBPELS Firm #14777, #101776

## Phase 1 & 2 Major Improvements Engineer's Estimate of Probable Costs

Direct Phase Costs		Totals	Phase 1	Phase 2
Water		\$511,455.93	\$261,455.93	\$250,000.00
Sanitary Sewer		\$697,677.93	\$247,677.93	\$450,000.00
Storm Sewer		\$1,040,974.43	\$490,974.43	\$550,000.00
Road Improvements		\$2,105,360.93	\$905,360.93	\$1,200,000.00
Detention/Earthwork		\$75,000.00		\$75,000.00
Parks and Landscaping		\$0.00		
Subtotal Hard Costs		\$4,430,469.20	\$1,905,469.20	\$2,525,000.00
Soft Costs				
Survey & Engineering	18%	\$797,484.46	\$342,984.46	\$454,500.00
Contingency/Escalation	20%	\$886,093.84	\$381,093.84	\$505,000.00
Land		\$250,000.00	\$100,000.00	\$150,000.00
Financing/Administrative		\$350,000.00	\$150,000.00	\$200,000.00
Subtotal Soft Costs		\$2,104,143.87	\$974,078.30	\$1,309,500.00
<b>Total Direct Phase Costs</b>		<b>\$6,534,613.07</b>	<b>\$2,879,547.50</b>	<b>\$3,834,500.00</b>
Major Improvements		Totals		
Water		\$229,645.00		
Sanitary Sewer		\$215,867.00		
Storm Sewer		\$459,163.50		
Paving		\$200,000.00		
Detention/Earthwork		\$851,144.00		
Parks and Landscaping		\$800,000.00		
Subtotal Hard Costs		\$2,755,819.50		
Soft Costs				
Survey & Engineering	18%	\$496,047.51		
Contingency/Escalation	20%	\$551,163.90		
Land		\$300,000.00		
Financing/Administrative		\$400,000.00		
Subtotal Soft Costs		\$1,747,211.41		
<b>Total Major Improvements</b>		<b>\$4,503,030.91</b>		
<b><u>Totals</u></b>		<b><u>\$11,037,643.98</u></b>		
Lot Count		Share		
Phase 1	99	42.49%		
Future	134	57.51%		
Total	233	100.00%		

Costs are estimates and final costs of the Public Improvements shall be as set forth in the applicable Service and Assessment Plan. The Service and Assessment Plan will also include costs of issuance for the PID Bonds.

**APPENDIX C**  
**DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS**



SCALE: 1" = 100'

**LEGEND**

— 8" SANITARY SEWER LINE

— 8" WATER MAIN

— 8" SANITARY SEWER MANHOLE

- WATER & SANITARY NOTES:**
- CONTRACTOR TO FIELD VERIFY ALL CRITICAL TIE-IN ELEVATIONS OF EXISTING SANITARY SEWER MANHOLES BEFORE COMMENCING ANY NEW CONSTRUCTION.
  - CONTRACTOR SHALL DETERMINE IF CONFLICT EXISTS AT ALL PROPOSED UTILITY CROSSINGS PRIOR TO STARTING CONSTRUCTION & REPORT ANY CONFLICT TO ENGINEER IMMEDIATELY.
  - CLEAN-OUTS, MANHOLES, OR VALVES IN PAVEMENT OR SIDEWALK SHALL HAVE TRAFFIC BEARING LIDS OR GRATES.
  - CONTRACTOR TO REPLACE ANY PUBLIC & PRIVATE UTILITIES DAMAGED DURING CONSTRUCTION INCLUDING: SPRINKLER SYSTEMS, ELECTRICAL WIRING, GAS LINES, WATER MAINS OR ANY OTHER DAMAGED UTILITIES.
  - CONTRACTOR TO COORDINATE WITH THE AUTHORITY HAVING JURISDICTION (AHJ) FOR ALL SANITARY SEWER & WATER TAP REQUIREMENTS, INSPECTIONS, TAP FEES, ETC. INCLUDING 811 OR ONE-CALL TO LOCATE EXISTING UNDERGROUND UTILITIES TO PREVENT ANY DAMAGE.
  - ALL WATER & SANITARY SEWER CONNECTIONS TO THE DISTRICT/CITY'S FACILITIES SHALL BE IN ACCORDANCE WITH THE DISTRICT/CITY'S RATE ORDER.
  - ALL PRIVATE AND PUBLIC WATER LINE AND SEWER LINES TO MEET AT MINIMUM, TCO REQUIREMENTS.
  - DOMESTIC WATER LINES TO MEET AT MINIMUM 3' OF COVER, FIRE WATER LINES TO MEET AT LEAST 4' OF COVER.
  - CONTRACTOR TO OBTAIN ALL NECESSARY AHJ INSPECTIONS PRIOR TO BACKFILLING UTILITIES.
  - CONTRACTOR TO COORDINATE WITH CENTERPOINT ENERGY FOR POWER SERVICE & GAS LINE SERVICE.

NO.	REVISIONS	DATE



**MCKIM & CREED**

10718 CENTURY DRIVE  
STAFFORD, TEXAS 77477  
PHONE: 281.491.2500 FAX: 281.491.2535  
SURVEYING PERM NO. 10177600  
ENGINEERING PERM NO. 9-14777  
www.mckimcreed.com

**WHARTON LAKES  
SUBDIVISION**

**OVERALL  
WATER & SANITARY  
LAYOUT**

DATE: 7/21/2023  
HORIZONTAL: 1"=100'  
VERTICAL: N/A  
SCALE: C2.00  
7 OF 43  
FOR REVIEW/PERMIT



**APPENDIX D**  
**ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX RATE**  
**EQUIVALENTS**

## **Appendix D**

For purposes of calculating and allocating the Assessments, the Assessed Property has been classified in one of two Lot Types.

“**Lot Type 1**” means lots identified as such on the Assessment Roll, being lots typically with a Lot width of approximately 45 feet.

“**Lot Type 2**” means lots identified as such on the Assessment Roll, being lots typically with a Lot width of approximately 40 feet.

### **A) Proposed Development**

Table D-1 below shows the original proposed residential units to be developed within the PID.

**Table D-1**  
**Proposed Development within the PID - Original**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 1 (45 Ft)	95	Units
Lot Type 2 (40 Ft)	138	Units
<b>Total</b>	<b>233</b>	Units

Table D-2 below shows the revised proposed residential units to be developed within the PID.

**Table D-2**  
**Proposed Development within the PID – Revised**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 1 (45 Ft)	90	Units
Lot Type 2 (40 Ft)	133	Units
<b>Total</b>	<b>223</b>	Units

Table D-3 below shows the proposed residential units within Phase #1.

**Table D-3**  
**Proposed Development – Phase #1**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 1 (45 Ft)	51	Units
Lot Type 2 (40 Ft)	48	Units
<b>Total</b>	<b>99</b>	Units

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Table D-4 below shows the proposed residential units within Phase #2.

**Table D-4**  
**Proposed Development – Phase #2**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 1 (45 ft)	39	Units
Lot Type 1 (40 ft)	85	Units
<b>Total</b>	<b>124</b>	<b>Units</b>

**B) Calculation of Equivalent Units**

As explained under Section V, for purpose of this Service and Assessment Plan, the City Council has determined that the Budgeted Costs of the Authorized Improvements to be financed with the Phase #1 and Phase #2 Bonds shall be allocated to the Phase #1 Assessed Property and Phase #2 Assessed Property by spreading the entire applicable Assessment across the Parcels of such Assessed Property based on the estimated Equivalent Units.

For purposes of this Plan, the City Council has determined that the Assessments shall be allocated to the Assessed Property on the basis of the average home value of each Lot Type, and that such method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefited. In determining the average home value of each Lot Type, the City Council has taken into consideration (i) the type of lots (i.e., 45 Ft lots, 40 Ft lots, etc.); (ii) current and projected home prices; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the City Council has determined that allocating the Assessments among Parcels based on average home value is best accomplished by creating classifications of benefited Parcels based on the “Lot Types” defined above. These classifications from Lot Type 1 (45 Ft Lots) representing the highest value to Lot Type 2 (40 Ft Lot) representing the lowest value for residential lots are set forth in Table D-1. Assessments are allocated to each Lot Type on the basis of the average home value for each class of lots. This is accomplished by giving each Lot Type an Equivalent Unit factor. Equivalent Units are the ratio of the average value of lots within each assessment class, setting the Equivalent Unit factor for Lot Type 1 (45 Ft Lots) to 1.0.

**Table D-5**  
**Equivalent Unit Factors**

<b>Lot Type</b>	<b>Estimated Average Value</b>	<b>Equivalent Unit Factor</b>	
Lot Type 1 (45 Ft)	\$250,000	1.00	per dwelling unit
Lot Type 2 (40 Ft)	\$240,000	0.96	per dwelling unit

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The original total Equivalent Units for the PID are shown in Table D-6 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and the original number of units estimated to be built within the PID.

**Table D-6**  
**Equivalent Units - PID - Original**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 1 (45 Ft)	95	1.00	95.00
Lot Type 2 (40 Ft)	138	0.96	132.48
<b>Total</b>	<b>233</b>		<b>227.48</b>

The revised total Equivalent Units for the PID are shown in Table D-7 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and currently proposed number of units estimated to be built within the PID.

**Table D-7**  
**Equivalent Units - PID – Revised**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 1 (45 Ft)	90	1.00	90.00
Lot Type 2 (40 Ft)	133	0.96	127.68
<b>Total</b>	<b>223</b>		<b>217.68</b>

The total Equivalent Units for Phase #1 are shown in Table D-8 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built in Phase #1 in the PID.

**Table D-8**  
**Equivalent Units – Phase #1**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 1 (45 Ft)	51	1.00	51.00
Lot Type 2 (40 Ft)	48	0.96	46.08
<b>Total</b>	<b>99</b>		<b>97.08</b>

The total Equivalent Units for Phase #2 are shown in Table D-9 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built in Phase #2 in the PID.

*(remainder of this page is intentionally left blank)*

**Table D-9**  
**Equivalent Units – Phase #2**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 1 (45 Ft)	39	1.00	39.00
Lot Type 2 (40 Ft)	85	0.96	81.60
<b>Total</b>	<b>124</b>		<b>120.60</b>

**C) Allocation of Assessments to Lots within Phase #1**

The original total amount of the Assessment to be allocated on all Parcels within Phase #1, was \$4,333,000. As shown above, there are a total of 97.08 Equivalent Units in Phase #1, resulting in an Assessment per Equivalent Unit of \$44,633.29 (i.e. \$4,333,000 ÷ 97.08 = \$44,633.29).

Table D-10 sets forth the Assessment per dwelling unit within Phase #1.

**Table D-10**  
**Assessment Per Unit – Phase #1 - Original**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Assessment per Equivalent Unit</b>	<b>Equivalent Unit Factor</b>	<b>Assessment per Unit</b>	<b>Total Assessments</b>
Lot Type 1 (45 Ft)	51	\$44,633.29	1.00	\$44,633.29 per dwelling unit	\$2,276,298
Lot Type 2 (40 Ft)	48	\$44,633.29	0.96	\$42,847.96 per dwelling unit	\$2,056,702
<b>Total</b>	<b>99</b>				<b>\$4,333,000</b>

The total amount of Phase #1's allocable share of Phase #1 and Phase #2 Bonds, which represents the updated total Assessment to be allocated on all Parcels within Phase #1, is \$4,283,000. As shown in Table D-11, there are a total of 97.08 Equivalent Units in Phase #1, resulting in an Assessment per Equivalent Unit of \$44,118.25 (i.e. \$4,283,000 ÷ 97.08 = \$44,118.25).

Table D-11 sets forth the revised Assessment per dwelling unit within Phase #1.

**Table D-11**  
**Assessment Per Unit – Phase #1 – Updated**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Assessment per Equivalent Unit</b>	<b>Equivalent Unit Factor</b>	<b>Assessment per Unit</b>	<b>Total Assessments</b>
Lot Type 1 (45 ft)	51	\$44,118.25	1.00	\$44,118.25 per dwelling unit	\$2,250,031
Lot Type 1 (40 ft)	48	\$44,118.25	0.96	\$42,353.52 per dwelling unit	\$2,032,969
<b>Total</b>	<b>99</b>				<b>\$4,283,000</b>

The original projected leverage calculated based on the original estimated finished lot values and home values for each unit is shown in Table D-12 below.

**Table D-12**  
**Projected Leverage – Phase #1 - Original**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Home Value per unit</b>	<b>Assessment per Unit</b>	<b>Leverage (Lot Value)</b>	<b>Leverage (Home Value)</b>
Lot Type 1 (45 Ft)	51	\$54,000	\$250,000	\$44,633.29	1.21	5.60
Lot Type 2 (40 Ft)	48	\$48,000	\$240,000	\$42,847.96	1.12	5.60

The updated projected leverage calculated based on the estimated finished lot values and home values for each unit is shown in Table D-13 below.

**Table D-13**  
**Projected Leverage – Phase #1 - Updated**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Home Value per unit</b>	<b>Assessment per Unit</b>	<b>Leverage (Lot Value)</b>	<b>Leverage (Home Value)</b>
Lot Type 1 (45 Ft)	51	\$54,000	\$250,000	\$44,118.25	1.22	5.67
Lot Type 2 (40 Ft)	48	\$48,000	\$240,000	\$42,353.52	1.13	5.67

The original projected tax rate equivalent per unit based on the estimated finished lot values and home values for each unit is shown in Table D-14.

**Table D-14**  
**Estimated Tax Rate Equivalent per unit – Phase #1 - Original**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Home Value per unit</b>	<b>Projected Average Annual Installment per unit</b>	<b>Tax Rate Equivalent (per \$100 Lot Value)</b>	<b>Tax Rate Equivalent (per \$100 Home Value)</b>
Lot Type 1 (45 Ft)	51	\$54,000	\$250,000	\$3,693.63	\$6.84	\$1.48
Lot Type 2 (40 Ft)	48	\$48,000	\$240,000	\$3,545.89	\$7.39	\$1.48

The updated projected tax rate equivalent per unit based on the estimated finished lot values and home values for each unit is shown in Table D-15.

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**Table D-15**  
**Estimated Tax Rate Equivalent per unit – Phase #1 - Updated**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Home Value per unit</b>	<b>Projected Average Annual Installment per unit</b>	<b>Tax Rate Equivalent (per \$100 Lot Value)</b>	<b>Tax Rate Equivalent (per \$100 Home Value)</b>
Lot Type 1 (45 Ft)	51	\$54,000	\$250,000	\$3,688.09	\$6.83	\$1.48
Lot Type 2 (40 Ft)	48	\$48,000	\$240,000	\$3,540.57	\$7.38	\$1.48

The Assessment and Annual Installments for each Parcel or Lot located within Phase #1 is shown on the Phase #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

**D) Allocation of Assessments to Lots within Phase #2**

The total amount of the Phase #2's allocable share of Phase #1 and Phase #2 Bonds, which represents the total Assessment to be allocated on all Parcels within Phase #2, is \$5,305,000. As shown in Table D-9, there are a total of 120.6 Equivalent Units in Phase #2, resulting in an Assessment per Equivalent Unit of \$43,988.39 (i.e.  $\$5,305,000 \div 120.6 = \$43,988.39$ ).

Table D-16 sets forth the Assessment per dwelling unit within Phase #2.

**Table D-16**  
**Assessment Per Unit – Phase #2**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Assessment per Equivalent Unit</b>	<b>Equivalent Unit Factor</b>	<b>Assessment per Unit</b>	<b>Total Assessments</b>
Lot Type 1 (45 Ft)	39	\$43,988.39	1.00	\$43,988.39 per dwelling unit	\$1,715,547
Lot Type 2 (40 Ft)	85	\$43,988.39	0.96	\$42,228.86 per dwelling unit	\$3,589,453
<b>Total</b>	<b>124</b>				<b>\$5,305,000</b>

The projected leverage calculated based on the estimated land values, finished lot values and home values for each unit within Phase #2 is shown in Table D-17 following.

*(remainder of this page is intentionally left blank)*

**Table D-17**  
**Projected Leverage – Phase #2**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Home Value per unit</b>	<b>Assessment per Unit</b>	<b>Leverage (Lot Value)</b>	<b>Leverage (Home Value)</b>
Lot Type 1 (45 Ft)	39	\$58,320	\$250,000	\$43,988.39	1.33	5.68
Lot Type 2 (40 Ft)	85	\$51,480	\$240,000	\$42,228.86	1.22	5.68

The projected tax rate equivalent per unit based on the estimated finished lot values and home values for each unit is shown in Table D-18.

**Table D-18**  
**Estimated Tax Rate Equivalent per unit – Phase #2**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Home Value per unit</b>	<b>Projected Average Annual Installment per unit</b>	<b>Tax Rate Equivalent (per \$100 Lot Value)</b>	<b>Tax Rate Equivalent (per \$100 Home Value)</b>
Lot Type 1 (45 Ft)	39	\$58,320	\$250,000	\$3,666.56	\$6.29	\$1.47
Lot Type 2 (40 Ft)	85	\$51,480	\$240,000	\$3,519.90	\$6.84	\$1.47

The Assessment and Annual Installments for each Parcel or Lot located within Phase #2 is shown on the Phase #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

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**APPENDIX E**  
**PID ASSESSMENT NOTICE**

AFTER RECORDING RETURN TO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_]<sup>1</sup>

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO  
CITY OF WHARTON, TEXAS  
CONCERNING THE FOLLOWING PROPERTY

\_\_\_\_\_  
STREET ADDRESS

LOT TYPE \_\_\_\_\_ PRINCIPAL ASSESSMENT: \$ \_\_\_\_\_

As the purchaser of the real property described above, you are obligated to pay assessments to the City of Wharton, Texas (the "City"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within ***Wharton Public Improvement District No. 2*** (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 the City. The exact amount of each annual installment will be approved each year by the 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 the City.

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.

\_\_\_\_\_  
<sup>1</sup> 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 Wharton County.



[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

\_\_\_\_\_  
SIGNATURE OF  
PURCHASER

\_\_\_\_\_  
SIGNATURE OF  
PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

\_\_\_\_\_  
SIGNATURE OF SELLER

\_\_\_\_\_  
SIGNATURE OF SELLER]<sup>2</sup>

---

<sup>2</sup> 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 WHARTON           §

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]<sup>3</sup>

---

<sup>3</sup> 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 Wharton 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 WHARTON

§

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]<sup>4</sup>

\_\_\_\_\_  
<sup>4</sup> 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 Wharton County.

**APPENDIX F**  
**PHASE #1 ASSESSMENT ROLL**

## Appendix F-1 Phase #1 Assessment Roll

**Parcel  
Equivalent Units  
Assessment**

**See Assessment Roll Summary  
97.08  
\$4,283,000**

Year <sup>1</sup>	Principal <sup>2</sup>	Interest <sup>2</sup>	Administrative Expenses <sup>3</sup>	Additional Interest Reserve	Capitalized Interest	Total Annual Installment <sup>4</sup>
9/30/25	\$0	\$37,119	\$0	\$0	(\$37,119)	\$0
9/30/26	\$76,000	\$256,980	\$25,500	\$0	\$0	\$358,480
9/30/27	\$59,000	\$252,420	\$26,010	\$21,245	\$0	\$358,675
9/30/28	\$62,000	\$248,880	\$26,530	\$20,953	\$0	\$358,363
9/30/29	\$66,000	\$245,160	\$27,061	\$20,644	\$0	\$358,865
9/30/30	\$70,000	\$241,200	\$27,602	\$20,316	\$0	\$359,118
9/30/31	\$73,000	\$237,000	\$28,154	\$19,970	\$0	\$358,124
9/30/32	\$78,000	\$232,620	\$28,717	\$19,606	\$0	\$358,943
9/30/33	\$82,000	\$227,940	\$29,291	\$19,217	\$0	\$358,449
9/30/34	\$87,000	\$223,020	\$29,877	\$18,808	\$0	\$358,706
9/30/35	\$92,000	\$217,800	\$30,475	\$18,375	\$0	\$358,650
9/30/36	\$96,000	\$212,280	\$31,084	\$17,915	\$0	\$357,279
9/30/37	\$101,000	\$206,520	\$31,706	\$17,430	\$0	\$356,656
9/30/38	\$107,000	\$200,460	\$32,340	\$16,919	\$0	\$356,719
9/30/39	\$114,000	\$194,040	\$32,987	\$16,378	\$0	\$357,405
9/30/40	\$121,000	\$187,200	\$33,647	\$15,802	\$0	\$357,649
9/30/41	\$128,000	\$179,940	\$34,320	\$15,192	\$0	\$357,452
9/30/42	\$135,000	\$172,260	\$35,006	\$14,545	\$0	\$356,811
9/30/43	\$143,000	\$164,160	\$35,706	\$13,861	\$0	\$356,727
9/30/44	\$152,000	\$155,580	\$36,420	\$13,135	\$0	\$357,136
9/30/45	\$161,000	\$146,460	\$37,149	\$12,365	\$0	\$356,973
9/30/46	\$171,000	\$136,800	\$37,892	\$11,547	\$0	\$357,239
9/30/47	\$182,000	\$126,540	\$38,649	\$10,681	\$0	\$357,870
9/30/48	\$194,000	\$115,620	\$39,422	\$9,758	\$0	\$358,801
9/30/49	\$205,000	\$103,980	\$40,211	\$8,778	\$0	\$357,969
9/30/50	\$218,000	\$91,680	\$41,015	\$7,739	\$0	\$358,434
9/30/51	\$231,000	\$78,600	\$41,835	\$6,636	\$0	\$358,071
9/30/52	\$246,000	\$64,740	\$42,672	\$5,465	\$0	\$358,878
9/30/53	\$261,000	\$49,980	\$43,526	\$4,221	\$0	\$358,727
9/30/54	\$278,000	\$34,320	\$44,396	\$2,899	\$0	\$359,615
9/30/55	\$294,000	\$17,640	\$45,284	\$1,492	\$0	\$358,416
<b>Total</b>	<b>\$4,283,000</b>	<b>\$5,058,939</b>	<b>\$1,034,486</b>	<b>\$401,895</b>	<b>(\$37,119)</b>	<b>\$10,741,201</b>

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> The principal and interest amounts represent the debt service requirements of the Phase #1 portion of the Phase #1 and Phase #2 Bonds and is calculated using an estimated 6.0% interest rate.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.

**Appendix F-2**  
**Phase #1 Assessment Roll by Lot Type**

**Lot Type**  
**Equivalent Units**  
**Assessment**

**Lot Type 1 (45 Ft)**  
**1.00**  
**\$44,118.25**

Year <sup>1</sup>	Principal <sup>2</sup>	Interest <sup>2</sup>	Administrative Expenses <sup>3</sup>	Additional Interest Reserve	Capitalized Interest	Total Annual Installment <sup>4</sup>
9/30/25	\$0	\$382	\$0	\$0	(\$382)	\$0
9/30/26	\$783	\$2,647	\$263	\$0	\$0	\$3,693
9/30/27	\$608	\$2,600	\$268	\$219	\$0	\$3,695
9/30/28	\$639	\$2,564	\$273	\$216	\$0	\$3,691
9/30/29	\$680	\$2,525	\$279	\$213	\$0	\$3,697
9/30/30	\$721	\$2,485	\$284	\$209	\$0	\$3,699
9/30/31	\$752	\$2,441	\$290	\$206	\$0	\$3,689
9/30/32	\$803	\$2,396	\$296	\$202	\$0	\$3,697
9/30/33	\$845	\$2,348	\$302	\$198	\$0	\$3,692
9/30/34	\$896	\$2,297	\$308	\$194	\$0	\$3,695
9/30/35	\$948	\$2,244	\$314	\$189	\$0	\$3,694
9/30/36	\$989	\$2,187	\$320	\$185	\$0	\$3,680
9/30/37	\$1,040	\$2,127	\$327	\$180	\$0	\$3,674
9/30/38	\$1,102	\$2,065	\$333	\$174	\$0	\$3,674
9/30/39	\$1,174	\$1,999	\$340	\$169	\$0	\$3,682
9/30/40	\$1,246	\$1,928	\$347	\$163	\$0	\$3,684
9/30/41	\$1,319	\$1,854	\$354	\$156	\$0	\$3,682
9/30/42	\$1,391	\$1,774	\$361	\$150	\$0	\$3,675
9/30/43	\$1,473	\$1,691	\$368	\$143	\$0	\$3,675
9/30/44	\$1,566	\$1,603	\$375	\$135	\$0	\$3,679
9/30/45	\$1,658	\$1,509	\$383	\$127	\$0	\$3,677
9/30/46	\$1,761	\$1,409	\$390	\$119	\$0	\$3,680
9/30/47	\$1,875	\$1,303	\$398	\$110	\$0	\$3,686
9/30/48	\$1,998	\$1,191	\$406	\$101	\$0	\$3,696
9/30/49	\$2,112	\$1,071	\$414	\$90	\$0	\$3,687
9/30/50	\$2,246	\$944	\$422	\$80	\$0	\$3,692
9/30/51	\$2,379	\$810	\$431	\$68	\$0	\$3,688
9/30/52	\$2,534	\$667	\$440	\$56	\$0	\$3,697
9/30/53	\$2,689	\$515	\$448	\$43	\$0	\$3,695
9/30/54	\$2,864	\$354	\$457	\$30	\$0	\$3,704
9/30/55	\$3,028	\$182	\$466	\$15	\$0	\$3,692
Total	\$44,118	\$52,111	\$10,656	\$4,140	(\$382)	\$110,643

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> The principal and interest amounts represent the debt service requirements of the Phase #1 portion of the Phase #1 and Phase #2 Bonds and is calculated using an estimated 6.0% interest rate.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.

**Appendix F-2**  
**Phase #1 Assessment Roll by Lot Type**

**Lot Type**  
**Equivalent Units**  
**Assessment**

**Lot Type 2 (40 Ft)**  
**0.96**  
**\$42,353.52**

<b>Year <sup>1</sup></b>	<b>Principal<sup>2</sup></b>	<b>Interest<sup>2</sup></b>	<b>Administrative Expenses<sup>3</sup></b>	<b>Additional Interest Reserve</b>	<b>Capitalized Interest</b>	<b>Total Annual Installment<sup>4</sup></b>
9/30/25	\$0	\$367	\$0	\$0	(\$367)	\$0
9/30/26	\$752	\$2,541	\$252	\$0	\$0	\$3,545
9/30/27	\$583	\$2,496	\$257	\$210	\$0	\$3,547
9/30/28	\$613	\$2,461	\$262	\$207	\$0	\$3,544
9/30/29	\$653	\$2,424	\$268	\$204	\$0	\$3,549
9/30/30	\$692	\$2,385	\$273	\$201	\$0	\$3,551
9/30/31	\$722	\$2,344	\$278	\$197	\$0	\$3,541
9/30/32	\$771	\$2,300	\$284	\$194	\$0	\$3,549
9/30/33	\$811	\$2,254	\$290	\$190	\$0	\$3,545
9/30/34	\$860	\$2,205	\$295	\$186	\$0	\$3,547
9/30/35	\$910	\$2,154	\$301	\$182	\$0	\$3,547
9/30/36	\$949	\$2,099	\$307	\$177	\$0	\$3,533
9/30/37	\$999	\$2,042	\$314	\$172	\$0	\$3,527
9/30/38	\$1,058	\$1,982	\$320	\$167	\$0	\$3,528
9/30/39	\$1,127	\$1,919	\$326	\$162	\$0	\$3,534
9/30/40	\$1,197	\$1,851	\$333	\$156	\$0	\$3,537
9/30/41	\$1,266	\$1,779	\$339	\$150	\$0	\$3,535
9/30/42	\$1,335	\$1,703	\$346	\$144	\$0	\$3,528
9/30/43	\$1,414	\$1,623	\$353	\$137	\$0	\$3,528
9/30/44	\$1,503	\$1,538	\$360	\$130	\$0	\$3,532
9/30/45	\$1,592	\$1,448	\$367	\$122	\$0	\$3,530
9/30/46	\$1,691	\$1,353	\$375	\$114	\$0	\$3,533
9/30/47	\$1,800	\$1,251	\$382	\$106	\$0	\$3,539
9/30/48	\$1,918	\$1,143	\$390	\$96	\$0	\$3,548
9/30/49	\$2,027	\$1,028	\$398	\$87	\$0	\$3,540
9/30/50	\$2,156	\$907	\$406	\$77	\$0	\$3,544
9/30/51	\$2,284	\$777	\$414	\$66	\$0	\$3,541
9/30/52	\$2,433	\$640	\$422	\$54	\$0	\$3,549
9/30/53	\$2,581	\$494	\$430	\$42	\$0	\$3,547
9/30/54	\$2,749	\$339	\$439	\$29	\$0	\$3,556
9/30/55	\$2,907	\$174	\$448	\$15	\$0	\$3,544
<b>Total</b>	<b>\$42,354</b>	<b>\$50,027</b>	<b>\$10,230</b>	<b>\$3,974</b>	<b>(\$367)</b>	<b>\$106,217</b>

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> The principal and interest amounts represent the debt service requirements of the Phase #1 portion of the Phase #1 and Phase #2 Bonds and is calculated using an estimated 6.0% interest rate.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.

**Appendix F-4**  
**Phase #1 2025-26 Budget**

<b>Description</b>	<b>Amount</b>
<b>Phase #1 Bonds (Original)</b>	<b>\$4,283,000</b>
<i>Principal Redemptions</i>	\$0
<i>Prepayments (Redeemed)</i>	\$0
<i>Prepayments (Non-Redeemed)</i>	\$0
<b>Phase #1 Bonds (Outstanding)</b>	<b>\$4,283,000</b>
<b>Phase #1 Assessments (Outstanding)</b>	<b>\$4,283,000</b>
Effective Interest Rate	6.00%
<b>Phase #1 Bonds</b>	
Interest payment on March 1, 2026	\$128,490
Interest payment on September 1, 2026	\$128,490
Principal payment on September 1, 2026	\$76,000
<i>Subtotal debt service on bonds</i>	<i>\$332,980</i>
Excess Interest for Additional Interest Reserves	\$0
Administrative Expenses	\$25,500
<i>Subtotal Expenses</i>	<i>\$358,480</i>
Available TIRZ Credit	\$0
Available Reserve Fund Income	\$0
Available Administrative Expense Account	\$0
Available Capitalized Interest	\$0
<i>Subtotal funds available</i>	<i>\$0</i>
<b>Annual Installments</b>	<b>\$358,480</b>
<b>Phase #1 Bonds</b>	
Original Equivalent Units	97.08
Partially prepaid Equivalent Units	0.00
Fully prepaid Equivalent Units	0.00
Outstanding Equivalent Units	97.08
Principal per Equivalent Unit	\$782.86
Interest per Equivalent Unit	\$2,647.10
Additional interest per Equivalent Unit	\$0.00
Administrative Expenses per Equivalent Unit	\$262.67
<b>Total Annual Installment per Equivalent Unit</b>	<b>\$3,692.62</b>





**Assessment Roll Summary - Phase #1  
2025-26**

<b>Parcel</b>	<b>Estimated No. of units</b>	<b>Lot Size</b>	<b>Equivalent Units</b>	<b>Outstanding Assessment</b>	<b>Principal</b>	<b>Interest</b>	<b>Excess Interest for Reserves</b>	<b>Administrative Expense</b>	<b>TIRZ Credit</b>	<b>Annual Installment</b>
86563	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86564	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86565	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86566	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86567	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86568	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86569	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86570	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86571	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86572	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86573	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86574	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86575	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86576	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86577	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86578	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86579	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86580	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86581	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86582	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86583	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86584	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86585	1	40 Ft Lot	0.96	\$42,354	\$751.55	\$2,541.21	\$0.00	\$252.16	\$0.00	\$3,544.92
86586	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86587	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86588	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86589	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86590	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86591	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86592	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86593	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86594	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86595	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86596	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86597	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
86598	1	45 Ft Lot	1.00	\$44,118	\$782.86	\$2,647.10	\$0.00	\$262.67	\$0.00	\$3,692.62
Total	99		97.08	\$4,283,000	\$76,000.00	\$256,980.00	\$0.00	\$25,500.00	\$0.00	\$358,480.00

**APPENDIX G**  
**PROPOSED PHASE #2 ASSESSMENT ROLL**

# **Appendix G-1** **Proposed Phase #2 Assessment Roll**

<b>Parcel</b>	<b>55729 and 31753</b>
<b>Equivalent Units</b>	<b>120.60</b>
<b>Assessment</b>	<b>\$5,305,000</b>

<b>Year <sup>1</sup></b>	<b>Principal<sup>2</sup></b>	<b>Interest<sup>2</sup></b>	<b>Administrative Expenses<sup>3</sup></b>	<b>Additional Interest Reserve</b>	<b>Capitalized Interest</b>	<b>Total Annual Installment<sup>4</sup></b>
9/30/25	\$0	\$45,977	\$0	\$0	(\$45,977)	\$0
9/30/26	\$0	\$318,300	\$0	\$0	(\$318,300)	\$0
9/30/27	\$72,000	\$318,300	\$25,500	\$26,315	\$0	\$442,115
9/30/28	\$76,000	\$313,980	\$26,010	\$25,952	\$0	\$441,942
9/30/29	\$81,000	\$309,420	\$26,530	\$25,571	\$0	\$442,521
9/30/30	\$85,000	\$304,560	\$27,061	\$25,164	\$0	\$441,785
9/30/31	\$90,000	\$299,460	\$27,602	\$24,735	\$0	\$441,797
9/30/32	\$96,000	\$294,060	\$28,154	\$24,284	\$0	\$442,498
9/30/33	\$101,000	\$288,300	\$28,717	\$23,803	\$0	\$441,820
9/30/34	\$107,000	\$282,240	\$29,291	\$23,297	\$0	\$441,828
9/30/35	\$114,000	\$275,820	\$29,877	\$22,760	\$0	\$442,457
9/30/36	\$121,000	\$268,980	\$30,475	\$22,190	\$0	\$442,645
9/30/37	\$128,000	\$261,720	\$31,084	\$21,590	\$0	\$442,394
9/30/38	\$135,000	\$254,040	\$31,706	\$20,956	\$0	\$441,702
9/30/39	\$144,000	\$245,940	\$32,340	\$20,287	\$0	\$442,567
9/30/40	\$152,000	\$237,300	\$32,987	\$19,573	\$0	\$441,860
9/30/41	\$162,000	\$228,180	\$33,647	\$18,818	\$0	\$442,644
9/30/42	\$171,000	\$218,460	\$34,320	\$18,015	\$0	\$441,795
9/30/43	\$182,000	\$208,200	\$35,006	\$17,169	\$0	\$442,375
9/30/44	\$193,000	\$197,280	\$35,706	\$16,270	\$0	\$442,256
9/30/45	\$205,000	\$185,700	\$36,420	\$15,315	\$0	\$442,436
9/30/46	\$217,000	\$173,400	\$37,149	\$14,303	\$0	\$441,851
9/30/47	\$231,000	\$160,380	\$37,892	\$13,229	\$0	\$442,501
9/30/48	\$245,000	\$146,520	\$38,649	\$12,087	\$0	\$442,256
9/30/49	\$260,000	\$131,820	\$39,422	\$10,872	\$0	\$442,115
9/30/50	\$276,000	\$116,220	\$40,211	\$9,586	\$0	\$442,017
9/30/51	\$293,000	\$99,660	\$41,015	\$8,219	\$0	\$441,894
9/30/52	\$311,000	\$82,080	\$41,835	\$6,770	\$0	\$441,685
9/30/53	\$331,000	\$63,420	\$42,672	\$5,229	\$0	\$442,321
9/30/54	\$352,000	\$43,560	\$43,526	\$3,591	\$0	\$442,676
9/30/55	\$374,000	\$22,440	\$44,396	\$1,848	\$0	\$442,684
<b>Total</b>	<b>\$5,305,000</b>	<b>\$6,395,717</b>	<b>\$989,202</b>	<b>\$497,795</b>	<b>(\$364,277)</b>	<b>\$12,823,437</b>

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> The principal and interest amounts represent the debt service requirements of the Phase #2 portion of the Phase #1 and Phase #2 Bonds and is calculated using an estimated 6.0% interest rate.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.

**Appendix G-2**  
**Proposed Phase #2 Assessment Roll by Lot Type**

**Lot Type**  
**Equivalent Units**  
**Assessment**

**Lot Type 1 (45 Ft)**  
**1.00**  
**\$43,988.39**

Year <sup>1</sup>	Principal <sup>2</sup>	Interest <sup>2</sup>	Administrative Expenses <sup>3</sup>	Additional Interest Reserve	Capitalized Interest	Total Annual Installment <sup>4</sup>
9/30/25	\$0	\$381	\$0	\$0	(\$381)	\$0
9/30/26	\$0	\$2,639	\$0	\$0	(\$2,639)	\$0
9/30/27	\$597	\$2,639	\$211	\$218	\$0	\$3,666
9/30/28	\$630	\$2,603	\$216	\$215	\$0	\$3,665
9/30/29	\$672	\$2,566	\$220	\$212	\$0	\$3,669
9/30/30	\$705	\$2,525	\$224	\$209	\$0	\$3,663
9/30/31	\$746	\$2,483	\$229	\$205	\$0	\$3,663
9/30/32	\$796	\$2,438	\$233	\$201	\$0	\$3,669
9/30/33	\$837	\$2,391	\$238	\$197	\$0	\$3,664
9/30/34	\$887	\$2,340	\$243	\$193	\$0	\$3,664
9/30/35	\$945	\$2,287	\$248	\$189	\$0	\$3,669
9/30/36	\$1,003	\$2,230	\$253	\$184	\$0	\$3,670
9/30/37	\$1,061	\$2,170	\$258	\$179	\$0	\$3,668
9/30/38	\$1,119	\$2,106	\$263	\$174	\$0	\$3,663
9/30/39	\$1,194	\$2,039	\$268	\$168	\$0	\$3,670
9/30/40	\$1,260	\$1,968	\$274	\$162	\$0	\$3,664
9/30/41	\$1,343	\$1,892	\$279	\$156	\$0	\$3,670
9/30/42	\$1,418	\$1,811	\$285	\$149	\$0	\$3,663
9/30/43	\$1,509	\$1,726	\$290	\$142	\$0	\$3,668
9/30/44	\$1,600	\$1,636	\$296	\$135	\$0	\$3,667
9/30/45	\$1,700	\$1,540	\$302	\$127	\$0	\$3,669
9/30/46	\$1,799	\$1,438	\$308	\$119	\$0	\$3,664
9/30/47	\$1,915	\$1,330	\$314	\$110	\$0	\$3,669
9/30/48	\$2,032	\$1,215	\$320	\$100	\$0	\$3,667
9/30/49	\$2,156	\$1,093	\$327	\$90	\$0	\$3,666
9/30/50	\$2,289	\$964	\$333	\$79	\$0	\$3,665
9/30/51	\$2,430	\$826	\$340	\$68	\$0	\$3,664
9/30/52	\$2,579	\$681	\$347	\$56	\$0	\$3,662
9/30/53	\$2,745	\$526	\$354	\$43	\$0	\$3,668
9/30/54	\$2,919	\$361	\$361	\$30	\$0	\$3,671
9/30/55	\$3,101	\$186	\$368	\$15	\$0	\$3,671
<b>Total</b>	<b>\$43,988</b>	<b>\$53,032</b>	<b>\$8,202</b>	<b>\$4,128</b>	<b>(\$3,021)</b>	<b>\$106,330</b>

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> The principal and interest amounts represent the debt service requirements of the Phase #2 portion of the Phase #1 and Phase #2 Bonds and is calculated using an estimated 6.0% interest rate.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.

**Appendix G-3**  
**Proposed Phase #2 Assessment Roll by Lot Type**

**Lot Type**  
**Equivalent Units**  
**Assessment**

**Lot Type 2 (40 Ft)**  
**0.96**  
**\$42,228.86**

Year <sup>1</sup>	Principal <sup>2</sup>	Interest <sup>2</sup>	Administrative Expenses <sup>3</sup>	Additional Interest Reserve	Capitalized Interest	Total Annual Installment <sup>4</sup>
9/30/25	\$0	\$366	\$0	\$0	(\$366)	\$0
9/30/26	\$0	\$2,534	\$0	\$0	(\$2,534)	\$0
9/30/27	\$573	\$2,534	\$203	\$209	\$0	\$3,519
9/30/28	\$605	\$2,499	\$207	\$207	\$0	\$3,518
9/30/29	\$645	\$2,463	\$211	\$204	\$0	\$3,523
9/30/30	\$677	\$2,424	\$215	\$200	\$0	\$3,517
9/30/31	\$716	\$2,384	\$220	\$197	\$0	\$3,517
9/30/32	\$764	\$2,341	\$224	\$193	\$0	\$3,522
9/30/33	\$804	\$2,295	\$229	\$189	\$0	\$3,517
9/30/34	\$852	\$2,247	\$233	\$185	\$0	\$3,517
9/30/35	\$907	\$2,196	\$238	\$181	\$0	\$3,522
9/30/36	\$963	\$2,141	\$243	\$177	\$0	\$3,524
9/30/37	\$1,019	\$2,083	\$247	\$172	\$0	\$3,522
9/30/38	\$1,075	\$2,022	\$252	\$167	\$0	\$3,516
9/30/39	\$1,146	\$1,958	\$257	\$161	\$0	\$3,523
9/30/40	\$1,210	\$1,889	\$263	\$156	\$0	\$3,517
9/30/41	\$1,290	\$1,816	\$268	\$150	\$0	\$3,524
9/30/42	\$1,361	\$1,739	\$273	\$143	\$0	\$3,517
9/30/43	\$1,449	\$1,657	\$279	\$137	\$0	\$3,521
9/30/44	\$1,536	\$1,570	\$284	\$130	\$0	\$3,520
9/30/45	\$1,632	\$1,478	\$290	\$122	\$0	\$3,522
9/30/46	\$1,727	\$1,380	\$296	\$114	\$0	\$3,517
9/30/47	\$1,839	\$1,277	\$302	\$105	\$0	\$3,522
9/30/48	\$1,950	\$1,166	\$308	\$96	\$0	\$3,520
9/30/49	\$2,070	\$1,049	\$314	\$87	\$0	\$3,519
9/30/50	\$2,197	\$925	\$320	\$76	\$0	\$3,519
9/30/51	\$2,332	\$793	\$326	\$65	\$0	\$3,518
9/30/52	\$2,476	\$653	\$333	\$54	\$0	\$3,516
9/30/53	\$2,635	\$505	\$340	\$42	\$0	\$3,521
9/30/54	\$2,802	\$347	\$346	\$29	\$0	\$3,524
9/30/55	\$2,977	\$179	\$353	\$15	\$0	\$3,524
<b>Total</b>	<b>\$42,229</b>	<b>\$50,911</b>	<b>\$7,874</b>	<b>\$3,963</b>	<b>(\$2,900)</b>	<b>\$102,077</b>

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> The principal and interest amounts represent the debt service requirements of the Phase #2 portion of the Phase #1 and Phase #2 Bonds and is calculated using an estimated 6.0% interest rate.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.

**EXHIBIT 1**  
**PHASE #1 AND PHASE #2 ASSESSMENT ROLL**

**Exhibit 1**  
**Phase #1 and Phase #2 Assessment Roll**

**Equivalent Units**  
**Assessment**

**217.68**  
**\$9,588,000**

<b>Year <sup>1</sup></b>	<b>Principal<sup>2</sup></b>	<b>Interest<sup>2</sup></b>	<b>Administrative Expenses<sup>3</sup></b>	<b>Additional Interest Reserve</b>	<b>Capitalized Interest</b>	<b>Total Annual Installment<sup>4</sup></b>
9/30/25	\$0	\$83,096	\$0	\$0	(\$83,096)	\$0
9/30/26	\$76,000	\$575,280	\$25,500	\$0	(\$318,300)	\$358,480
9/30/27	\$131,000	\$570,720	\$51,510	\$47,560	\$0	\$800,790
9/30/28	\$138,000	\$562,860	\$52,540	\$46,905	\$0	\$800,305
9/30/29	\$147,000	\$554,580	\$53,591	\$46,215	\$0	\$801,386
9/30/30	\$155,000	\$545,760	\$54,663	\$45,480	\$0	\$800,903
9/30/31	\$163,000	\$536,460	\$55,756	\$44,705	\$0	\$799,921
9/30/32	\$174,000	\$526,680	\$56,871	\$43,890	\$0	\$801,441
9/30/33	\$183,000	\$516,240	\$58,009	\$43,020	\$0	\$800,269
9/30/34	\$194,000	\$505,260	\$59,169	\$42,105	\$0	\$800,534
9/30/35	\$206,000	\$493,620	\$60,352	\$41,135	\$0	\$801,107
9/30/36	\$217,000	\$481,260	\$61,559	\$40,105	\$0	\$799,924
9/30/37	\$229,000	\$468,240	\$62,790	\$39,020	\$0	\$799,050
9/30/38	\$242,000	\$454,500	\$64,046	\$37,875	\$0	\$798,421
9/30/39	\$258,000	\$439,980	\$65,327	\$36,665	\$0	\$799,972
9/30/40	\$273,000	\$424,500	\$66,634	\$35,375	\$0	\$799,509
9/30/41	\$290,000	\$408,120	\$67,966	\$34,010	\$0	\$800,096
9/30/42	\$306,000	\$390,720	\$69,326	\$32,560	\$0	\$798,606
9/30/43	\$325,000	\$372,360	\$70,712	\$31,030	\$0	\$799,102
9/30/44	\$345,000	\$352,860	\$72,126	\$29,405	\$0	\$799,391
9/30/45	\$366,000	\$332,160	\$73,569	\$27,680	\$0	\$799,409
9/30/46	\$388,000	\$310,200	\$75,040	\$25,850	\$0	\$799,090
9/30/47	\$413,000	\$286,920	\$76,541	\$23,910	\$0	\$800,371
9/30/48	\$439,000	\$262,140	\$78,072	\$21,845	\$0	\$801,057
9/30/49	\$465,000	\$235,800	\$79,633	\$19,650	\$0	\$800,083
9/30/50	\$494,000	\$207,900	\$81,226	\$17,325	\$0	\$800,451
9/30/51	\$524,000	\$178,260	\$82,851	\$14,855	\$0	\$799,966
9/30/52	\$557,000	\$146,820	\$84,508	\$12,235	\$0	\$800,563
9/30/53	\$592,000	\$113,400	\$86,198	\$9,450	\$0	\$801,048
9/30/54	\$630,000	\$77,880	\$87,922	\$6,490	\$0	\$802,292
9/30/55	\$668,000	\$40,080	\$89,680	\$3,340	\$0	\$801,100
<b>Total</b>	<b>\$9,588,000</b>	<b>\$11,454,656</b>	<b>\$2,023,688</b>	<b>\$899,690</b>	<b>(\$401,396)</b>	<b>\$23,564,638</b>

<sup>1</sup>The 9/30/XX dates represent the fiscal year end for the Phase #1 and Phase #2 Bonds.

<sup>2</sup> See Appendix F and Appendix G regarding the estimated interest rate for the Phase #1 and Phase #2 Bonds.

<sup>3</sup>Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year.

<sup>4</sup>Annual Installment does not include any credit from the TIRZ Annual Credit Amount.



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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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July \_\_, 2025

WE HAVE ACTED as Bond Counsel for the City of Wharton, Texas (the “City”) in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF WHARTON, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025 (WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT), dated July 1, 2025, in the aggregate principal amount of \$\_\_\_\_\_. The Bonds mature, bear interest, and are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and the Indenture of Trust dated as of July 1, 2025 (the “Indenture”) between the City and U.S. Bank Trust Company, National Association, as Trustee, in accordance with the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds.

WE HAVE ACTED 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 exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. I-1 of this issue.

WITHOUT UNDERTAKING TO VERIFY the same by independent investigation, we have relied on certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the “Covenants”).

BASED ON SUCH EXAMINATION and in accordance with customary opinion practice, it is our opinion as follows:

(1) The Bonds have been authorized and issued in accordance with the Constitution and laws of the State of Texas and constitute valid and legally binding obligations of the City enforceable in accordance with their terms, except to the extent that the rights and remedies of the owners of the Bonds may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

(2) The Bonds constitute special limited obligations of the City payable solely from and secured solely by a first lien on and pledge of the Trust Estate, including the Pledged Revenues and the Pledged Funds, as and to the extent provided in the Indenture. The Owners of the Bonds shall never have the right to demand payment thereof from any funds raised by taxation, or from any other revenues, properties or income of the City.

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is further our opinion that, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. Failure by the Issuer to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The Issuer may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the Bonds remain excludable from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds

THE OPINIONS SET FORTH ABOVE ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as Bond Counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Limited Offering Document dated June \_\_, 2025 and its Limited Offering Memorandum dated June \_\_, 2025, that may have been relied upon by anyone in making the decision to purchase Bonds. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

APPENDIX E-1

FORM OF DISCLOSURE AGREEMENT OF THE ISSUER

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**CITY OF WHARTON, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF ISSUER**

This Continuing Disclosure Agreement of Issuer, dated as of July 1, 2025 (this “Disclosure Agreement”) is executed and delivered by and among the City of Wharton, Texas (the “Issuer”), MuniCap, Inc. (as more fully defined herein, the “Administrator”) and U.S. Bank Trust Company, National Association, acting solely in its capacity as dissemination agent (as more fully defined herein, the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 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 July 1, 2025, 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:

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

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall have the meaning assigned to such term in the Indenture. The Issuer has selected MuniCap, Inc., as the initial Administrator.

“Annual Collections Report” shall mean any Annual Collection 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 Section 4(a) of this Disclosure Agreement.



“Annual Financial Statements” shall mean audited or unaudited financial statements of the Issuer prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

“Annual Financials Filing Date” shall mean, for each Fiscal Year, the date on which the Annual Financial Statements must be filed with the MSRB, which date is twelve (12) months after the end of the Issuer’s Fiscal Year. The Annual Financials Filing Date is currently September 30.

“Annual Information Filing Date” shall mean, for each Fiscal Year, the date on which the Annual Financial Information must be filed with the MSRB, which date is six (6) months after the end of the Issuer’s Fiscal Year. The Annual Information Filing Date is currently March 31.

“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.

“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, Wharton 55, LLC, a Texas limited liability company, including its affiliates, successors and assigns.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of Developer dated as of even date herewith executed and delivered by the Developer, the Administrator and the Dissemination Agent.

“Disclosure Representative” shall mean the Finance Director 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 U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States, 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 Wharton Public Improvement District No. 2.

“EMMA” shall mean the Electronic Municipal Market Access System currently available on the internet at <http://emma.msrb.org>.

“Filing Date” means, collectively, an Annual Financials Filing Date, an Annual Information Filing Date and an Annual Collections Report Filing Date, or, individually, as the context requires, an Annual Financials Filing Date, an Annual Information Filing Date or an Annual Collections Report Filing Date.

“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 one-year period from October 1 through September 30.

“Listed Events” shall mean any of the events listed in Section 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.

“Participating Underwriter” shall mean FMSbonds, Inc., and its successors and assigns.

“Phase #1” shall have the meaning assigned to such term in the Indenture.

“Phase #2” shall have the meaning assigned to such term in the Indenture.

“Phases #1-2” shall mean, collectively, Phase #1 and Phase #2.

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

“Prepayment” shall mean the payment of all or a portion of an Assessment before the due date of the final installment thereof.

“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 Section 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.

“Trustee” shall have the meaning assigned to such term in the Indenture.

### SECTION 3. Provision of Annual Financial Information and Audited Financial Statements.

(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, the Annual Financial Information and the Annual Financial Statements.

(i) The Issuer shall provide or caused to be provided the Annual Financial Information to the MSRB not later than the Annual Information Filing Date; and

(ii) The Issuer shall provide or caused to be provided audited Annual Financial Statements to the MSRB not later than the Annual Financials Filing Date, or if audited Annual Financial Statements are not available by the Annual Financials Filing Date, unaudited Annual Financial Statements, provided to the Dissemination Agent which is consistent with the requirements specified in Section 4 of this Disclosure Agreement.

In each case, the Annual Financial Information and Annual Financial Statements 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 Information Filing Date. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(b) Not later than ten (10) days prior to the applicable Filing Date, the Issuer shall provide the Annual Financial Information or Annual Financial Statements, as applicable, to the Dissemination Agent together with written direction to file such Annual Financial Information or Annual Financial Statements with the MSRB. The Dissemination Agent shall provide such Annual Financial Information or Annual Financial Statements to the MSRB not later than ten (10) days from receipt of such Annual Financial Information or Annual Financial Statements from the Issuer, but in no event later than the applicable Filing Date for such Fiscal Year.

If by the fifth (5<sup>th</sup>) day before the applicable Filing Date, the Dissemination Agent has not received a copy of the Annual Financial Information or Annual Financial Statements, as applicable, 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 Financial Information or Annual Financial Statements pursuant to subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Financial Information or Annual Financial Statements, as applicable, no later than two (2) Business Days prior to the applicable Filing Date; or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Financial Information by the Annual Information Filing Date or the Annual Financial Statements by the Annual Financials Filing Date, as applicable, state the date by which the Annual Financial Information or Annual Financial Statements for such year will be provided and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Financial Information, Annual Financial Statements or the notice of failure to file, as applicable, to the MSRB, no later than the applicable 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 applicable Filing Date.

(c) The Dissemination Agent, pursuant to written direction, shall:

(i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Financial Information and the Annual Financial Statements on the dates required in subsection (a);

(ii) on behalf of the Issuer, file the Annual Financial Information and the Annual Financial Statements containing or incorporating by reference the information set forth in Section 4 hereof; and

(iii) if the Issuer has provided the Dissemination Agent with the completed Annual Financial Information and the Annual Financial Statements, as applicable, and the Dissemination Agent has filed such Annual Financial Information or Annual Financial Statements with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Financial Information or Annual Financial Statements has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

#### SECTION 4. Content of Annual Financial Information and Annual Financial Statements.

(a) *Annual Financial Information.* The Annual Financial Information 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 Information Filing Date, the following Annual Financial Information (any or all of which may be unaudited):

(i) Tables setting forth the following information, as of the end of such Fiscal Year:

(A) for the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount, the aggregate principal amount Outstanding and the total interest amount due on aggregate principal amount Outstanding;

(B) the amounts in the funds and accounts securing the Bonds and a description of the related investments; and

(C) the assets and liabilities of the Trust Estate.

(ii) Financial information and operating data with respect to the Issuer of the general type 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 (collectively, 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) *Annual Financial Statements.* The Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Annual Financials Filing Date the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If the audited financial statements of the Issuer are not available by the Annual Financials Filing Date, the Issuer shall provide unaudited financial statements of the Issuer no later than the Annual Financials Filing Date and audited financial statements when and if available.

(c) See Exhibit B hereto for a form for submitting the information set forth in subsection 4(a) above. The Issuer has designated MuniCap, Inc. as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer’s staff, shall prepare the Annual Financial Information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of the Annual Financial Information under this Section 4.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference. The Dissemination Agent has no duty or obligation to determine whether or not the information contained in any completed forms containing financial information and operating data as shown in Exhibit B provided to it has been accurately completed and shall only be required to file the forms as completed and provided to it by either the Administrator or the Issuer.

## 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 Financial Information, if such Annual Collections Report is

available when the Annual Financial Information is provided to the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Annual Collections Report Filing Date, the Issuer shall provide the Annual Collections Report to the Dissemination Agent together with written direction to file such Annual Collections Report with the MSRB. The Dissemination Agent shall provide such Annual Collections Report to the MSRB not later than ten (10) days from receipt of such Annual Collections Report from the Issuer, but in no event later than the Annual Collections Report Filing Date.

If by the fifth (5<sup>th</sup>) day before the Annual Collections Report Filing Date, the Dissemination Agent has not received a copy of the Annual Collections Report, the Dissemination Agent shall contact the Disclosure Representative in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Collections Report pursuant to this subsection 5(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Collections Report no later than two (2) Business Days prior to the Annual Collections Report Filing Date; or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Collections Report by the Annual Collections Report Filing Date, state the date by which the Annual Collections Report for such year will be provided and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; 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 on the last Business Day prior to the Annual Collections Report Filing Date; or the Issuer will notify the Dissemination Agent in writing that the Issuer will provide or cause to be provided the Annual Collections Report to the MSRB through alternate means. If the Issuer so notifies the Dissemination Agent, the Issuer will provide the Dissemination Agent with a written report certifying that the Annual Collections Report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB prior to the second (2<sup>nd</sup>) Business Day prior to the Annual Collections Report Filing Date. In the event the Issuer fails to provide the Dissemination Agent with such a report, the Dissemination Agent shall file a notice of failure to file no later than the applicable Annual Collections Report Filing Date.

(b) The Annual Collections Report for the Bonds shall contain, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file by the Annual Collections Report Filing Date, certain financial information and operating data with respect to collection of the Assessments of the general type and in substantially similar form to that shown in the tables provided in Exhibit C attached hereto. Such information shall cover the period beginning the first (1<sup>st</sup>) day of the Fiscal Year succeeding the reporting Fiscal Year through the Collections Reporting Date. If the State Legislature amends the definition of Delinquency Date or Tax Year, the 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.

The sale by the Developer of real property within Phases #1-2 of the District 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 Obligations without the filing of a corresponding official statement with the MSRB will constitute the incurrence of a material Financial Obligation for which a notice of a Listed Event in accordance with this Section 6 must be filed with the MSRB.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent in writing to immediately file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance with this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB's ten (10) Business Day filing requirement.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made under this Section 6. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 6 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative in writing of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed in writing by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than two (2) Business Days following the day on which it receives such written instructions. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Dissemination Agent. It is agreed and understood that the



Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Participating Underwriter, the Trustee, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8 (as to bond calls only), 10, 13, 14 or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after 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 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 Administrator and Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to the Bonds under Section 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 thirty (30) days of such discharge. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be U.S. Bank Trust Company, National Association. The Issuer will give prompt written notice to the Developer, or any other party responsible for providing quarterly information pursuant to the Disclosure Agreement of Developer, of any change in the identity of the Dissemination Agent under the Disclosure Agreement of Developer. The Dissemination Agent may resign at any time with thirty (30) days’ written notice to the Issuer.

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 Fiscal Year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

SECTION 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 Financial Information, Annual Financial Statements, 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 Financial Information, Annual Financial Statements, 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 Financial Information, Annual Financial Statements, 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 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 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) Except as otherwise provided 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 Administrative Expenses collected from the property owners in Phases #1-2, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Dissemination Agent for losses, expenses or liabilities arising from information provided to the Dissemination Agent by the Developer or the failure of the Developer to provide information to the Dissemination Agent as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. If the Issuer does not provide the Dissemination Agent with the Annual Financial Information or Annual Financial Statements in accordance with Section 3(a) and 3(b), respectively, or the Annual Collections Report in accordance with Section 5(a), the Dissemination Agent shall not be responsible for the failure to submit Annual Financial Information, Annual Financial Statements, or the 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 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 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 Administrative

Expenses collected from the property owners in Phases #1-2, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties, or the failure of any third party to provide information to the Administrator as and when required under this Disclosure Agreement, or the failure of the Developer to provide information to the Administrator as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(c) The Issuer, the Administrator and the Dissemination Agent agree that the legal expenses of the Administrator or Dissemination Agent, as applicable, that may be incurred in condition with Sections 12(a) or (b) above are Administrative Expenses.

(d) 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, 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 18. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their respective services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent and the Administrator, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in Phases #1-2, for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 19. Statutory Verifications. The Dissemination Agent and the Administrator, each respectively, make 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 the Administrator within the meaning of Securities and Exchange Commission 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 the Administrator, each respectively, represent that neither the Dissemination Agent, the Administrator, nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent or the Administrator is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the Dissemination Agent and the Administrator and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent or the Administrator, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(b) No Boycott of Israel. The Dissemination Agent and the Administrator, each respectively, hereby verify that the Dissemination Agent, the Administrator and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent and the Administrator, if any, do not boycott Israel and will not boycott Israel during the term of this Disclosure Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

(c) No Discrimination Against Firearm Entities. The Dissemination Agent and the Administrator, each respectively, hereby verify that the Dissemination Agent, the Administrator and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent and the Administrator, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Disclosure Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

(d) No Boycott of Energy Companies. The Dissemination Agent and the Administrator, each respectively, hereby verify that the Dissemination Agent, the Administrator and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent and the Administrator, 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. This Disclosure Agreement shall be governed by the laws of the State of 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 WHARTON, TEXAS  
(as Issuer)

By: \_\_\_\_\_  
Mayor



U.S. Bank Trust Company, National Association  
(as Dissemination Agent)

By: \_\_\_\_\_  
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF ISSUER

S-2

MUNICAP, INC.  
(as Administrator)

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE  
[ANNUAL FINANCIAL INFORMATION][ANNUAL FINANCIAL  
STATEMENTS][ANNUAL COLLECTIONS REPORT]**

Name of Issuer: City of Wharton, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2025  
(Wharton Public Improvement District No. 2 Phase #1 Project and  
Phase #2 Project) (the “Bonds”)  
CUSIP Nos. [insert CUSIP NOs.]  
Date of Delivery: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that the City of Wharton, Texas (the “Issuer”), has not provided [Annual Financial Information][[audited][unaudited] Annual Financial Statements][Annual Collections Report] for fiscal year ended \_\_\_\_\_ with respect to the Bonds as required by the Continuing Disclosure Agreement of Issuer dated as of July 1, 2025, by and among the Issuer, MuniCap, Inc., as the “Administrator,” and U.S. Bank Trust Company, National Association, as “Dissemination Agent.” The Issuer anticipates that the [Annual Financial Information][[audited][unaudited] Annual Financial Statements][Annual Collections Report] will be filed by \_\_\_\_\_.

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

U.S. Bank Trust Company, National Association,  
on behalf of the City of Wharton, Texas  
(as Dissemination Agent)

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Wharton, Texas

## EXHIBIT B

**CITY OF WHARTON, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)**

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**ANNUAL FINANCIAL INFORMATION<sup>1</sup>**

---

Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP NOS: [insert CUSIP NOs.]

**DISSEMINATION AGENT**

Name: [\_\_\_\_\_]   
Address: [\_\_\_\_\_]   
City: [\_\_\_\_\_, Texas \_\_\_\_\_]   
Telephone: (\_\_\_\_) \_\_\_\_-\_\_\_\_   
Contact Person: Attn: \_\_\_\_\_

**Section 4(a)(i)(A)**

**BONDS OUTSTANDING**

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount

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<sup>1</sup> Excluding Annual Financial Statements of the Issuer.

**Section 4(a)(i)(B)****INVESTMENTS**

Fund/ Account Name	Investment Description	Par Value	Book Value	Market Value

**Section 4(a)(i)(C)****ASSETS AND LIABILITIES OF TRUST ESTATE**

Cash Position of Trust Estate for statements dated September 30, 20[___]		
[List of Funds/Accounts Held Under Indenture]	Amount In the Fund	
Total		A
Bond Principal Amount Outstanding		B
Outstanding Assessment Amount to be collected		C
<b>Net Position of Trust Estate and Outstanding Bonds and Assessments</b>		A-B+C

September 30, 20[\_\_\_] Trust Statements:      ☐ Audited                      ☐ Unaudited

Accounting Type:              ☐ Cash              ☐ Accrual              ☐ Modified Accrual

**Section 4(a)(ii)**

**FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AND IN SUBSTANTIALLY SIMILAR FORM PROVIDED IN THE FOLLOWING TABLES AS OF THE END OF THE FISCAL YEAR**

**Debt Service Requirements on the Bonds**

<u>Year Ending</u> <u>(September 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
---	------------------	-----------------	--------------

**Top [Five] Assessment Payers in Phases #1-2 <sup>(1)</sup>**

<u>Property Owner</u>	<u>No. of Parcels/Lots</u>	<u>Percentage of Parcels/Lots</u>	<u>Outstanding Assessments</u>	<u>Percentage of Total Assessments</u>
-----------------------	----------------------------	---------------------------------------	------------------------------------	--

<sup>(1)</sup> Does not include those owing less than one percent (1%) of total Assessments.

**Assessed Value of Phases #1-2**

The [YEAR] certified total assessed value for the land in Phases #1-2 is approximately \$[AMOUNT] according to the Wharton County 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<sup>(1)</sup></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 Annual Installments Collected<sup>(2)</sup></u>
20__	\$		\$	%	\$	%	\$
20__							
20__							
20__							
20__							

<sup>(1)</sup> Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

<sup>(2)</sup> [Does/does not] include interest and penalties.

**Parcel Numbers for Delinquencies Equaling or Exceeding 10% of Annual Installments Due**

For the past five Fiscal Years, if the total amount of delinquencies as of September 1 equals or exceeds ten percent (10%) of the amount of Annual Installments due, a list of parcel numbers for which the Annual Installments are delinquent.

<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 SECTIONS 4(a)(iii) – (iv) OF THE CONTINUING DISCLOSURE AGREEMENT OF ISSUER RELATING TO CITY OF WHARTON, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025 (WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT)**

**[Insert a line item for each applicable listing]**

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## EXHIBIT C

**CITY OF WHARTON, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)**

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**ANNUAL COLLECTIONS REPORT**

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Delivery Date: \_\_\_\_\_, 20\_\_

CUSIP NOS: [insert CUSIP Nos.]

**DISSEMINATION AGENT**

Name: [\_\_\_\_\_]   
Address: [\_\_\_\_\_]   
City: [\_\_\_\_\_, Texas \_\_\_\_]   
Telephone: (\_\_\_\_) \_\_\_\_-\_\_\_\_   
Contact Person: Attn: \_\_\_\_\_

**SELECT FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO COLLECTION OF THE 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 SECTION 5(A) OF THE CONTINUING DISCLOSURE AGREEMENT OF ISSUER RELATING TO CITY OF WHARTON, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025 (WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT)**

**Foreclosure History Related To The Annual Installments<sup>(1)</sup>**

Succeeding Fiscal Year	Delinquent Annual Installment Amount not in Foreclosure <u>Proceedings</u>	Parcels in Foreclosure <u>Proceedings</u>	Delinquent Annual Installment Amount in Foreclosure <u>Proceedings</u>	Foreclosure <u>Sales</u>	Foreclosure Proceeds <u>Received</u>
20__	\$ _____		\$ _____		\$ _____

(i) Period covered includes October 1, 20\_\_ through March 1, 20\_\_.

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**Collection and Delinquency Annual Installments<sup>(1)</sup>**

<u>Succeeding Fiscal Year</u> 20__	<u>Total Annual Installment Levied</u> \$	<u>Parcels Levied<sup>(2)</sup></u>	<u>Delinquent Amount as of 3/1</u> \$	<u>Delinquent % as of 3/1</u> %	<u>Total Annual Installments Collected<sup>(3)</sup></u> \$
---	--	---	--	--	--

<sup>(1)</sup> Period covered includes October 1, 20\_\_ through March 1, 20\_\_.

<sup>(2)</sup> Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments ("Installment Payments"). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

<sup>(3)</sup> [Does/does not] include interest and penalties.

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

<u>Succeeding Fiscal Year</u>	<u>Number of Prepayments</u>	<u>Amount of Prepayments</u> \$	<u>Bond Call Date</u>	<u>Amount of Bonds Redeemed</u> \$
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<sup>(1)</sup> Period covered includes October 1, 20\_\_ through March 1, 20\_\_.

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## EXHIBIT D

### BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES<sup>1</sup>

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Assessments are due.
February 1	1	Assessments delinquent if not received.
March 1	29/30	<p>Immediately upon receipt, but in no event later than March 1, Issuer forwards payment to Trustee for all collections received, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.</p> <p>Issuer and/or Administrator should be aware of actual and specific delinquencies</p> <p>Administrator should be aware if Reserve Fund needs to be utilized for debt service payments during the corresponding Fiscal Year. <b>If there is to be a shortfall of any Annual Installments due to be paid that Fiscal Year, the Trustee and Dissemination Agent should be immediately notified in writing.</b></p> <p>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.</p> <p>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. <b>For properties delinquent by more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of</b></p>

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<sup>1</sup> Illustrates anticipated dates and procedures for pursuing the collection of delinquent Annual Installments of Assessments, which dates and procedures shall be in accordance with Chapters 31, 32, 33 and 34, Texas Tax Code, as amended (the "Code"), and the Wharton 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 Wharton County Tax Assessor-Collector's procedures<sup>2</sup>.

**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 Wharton County Tax Assessor-Collector procedures<sup>2</sup>.**

March 15

43/44

Trustee pays Bond interest payments to Owners.

Reserve Account payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

Issuer, or the Trustee on behalf of the Issuer, to notify Dissemination Agent in writing of the occurrence of draw on the Reserve Account and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw or the Reserve Account.

**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 Wharton County Tax Assessor-Collector procedures<sup>2</sup>.

**Preliminary Foreclosure activity commences, in accordance with the Wharton County Tax Assessor-Collector procedures<sup>2</sup>, and Issuer to notify Dissemination Agent in writing of the commencement of preliminary foreclosure activity.**

If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.

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<sup>2</sup> 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 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 for dissemination to those Owners who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than August 15 (day 197/198).

**Foreclosure action to be filed with the court, in accordance with the Wharton County Tax Assessor-Collector procedures<sup>3</sup>.**

**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.

A committee of not less than twenty-five percent (25%) of the Owners may request a meeting with the Finance Director to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day thirty (30) if it is apparent that a Reserve Account draw is required. Further, if delinquencies exceed five percent (5%), Owners may also request a meeting with the Issuer at any time to discuss the Issuer's plan and progress on collection and foreclosure activity. If the Issuer is not diligently proceeding with the foreclosure process, the Owners may seek an action for mandamus or specific performance to direct the Issuer to pursue the collections of delinquent Annual Installments of Assessments.

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<sup>3</sup> 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 E-2

FORM OF DISCLOSURE AGREEMENT OF THE DEVELOPER

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**CITY OF WHARTON, TEXAS  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER**

This Continuing Disclosure Agreement of Developer, dated as of July 1, 2025 (this “Disclosure Agreement”), is executed and delivered by and among Wharton 55, LLC, a Texas limited liability company (the “Developer”), MuniCap, Inc. (the “Administrator”), and U.S. Bank Trust Company, National Association, acting solely in its capacity as dissemination agent (the “Dissemination Agent”) with respect to the captioned bonds (the “Bonds”). The Developer, the Administrator, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator, and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust, dated as of July 1, 2025, 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:

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall have the meaning assigned to such term in the Indenture. The Issuer has selected MuniCap, Inc., as the initial Administrator.

“Affiliate” shall mean an entity that is controlled by, controls, or is under common control with a Person.

“Amenities” shall mean the amenities to be constructed by the Developer within the District, including, but not limited to, the community park with playground, picnic areas and benches, walking trails, detention/amenity lake, fountains, landscaping and entry monumentation.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Service Plan Update” shall have the meaning assigned to such term in the Indenture.

“Assessed Property” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall have the meaning assigned to such term in the Indenture.

“Business Day” shall have the meaning assigned to such term in the Indenture.



“Certification Letter” shall mean a certification letter provided by a Reporting Party pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean Wharton 55, LLC, a Texas limited liability company, its successors and assigns, including any Affiliate of the Developer.

“Developer Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of Issuer with respect to the Bonds dated as of even date herewith executed and delivered by the Issuer, the Administrator, and the Dissemination Agent.

“Dissemination Agent” shall mean U.S. Bank Trust Company, 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 the Wharton Public Improvement District No. 2.

“EMMA” shall mean the Electronic Municipal Market Access service administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Homebuilder(s)” shall mean any homebuilder that enters into a Lot Purchase Agreement with the Developer and/or another homebuilder, and the Affiliates and/or successors and assigns of such homebuilder under such Lot Purchase Agreement.

“Issuer” shall mean the City of Wharton, Texas.

“Listed Events” shall mean, collectively, Developer Listed Events and Significant Homebuilder Listed Events.

“Lot Purchase Agreement” shall mean, with respect to lots or land within Phases #1-2 of the District, any agreement between a Homebuilder and the Developer to purchase lots or to purchase land.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

“Participating Underwriter” shall mean FMSbonds, Inc., and its successors and assigns.

“Person” shall have the meaning assigned to such term in the Indenture.

“Phase #1” shall have the meaning assigned to such term in the Indenture.

“Phase #2” shall have the meaning assigned to such term in the Indenture.

“Phases #1-2” shall mean, collectively, Phase #1 and Phase #2.

“Phases #1-2 Authorized Improvements” shall have the meaning assigned to such term in the Indenture.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning September 30, 2025.

“Quarterly Filing Date” shall mean for each Quarterly Ending Date, the fifteenth calendar day of the second month following such Quarterly Ending Date being February 15, May 15, August 15, and November 15.

“Quarterly Information” shall have the meaning assigned to such term in Section 3 of this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report described in Section 3 of this Disclosure Agreement and substantially similar to that attached as Exhibit A hereto.

“Reporting Party” shall mean, collectively, the Developer and any Significant Homebuilder that has acknowledged and assumed reporting obligations in accordance with Section 6 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Significant Homebuilder” shall mean a Homebuilder, including any Affiliates of such Homebuilder, that then owns five percent (5%) or more of the single family residential lots within Phases #1-2 of the District.

“Significant Homebuilder Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Trustee” shall have the meaning assigned to such term in the Indenture.

### SECTION 3. Quarterly Reports.

(a) The Developer and any Significant Homebuilder that is a Reporting Party, with respect to its acquired real property, shall, at its cost and expense, provide, or cause to be provided, to the Administrator, not more than ten (10) days after each Quarterly Ending Date, the information in the Quarterly Report required to be provided by such Reporting Party pursuant to Section 3(d) (with respect to each Reporting Party, the “Quarterly Information”). The Reporting Party shall provide, or cause to be provided, such Quarterly Information until such party’s obligations terminate pursuant to Section 7 of this Disclosure Agreement. The Developer shall remain obligated with respect to any real property acquired by a Significant Homebuilder until an acknowledgment of assignment with respect to such real

property is delivered in accordance with Section 6 of this Disclosure Agreement, at which time the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property so 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 recommended 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 recommended changes to their respective Quarterly Information, such Reporting Party shall provide, or cause to be provided, to the Administrator, not more than thirty (30) days after each Quarterly Ending Date, the revised Quarterly Information. The Administrator shall review the revised Quarterly Information within the Quarterly Report and provide the Quarterly Report to the Dissemination Agent in accordance with subsection (c) below.

If Reporting Parties provide the Quarterly Information in more than one report to the Administrator, the Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by the Reporting Parties pursuant to subsection (a) above, and (ii) provide the Quarterly Report to the Reporting Parties for review no later than twenty (20) days after each Quarterly Ending Date. The Reporting Parties shall review and revise, as necessary, the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide the Quarterly Report and Certification Letter(s) to the Administrator and authorize the Administrator to provide such Quarterly Report and Certification Letter(s) to the Issuer and the Dissemination Agent pursuant to subsection (c) below.

In all cases, each Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all of the Quarterly Information provided by such Reporting Party contained in the Quarterly Report. The Developer agrees that each Lot Purchase Agreement that is executed with a Homebuilder after the date hereof will contain a provision obligating the applicable Homebuilder to provide the Developer the information required by Section 3(d) as and when required for the Developer to comply with its obligations hereunder.

(c) The Administrator shall provide to the Dissemination Agent, no later than thirty-five (35) days after each Quarterly Ending Date, the Quarterly Report containing the information described in Section 3(d), the Certification Letter(s), if applicable, and written direction to the Dissemination Agent to file such report with the MSRB. The Dissemination Agent shall file the Quarterly Report and the Certification Letter(s), if applicable, with the MSRB and provide a copy of such report to the Issuer and the Participating Underwriter within ten (10) days of the Dissemination Agent's receipt thereof pursuant to this subsection 3(c); provided, however, that the Quarterly Report must be submitted to the MSRB not later than each Quarterly Filing Date. In the event that any Reporting Party or the Administrator does not provide the information required by subsection (a) or (b) of this Section 3, as applicable, in a timely manner and, as a result, either an incomplete Quarterly Report is filed with the MSRB, or a Quarterly Report is not filed with the MSRB by each Quarterly Filing Date, the Dissemination Agent shall, upon written direction from the applicable Reporting Party, file a notice of failure to provide Quarterly Information or failure to file a Quarterly Report with the MSRB in substantially the form attached as Exhibit B, as soon as practicable. If incomplete Quarterly Information or no Quarterly Information is provided by any Reporting Party, the Dissemination Agent and any other Reporting Party

who provided complete Quarterly Information shall not be responsible for the failure to submit a complete Quarterly Report to the MSRB. If each Reporting Party timely provides the required Quarterly Information to the Administrator as described in this Section 3, the failure of the Administrator to provide the Quarterly Report to the Dissemination Agent, or the failure of the Dissemination Agent to provide such report to the Participating Underwriter in a timely manner, shall not be deemed a default by the Reporting Parties under this Disclosure Agreement.

(d) Each Quarterly Report shall consist of the Quarterly Information listed in Exhibit A attached 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 Phases #1-2 on a parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within Phases #1-2 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 nor a breach or default of this Disclosure Agreement;

(ii) Material damage to or destruction of any development or improvements within Phases #1-2, including the Phases #1-2 Authorized Improvements and the Amenities;

(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 Phases #1-2 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 Phases #1-2 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 Phases #1-2, 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;

(ix) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 5 or 6 hereof; and

(x) Early termination of or material default by a Homebuilder under a Lot Purchase Agreement.

(b) Pursuant to the provisions of this Section 4, each of the following occurrences related to any Significant Homebuilder is a Significant Homebuilder Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within Phases #1-2 on a lot or parcel owned by such Significant Homebuilder; provided, however, that the exercise of any right of such Significant Homebuilder as a landowner within Phases #1-2 to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Significant Homebuilder Listed Event under this subsection 4(b) nor a breach or default of this Disclosure Agreement;

(ii) The bankruptcy, insolvency, or similar filing of such Significant Homebuilder or any determination that such Significant Homebuilder is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Homebuilder or the sale of all or substantially all of the assets of such Significant Homebuilder, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iv) Any change in the type of legal entity, chief executive officer, or controlling ownership of such Significant Homebuilder;

(v) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 6 herein; and

(vi) Early termination of or material default by such Significant Homebuilder under a Lot Purchase Agreement.

(c) Whenever a Reporting Party obtains knowledge of the occurrence of a Listed Event applicable to such Reporting Party, such Reporting Party shall promptly, and not more than five (5) Business Days after such Reporting Party obtains such knowledge, notify the Issuer, the Administrator and the Dissemination Agent in writing and the Reporting Party shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Reporting Party becomes aware of the occurrence of such Listed Event. If the Reporting Party timely notifies the Dissemination Agent of the occurrence of a Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such

notice to the Participating Underwriter in a timely manner shall not be deemed a default by such Reporting Party under this Disclosure Agreement.

The Developer and each other Reporting Party, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to such Reporting Party and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Reporting Party, regardless of if such Reporting Party is providing Quarterly Information on behalf of any other Reporting Party. Additionally, if a Significant Homebuilder does not execute the assignment and assumption of disclosure obligations pursuant to Section 6 hereof, and, therefore, the Developer is reporting on behalf of the Significant Homebuilder, the Developer shall not be required to conduct an independent investigation of the occurrence of a Significant Homebuilder Listed Event.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the applicable Reporting Party desires to make, the written authorization of such Reporting Party for the Dissemination Agent to disseminate such information as provided herein, and the date the Reporting Party desires for the Dissemination Agent to disseminate the information.

In all cases, the applicable Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the applicable Reporting Party shall have the sole responsibility to ensure that any notice required to be filed with the MSRB under this Section 4 is actually filed within ten (10) Business Days after such Reporting Party becomes aware of the Listed Event applicable to such Reporting Party.

(d) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event, notify in writing the Administrator and the applicable Reporting Party of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the applicable Reporting Party to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Reporting Party and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the applicable Reporting Party as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Administrator, the Issuer, any Reporting Party or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(e) If the Dissemination Agent has been notified in writing by a Reporting Party to report the occurrence of a Listed Event in accordance with subsection (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, unless an Affiliate of the Developer, who, through assignment, assumes the obligations, requirements or covenants to construct one or more of the Phases #1-2 Authorized Improvements or the Amenities to assume and comply with the disclosure obligations of the Developer under this Disclosure Agreement with respect thereto. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement and assumption from each Person, unless such Person is an Affiliate of the Developer, who assumes the obligations, requirements or covenants to construct one or more of the Phases #1-2 Authorized Improvements or the 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 direct the Dissemination Agent in writing 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 construction of the Phases #1-2 Authorized Improvements or the Amenities so assigned. Notwithstanding anything to the contrary elsewhere herein, after such assignment, the Developer shall not be liable for the acts or omissions of such Person arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall require that any Person comply with obligations of this Section 5 with respect to any subsequent transfers by such Person to any individual or entity having the obligations, requirements or covenants to construct one or more of the Phases #1-2 Authorized Improvements or the Amenities in the future.

## SECTION 6. Assumption of Reporting Obligations by Significant Homebuilders.

(a) If a Homebuilder acquires ownership of real property in Phases #1-2 resulting in such Homebuilder becoming a Significant Homebuilder, the Developer may (i) cause such Significant Homebuilder to comply with the Developer’s disclosure obligations under Section 3 and subsection 4(b) hereof, with respect to such acquired real property until such party’s disclosure obligations terminate pursuant to Section 7 of this Disclosure Agreement or (ii) elect to provide any or all Quarterly Information on behalf of such Significant Homebuilder; provided, however, that if the Developer initially elects to provide any or all Quarterly Information on behalf of such Significant Homebuilder, the Developer may elect in the future to cause such Significant Homebuilder to comply with the disclosure obligations, as described in clause (i) above.

(b) If the Developer elects to cause a Significant Homebuilder to comply with the Developer’s disclosure obligations, as described in clause (a)(i) above, the Developer shall deliver to the Dissemination Agent, Administrator and the Issuer a written acknowledgement from each Significant Homebuilder, in substantially the form attached as Exhibit F (the “Significant Homebuilder Acknowledgment”), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to subsections 4(a)(ix) and 4(b)(v) above, the Developer shall direct the Dissemination Agent in writing to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with subsections 4(c) and 4(e) above. Upon any such transfer to a Significant Homebuilder, and such Significant Homebuilder’s delivery of an executed Significant Homebuilder Acknowledgment assuming the Developer’s obligations under this Disclosure Agreement as to the property transferred, the

Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. The Developer shall remain obligated with respect to any real property acquired by a Significant Homebuilder until an executed Significant Homebuilder Acknowledgment with respect to such real property is delivered to the Dissemination Agent, Administrator, the Issuer and the MSRB, in accordance with this Section 6(b).

(c) Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Significant Homebuilder arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall use commercially reasonable efforts to require that any Significant Homebuilder comply with obligations of this Section 6 with respect to any subsequent transfers by such Significant Homebuilder to any individual or entity meeting the definition of a “Significant Homebuilder” in the future, including the requirement, pursuant to Section 4(b)(v) above, to direct the Dissemination Agent in writing to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with Sections 4(c) and 4(e) above.

#### SECTION 7. Termination of Reporting Obligations.

(a) The reporting obligations of the Developer under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) when the Developer, including its respective Affiliates and/or successors and assigns, no longer owns five percent (5%) or more of the single family residential lots within Phases #1-2, as of each Quarterly Ending Date, or (iii) the issuance of the certificate of occupancy or third-party inspection, as applicable, for the last single family residential lot or Assessed Property within Phases #1-2 owned by the Developer, including its respective Affiliates and/or successors and assigns. Notwithstanding the foregoing, if the Developer is reporting on behalf of a Significant Homebuilder, the Developer’s reporting obligations, with respect to the property owned by the Significant Homebuilder, terminates in accordance with subsection (b) below.

(b) The reporting obligations of a Significant Homebuilder that is a Reporting Party, if any, under this Disclosure Agreement shall terminate upon the earlier of (i) the date when none of the Bonds remain Outstanding, (ii) when such Significant Homebuilder, including its respective Affiliates and/or successors and assigns, no longer owns five percent (5%) or more of the lots within Phases #1-2, as of each Quarterly Ending Date, or (iii) the issuance of the certificate of occupancy or third-party inspection, as applicable, for the last single family residential lot or Assessed Property within Phases #1-2 owned by such Significant Homebuilder, including its respective Affiliates and/or successors and assigns.

(c) Upon receipt of written notice from a Reporting Party or the Dissemination Agent that the reporting obligations of a Reporting Party have terminated in accordance with subsection (a) or (b), as applicable, 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, of the termination of the applicable 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 file such Termination Notice with the MSRB, and provide such notice to the



Issuer, the Trustee, the applicable Reporting Party and the Participating Underwriter on or before the next succeeding Quarterly Filing Date.

(d) The obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon the earlier of (i) the date when none of the Bonds remain Outstanding, or (ii) termination of all Reporting Parties' reporting obligations in accordance with subsection (a) and (b) of this Section 7 and any Termination Notice required by subsection (c) of this Section 7 has been provided to the MSRB, the Issuer, the Trustee, the Dissemination Agent, the Reporting Parties, and the Participating Underwriter, as applicable.

**SECTION 8. Dissemination Agent.** The initial Dissemination Agent appointed hereunder shall be U.S. Bank Trust Company, National Association. The Issuer may, from time to time, appoint or engage a successor Dissemination Agent to assist the Reporting Parties in carrying out their obligations 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. Pursuant to the Disclosure Agreement of the 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.

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may jointly amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested in writing by the Developer or the Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3 or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of any Reporting Party, or the type of business conducted; and

(b) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent or the Issuer may be made without the respective party's prior written consent (which consent will not be unreasonably withheld or delayed).

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administrator shall describe such amendment in the next related Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the 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, the Administrator, the Dissemination Agent, 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 applicable Reporting Party shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures, whether provided under Section 3, 4 or 9 of this Disclosure Agreement.

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 Dissemination Agent (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 a Reporting Party, Dissemination Agent or Administrator 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 Issuer, and a default under the Disclosure Agreement of Issuer shall not be deemed a default under this Disclosure Agreement. 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 by a Reporting Party and/or the Administrator 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 (i) liabilities due to the Dissemination Agent's negligence or willful misconduct, and (ii) liabilities resulting from claims made by the Developer against 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) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to indemnify and hold harmless the Administrator, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding (i) liabilities due to the Administrator's negligence or willful misconduct, and (ii) liabilities resulting from claims made by the Developer against the Administrator. The obligations of the Developer under this Section shall survive termination of this Disclosure Agreement, resignation, or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Developer, the Administrator, and the Dissemination Agent agree that the legal expenses of the Dissemination Agent or the Administrator to which it is expressly entitled to be paid pursuant to this paragraph 13(c) constitute Administrative Expenses.

(d) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, THE DEVELOPER, OR ANY OTHER REPORTING PARTY 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 REPORTING PARTY, 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 Administrative Expenses 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 Administrative Expenses component of the Annual Installments collected from the property owners in Phases #1-2, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

SECTION 18. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the Annual Service Plan Update. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of Phases #1-2, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

SECTION 19. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 20. Notice. Any written notice required to be given or made hereunder among or between any of the Reporting Parties, the Administrator, the Dissemination Agent and/or Participating Underwriter, shall be given or made by e-mail, facsimile, hand delivery, overnight courier, or by United States mail, certified or registered mail, return receipt requested, postage prepaid, at the addresses listed

below or at such other addresses as any be specified in writing by any party hereto to the other parties hereto. If the required notice is provided or delivered by e-mail, the sender must request a read or delivery receipt from the recipient confirming that the recipient received the e-mail or the e-mail was delivered with such notice. Failure of any party to this Disclosure Agreement or Significant Homebuilder to provide proof of an e-mail read receipt or delivery receipt does not constitute a breach or default by such party or Significant Homebuilder under this Disclosure Agreement.

If to Developer:

Wharton 55, LLC  
5005 Riverway Dr., Suite 210  
Houston, Texas 77056  
E-mail: [brian@jarrdev.com](mailto:brian@jarrdev.com)

If to the Dissemination Agent or  
Trustee:

U.S. Bank Trust Company, National Association  
8 Greenway Plaza, Suite 1100  
Houston, Texas 77046  
Attention: Global Corporate Trust  
E-mail: [Zeina.Moorefield@usbank.com](mailto:Zeina.Moorefield@usbank.com)

With a copy to:

U.S. Bank Trust Company, National Association  
Attention: Bond Operations  
111 Fillmore Avenue East  
St. Paul, Minnesota 55107-1402

If to Administrator:

MuniCap, Inc.  
600 E. John Carpenter Freeway, Suite 150  
Irving, Texas 75062  
E-mail: [txpid@municap.com](mailto:txpid@municap.com)

With a copy to:

MuniCap, Inc.  
8965 Guilford Road, Suite 210  
Columbia, Maryland 21046  
Email: [Keenan.rice@municap.com](mailto:Keenan.rice@municap.com)

If to the Issuer:

City of Wharton, Texas  
120 E. Caney Street  
Wharton, Texas 77488  
E-mail: [tbarker@cityofwharton.com](mailto:tbarker@cityofwharton.com)

If to Participating Underwriter:

FMSbonds, Inc.  
5 Cowboys Way, Suite 300-25  
Frisco, Texas 75034  
E-mail: [tdavenport@fmsbonds.com](mailto:tdavenport@fmsbonds.com)

SECTION 21. Term of Disclosure Agreement. Except for surviving indemnities of the parties to this Disclosure Agreement, this Disclosure Agreement terminates on the earlier of (i) the first

date on which none of the Bonds remain Outstanding, and (ii) the first date on which the reporting obligations of all Reporting Parties have terminated in accordance with the terms of Section 7 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.*

U.S. Bank Trust Company, National Association,  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

S-1

Wharton 55, LLC, a Texas limited liability company  
(as Developer)

By: \_\_\_\_\_  
Brian Jarrard, Manager

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

S-2



MuniCap, Inc.,  
Administrator

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT A

**CITY OF WHARTON, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2  
PHASE #1 PROJECT AND PHASE #2 PROJECT)**

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**Continuing Disclosure Report  
Developer Information**

[INSERT QUARTERLY FILING DATE] Quarterly Report

(Quarter Ending [INSERT QUARTERLY ENDING DATE])

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CUSIP Numbers: [Insert CUSIP Numbers]

**I. Unit Mix For Bond Assignment**

Product Type	Number of Units
40'	133
45'	90

**II. Ownership of Lots/Units in Improvement Area<sup>1</sup>**

223: LOTS PLANNED IN IMPROVEMENT AREA<sup>1</sup>

Of the 223 lots in the Improvement Area<sup>1</sup>:

1. Number of lots owned by the Developer: \_\_\_\_\_
  - a. Number of lots under contract but not closed to [insert name of Homebuilder]<sup>2</sup>: \_\_\_\_\_
  - b. Number of lots under contract but not closed to [insert name of Homebuilder]: \_\_\_\_\_
2. Number of lots owned by all Homebuilder(s): \_\_\_\_\_
  - c. Number of lots owned by [insert name of Homebuilder]<sup>2</sup>: \_\_\_\_\_
  - d. Number of lots owned by [insert name of Homebuilder]: \_\_\_\_\_
  - e. CHART<sup>3</sup>

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<sup>1</sup> "Improvement Area" as used in this Exhibit A, refers to "Phases #1-2."

<sup>2</sup> Include a line item for each individual Homebuilder.

<sup>3</sup> If Developer is using EMMA filing assistance software, a chart containing the Quarterly Information provided under this item will be generated. If Developer is not using EMMA filing assistance software, Developer shall prepare a chart containing such Quarterly Information.

3. Number of units owned by homeowners: \_\_\_\_\_

### **III. Lot Status in Improvement Area<sup>4</sup>**

Of the 223 lots in the Improvement Area<sup>4</sup>, what is the status:

1. Planned lots as of the date of issuance of the Bonds: 223
2. If different from (1), planned lots as of the date of this Quarterly Report: \_\_\_\_\_
3. Number of lots developed: \_\_\_\_\_
4. Expected completion date of all lots in the Improvement Area<sup>4</sup> (if incomplete):  
\_\_\_\_\_

### **IV. Home Sales Information in the Improvement Area<sup>4</sup>**

PLANNED LOTS IN THE IMPROVEMENT AREA<sup>4</sup>: 223

Of the 223 homes planned for the Improvement Area<sup>4</sup>:

1. How many total building permits were issued **during the current quarter?** \_\_\_\_\_
  - a. Number of building permits issued during the current quarter for [*insert name of Homebuilder*]<sup>5</sup>: \_\_\_\_\_
  - b. Number of building permits issued during the current quarter for [*insert name of Homebuilder*]: \_\_\_\_\_
2. How many homes have closed with homebuyers **during the current quarter?** \_\_\_\_\_
  - a. Number of homes closed with homebuyers during the current quarter for [*insert name of Homebuilder*]<sup>5</sup>: \_\_\_\_\_
  - b. Number of homes closed with homebuyers during the current quarter for [*insert name of Homebuilder*]: \_\_\_\_\_
3. How many total homes have closed with homebuyers **cumulatively?** \_\_\_\_\_
  - a. Number of homes closed with homebuyers cumulatively for [*insert name of Homebuilder*]<sup>5</sup>: \_\_\_\_\_
  - b. Number of homes closed with homebuyers cumulatively for [*insert name of Homebuilder*]: \_\_\_\_\_

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<sup>4</sup> "Improvement Area" as used in this Exhibit A, refers to "Phases #1-2."

<sup>5</sup> Include a line item for each individual Homebuilder.

**V. Expenditures Paid from Accounts under Indenture**

1. Total Budgeted Costs for Improvement Area Improvements<sup>6</sup>: \$ \_\_\_\_\_
2. Of the total budgeted costs, the total amount drawn from the Improvements Accounts<sup>7</sup>:
  - a. Improvement Area Improvements Account<sup>8</sup>: \$ \_\_\_\_\_
  - b. Improvement Area Major Improvement Account<sup>9</sup>: \$ \_\_\_\_\_
  - c. Improvement Area Developer Improvement Account: n/a

**VI. Status of Improvements in Improvement Area<sup>10</sup>**

1. Actual/Excepted date of completion of the Improvement Area Improvements<sup>6</sup>: \_\_\_\_\_
2. If applicable, explanation of any delay/change in projected completion date since last Quarterly Report was filed: \_\_\_\_\_

**VII. Amenity Status**

1. Expected Costs of Amenities<sup>11</sup>: \$ \_\_\_\_\_
2. Amount spent as of Quarter End: \$ \_\_\_\_\_
3. Actual/Expected Completion Date of Amenities: \_\_\_\_\_

**VIII. Material Changes**

1. **Permits and Approvals** - Since the issuance of the Bonds, have there been any material changes to permits or development approvals (including any zoning) impacting the development of the land subject to the Assessments securing the Bonds, which were not disclosed in a previously filed Quarterly Report? If so, describe the material changes.
2. **Mortgage Loans** - Since the issuance of the Bonds, have there been any material changes to mortgage loans (whether changes to an existing loan or incurrence of a new mortgage loan), if applicable, for the land subject to the Assessments securing the Bonds, which were not disclosed in a previously filed Quarterly Report? If so, describe the material changes.

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<sup>6</sup> “Improvement Area Improvements,” as used in this Exhibit A, refers to the “Phases #1-2 Authorized Improvements,” as defined in the Indenture.

<sup>7</sup> “Improvements Accounts,” as used in this Exhibit A, refers to the “Project Fund,” as defined in the Indenture.

<sup>8</sup> “Improvement Area Improvements Account,” as used in this Exhibit A, refers to the “Phase #1 Improvements Account,” as defined in the Indenture.

<sup>9</sup> “Improvement Area Major Improvement Account,” as used in this Exhibit A, refers to the “Phase #2 Improvements Account,” as defined in the Indenture.

<sup>10</sup> “Improvement Area” as used in this Exhibit A, refers to “Phases #1-2.”

<sup>11</sup> “Amenities” refer to the amenities to be constructed by the Developer within the District, including, but not limited to, the community park with playground, picnic areas and benches, walking trails, detention/amenity lake, fountains, landscaping and entry monumentation.

3. **Builder Contracts** - Since the issuance of the Bonds, have there been any material changes to builder contracts (including but not limited to changes to price, substantial completion dates, number of lots, or other terms) with respect to the land subject to the Assessments securing the Bonds, which were not disclosed in a previously filed Quarterly Report? If so, describe the material changes.
4. **Ownership** - Since the issuance of the Bonds, other than a sale to a homebuilder pursuant to a 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 Acknowledgment pursuant to the Disclosure Agreement?
5. **Completion Agreement** – Is the Developer required to provide evidence of available funds, in addition to the amounts on deposit in the Project Fund, to complete the construction of the Improvement Area<sup>12</sup>? If so, identify the available sources of funding and provide the amount of funding needed to complete the Improvement Area<sup>12</sup>.
6. **Amendments** – Since the issuance of the Bonds and except as otherwise disclosed in a previously filed Quarterly Report, (i) describe any amendments or waivers to any provision of the Disclosure Agreement, including a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Reporting Parties and (ii) include a copy of the amendment, as applicable.
7. **Other** – Provide any other material information that should be disclosed.

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<sup>12</sup> “Improvement Area” as used in this Exhibit A, refers to “Phases #1-2.”

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO  
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of Wharton, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project) (the “Bonds”)  
CUSIP Numbers: [insert CUSIP Numbers]  
Date of Delivery: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that \_\_\_\_\_, a \_\_\_\_\_ (the [“Developer”<sup>13</sup>] [“Significant Homebuilder”]) has not provided the [Quarterly Information][Quarterly Report] for the period ending on [Insert Quarterly Ending Date] with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer related to such Bonds, by and among Wharton 55, LLC (the “Developer”), MuniCap, Inc., as the “Administrator,” and U.S. Bank Trust Company, National Association, as the “Dissemination Agent.” The [Developer][Significant Homebuilder] anticipates that the [Quarterly Information][Quarterly Report] will be [provided][filed] by \_\_\_\_\_.

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

U.S. Bank Trust Company, National Association,  
on behalf of the Developer,  
as Dissemination Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Wharton, Texas

<sup>13</sup> If applicable, replace with applicable successor(s)/assign(s).

## EXHIBIT C

### TERMINATION NOTICE

[DATE]

Name of Issuer: City of Wharton, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project) (the “Bonds”)  
CUSIP Numbers. [insert CUSIP Numbers]  
Date of Delivery: \_\_\_\_\_, 20\_\_

FMSbonds, Inc.  
5 Cowboys Way, Suite 300-25  
Frisco, Texas 75034

U.S. Bank Trust Company, National Association  
8 Greenway Plaza, Suite 1100  
Houston, Texas 77046

City of Wharton, Texas  
120 East Caney Street  
Wharton, Texas 77488

Wharton 55, LLC,  
5005 Riverway Dr., Suite 210  
Houston, Texas 77056

[Significant Homebuilder]

NOTICE IS HEREBY GIVEN that that \_\_\_\_\_, a \_\_\_\_\_ (the [“Developer”] [“Significant Homebuilder”]) is no longer responsible for providing [any Quarterly Information][the Quarterly Report] with respect to the Bonds, thereby terminating such party’s reporting obligations under the Continuing Disclosure Agreement of Developer related to such Bonds, by and among Wharton 55, LLC (the “Developer”), MuniCap, Inc., as the “Administrator,” and U.S. Bank Trust Company, National Association, as the “Dissemination Agent.”

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

MuniCap, Inc.  
on behalf of the [Developer] [Significant  
Homebuilder],  
as Administrator)

By: \_\_\_\_\_

Title: \_\_\_\_\_

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<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).

## EXHIBIT D

### CERTIFICATION LETTER

[DATE]

Name of Issuer: City of Wharton, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project)  
CUSIP Numbers: [insert CUSIP Numbers]  
Quarterly Ending Date: \_\_\_\_\_, 20\_\_

Re: Quarterly Report for Wharton Public Improvement District No. 2

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer, related to the captioned Bonds by and among Wharton 55, LLC<sup>1</sup> (the “Developer”), MuniCap, Inc., as the “Administrator,” and U.S. Bank Trust Company, National Association, as the “Dissemination Agent,” this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer][\_\_\_\_\_, as a “Significant Homebuilder”], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer][Significant Homebuilder], constitutes the [portion of the] Quarterly Report required to be furnished by the [Developer][Significant Homebuilder]. Any and all Quarterly Information, provided by the [Developer][Significant Homebuilder], contained in this Quarterly Report for the three month period ending on [Insert Quarterly Ending Date], to the best of my knowledge, is true and correct, as of [insert date].

Please do not hesitate to contact our office if you have and questions or comments.

Wharton 55, LLC, a Texas limited liability company  
(as Developer)

By: \_\_\_\_\_  
Brian Jarrard, Manager

[OR

SIGNIFICANT HOMEBUILDER  
(as Homebuilder)

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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<sup>1</sup> If applicable, replace with applicable successor(s)/assign(s).



**EXHIBIT E**

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT  
OF DEVELOPER REPORTING OBLIGATIONS**

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

**Re: Wharton Public Improvement District No. 2 – 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 Phases #1-2 Authorized Improvements or the Amenities (each as defined in the Disclosure Agreement of the Developer) within the Wharton Public Improvement District No. 2 (the “District”).

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer, dated as of [\_\_\_\_], 2025 (the “Disclosure Agreement of the Developer”), by and among Wharton 55, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”), and U.S. Bank Trust Company, National Association (the “Dissemination Agent”) with respect to the “City of Wharton, Texas, Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project),” any person that, through assignment, assumes the obligations, requirements or covenants to construct one or more of the Phases #1-2 Authorized Improvements or the Amenities is defined as a Developer.

As a Developer, pursuant to Section 5 of the Disclosure Agreement of the Developer, you acknowledge and assume the reporting obligations under Sections 3 and 4(a) of the Disclosure Agreement of the Developer for the construction of the Phases #1-2 Authorized Improvements or the Amenities as detailed in the Disclosure Agreement of the Developer, which is included herewith.

Sincerely,

Wharton 55, LLC, a Texas limited liability company  
(as Developer)

By: \_\_\_\_\_  
Brian Jarrard, Manager

Acknowledged by:  
**[INSERT ASSIGNEE NAME]**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F**

**FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT  
OF SIGNIFICANT HOMEBUILDER REPORTING OBLIGATIONS**

[DATE]

[INSERT SIGNIFICANT HOMEBUILDER CONTACT INFORMATION]

**Re: Wharton Public Improvement District No. 2 – Continuing Disclosure Obligation**

Dear \_\_\_\_\_,

As of \_\_\_\_\_, 20\_\_\_\_, you own \_\_\_\_\_ lots within the Wharton Public Improvement District No. 2 (the “District”). Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer related to the captioned Bonds (the “Disclosure Agreement of Developer”) by and among Wharton 55, LLC (the “Developer”), MuniCap, Inc. (the “Administrator”), and U.S. Bank Trust Company, National Association (the “Dissemination Agent”), with respect to the “City of Wharton, Texas, Special Assessment Revenue Bonds, Series 2025 (Wharton Public Improvement District No. 2 Phase #1 Project and Phase #2 Project),” any entity that owns 5% or more of the single family residential lots within the District is defined as a Significant Homebuilder.

As a Significant Homebuilder, pursuant to Section 6 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations under Sections 3 and 4(b) of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

Wharton 55, LLC, a Texas limited liability company  
(as Developer)

By: \_\_\_\_\_  
Brian Jarrard, Manager

Acknowledged by:

**[INSERT ASSIGNEE NAME]**

By: \_\_\_\_\_

Title: \_\_\_\_\_

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APPENDIX F

REIMBURSEMENT AGREEMENT

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**REIMBURSEMENT AGREEMENT**  
**City of Wharton Public Improvement District No. 2**

This Reimbursement Agreement (this "Agreement") is entered into by WHARTON 55, LLC, a Texas limited liability company ("Developer"), and the CITY OF WHARTON, TEXAS (the "City"), effective as of MARCH 25, 2024 (the "Effective Date") in relation to the City of Wharton Public Improvement District No. 2 (the "PID"). Developer and the City are individually referred to herein as a "Party" and collectively as the "Parties."

**SECTION 1.**  
**RECITALS**

1.1 WHEREAS, capitalized terms used in this Agreement shall have the meanings given to them in Section 2;

1.2 WHEREAS, unless otherwise defined: (1) all references to "sections" shall mean sections of this Agreement; (2) all references to "exhibits" shall mean exhibits to this Agreement which are incorporated as part of this Agreement for all purposes; and (3) all references to "ordinances" or "resolutions" shall mean ordinances or resolutions adopted by the City Council;

1.3 WHEREAS, Developer and the City have entered into a Development Agreement, effective as of November 15, 2022, relating to the development of the property within the PID and the financing of public improvements within the PID;

1.4 WHEREAS, the City Council has approved a PID Creation Resolution authorizing the creation of the PID pursuant to the authority of the Act dated OCTOBER 23, 2023, covering approximately 55 contiguous acres within the City's corporate limits;

1.5 WHEREAS, prior to the issuance of PID Bonds, Developer has paid and may continue to pay for the Actual Costs of the PID Projects benefitting the property within the PID;

1.6 WHEREAS, this Agreement is a "reimbursement agreement" authorized by Section 372.023(d)(1) of the Act;

1.7 WHEREAS, the recitals: (a) are part of this Agreement for all purposes; (b) are true and correct; and (c) each Party has relied upon such recitals in entering into this Agreement; and

NOW THEREFORE, for and in consideration of the mutual obligations of the Parties set forth herein, the Parties agree as follows:

**SECTION 2.**  
**DEFINITIONS**

"Act" means Chapter 372, Texas Local Government Code, as amended.

"Actual Cost(s)" means with respect to PID Projects, the actual costs paid or incurred by or on behalf of the Developer, including: (1) the costs incurred by the Developer, or on behalf of the Developer (either directly or through affiliates) or the City for the design, planning, financing,

administration/management, acquisition, installation, construction and/or implementation of such PID Projects; (2) the fees paid for obtaining permits, licenses, or other governmental approvals for such PID Projects; (3) the costs incurred by or on behalf of the Developer for external professional costs, such as engineering, geotechnical, surveying, land planning, architectural landscapers, appraisals, legal, accounting, and similar professional services; (4) all labor, bonds, and materials, including equipment and fixtures, by contractors, builders, and materialmen in connection with the acquisition, construction, or implementation of the PID Projects; (5) all related permitting, and public approval expenses, architectural, engineering, legal and consulting fees, and governmental fees and charges; and (6) costs to implement, administer, and manage the above-described activities. Actual Costs refers to the PID Project costs actually incurred.

“Annual Collection Costs” means the actual or budgeted costs and expenses related to the operation of the PID, including, but not limited to, costs and expenses for: (1) the PID administrator; (2) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (3) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (4) preparing and maintaining records with respect to Assessment Rolls and annual service plan updates; (5) paying and redeeming PID Bonds; (6) investing or depositing Assessments and Annual Installments; (7) complying with the Service and Assessment Plan and the Act with respect to the PID Bonds, including the City’s continuing disclosure and arbitrage rebate requirements; and (8) the paying agent/registrar and Trustee in connection with PID Bonds, including their respective legal counsel. Annual Collection Costs collected but not expended in any year shall be carried forward and applied to reduce Annual Collection Costs for subsequent years.

“Annual Installment” means the annual installment payment of an Assessment, as calculated by the PID administrator and approved by the City Council, that includes: (1) principal; (2) interest; and (3) Annual Collection Costs.

“Assessed Parcel(s)” means any parcel within the PID against which an Assessment is levied.

“Assessment(s)” means an assessment levied against Assessed Parcels pursuant to the provisions of the Act for payment of PID Project Costs, including the payment of PID Bonds and obligations under this Agreement.

“Assessment Ordinance” means the ordinance(s) adopted by the City Council levying Assessments on an Assessed Parcel within the PID to pay PID Project Costs, PID Bonds and obligations under this Agreement.

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

“Assessment Roll” means any assessment roll for the Assessed Parcel within the PID, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the Act, including updates prepared in connection with the issuance of PID Bonds or any annual service plan update.

“Authorized Improvements” means (1) improvements authorized by Section 372.003 of

the Act, (2) the costs of issuance of the PID Bonds, and (3) the costs of the formation of the PID. Authorized Improvements includes PID Projects.

“Bond Indenture” means the indenture of trust pursuant to which PID Bonds are issued.

“Bond Proceeds” mean the proceeds derived from the issuance and sale of PID Bonds that are deposited into the PID Project Fund and made available to pay PID Project Costs including design, engineering, construction and inspection costs in accordance with this Agreement and any Bond Indenture or SAP.

“Budgeted Cost” means the estimated cost for an Authorized Improvement as provided for in the Service and Assessment Plan.

“Certificate for Payment” means a certificate (substantially in the form of Exhibit A or as attached to the Bond Indenture or as otherwise approved by Developer and the City Representative) executed by a representative of Developer and approved by the City Representative, delivered to the City Representative (and/or, if applicable, to the Trustee named in the Bond Indenture), specifying the work performed and the amount charged (including materials and labor costs) for PID Project Costs, and requesting payment of such amount from the appropriate fund or funds. Each certificate shall include supporting documentation in the standard form for City construction projects and evidence that the PID Projects (or their completed segment(s)) covered by the certificate have been inspected by the City.

“City Council” means the governing body of the City.

“City Representative” means the Mayor or City Manager of the City, who are hereby authorized by the City Council to undertake the actions referenced herein.

“Closing Disbursement Request” means a request in the form of Exhibit B or as otherwise approved by the Parties and the trustee named in the Bond Indenture.

“Cost Overrun” means, with respect to each Authorized Improvement, the amount of the Actual Cost paid for the Authorized Improvement in excess of the Budgeted Cost for such Authorized Improvement as provided for in the Service and Assessment Plan.

“Default” is defined in Section 4.6.1.

“Delinquent Collection Costs” mean costs related to the foreclosure on an Assessed Parcel and the costs of collection of delinquent Assessments, delinquent Annual Installments, or any other delinquent amounts due under the Service and Assessment Plan, including penalties and reasonable attorney’s fees actually paid, but excluding amounts representing interest and penalty interest.

“Development Agreement” means that certain Development Agreement, effective as of November 15, 2022, by and between the Developer and the City.

“Developer Advances” mean monetary advances made by Developer to pay PID Project Costs.



“Developer Continuing Disclosure Agreement” means the Continuing Disclosure Agreement of Developer executed contemporaneously with the issuance and sale of PID Bonds.

“Failure” is defined in Section 4.6.1.

“Final Completion” means completion of an Authorized Improvement in compliance with existing City standards for dedication under the City’s ordinances and the Development Agreement.

“Maturity Date” is the date one year after the final scheduled and non-delinquent Annual Installment is collected.

“PID” means the City of Wharton Public Improvement District No. \_\_\_ created by the PID Creation Resolution.

“PID Bonds” means the bonds issued pursuant to the provisions of the Act in one or more series to fund PID Project Costs or to reimburse Developer for PID Project Costs.

“PID Creation Resolution” means the resolution passed and approved by the City Council on October 23, 2023 authorizing the creation of the PID.

“PID Pledged Revenue Fund” means the Pledged Revenue Fund, as defined in the Bond Indenture, established or to be established by the City (and segregated from all other funds of the City) into which the City deposits Assessment Revenue securing PID Bonds issued and still outstanding, as described in the Bond Indenture.

“PID Project Fund” means the Project Fund, as defined in the Bond Indenture, including all accounts created within such fund, established or to be established by the City (and segregated from all other funds of the City) into which the City deposits Bond Proceeds in the amounts and as described in the Bond Indenture.

“PID Reimbursement Fund” means the fund established by the City under this Agreement (and segregated from all other funds of the City) into which the City deposits Assessment Revenue until they are required to be deposited into the PID Pledged Revenue Fund.

“PID Projects” means the public improvements or services to be constructed or acquired by or on behalf of the Developer within the PID and described in the SAP, whether the SAP defines such public improvements or services as PID Projects or utilizes another term.

“PID Project Costs” mean the actual costs of the PID Projects.

“Reimbursement Agreement Balance” is defined in Section 3.3.1.

“Service and Assessment Plan” or “SAP” means the service and assessment plan and any updates thereto approved by the City Council, prepared in relation to the property within the PID.

“Trustee” is defined in Section 3.5.2.

### SECTION 3. FUNDING PROJECT COSTS

#### 3.1 Fund Deposits.

3.1.1 Unless and until PID Bonds are issued, the City shall bill, collect, and immediately deposit all Assessment Revenue into the PID Reimbursement Fund, which PID Reimbursement Fund is hereby created and established as a fund under this Agreement. After the issuance and delivery of PID Bonds for the PID Projects, the City shall bill, collect, and immediately deposit all Assessment Revenue in the manner set forth in the Bond Indenture. The City shall also deposit Bond Proceeds in the manner set forth in the Bond Indenture. Annual Installments shall be billed and collected by the City (or by any person, entity, or governmental agency permitted by law) in the same manner and at the same time as the City ad valorem taxes are billed and collected. Funds in the PID Project Fund shall only be used in accordance with the Bond Indenture. Funds in the PID Reimbursement Fund shall only be used to pay all or any portion of the Reimbursement Agreement Balance in accordance with this Agreement.

3.1.2 The City hereby confirms, covenants, and agrees that for so long as amounts are due to Developer under this Agreement and/or for so long as PID Bonds are outstanding, that the City will do the following in the manner and to the maximum extent permitted by applicable law, subject to any conflicting provisions in the Bond Indenture: (a) take and pursue all actions necessary to cause the Assessments to be levied and collected; (b) take and pursue all actions necessary to cause the liens related to the Assessments to be enforced continuously, including diligently prosecuting an action in district court to foreclose for delinquent or nonpayment of Assessments, including Annual Installments; and (c) take and pursue all actions necessary to cause no reduction, abatement or exemption of the Assessments. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessments or the corresponding Assessed Parcel. The City shall not be required under any circumstances to expend any funds for Delinquent Collection Costs or Annual Collection Costs in connection with its covenants and agreements under this Section or otherwise other than funds for such purpose on deposit in the PID Reimbursement Fund. Notwithstanding its collection efforts, if the City fails to receive all or any part of the Assessment Revenue and, as a result, is unable to make transfers from the PID Reimbursement Fund for payments to the Developer as required under this Agreement, such failure and inability shall not constitute a Failure or Default by the City under this Agreement. The Bond Indenture shall control in the event of any conflicts with this Agreement.

#### 3.2 Payment of PID Project Costs.

3.2.1 Unless or until PID Bonds are issued to pay PID Project Costs, Developer may elect to make Developer Advances to pay such PID Project Costs. Prior to the City's adoption of an ordinance authorizing the issuance of a series of PID Bonds, Developer shall provide evidence of available funds of the Developer or of financial security from the project lender evidencing that sufficient funds are available and reserved for completion of the PID Projects or portion thereof to be funded by PID Bonds. If such evidence of financial security is not available, Developer shall deposit into the PID Project Fund an amount equal to the remaining costs not funded by the PID Bonds necessary to pay PID Project Costs.

3.2.2 Bond Proceeds (i) may be used to construct PID Projects and directly pay PID Project Costs in lieu of Developer Advances and reimbursement and (ii) shall be used in the manner provided in the Bond Indenture. Developer may, but shall not have the obligation to, make Developer Advances, unless the Bond Proceeds on deposit in the PID Project Fund are insufficient to pay any remaining PID Project Costs, in which case Developer shall make Developer Advances to pay the deficit.

3.2.3 As evidence of Developer Advances required in connection with the issuance of PID Bonds, Developer shall submit to the City for approval all information related to such costs that would be required by a Closing Disbursement Request at least fifteen (15) business days prior to the closing of the PID Bonds. The Developer shall also make Developer Advances to pay for Cost Overruns (after applying cost savings or reallocation of budget line items to reflect actual costs). An individual line item exceeding its estimated cost shall not be construed as a Cost Overrun; rather, the cost for each phase within the PID shall be viewed in its entirety. Upon the Final Completion of an Authorized Improvement and payment of all outstanding invoices for such Authorized Improvement, if the Actual Costs of such Authorized Improvement is less than the Budgeted Cost (a "Cost Underrun"), any remaining budgeted cost, as shown in the Service and Assessment Plan, will be available to pay Cost Overruns on any other Authorized Improvement. The City Representative shall promptly confirm that such remaining amounts are available to pay such Cost Overruns, and the Developer, the PID administrator and the City Representative will agree how to use such moneys to secure the payment and performance of the work for other Authorized Improvements. Any Cost Underrun for any Authorized Improvement is available to pay Cost Overruns on any other Authorized Improvement. The lack of Bond Proceeds or other funds in the PID Project Fund shall not diminish the obligation of Developer to pay PID Project Costs.

### 3.3 Payment of Reimbursement Agreement Balance.

3.3.1 Unless or until PID Bonds are issued, the City agrees to pay Developer solely from funds on deposit in the PID Reimbursement Fund, and Developer shall be entitled to receive payments from the City, from such source for amounts shown on each Certificate for Payment (which amounts include only PID Project Costs paid by or at the direction of Developer) (any unpaid amount owed Developer for all Certificates of Payment is referred to as the "Reimbursement Agreement Balance"). Upon the issuance of PID Bonds, the City agrees to pay Developer first from funds on deposit in the PID Project Fund and then from funds on deposit in the PID Reimbursement Fund, if any; and, notwithstanding anything in this Agreement to the contrary, the maximum amount that Developer may be reimbursed under this Agreement shall be equal to the amount of Bond Proceeds on deposit in the PID Project Fund plus amounts in the PID Reimbursement Fund, if any, plus simple interest on the unpaid principal balance of the Reimbursement Agreement Balance at a rate not to exceed the rates permitted under subsections (e)(1) and (e)(2) of Section 372.023 of the Act, or if PID Bonds are issued, then the interest rate on the PID Bonds; provided, however, that the interest rate for the unpaid balance of the Reimbursement Agreement Balance as set forth in this paragraph shall not exceed the rates permitted under subsections (e)(1) and (e)(2) of Section 372.023 of the Act. Interest on the unpaid principal balance of the Reimbursement Agreement Balance shall begin to accrue at the City's acceptance of the PID Projects.

3.3.2 The obligation of the City to pay the Reimbursement Agreement Balance is payable solely from the PID Reimbursement Fund or from Bond Proceeds on deposit in the PID Project Fund. No other City funds, revenue, taxes, income, or property shall be used. Payments from the PID Reimbursement Fund shall be applied in accordance with this Agreement. Each payment from the PID Reimbursement Fund shall be accompanied by an accounting that certifies the Reimbursement Agreement Balance as of the date of the payment and that itemizes all deposits to and disbursements from the fund since the last payment. If there is a dispute over the amount of any payment, the City shall nevertheless pay the undisputed amount, and the Parties shall use all reasonable efforts to resolve the disputed amount before the next payment is made.

3.4 PID Bonds. The City, in its sole, legislative discretion, may issue PID Bonds, in one or more series, when and if the City Council determines it is financially feasible for the purposes of: (a) paying all or a portion of the Reimbursement Agreement Balance; or (b) paying PID Project Costs directly. PID Bonds issued for such purpose will be secured by and paid solely as authorized by the Bond Indenture. Upon the issuance of PID Bonds for such purpose, Developer's right to receive payments each year in accordance herewith shall be subordinate to the deposits required under the Bond Indenture related to any outstanding PID Bonds. The failure of the City to issue PID Bonds shall not constitute a Failure by the City or otherwise result in a Default by the City. Upon the issuance of the PID Bonds, Developer has a duty to construct related PID Projects and shall not be relieved of such duty even if there are insufficient funds in the PID Project Fund to pay PID Project Costs.

3.5 Disbursements and Transfers at and after Bond Closing.

3.5.1 If PID Bonds are issued, the City will cause the Trustee under the Bond Indenture to pay from the Bond Proceeds at closing of the PID Bonds approved amounts from the appropriate account to the City, Developer, or their designees, as applicable, which costs may include payment for costs of issuance and payment of costs incurred in the establishment, administration, and operation of the PID and any other eligible items for which funds have been expended by Developer and the City as of the time of the delivery of the PID Bonds. In order to receive such a disbursement, Developer shall execute a Closing Disbursement Request substantially in the form attached hereto as Exhibit B to be delivered to the City no less than fifteen (15) business days prior to the scheduled closing date for the PID Bonds for payment in accordance with the provisions of the Bond Indenture. In order to receive additional disbursements from the applicable fund under the Bond Indenture, if PID Bonds are issued, or from the PID Reimbursement Fund, Developer shall execute a Certificate for Payment, no more frequently than monthly, to be delivered to the City for payment in accordance with the provisions of the Bond Indenture, if applicable, and/or this Agreement.

3.5.2 Upon receipt of a Certificate for Payment (along with all accompanying documentation reasonably required by the City) from Developer, the City shall conduct a review in order to confirm that such request is complete, to confirm that the work for which payment is requested was performed in accordance with all applicable governmental laws, rules and regulations and applicable plans therefor with the terms of this Agreement and any other agreement between the Parties related to property in the PID, and to verify and approve PID Project Costs of such work specified in such Certificate for Payment. The City shall also conduct such review as is required to confirm the matters certified in the Certificate for Payment. The Developer agrees

to cooperate with the City in conducting each such review and to provide the City with such additional information and documentation as is reasonably necessary for the City to conclude each such review. Within fifteen (15) business days following receipt of any Certificate for Payment, the City shall either: (a) approve the Certificate for Payment and (i) forward it to the trustee bank named in the Bond Indenture (the "Trustee") for payment or (ii) pay such amount from the PID Reimbursement Fund; or, (b) provide Developer with written notification of disapproval of all or part of a Certificate for Payment, specifying in detail the basis for any such disapproval. Any disputes shall be resolved as required by Section 3.3.2 herein. If PID Bonds are issued, the City shall deliver the approved or partially approved Certificate for Payment to the Trustee for payment.

3.6 Obligations Limited. The obligations of the City under this Agreement shall not, under any circumstances, give rise to or create a charge against the general credit or taxing power of the City or constitute a debt or other obligation of the City payable from any source other than the PID Reimbursement Fund or the PID Project Fund. Unless approved by the City, no other City funds, revenues, taxes, or income of any kind other than the funds on deposit in the PID Reimbursement Fund or the PID Project Fund shall be used to pay: (a) the PID Project Costs; (b) the Reimbursement Agreement Balance, even if the Reimbursement Agreement Balance is not paid in-full on or before the Maturity Date; or (c) debt service on any PID Bonds. None of the City or any of its elected or appointed officials or any of its officers, employees, consultants, or representatives shall incur any liability hereunder to Developer or any other party in their individual capacities by reason of this Agreement or their acts or omissions under this Agreement.

3.7 Obligation to Pay. If Developer is then in current compliance with its obligations under the Development Agreement, the Developer Continuing Disclosure Agreement if applicable, and this Agreement, and is not delinquent in payment of the Special Assessments and paying property taxes, then following the inspection and approval of any portion of the PID Projects for which Developer seeks reimbursement of the PID Project Costs by submission of a Certificate for Payment or City approval of a Closing Disbursement Request, the obligations of the City under this Agreement to pay disbursements (whether to Developer or to any person designated by Developer) identified in any Closing Disbursement Request or in any Certificate for Payment are unconditional and not subject to any defenses or rights of offset except as may be provided in any Bond Indenture.

3.8 City Delegation of Authority. All PID Projects shall be constructed by or at the direction of Developer in accordance with the Development Agreement and this Agreement and any other applicable agreement between the Parties related to property in the PID. Developer shall perform, or cause to be performed, all of its obligations and shall conduct, or cause to be conducted, all operations with respect to the construction of PID Projects in a good and workmanlike manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. Developer has sole responsibility of ensuring that all PID Projects are constructed in a good and workmanlike manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. Developer shall, at all time, employ adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction, and installation of all PID

Projects to be acquired and accepted by the City from Developer. If any PID Projects are or will be on land owned by the City, the City hereby grants to Developer a license to enter upon such land for purposes related to construction (and maintenance pending acquisition and acceptance) thereof. Inspection and acceptance of PID Projects will be in accordance with applicable City ordinances and regulations.

3.9 Security for PID Projects. The Developer shall provide or cause to be provided a one (1) year maintenance bond relating to the PID Projects. Nothing in this Agreement shall be deemed to prohibit Developer or the City from contesting in good faith the validity or amount of any mechanics or materialman's lien and/or judgment nor limit the remedies available to Developer or the City with respect thereto so long as such delay in performance shall not subject the PID Projects to foreclosure, forfeiture, or sale. In the event that any such lien and/or judgment with respect to the PID Projects is contested, Developer shall be required to post or cause the delivery of a surety bond or letter of credit, whichever is preferred by the City, in an amount reasonably determined by the City, not to exceed one hundred percent (100%) of the disputed amount.

3.10 Ownership and Transfer of PID Projects. The Developer shall furnish to the City a preliminary title report for land related to the PID Projects to be acquired and accepted by the City from Developer and not previously dedicated or otherwise conveyed to the City. The report shall be made available for City review and approval at least fifteen (15) business days prior to the scheduled transfer of title. The City shall approve the preliminary title report unless it reveals a matter which, in the reasonable judgment of the City, would materially affect the common use and enjoyment subscribed to such PID Projects. If the City objects to any preliminary title report, the City shall not be obligated to accept title to the applicable PID Projects until Developer has cured the objections to the reasonable satisfaction of the City.

#### SECTION 4. ADDITIONAL PROVISIONS

4.1 Term. The term of this Agreement shall begin on the Effective Date and shall continue until the earliest to occur of: (i) the Maturity Date, (ii) the date on which the Reimbursement Agreement Balance is paid in full, or (iii) the date on which the PID Bonds are fully retired.

4.2 No Competitive Bidding. Construction of the PID Projects shall not require competitive bidding pursuant to Section 252.022(a)(9), Texas Local Government Code, as amended. All plans and specifications, but not construction contracts, shall be reviewed and approved, in writing, by the City prior to Developer selecting the contractor.

4.3 Independent Contractor. In performing this Agreement, Developer is an independent contractor and not the agent or employee of the City.

4.4 Audit. The City Representative shall have the right, during normal business hours and upon three (3) business days' prior written notice to Developer, to review all books and records of Developer pertaining to costs and expenses incurred by Developer with respect to any of the PID Projects. For a period of two (2) years after completion of the PID Projects, books shall be

maintained in accordance with customary real estate accounting principles.

#### 4.5 Representations and Warranties.

4.5.1 The Developer represents and warrants to the City that: (a) Developer has the authority to enter into and perform its obligations under this Agreement; (b) Developer has the financial resources, or the ability to obtain sufficient financial resources, to meet its obligations under this Agreement; (c) the person executing this Agreement on behalf of the Developer has been duly authorized to do so; (d) this Agreement is binding upon Developer in accordance with its terms; (e) the Developer is current on all taxes, assessments, fees and obligations to the City; (f) the Developer is not in default under the Development Agreement or any other agreement with the City related to the PID; and (g) the execution of this Agreement and the performance by Developer of its obligations under this Agreement do not constitute a breach or event of default by Developer under any other agreement, instrument, or order to which Developer is a party or by which Developer is bound.

4.5.2 The City represents and warrants to Developer that: (a) the City has the authority to enter into and perform its obligations under this Agreement; (b) the person executing this Agreement on behalf of the City has been duly authorized to do so; (c) this Agreement is binding upon the City in accordance with its terms; and (d) the execution of this Agreement and the performance by the City of its obligations under this Agreement do not constitute a breach or event of default by the City under any other agreement, instrument, or order to which the City is a party or by which the City is bound.

#### 4.6 Default/Remedies.

4.6.1 If either Party fails to perform an obligation imposed on such Party by this Agreement (a "Failure") and such Failure is not cured after written notice and the expiration of the cure periods provided in this section, then such Failure shall constitute a "Default." If a Failure is monetary, the non-performing Party shall have ten (10) business days within which to cure. If the Failure is non-monetary, the non-performing Party shall have thirty (30) days within which to cure. However, if the non-monetary Failure is of such a nature that it cannot reasonably be expected to be cured within thirty (30) days, then the Party who failed to perform shall have such time as is necessary to cure the default, so long as the failing Party commences the cure within thirty (30) days and diligently pursues such cure to completion.

4.6.2 If Developer is in Default, the City shall have available all remedies at law or in equity; provided, however, no default by Developer shall entitle the City to terminate this Agreement, cease collection of the Assessments and deposit of the Assessment Revenues, or to withhold properly due payments to Developer from the PID Reimbursement Fund or the PID Project Fund in accordance with this Agreement and the Bond Indenture or on deposit in the PID Reimbursement Fund.

4.6.3 Subject to Section 3.7, if the City is in Default, Developer shall have available all remedies at law or in equity; provided, however, that no Default by the City shall entitle Developer to terminate this Agreement and that any financial obligation of the City will only be payable from monies available under the Bond Indenture or under this Agreement.

4.7 Remedies Outside the Agreement. Nothing in this Agreement constitutes a waiver by the City of any remedy the City may have outside this Agreement against Developer or any other person or entity involved in the design, construction, or installation of the PID Projects. The obligations of Developer hereunder shall be those of a Party hereto and not as an owner of property in the PID. Nothing herein shall be construed as affecting the City's or Developer's rights or duties to perform their respective obligations under other agreements, use regulations, or subdivision requirements relating to the development property in the PID.

4.8 Applicable Law; Venue. This Agreement is being executed and delivered and is intended to be performed in the State of Texas. Except to the extent that the laws of the United States may apply, the substantive laws of the State of Texas shall govern the interpretation and enforcement of this Agreement. In the event of a dispute involving this Agreement, venue shall lie in any court of competent jurisdiction in Wharton County, Texas.

4.9 Notice. Any notice referenced in this Agreement must be in writing and shall be deemed given at the addresses shown below: (a) when delivered by a nationally recognized delivery service such as FedEx or UPS with evidence of delivery signed by any person at the delivery address regardless of whether such person is the named addressee; or (b) 72 hours after deposited with the United States Postal Service, Certified Mail, Return Receipt Requested.

To the City: City of Wharton, Texas  
Attn: Joseph R. Pace, City Manager  
120 E. Caney St.  
Wharton, TX 77488

With a copy to: City of Wharton, Texas  
Attn: City Attorney  
120 E. Caney St.  
Wharton, TX 77488

To Developer: Wharton 55, LLC  
Attn: Brian Jarrard  
5005 Riverway Dr., Suite 210  
Houston, TX 77056

With a copy to: John G. Cannon  
Coats Rose, P.C.  
9 Greenway Plaza, Suite 1000  
Houston, TX 77046

Any Party may change its address by delivering notice of the change in accordance with this section.

4.10 Conflicts; Amendment. In the event of any conflict between this Agreement and any other instrument, document, or agreement by which either Party is bound, the provisions and



intent of the Bond Indenture controls. This Agreement may only be amended by written agreement of the Parties.

4.11 Severability. If any provision of this Agreement is held invalid by any court, such holding shall not affect the validity of the remaining provisions.

4.12 Non-Waiver. The failure by a Party to insist upon the strict performance of any provision of this Agreement by the other Party, or the failure by a Party to exercise its rights upon a Default by the other Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by such other Party with the provisions of this Agreement.

4.13 Third Party Beneficiaries. Nothing in this Agreement is intended to or shall be construed to confer upon any person or entity other than the City and Developer, any rights under or by reason of this Agreement. All provisions of this Agreement shall be for the sole and exclusive benefit of the City and Developer.

4.14 Counterparts. This Agreement may be executed in multiple counterparts, which, when taken together, shall be deemed one original.

4.15 Employment of Undocumented Workers. During the term of this Agreement, Developer agrees not to knowingly employ any undocumented workers and if convicted of a violation under 8 U.S.C. Section 1324a (f), Developer shall repay the amount of any Reimbursement Payment or other funds received by Developer from City from the date of this Agreement to the date of such violation within 120 days after the date Developer is notified by City of such violation, plus interest at the rate of 4% compounded annually from the date of violation until paid. Developer is not liable for a violation of this section by a subsidiary, affiliate, or franchisee of Developer or by a person with whom Developer contracts.

4.16 Boycott Israel. Developer verifies that the Developer (including any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the Developer) does not Boycott Israel and agrees that during the term of this Agreement (Contract as applicable) will not Boycott Israel as that term is defined in Texas Government Code Section 808.001, as amended.

4.17 Verification Pursuant to Chapters 2252 and 2270 of the Texas Government Code. As of the Effective Date, the Developer represents that, to the extent this Agreement constitutes a "governmental contract" within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required or permitted by or under applicable federal law, neither Developer nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Developer is a company listed by the Texas Comptroller of Public Accounts under Sections 2270.0201 (as enacted by Acts 2017, 85th Leg., ch. 96, Senate Bill 253) or 2252.153 of the Texas Government Code.

4.18. Verifications Pursuant to Chapter 2274, Texas Government Code. (a) To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott

energy companies and will not boycott energy companies during the term of this Agreement. The foregoing verification is made solely to enable the Developer to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies," a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above.

(b) To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. The foregoing verification is made solely to enable the Developer to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions, 'discriminate against a firearm entity or firearm trade association,' a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association, (b) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or

propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting), and (c) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

4.19 Form 1295. The Developer represents that it has complied with Texas Government Code, Section 2252.908 and in connection therewith, the Developer has completed a Texas Ethics Commission Form 1295 Certificate generated by the Texas Ethics Commission's electronic filing system in accordance with the rules promulgated by the Texas Ethics Commission. The Developer further agrees to print the completed certificate and execute the completed certificate in such form as is required by Texas Government Code, Section 2252.908 and the rules of the Texas Ethics Commission and provide to the City at the time of delivery of an executed counterpart of this Agreement, a duly executed completed Form 1295 Certificate. The Parties agree that, except for the information identifying the City and the contract identification number, the City is not responsible for the information contained in the Form 1295 completed by the Developer. The information contained in the Form 1295 completed by the Developer has been provided solely by the Developer and the City has not verified such information.

4.20 Assignment. The Developer may, in its sole discretion, assign this Agreement with respect to all or part of the property within the PID from time to time to any party in connection with the sale of the property within the PID or any portion thereof so long as the assigned rights and obligations are assumed without modifications to this Agreement. The Developer shall provide the City thirty (30) days prior written notice of any such assignment. Upon such assignment or partial assignment, the Developer shall be fully released from any and all obligations under this Agreement and shall have no further liability with respect to this Agreement for the part of the property within the PID so assigned.

*[Execution pages follow.]*

**CITY:**

CITY OF WHARTON, TEXAS

By: Tim Barker  
Name: TIM BARKER  
Title: Mayor  
Date: 3/26/2024

Attest: [Signature]  
By: [Signature]  
City Secretary

Approved as to form:

By: [Signature]  
City Attorney

**DEVELOPER:**

WHARTON 55, LLC,  
a Texas limited liability company

By: BLL  
Name: Brian Jarrard  
Title: Manager  
Date: 4/8/2024

## Exhibit A

### FORM OF CERTIFICATE FOR PAYMENT

The undersigned is an agent of Wharton 55, LLC, a Texas limited liability company ("Developer"), and requests payment from the City of Wharton, Texas (the "City") out of the [*PID Project Fund (as defined in the Bond Indenture) / PID Reimbursement Fund*] in the amount of \$ \_\_\_\_ for labor, materials, fees, and/or other general costs related to the creation, acquisition, or construction of certain PID Projects providing a special benefit to property within the City of Wharton Public Improvement District No. \_\_\_\_\_. Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the City of Wharton Public Improvement District No. \_\_\_\_\_ Reimbursement Agreement, effective \_\_\_\_\_ (the "Reimbursement Agreement"). In connection with the above referenced payment, Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of Developer, is qualified to execute this Certificate for Payment Form on behalf of Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the below referenced PID Projects 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 amount listed below is a true and accurate representation of the PID Project Costs associated with the creation, acquisition, or construction of said PID Projects and such costs: (a) are in compliance with the Reimbursement Agreement; and (b) are consistent with the Service and Assessment Plan.
4. Developer is in compliance with the terms and provisions of the Development Agreement, Developer Continuing Disclosure Agreement, Reimbursement Agreement and the Service and Assessment Plan.
5. Developer has timely paid all ad valorem taxes and annual installments of special assessments it owes or an entity Developer controls owes, located in the City of Wharton Public Improvement District No. \_\_\_\_ and has no outstanding delinquencies for such assessments.
6. All conditions set forth in the Bond Indenture for the payment hereby requested have been satisfied.
7. The work with respect to the PID Projects referenced below (or its completed segment, section, or portion thereof) has been completed, and the City has inspected such PID Projects.
8. 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.
9. No more than ninety-five percent (95%) of the budgeted or contracted hard costs for PID Project Costs identified may be paid until the work with respect to such PID Project Costs (or

segment) has been completed and the City has accepted such PID Project Costs (or segment). One hundred percent (100%) of soft costs (e.g., engineering costs, inspection fees and the like) may be paid prior to City acceptance of such PID Projects Costs (or segment)

10. The Developer confirms that based on all prior amounts paid to Developer from the PID Reimbursement Fund as of the date of this Certification for Payment and based on the percentage of completion of the PID Project Costs as of the date of this Certification for Payment as verified by the City payment of the amounts requested in this Certification for Payment, taking into account all prior payments for the PID Project Costs and the amount of work related to the PID Project Costs remaining to be completed as of the date of this Certification for Payment will not cause the amounts on deposit in the PID Reimbursement Fund to fall below the amount necessary to complete the remaining PID Project Costs taking into account the amounts available to the Developer under its private loan, a line of credit and/or any other form acceptable to the City.

**Payments requested are as follows:**

- a. X amount to Person or Account Y for Z goods or services.
- b. Payment / Wire Instructions

Attached hereto are invoices, cancelled checks, 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 Reimbursement Agreement, after receiving this payment request, the City has inspected the Authorized 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.

I hereby declare that the above representations and warranties are true and correct.

[remainder of page left blank intentionally]

**DEVELOPER:**

WHARTON 55, LLC,  
a Texas limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**APPROVAL OF REQUEST BY CITY**

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 and directs payment to be made from Costs of Issuance Account upon delivery of the PID Bonds.

**CITY OF WHARTON, TEXAS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## **Exhibit B**

### **FORM OF CLOSING DISBURSEMENT REQUEST**

The undersigned is an agent for Wharton 55, LLC, a Texas limited liability company (“Developer”) and requests payment to Developer (or to the person designated by Developer) from the applicable account of the PID Project Fund from \_\_\_\_\_ (the “Trustee”) in the amount of \_\_\_\_\_ (\$\_\_\_\_\_) to be transferred from the applicable account of the PID Project Fund upon the delivery of the PID Bonds for costs incurred in the establishment, administration, and operation of City of Wharton Public Improvement District No. \_\_\_\_ (the “District”) and costs associated with the issuance of PID Bonds, as follows.

Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture of Trust by and between the City and the Trustee dated as of \_\_\_\_\_ (the “Indenture”) relating to the [\_\_\_\_\_] (the “PID Bonds”).

In connection with the above referenced payment, Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of Developer, is qualified to execute this Closing Disbursement Request on behalf of Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the below referenced establishment, administration, and operation of the District at the time of the delivery of the PID Bonds have not been the subject of any prior payment request submitted to the City.
3. The amount listed for the below costs is a true and accurate representation of the PID Project Costs associated with the establishment, administration and operation of the District at the time of the delivery of the PID Bonds, and such costs are in compliance with the Service and Assessment Plan.
4. The Developer is in compliance with the terms and provisions of the Reimbursement Agreement, the Bond Indenture, and the Service and Assessment Plan.
5. All conditions set forth in the Indenture and the Reimbursement Agreement for the payment hereby requested have been satisfied.
6. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

**Payments requested hereunder shall be made as directed below:**

[Information regarding Payee, amount, and deposit instructions attached]

I hereby declare that the above representations and warranties are true and correct.

**DEVELOPER:**

WHARTON 55, LLC,  
a Texas limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### **APPROVAL OF REQUEST BY CITY**

The City is in receipt of the attached Certificate for Payment, acknowledges the Certificate for Payment, acknowledges that the PID Projects (or its completed segment) covered by the certificate have been inspected by the City, and otherwise finds the Certificate for Payment to be in order. After reviewing the Certificate for Payment, the City approves the Certificate for Payment and directs \_\_\_\_\_ to make such payments from the PID Project Fund to Developer or to any person designated by Developer.

**CITY OF WHARTON, TEXAS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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APPENDIX G

APPRAISAL OF THE DISTRICT

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**AN APPRAISAL REPORT**

**OF**

**WHARTON LAKES, SECTIONS 1 AND 2**  
**PUBLIC IMPROVEMENT DISTRICT NO. 2**

**COMPRISED OF 99 FINISHED LOTS ON 18.6867 ACRES IN SECTION 1; 124 PROPOSED LOTS ON 36.7929 ACRES IN SECTION 2, PLUS 44 DETACHED SFRs IN VARIOUS STAGES OF CONSTRUCTION, LOCATED ALONG THE EAST LINE OF S. ALABAMA ROAD AT WHARTON LAKES BOULEVARD, IN WHARTON, WHARTON COUNTY, TEXAS 77488**

**FOR**

**MR. R.R. "TRIPP" DAVENPORT, III**  
**UNDERWRITER**  
**FMSBONDS, INC.**  
**5 COWBOYS WAY, SUITE 300-25**  
**FRISCO, TEXAS 75034**

**BY**

**BARLETTA & ASSOCIATES, INC.**  
**1313 CAMPBELL ROAD, BUILDING C**  
**HOUSTON, TEXAS 77055-6429**

**B&A FILE NUMBER: C9046-01**

**As Of**

<b>DATE OF APPRAISAL TRANSMITTAL:</b>	<b>JANUARY 16, 2025</b>
<b>DATE OF SITE VISIT &amp; "As Is" VALUE:</b>	<b>JANUARY 14, 2025</b>
<b>EFFECTIVE DATE OF "UPON COMPLETION" VALUE:</b>	<b>JUNE 30, 2025</b>



# BARLETTA & ASSOCIATES, INC.

REAL ESTATE APPRAISERS • CONSULTANTS

January 16, 2025

Mr. R.R. "Tripp" Davenport, III  
Underwriter  
FMSbonds, Inc.  
5 Cowboy Way, Suite 300-25  
Frisco, Texas 75034

Phone: 877-899-2220

Email: tdavenport@fmsbonds.com

**RE: An Appraisal Report of 99 finished lots on 18.6867 acres in Section 1 and 124 proposed lots on 36.7929 acres in Section 2, plus 44 detached single-family residences in Section 1 in various stages of construction,** located just south of S.H. 60, along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488.

**Client: FMSbonds, Inc.**  
**B&A File No. C9046-01**

Dear Mr. Davenport:

At your request, we have visited the above-referenced property, gathered comparable market data, and conducted a study of the market area for the purpose of providing our opinions of the **"As Is" and "Upon Completion" Bulk Market Lot Values and the Hypothetically "As Complete" Retail Unit Values** as referenced above, in compliance with FMSbonds, Inc.'s Appraisal Instructions, the Uniform Standards of Professional Appraisal Practice, and the Appraisal Institute's Code of Professional Ethics. This appraisal also complies with applicable fair lending and anti-defamation laws including the Equal Credit Opportunity Act (ECOA), the Fair Housing Act (FHA), the Civil Rights Act of 1866, as well as other federal, state or local laws that prohibit discrimination.

**At the request of the client, the "As Is" Market Value of the proposed lots in Section 2 have not been valued herein. Additionally, for any units that are proposed or under-construction, the "As Is" Market Value has not been provided, only the hypothetical "As Complete" value of the units has been provided herein.**

It is our opinion that the **"As Is" and "Upon Completion" Bulk Market Lot Values and the Hypothetically "As Complete" Retail SFR Unit Values** of the fee simple interest in the subject property, as of the indicated dates, are as follows:

Description	No. of Lots/Units	Avg. Lot FF	Market Value	Effective Date
"As Is" Bulk Market Value - Section 1 - Lots Only	99	40' & 45'	<b>\$5,470,000</b>	1/14/2025
"Upon Completion" Bulk Market Value - Section 2	124	40' & 45'	<b>\$6,580,000</b>	6/30/2025
"As Complete" Retail Value - 44 Units, Section 1*	44	40' & 45'	<b>\$8,580,000</b>	1/14/2025

\*Not Market Value

The Bulk Market Value above is derived from a Sum of Retail Revenue of **\$5,950,000**, or \$60,106 per lot for Section 1; and **\$7,459,425**, or \$60,157 per lot for Section 2.

The estimated prospective **Marketing Period** and historic **Exposure Time** for the subject property at the above concluded "As Is" and Prospective "Upon Completion" Market Values in Bulk is estimated within 3-6 months, based upon discussions with area builders, and the marketing period for comparable properties that have recently sold.

**Extraordinary Assumptions:**

- 1.) This appraisal assumes that Lennar Homes, or comparable production builder/s, will build upon the existing and proposed subject lots, detached single-family units with a projected price from \$218,990 to \$262,990.
- 2.) If any of these assumptions and conditions prove to be false, it may have an effect on the Market Values contained herein.

**Hypothetical Conditions:**

- 1.) The subject 44 detached single-family units are in various stages of completion (under-construction/complete). However, per the client's request, this appraisal is based on the hypothetical condition that the subject floor plans are finished as of the current effective date of this appraisal, January 14, 2025.
- 2.) The valuation of the subject improvements "As Complete" require valuations of the various subject improvements as hypothetically complete, based upon the plans and specifications provided. Developing this opinion of value requires the use of a hypothetical condition, because the subject in the value opinion is as though hypothetically complete. Therefore, we have relied upon specifications for the subject floor plans provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value conclusions are subject to revision.
- 3.) If any of these conditions prove to be false, it may have an effect on the Market Values contained herein.

As referenced herein, **Market Value** is defined by FIRREA, as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;

- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, September 300, 2010, page 77472)

It has been a pleasure serving you. Please call if we may be of further assistance.

Sincerely,

**BARLETTA & ASSOCIATES, INC.**



Phillip F. Barletta, MAI, SRA  
President  
State Certified, TX-1320197-G



David M. Baehr, MAI, SRA, AI-GRS  
State Certified, TX-1380372-G

## **CERTIFICATION**

We certify, to the best of our knowledge and belief, the following:

### **USPAP Certifications**

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. David M. Baehr, MAI, SRA, AI-GRS has provided no other real estate services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Phillip F. Barletta, MAI, SRA appraised the subject property for another lender/client in September 2023.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this Appraisal Report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. David M. Baehr, MAI, SRA, AI-GRS made an unaccompanied visit to the site on January 14, 2025. Phillip F. Barletta, MAI, SRA did not inspect the property, but is familiar with the subject market area and the subject subdivision.
10. No one provided significant real property appraisal assistance to the signers of this appraisal report.
11. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
12. The appraisers have extensive experience in appraising subdivisions, subdivision lots, base master floor plans, and master-planned residential subdivisions, and are State General Certified; thus, they are well-qualified to appraise the subject property and fully satisfy the Competency Rule of the Uniform Standards of Professional Appraisal Practice.
13. Phillip F. Barletta, MAI, SRA and David M. Baehr, MAI, SRA, AI-GRS are State

Certified General Real Estate Appraisers by the Texas Appraiser Licensing and Certification Board for the State of Texas.

### **AI Certifications**

1. The reported analyses, opinions and conclusions were developed, and this report has also been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
2. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
3. As of the date of this report, Phillip F. Barletta, MAI, SRA and David M. Baehr, MAI, SRA, AI-GRS have completed the continuing education program for Designated Members of the Appraisal Institute.

It is our opinion that the **“As Is” and “Upon Completion” Bulk Market Lot Values and the Hypothetically “As Complete” Retail SFR Unit Values** of the fee simple interest in the subject property, as of the indicated dates, are as follows:

Description	No. of Lots/Units	Avg. Lot FF	Market Value	Effective Date
"As Is" Bulk Market Value - Section 1 - Lots Only	99	40' & 45'	<b>\$5,470,000</b>	1/14/2025
"Upon Completion" Bulk Market Value - Section 2	124	40' & 45'	<b>\$6,580,000</b>	6/30/2025
"As Complete" Retail Value - 44 Units, Section 1*	44	40' & 45'	<b>\$8,580,000</b>	1/14/2025

\*Not Market Value

The estimated prospective **Marketing Period** and historic **Exposure Time** for the 223 finished and proposed subject lots at the above concluded “As Is” and Prospective “Upon Completion” Market Values in Bulk is estimated within 3-6 months, based upon discussions with area builders, and the marketing period for comparable properties that have recently sold.

### **Extraordinary Assumptions:**

- 1.) This appraisal assumes that Lennar Homes, or comparable production builder/s, will build upon the existing and proposed subject lots, detached single-family units with a projected price from \$218,990 to \$262,990.
- 2.) If any of these assumptions and conditions prove to be false, it may have an effect on the Market Values contained herein.

### **Hypothetical Conditions:**

- 1.) The subject 44 detached single-family units are in various stages of completion (under-construction/complete). However, per the client’s request, this appraisal is based on the hypothetical condition that the subject floor plans are finished as of the current effective date of this appraisal, January 14, 2025.

2.) The valuation of the subject improvements "As Complete" require valuations of the various subject improvements as hypothetically complete, based upon the plans and specifications provided. Developing this opinion of value requires the use of a hypothetical condition, because the subject in the value opinion is as though hypothetically complete. Therefore, we have relied upon specifications for the subject floor plans provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value conclusions are subject to revision.

3.) If any of these conditions prove to be false, it may have an effect on the Market Values contained herein.

**BARLETTA & ASSOCIATES, INC.**

A blue ink signature of Phillip P. Barletta, written in a cursive style, positioned above a horizontal line.

Phillip P. Barletta, MAI, SRA  
President  
State Certified, TX-1320197-G

A blue ink signature of David M. Baehr, written in a cursive style, positioned above a horizontal line.

David M. Baehr, MAI, SRA, AI-GRS  
State Certified, TX-1380372-G

### **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal is subject to the following conditions:

1. This Appraisal Report is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice, Standards Rule 2-2 (a). As such, this report does, in fact, include narrative discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is included in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title consideration. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, lead contamination, or other potentially hazardous materials may affect the value of the property. The appraisers' value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans With Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are



connected) shall be disseminated to the public through advertising, public relations, new sales, or other media without prior written consent and approval of the appraisers.

19. Texas is a non-disclosure state. It is important that the intended user of the appraisal understand that, in Texas, there is no legal requirement for grantors or grantees to disclose any information relative to a transfer of real property. In Texas, deeds typically do not contain information about the transaction other than the legal description, the parties involved in the transaction and minimum consideration of \$10.00. As a result, no data source provides absolute coverage of all transactions. It is possible that there are sales data in the market, of which the appraisers are unaware. Our sources provide the data typically available to appraisers in the ordinary course of business.

#### **Extraordinary Assumptions:**

- 1.) This appraisal assumes that Lennar Homes, or comparable production builder/s, will build upon the existing and proposed subject lots, detached single-family units with a projected price from \$218,990 to \$262,990.
- 2.) If any of these assumptions and conditions prove to be false, it may have an effect on the Market Values contained herein.

#### **Hypothetical Conditions:**

- 1.) The subject 44 detached single-family units are in various stages of completion (under-construction/complete). However, per the client's request, this appraisal is based on the hypothetical condition that the subject floor plans are finished as of the current effective date of this appraisal, January 14, 2025.
- 2.) The valuation of the subject improvements "As Complete" require valuations of the various subject improvements as hypothetically complete, based upon the plans and specifications provided. Developing this opinion of value requires the use of a hypothetical condition, because the subject in the value opinion is as though hypothetically complete. Therefore, we have relied upon specifications for the subject floor plans provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value conclusions are subject to revision.
- 3.) If any of these conditions prove to be false, it may have an effect on the Market Values contained herein.

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### **SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

Property Name: **Wharton Lakes, Sections 1 and 2 – Wharton Lakes Public Improvement District No. 2**

Type of Property: The subject consists of 99 finished lots on 18.6867 acres in Section 1 and 124 proposed lots on 36.7929 acres in Section 2, plus 44 detached single-family residences in Section 1 in various stages of construction located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488. The typical lot sizes are 40' x 120', or 4,800 SF and 45' x 120', or 5,400 SF.

Key Map Reference: 748-M

Postal Address: Wharton, Texas 77488

Location: The subject subdivision is located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488.

Tract Sizes: Section 1 - 18.6867 acres (99 lots)  
Section 2 – 36.7929 acres (124 lots)

Density: Section 1 - 5.30 lots per acre  
Section 2 – 3.37 lots per acre

Subject Lot Mix:

<u>Section No.</u>	<u>No.</u>	<u>Description</u>	<u>Avg. FF</u>	<u>Avg. Size</u>
1	48	Finished	40'	4,800 SF
1	51	Finished	45'	5,400 SF
<b>Total:</b>	99			
<u>Section No.</u>	<u>No.</u>	<u>Description</u>	<u>Avg. FF</u>	<u>Avg. Size</u>
2	85	Proposed	40'	4,800 SF
2	39	Proposed	45'	5,400 SF
<b>Total:</b>	124			
<b>Total Lots for Sec. 1 - 2</b>	223			

#### **Appraisal Dates:**

- Date of Report Transmittal: January 16, 2025  
 - As Is Date of Value: January 14, 2025  
 - Upon Completion Date of Value: June 30, 2025

**Purpose of the Appraisal:** To provide an opinion of the "As Is" and "Upon Completion" Bulk Market Values, per U.S.P.A.P.; FMSbonds, Inc.'s Appraisal Guidelines; and the Appraisal Institute's Code of Professional Ethics.

**Rights Appraised:** Fee Simple Estate

**Zoning/Restrictions:** None. The subdivision will be subject to typical residential lot deed restrictions. Yet, we are aware of no restrictions that would adversely affect development of the subject site to its highest and best use.

**Utilities/Services:**

<b>Utilities/Services</b>	
Electricity:	Wharton County Electric Coop
Water/Sanitary Sewer:	City of Wharton
Gas:	CenterPoint Energy
Phone:	Verizon & others
Police Protection:	City of Wharton/Wharton County Sheriff's Dept.
Fire Protection:	Wharton County ESD #3
School District:	Wharton ISD

**Floodplain:**

<b>FEMA Flood Map</b>	
Flood Map No.:	48481C0365F
Flood Map Date:	12/21/2017
Flood Map Designation:	Zone AE
FEMA LOMR:	X500-Yr. Floodplain

**Environmental:** No adverse influences noted or known, such as endangered species, habitats, or wetlands.

**Builder/s:** Lennar Homes

**New Home Price Range:** \$218,990 to \$262,990

**Highest & Best Uses:**

**Highest & Best Use of Lots:** Construction of single-family residential homes, as demand and market conditions warrant in the \$218,990 to \$262,990 price range by Lennar Homes or comparable builders.

**Highest & Best Use of Units:** Retail sale to owner-occupant homebuyers, as demand and market conditions warrant.

**CONCLUSIONS:**

It is our opinion that the **“As Is” and “Upon Completion” Bulk Market Lot Values and the Hypothetically “As Complete” Retail SFR Unit Values** of the fee simple interest in the subject property, as of the indicated dates, are as follows:

Description	No. of Lots/Units	Avg. Lot FF	Market Value	Effective Date
"As Is" Bulk Market Value - Section 1 - Lots Only	99	40' & 45'	<b>\$5,470,000</b>	1/14/2025
"Upon Completion" Bulk Market Value - Section 2	124	40' & 45'	<b>\$6,580,000</b>	6/30/2025
"As Complete" Retail Value - 44 Units, Section 1*	44	40' & 45'	<b>\$8,580,000</b>	1/14/2025

\*Not Market Value

### **IDENTIFICATION OF THE SUBJECT PROPERTY**

The subject of this appraisal is Wharton Lakes, Sections 1 and 2, consisting of 99 finished lots on 18.6867 acres in Section 1; and 124 proposed lots on 36.7929 acres in Section 2, plus 44 detached single-family residences in Section 1 in various stages of construction, located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488. The typical lot sizes are 40' x 120', or 4,800 SF and 45' x 120', or 5,400 SF. The subject can be legally identified as noted below:

55.4796 Acres out of the Randall Jones ½ League, Abstract No. 36, Wharton County, TX.

### **HISTORY OF THE SUBJECT PROPERTY**

Per the requirements of the Appraisal Institute's Standards of Professional Practice and the U.S.P.A.P., the following are comments pertaining to the three-year sales history of the subject property.

The 55.4796 acres were reportedly purchased by the developer in November 2022 for \$1,356,506, or \$24,450 per acre. Lots in Section 1 are under contract to Lennar Homes for a base price of \$48,000 per 40' lot and \$54,000 per 45' lot, or \$1,200 per FF. Additional terms include an 8% annual escalator and a \$500 per lot marketing fee. Section 2 lots are under contract to Lennar Homes for \$51,840 per 40' lot and \$58,320 per 45' lot, or \$1,296 per FF. Additional terms include a 6% annual escalator and a \$500 per lot marketing fee. Lots are purchased on a takedown basis. The Bulk Market Values are adequately supported by data contained herein. Several of the SFR units appraised herein are listed/pending for sale ranging from \$160,000 to \$260,990 per unit.

There are no other known contracts, listings, or offers pending with respect to the subject, and the appraisers are unaware of any other transactions involving the subject property during the past three years.

### **INTENDED USE/USER OF THE APPRAISAL**

This appraisal is intended to offer our opinion of the **“As Is” and “Upon Completion” Bulk Market Lot Values of the subject 223 finished and proposed lots, as well as the 44 detached single-family units hypothetically “As Complete”** to the client, FMSbonds, Inc., for the underwriting of Wharton Lakes, Sections 1 and 2, Bond transaction. The use of the appraisal by anyone other than Mr. Tripp Davenport, III and Mr. Robert Rivera (c/o FMSbonds, Inc.), or the Wharton Lakes Public Improvement District No. 2 (the “District”) is prohibited, except as provided herein. Additionally, we confirm our permission to use the final Appraisal Report in the offer and sale of public securities, secured by the special assessments levied on property within the District, and we confirm that we will execute, subject to our approval of the same, a certificate related to the use of the appraisal for such purpose, as provided by the client. Any other party is an unintended unauthorized user.

### **SCOPE OF WORK OF THE APPRAISAL**

Barletta & Associates, Inc. has an internal Quality Control Program. All appraisals are read a second time by an MAI who may or may not participate in the assignment. For this assignment, Quality Control Oversight was provided by Phillip F. Barletta, MAI, SRA, who was an active appraiser participant.

The scope of work of the appraisal is the process to support our opinion of the “As Is” and “Upon Completion” Bulk Market Lot Values of the 223 finished and proposed lots that comprise Wharton Lakes, Sections 1 and 2, as well as the 44 detached single-family units “As Complete” in various stages of vertical construction, employing all applicable approaches to value in a comprehensive appraisal process and presented in this Appraisal Report. In preparing this appraisal, the appraisers:

- visited the subject property and surrounding market area, unaccompanied;
- contacted Mr. Brian Jarrard (brian@holcombproperties.com) with Wharton Lakes 55, who provided physical, financial and historical data for this valuation analysis;
- analyzed macro and micro market conditions of this region and market area;
- interviewed active market participants;

- gathered relevant available information on current comparable builder takedown lot sales and lot absorption data, referencing such publications as the Houston MLS, the Zonda Houston Metrostudy and the appraisers' extensive database;
- referenced other publications and services such as MapPro, Loop Net, Crexi, Google Earth, Realty Rates.com, the Wharton County Appraisal District, and the Wharton County Clerk's Office, among other services;
- confirmed and analyzed the data and applied the most applicable approaches to value; i.e. the Sales Comparison Approach-Retail Lot Sales and Retail value of the 44 detached single-family units "As Complete"; and the Income Approach-DCF analysis;
- the Cost Approach was not developed. At the request of the client, the "As Is" Market Value of the subject units in Section 1 and the proposed lots in Section 2 have not been valued herein. The absence of the Cost Approach does not affect the credibility of the Market Value conclusions in this appraisal;
- concluded the "As Is" Bulk Market Value of the finished 99 Section 1 lots and the prospective "Upon Completion" Bulk Market Value of 124 proposed lots in Section 2 to a single purchaser, and, as such, our report conforms to the reporting guidelines of the Appraisal Institute, the Texas Appraiser Licensing and Certification Board, the Appraisal Foundation's U.S.P.A.P., and Regulation 12 CFR Part 564; and
- concluded the "As Is" and "Upon Completion" Bulk Market Values of the finished and proposed subject lots, and the hypothetically "As Complete" Retail value of the 44 detached single-family units as of the stated effective dates for a reasonable exposure period.

### **PROPERTY RIGHTS APPRAISED**

The property rights appraised are the ***Fee Simple Estate***. Fee Simple Estate is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, published in 2022, Page 73, as follows:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

### **DEFINITION OF MARKET VALUE**

As referred to herein, ***Market Value*** is defined by FIRREA, as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:



- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and each acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, September 30, 2010, page 77472)

### **DEFINITION OF “SUM OF THE RETAIL VALUES”**

As referred to herein, ***Sum of Retail Values*** is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, published in 2022, Page 185, as follows:

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the aggregate of the retail values or aggregate retail selling price.

### **DEFINITION OF “AS IS” MARKET VALUE ON APPRAISAL DATE**

As referred to herein, ***“As Is” Market Value*** is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, published in 2022, Page 10, as follows:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraised date.

### **DEFINITION OF “BULK VALUE”**

As referred to herein, ***“Bulk Value”*** is defined by The Dictionary of Real Estate Appraisal, Seventh Edition, revised 2022, by the Appraisal Institute, Page 22, as follows:

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction.

#### **DATES OF THE APPRAISAL**

The “As Is” Market Value of the finished lots and the hypothetically “As Complete” Retail Value of the SFR units have an effective date of value of January 14, 2025. The “Upon Completion” Bulk Market Lot Value effective date of value of this appraisal is June 30, 2025. The date of transmittal of the report is January 16, 2025.

#### **ZONING & RESTRICTIONS**

The Wharton Lakes subdivision is not zoned. The subject lots are assumed to be deed restricted, and we are unaware of any adverse deed restrictions which would preclude development to the subject’s highest and best use.

#### **AD VALOREM TAX DATA**

All properties in the State of Texas are taxed at 100% of their assessed value, which are determined for all taxing jurisdictions within a county by a central county appraisal district, in this case, the Wharton County Appraisal District (WCAD). The finished and proposed lots have not been individually assessed and are considered a portion of the Parent Tract, under Account Number 55729 with a total assessed value of \$8,125. The subject carries an agricultural exemption with 3 years roll-back taxes due upon development.

In most cases, the taxing entities typically assess lots at around 30% to 100% of the retail value. Within the discounted cash flow section of this report, the appraisers will utilize an average **75%** assessment-to-retail value ratio, which was derived from tax comparables from the subject’s market area. See table below:

<b>Property Tax Comps for Wharton Lakes</b>				
<b>FBCAD</b>	<b>Street Address</b>	<b>Type</b>	<b>2024 Lot Value</b>	<b>% Tax Assessment</b>
R553314	TBD Sky Creek Ln.	Interior	\$43,000	71.62%
R553557	923 Rosewood Trail	Interior	\$49,200	81.95%
Average Tax Assessment-to-Total Value Ratio:				76.79%
<b>Rounded:</b>				<b>75%</b>

2024 Tax Rates: The 2024 property tax rates per \$100, applicable to the subject, are summarized in the following table:

<b>Taxing Authorities and 2024 Rates per \$100</b>	
Wharton County	\$0.3158
FM & LR	\$0.0366
Wharton County ESD #1	\$0.0497
Conservation Groundwater	\$0.0060
Wharton County JR College	\$0.1328
Wharton County ESD #3	\$0.0837
Wharton ISD	\$1.0370
<b>2024 Cumulative Tax Rate per \$100:</b>	<b>\$1.6616</b>

### **GREATER HOUSTON AREA DATA**

(Please refer to the Addenda of this appraisal for a Houston MSA summary analysis.)

The subject property's regional area is the Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area (CMSA), which consists of Harris, Brazoria, Chambers, Liberty, Fort Bend, Montgomery, Waller, and Galveston Counties. The total land area of the Houston CMSA consists of approximately 8,778.34 square miles. The following data was taken in most part from research material published by the City of Houston and the Greater Houston Partnership's Research Department, together with secondary sources cited where applicable, as of November 2024.

Economic/Employment Update: Metro Houston added 102,900 in 2023, well over prior estimates at 70,100 jobs. Houston had 3 consecutive years of exceptional job growth since the Covid scare in May 2020. The region's gross domestic product now tops \$633 billion, and its population exceeds 7.3 million. However, in Houston only 12,100 jobs were added. Except for 2011 and 2016 this was the smallest October job gain in the last 15 years. This weak job growth is consistent with other economic data indicating that Houston economy has slowed significantly from the fast pace of the past few years. Even with the slower job growth, the region has a total of 3,474,000 payroll jobs, 60,000 over this time in 2023. Job gains in November and December are typically 20,000 to 25,000, which should push the region over 3.5M payroll jobs.

Purchasing Manager's Index (PMI): The Houston PMI decreased to 49.2.5 in October 2024, down from 49.5 in September 2024. According to the Institute for Supply Management, readings above 50 indicate the local economy is expanding, below 50 indicate that it's contracting. Nationally, the GDP increased a healthy 2.5% in 2023, just over the 20-year average of 2.4%. The year ended with GDP growing a whopping 4.9% in the 3rd quarter 2023 and 3.4% in the 4th quarter. During the 1st quarter of 2024, the national GDP growth rate was estimated at an anemic 1.4%, but a healthy 3.0% in 2Q 2024 and 2.8% in 3Q 2024.

Population Update: The U.S. Census Bureau data indicates that metro Houston's population grew by 139,789 residences, or 1.9% in 2023. The 10-county metro area topped 7.370 million residents in 2023, and now exceeds that of 37 states and the District of Columbia. Houston had the second largest numeric gain, which grew by 152,598 residences, (+1.9%). The nation's 3 most populous metros, New York, Los Angeles, and Chicago, declined in population. Just 5 of the nation's 20 largest major cities, Atlanta, Dallas-Fort Worth, Houston, Phoenix and Tampa had significant gains.

County	'23 Population	'22 Population	# Change	% Change
Austin	31,070	31,677	607	2.0
Brazoria	388,234	398,938	10,704	2.8
Chambers	51,309	53,876	2,567	5.0
Fort Bend	888,919	916,778	27,859	3.1
Galveston	357,387	361,744	4,357	1.2
Harris	4,781,337	4,835,125	53,788	1.1
Liberty	102,462	108,272	5,810	5.7
Montgomery	679,554	711,354	31,800	4.7
San Jacinto	28,936	28,340	596	2.1
Waller	61,852	53,553	1,701	2.8
<b>Total</b>	<b>7,372,486</b>	<b>7,512,276</b>	<b>139,790</b>	<b>1.9</b>

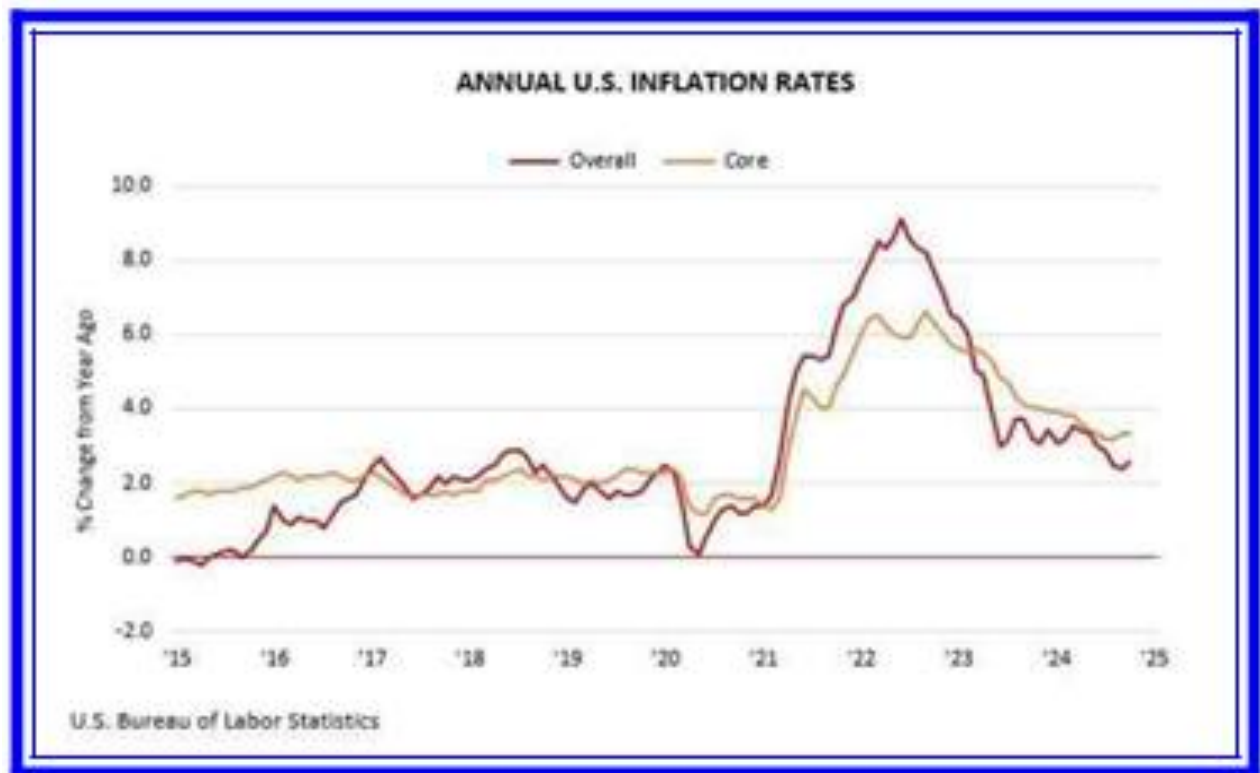
Source: U.S. Census Bureau, Population Estimates

County	Total Change	Vital Events			Net Migration		
		Natural Change	Births	Deaths	Immigration	Inter-national	Domestic
Austin	607	47	390	343	562	3	559
Brazoria	10,704	1,875	4,834	2,959	8,843	955	7,888
Chambers	2,567	217	611	394	2,362	89	2,273
Fort Bend	27,859	5,389	9,567	4,178	22,591	6,834	15,757
Galveston	4,357	882	4,053	3,171	3,493	505	2,988
Harris	53,788	34,695	65,450	30,755	18,873	41,665	-22,792
Liberty	5,810	400	1,415	1,015	5,447	52	5,395
Montgomery	31,800	4,011	8,570	4,559	27,866	2,365	25,501
San Jacinto	596	-142	307	449	740	3	737
Waller	1,701	279	761	482	1,421	83	1,338
<b>Total</b>	<b>139,789</b>	<b>47,653</b>	<b>95,958</b>	<b>48,305</b>	<b>92,198</b>	<b>52,554</b>	<b>39,644</b>

Source: U.S. Census Bureau, Population Estimates

Harris County led the nation in population growth, adding the most residents among the nation's 3,144 counties. However, 2023 is the 8th consecutive year that Harris County experienced negative domestic migration (i.e., more people moved out of Harris County than moved in from elsewhere in the U.S.). Harris County lost 22,792 residents to domestic out-migration last year. That was the 13th worst performance in the nation. By comparison, Montgomery County had the 2nd highest level of domestic migration (+25,501 residents) and Fort Bend the 8th best (+15,757). If not for the high number of births inside Harris County, 65,450 last year, the county would have plummeted in the growth rankings.

**Inflation:** Inflation, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), was up slightly by 0.1%, to 2.6% nationwide in the 12 months ending in October 2024. In Houston, inflation has generally tracked over the national remained at 2.1% in October 2024. The U.S. Federal Reserve lowered the interest rate by 50 basis points on September 18, 2024 and another 25 basis points on October 7, 2024.



Unemployment: The unemployment rate in Houston declined to 4.5% in October 2024, up from 4.4%, in September 2024. The unemployment rate in Texas remained unchanged at 4.1% in September and October 2024. The U.S. unemployment was also unchanged at 3.9% in September and October 2024.. The rates are not seasonally adjusted,

City	Rate	City	Rate	City	Rate
Alvin	4.4	Fulshear	4.9	League City	3.6
Baytown	6.5	Galveston	4.5	Missouri City	4.6
Bryan	3.0	Houston	4.5	Pasadena	4.8
College Station	3.2	Huntsville	5.5	Pearland	3.9
Conroe	4.4	Katy	4.3	Rosenberg	4.4
Deer Park	4.0	Lake Jackson	4.6	Sugar Land	3.8
Friendswood	3.8	La Porte	4.3	Texas City	5.4

Source: Texas Workforce Commission

\*Not seasonally adjusted

Crude Oil: The closing spot price for West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude averaged \$74.15 per barrel in January 2024, down from \$78.12 in January 2023. WTI has consistently traded in the \$65 to \$85 per barrel since mid-2021, peaking in Fall 2023, due to the war in the middle east, but has since settled down. Still, attacks have increased costs and transit times. The U.S. Energy Information Administration forecasts WTI to average \$82.50 per barrel in 2024 and \$80.30 in 2025. The Baker Hughes count of active domestic rotary rigs averaged 620 in January 2024, a 20% decrease from 772 in January 2023. This is well above the recent bottom of 250 in August 2020 and well under the pre-pandemic December 2019 average of 804 rigs.

Houston Area Existing Home Sales: Single-family sales totaled 7,340 in August 2024 and were down 8.1% in August 2023. This was the 3rd worst August in the past 10 years, following the Hurricane Harvey year of 2017 and the fracking bust year of 2015. As a result, housing inventories are up to 4.5 months, compared to 3.2 months last year, and are over a stabilized market level of 3.5% to 4.0. Overall, Houston is at a buyer's housing market, with reasonable price increases, inventories at high levels and lowering sales

volume; however, decreasing interest rates may support price increases and improve sales.

**Houston Area New Lot Development & Home Sales:** The overall Houston Area had 10,076 closings and 9,479 starts in 3Q 2024, down -13.52% from 10,961 starts in 2Q 2024, and down -6.31% from the 10,117 starts in 3Q 2023. The result is a stabilized new home inventory of 23,837 new homes, or 7.4 months for the overall Houston new home market. In 3Q 2024, there was a total existing inventory of 52,812 vacant developed lots in the Houston area. This equates to a shortage supply level of 16.5 months, down from 5.9 months in 2Q 2023, and down from 18.6 months in 3Q 2023. in 3Q 2023

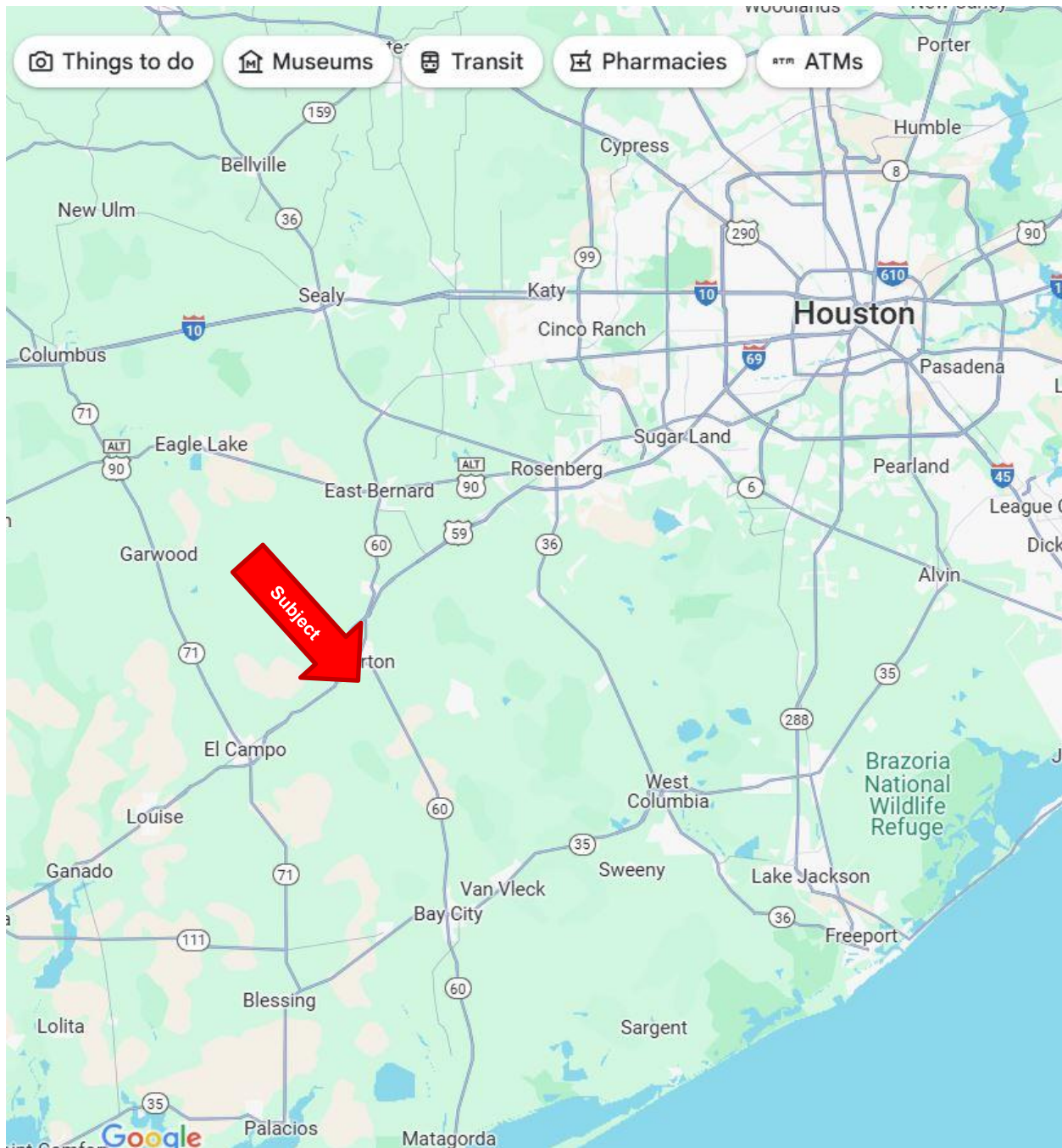
Housing starts continued at a steady pace in 3Q 2024 and are at levels similar to the prior spike in inflation and prior to the current high mortgage interest rates. Historically, a 20-to-24-month supply of vacant developed lots indicated a stabilized condition. Historical new home closings, starts, inventory and vacant lot inventory for the overall Houston Area, are summarized on the following chart:

Market Area		3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	Annual Rates/ Inventory Supply (Mos)
Houston Area	Starts	8,663	5,917	7,042	10,243	10,117	8,109	9,873	10,961	9,479	38,422
	Closings	9,878	8,867	8,661	8,384	8,999	8,766	9,623	9,971	10,076	38,436
	Housing Inv.	25,425	22,455	20,868	22,727	23,851	23,194	23,444	24,434	23,837	7.4 Mos.
	VDL Inv.	42,304	51,575	53,431	518,559	51,736	52,774	52,590	51,591	52,812	16.5 Mos.





## HOUSTON AREA MAP



## **MARKET AREA ANALYSIS**

**Market Area Defined:** According to The Dictionary of Real Estate Appraisal, Seventh Edition, by the Appraisal Institute, 2022, page 116, a **market area** is defined as: “The geographic region from which a majority demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area.”

**Boundaries:** In order to discuss a market area, the boundaries must be established in order to distinguish it from the rest of the community. The subject market area is located approximately 60 miles southwest of the Houston Central Business District. The community is generally known as the Wharton/East Branard/El Campo market area and the boundaries may be generally defined as follows:

North:	U.S. 90-A
South:	S.H. 35
East:	S.H. 60
West:	S.H. 71

**Access:** The major freeway in the area is the Southwest Freeway (U.S. Highway 59/Interstate 69), a four to eight-lane highway running in a northeast-southwest direction. U.S. 59/I-69 provides the most direct route from Wharton to S.H. 99, S.H. 6, Beltway 8, the 610 Loop and downtown Houston. Driving time to downtown Houston is about 50 to 60 minutes during non-peak hours.

S.H. 71, S.H. 60, F.M. 1301 and F.M. 1312 in a generally north/south direction in the subject market area. Major east/west arteries include U.S. 90-A as the northern boundary and S.H. 35 as the southern boundary. Within the subject market area, most county roads and streets are well-maintained asphalt-paved, with open ditch drainage.

**Land Uses:** The subject market area is primarily rural residential and agricultural in nature, but is in the path of future-year residential and commercial development. The majority of residential development has occurred in single-family residential subdivisions, ranging in age from new to 70+ years.

Adequate schools and community facilities are located throughout the market area. Retail development exists in the small centers, located along the major traffic corridors. The market area also has scattered light industrial and small office development. It is estimated that approximately 30% of the immediate subject area is developed with predominantly residential uses, with supportive commercial properties along or proximate to the major thoroughfares.

The subject market area is in the early growth stage of development, in the beginning stages of transition from vacant and rural agricultural land to residential and supportive commercial development.

The majority of the growth is located along or near the primary traffic corridors, with secondary streets serving the residential developments. The primary form of commercial improvements is retail, with some light industrial improvements interspersed along the major traffic corridors, with a significant amount of vacant, undeveloped land.

**Education:** Primary and secondary education is provided in the subject area by Wharton I.S.D., with 2 elementary schools, 1 junior high school and 1 high school. In 2021-2022 (the most recent data reported), the district had 1,960 students and 133 full-time teachers, for a student-teacher ratio of about 15:1.

Wharton is home to Wharton County Junior College, a two-year college that provides a variety of associate degree options and provides customized training for business and industry, in 53 different fields, including Business/Commerce and Pre-Nursing, among others. Wharton County Junior College has multiple campuses in the region, with a total enrollment of more than 6,900 students and a 17:1 student-teacher ratio.

**Utilities:** Police protection is provided by local municipalities and Wharton County, while EMS and fire protection is usually provided by the various municipalities and Wharton County Emergency Services Districts, local volunteer fire departments and the incorporated cities. All public utilities (electricity, gas, sewer, water, and telephone) are sparse to this market area, with water and sanitary sewer services typically supplied by

municipal utility districts (MUDs) within platted subdivisions. Rural properties are typically on private well and septic systems.

**Economy:** The Wharton market area has historically been an agricultural-based economy; however, the expansion of the Houston area to the southwest has resulted in good growth of service industries for the ever increasing population.

Major employers in the market area include Lamar Consolidated ISD, Needville ISD, Wharton ISD, Wharton County, Reliant Energy, UPS, AT&T, and agricultural jobs.

Wharton County's employment is nearly equally divided between healthcare, educational services, retail, and manufacturing. The healthcare sector recently took a hit when the hospital in Wharton closed. The community is working with the new owners to reopen it.

Wharton County manufacturers include companies manufacturing plastics products, energy generation technology, and oil field technology. Agriculture remains an important component of Wharton County's economy.

The county produced \$373,637,000 in annual sales, with 72% being crop sales, and 28% in livestock sales. Wharton County leads the state in nursery, greenhouse, floriculture, and sod production, and also leads the state in acreage for rice production.

**Single-Family Residential:** The appraisers have referenced the Zonda Houston Metrostudy, 3rd Quarter 2024. The subject subdivision is located southwest of the greater Houston area, beyond the boundaries of the survey. The nearest market areas to the subject are the Highway 6/US 59 Submarket, and the Southwest Market Area of the overall Houston region. The following chart summarizes the vital statistics for these areas.

Zonda Houston Metrostudy 3Q 2024								% Change
Submarket/ Market Area		3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024	Yrly. Rates/ Supply	12 Month
Highway 6/U.S. 59 Submarket	Starts	482	465	466	408	309	1,648	-35.89%
	Closings	258	423	391	465	513	1,792	98.84%
	Housing Inv.	931	973	1,048	991	778	5.3 mos.	-16.43%
	VDL Inv.	1,992	1,930	1,466	1,356	1,370	10.0 mos.	-31.22%
Southwest Market Area	Starts	820	831	870	943	619	3,263	-24.51%
	Closings	913	802	692	845	937	3,276	2.63%
	Housing Inv.	1,713	1,742	1,920	2,018	1,700	6.2 mos.	-0.76%
	VDL Inv.	3,318	3,279	3,134	2,652	2,596	9.5 mos.	-21.76%
Houston Total	Starts	9,640	7,742	9,441	10,568	9,054	36,805	-6.08%
	Closings	8,583	8,271	9,121	9,539	9,654	36,585	12.48%
	Housing Inv.	22,325	21,796	22,116	23,145	22,553	7.4 mos.	1.02%
	VDL Inv.	48,773	49,597	49,649	48,240	49,424	16.1 mos.	1.33%

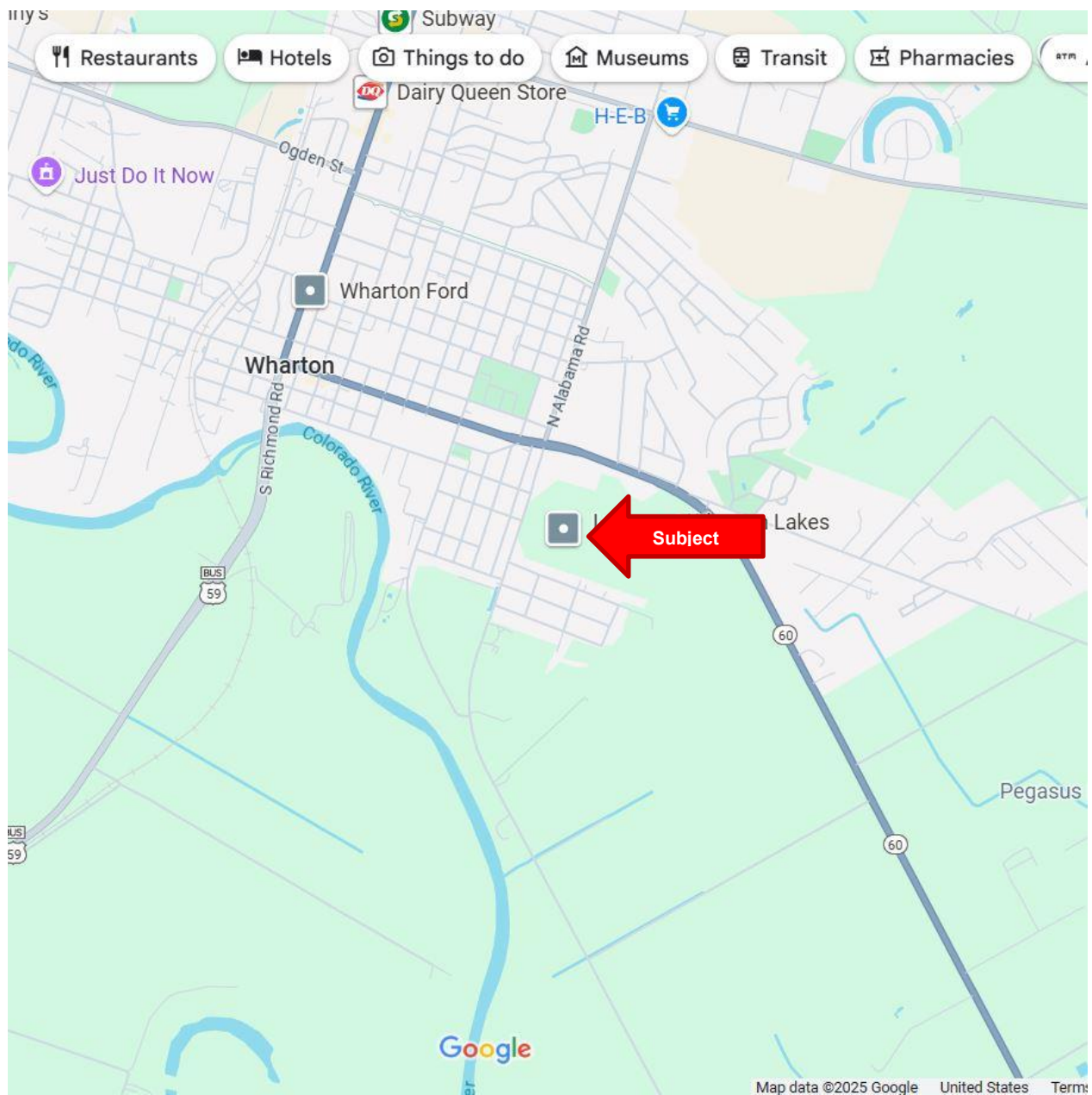
For the 3rd Quarter 2024, the Highway 6/U.S 59 Submarket had 309 housing starts (a 35.89% decrease since 3rd Quarter 2023), and 513 closings, (a 98.84% increase since 3rd Quarter 2023). The Highway 6/U.S 59 Submarket ended the quarter with a new home inventory of 778 units or a 5.3-month supply, which is superior to the 6.2-month supply for the Southwest Market Area new home market. The Highway 6/U.S 59 Submarket concluded the 3rd Quarter 2024 with 1,370 vacant developed lots in inventory. This lot inventory equates to a 10.0-month **severe shortage supply**, which is inferior to the 9.5-month VDL severe shortage supply for Southwest Market Area. A 20-to-24-month supply of lots is considered to be a market in equilibrium.

For the 3rd Quarter 2024, the overall Southwest Market Area had 619 starts (a 24.51% decrease since 3rd Quarter 2023) and 937 closings (a 2.63% increase since 3rd Quarter 2023). The result is a new home inventory of 1,700 units, or a 6.2-month supply, which is superior to the 7.4-month supply for the overall Houston new home market. At the time of this Zonda Houston Metrostudy report, there was a total inventory of 2,596 vacant developed lots in the Southwest Market Area. This equates to a 9.5-month **severe shortage supply**, which is superior to the 16.1-month moderate shortage supply for the overall Houston region. Again, a 20-to-24-month supply of lots is considered to be a market in equilibrium.

**CONCLUSION:**

The subject market area, with its convenient location and rapidly growing population has experienced rapid growth since late 2012, after several years of slower, post-recessionary growth. The majority of development has been a good balance of single-family residential and supportive commercial uses. Utilities are available to most properties in the area, and no adverse conditions were observed that would represent a negative influence for the market area. The commercial properties are generally located along the major thoroughfares and are considered to enhance rather than adversely affect the residential values. Retail and multifamily occupancies in the subject area have thus maintained average levels, as compared to the general Houston area markets.

Inflation has greatly recovered from its 2022 peak of about 9%, settling to 2.9%, as of the end of October 2024. The overall impact to the local residential market is to be determined, as mortgage rates remain stubbornly within the high end of the range of 6.5% to 7%, but most experts expect continued steady activity throughout the short remainder of 2024, into 2025.

**MARKET AREA MAP**



# LOCATION MAP





### SITE ANALYSES

#### **Wharton Lakes, Sections 1 and 2 – Wharton Lakes Public Improvement District, No. 2**

Type of Property: The subject consists of 99 finished lots on 18.6867 acres in Section 1 and 124 proposed lots on 36.7929 acres in Section 2, plus 44 detached single-family residences in Section 1 in various stages of construction located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488. The typical lot sizes are 40' x 120', or 4,800 SF and 45' x 120', or 5,400 SF.

Key Map Reference: 748-M

Postal Address: Wharton, Texas 77488

Location: The subject subdivision is located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488.

Tract Sizes: Section 1 - 18.6867 acres (99 lots)  
Section 2 – 36.7929 acres (124 lots)

Density: Section 1 - 5.30 lots per acre  
Section 2 – 3.37 lots per acre

Subject Lot Mix:

<u>Section No.</u>	<u>No.</u>	<u>Description</u>	<u>Avg. FF</u>	<u>Avg. Size</u>
1	48	Finished	40'	4,800 SF
1	51	Finished	45'	5,400 SF
<b>Total:</b>	99			
<u>Section No.</u>	<u>No.</u>	<u>Description</u>	<u>Avg. FF</u>	<u>Avg. Size</u>
2	85	Proposed	40'	4,800 SF
2	39	Proposed	45'	5,400 SF
<b>Total:</b>	124			
<b>Total Lots for Sec. 1 - 2</b>	223			

Zoning/Restrictions: None. The subdivision is subject to typical residential lot deed restrictions. Yet, we are aware of no restrictions that would adversely affect development of the subject site to its highest and best use.

Shape:	The subject lots are generally rectangular in shape.
Topography:	The topography of the subject lots are generally level.
Subdivision Improvements:	Site improvements include public concrete-paved streets, water and sanitary sewer provided by the City of Wharton, electrical lines, natural gas lines, cable/telephone lines, concrete curb and gutter drainage and offsite detention.
Easements:	The appraisers know of no easements that would adversely affect development of the subject lots to their highest and best use.
Soil/Subsoil Conditions:	A soil and subsoil report has not been provided to the appraisers; however, as evidenced by the existing and surrounding development, the soil conditions appear to be adequate in all respects for most types of construction.
Environmental:	Upon physical inspection of the subject, no obvious environmental hazards or endangered species were observed. The appraisers are not environmental engineers and are not qualified to detect environmental hazards or endangered species. For a conclusive analysis of the lots, a study by qualified environmental experts would be necessary.
Subdivision Amenities:	Playground
Utilities/Services:	

Utilities/Services	
Electricity:	Wharton County Electric Coop
Water/Sanitary Sewer:	City of Wharton
Gas:	CenterPoint Energy
Phone:	Verizon & others
Police Protection:	City of Wharton/Wharton County Sheriff's Dept.
Fire Protection:	Wharton County ESD #3
School District:	Wharton ISD

Floodplain:

FEMA Flood Map	
Flood Map No.:	48481C0365F
Flood Map Date:	12/21/2017
Flood Map Designation:	Zone AE
FEMA LOMR:	X500-Yr. Floodplain

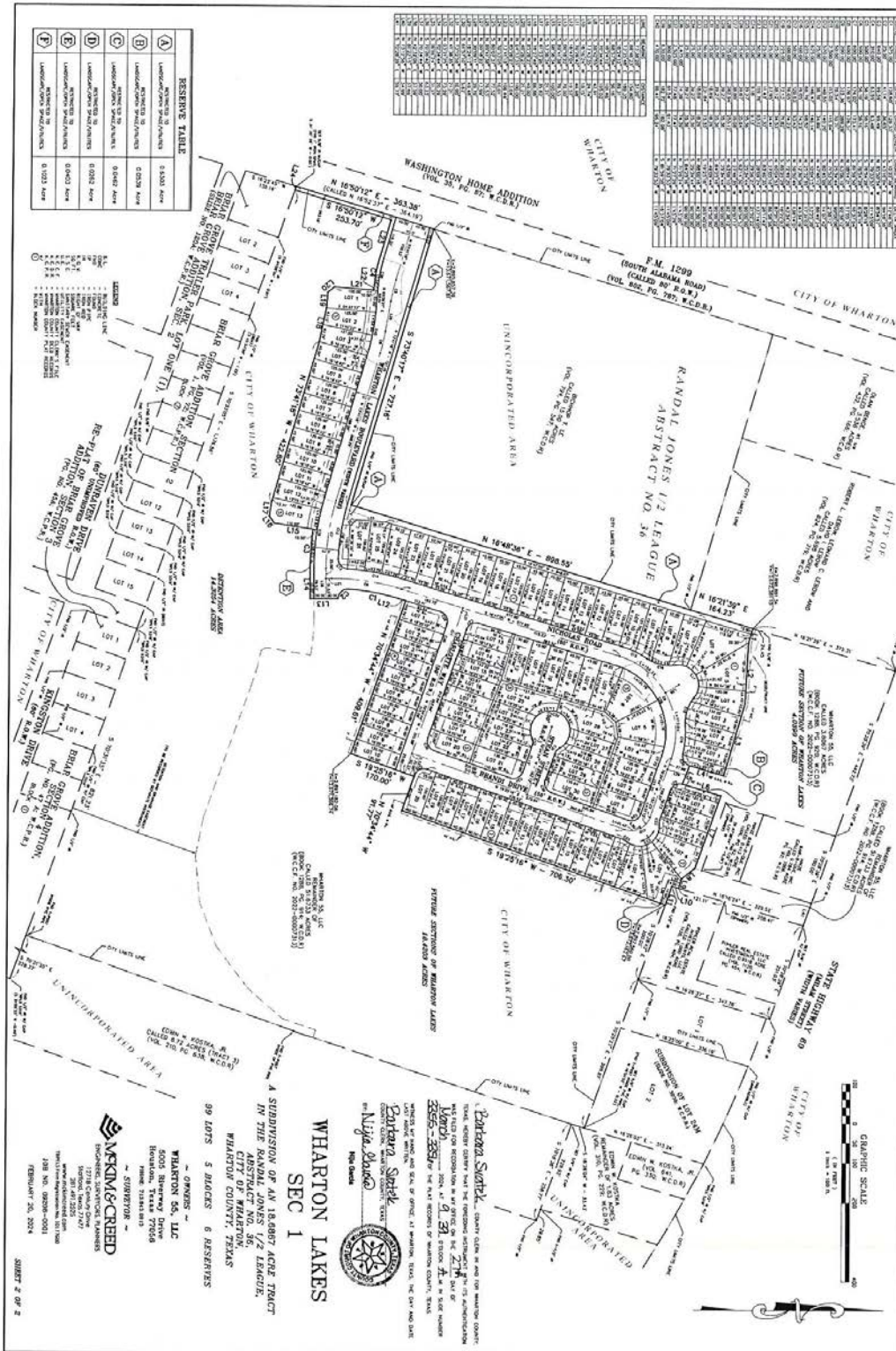
Subject Builders: Lennar Homes

New Home Price Range: \$218,990 to \$262,990

**Conclusion:** All services and public utilities are available, and no detrimental zoning, encroachments, or restrictions were noted, which would represent an adverse influence to the subject lots for new residential construction with an average price point of \$218,990 to \$262,990 by Lennar Homes and First America Homes, or a comparable builder/s. Local employment and residential demand are anticipated to grow for the immediate market area and regional corridor. All services and public utilities are available, and the starter new home price range of the development is a good draw for the finished and proposed subject single-family lots.

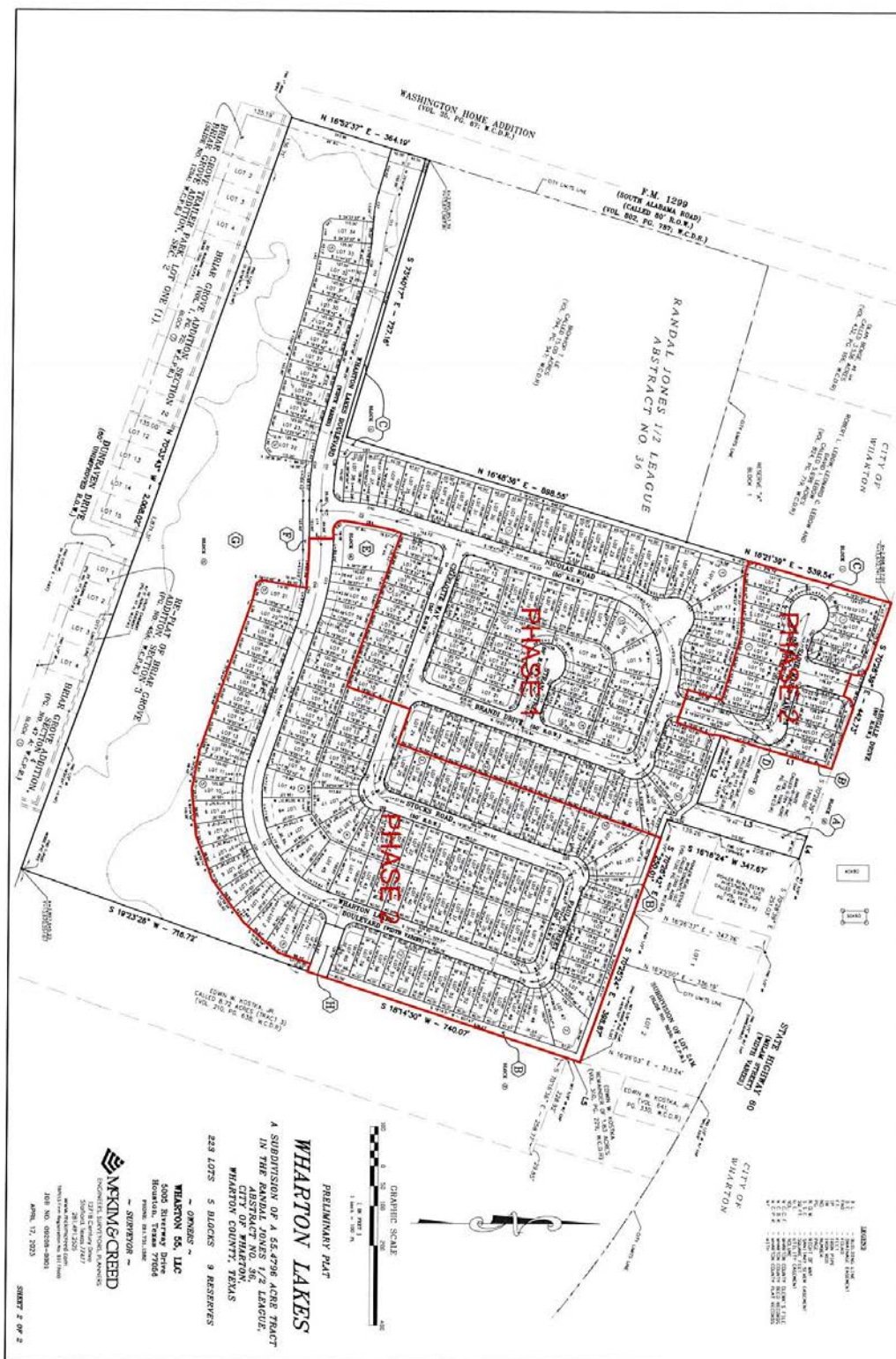
## SECTION 1 PLAT

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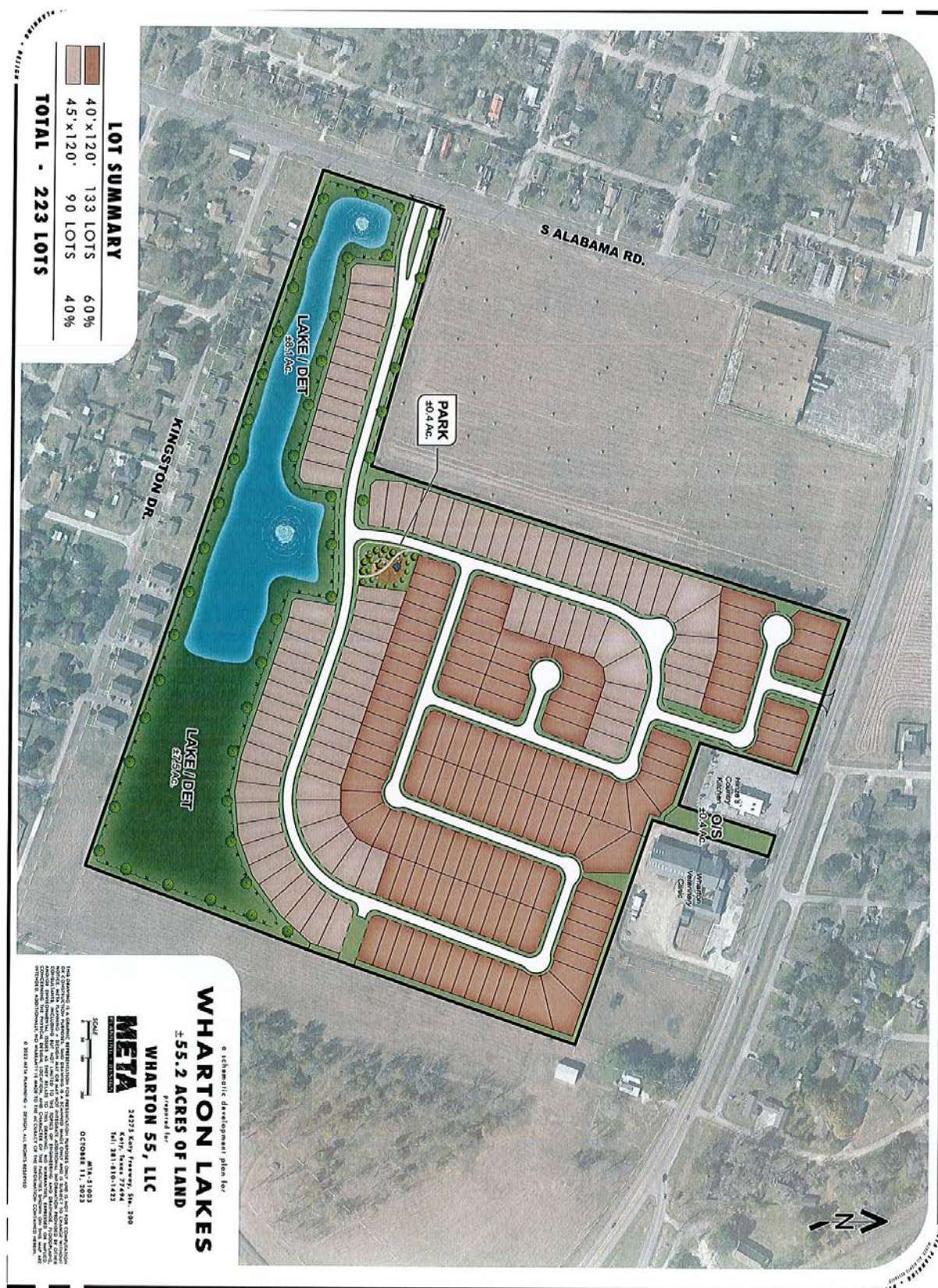




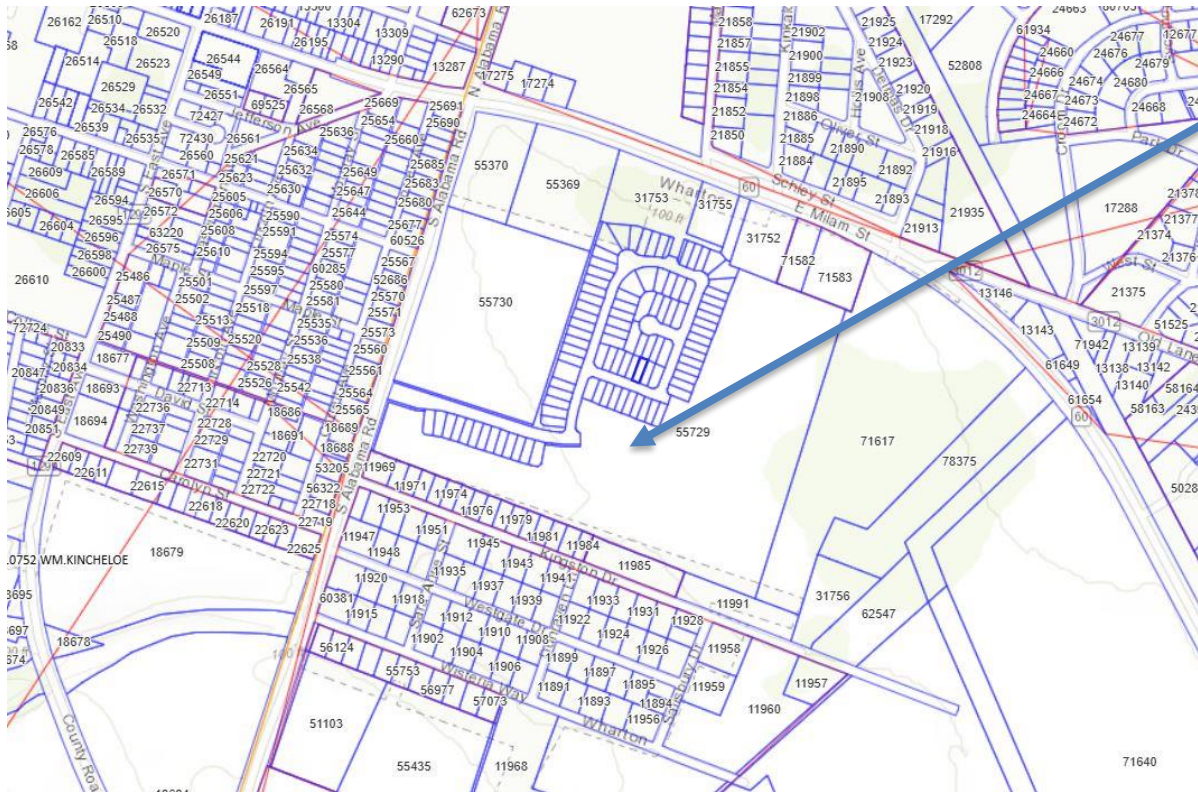
## LAND PLAN





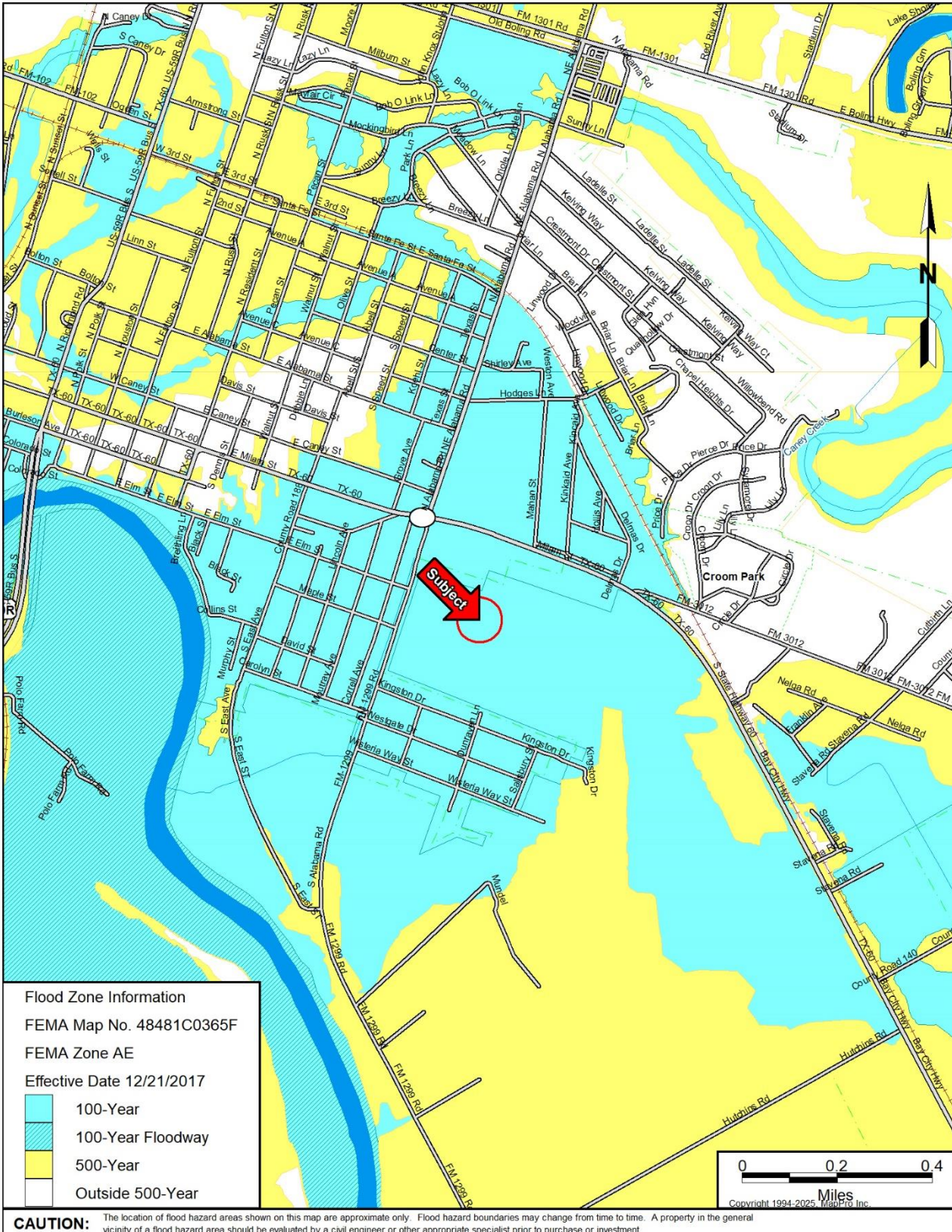




**WCAD MAP**



## FLOOD PLAIN MAP

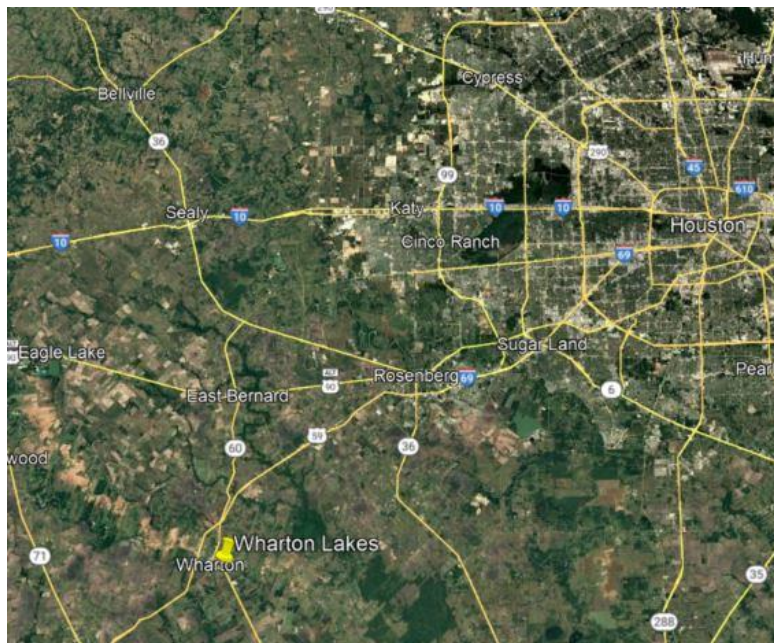




## AERIAL PHOTOS



Micro Aerial



Macro Aerial

## **SUBJECT PROPERTY PHOTOGRAPHS**



S. Alabama Road facing south



S. Alabama Road facing north



Entrance



Model home



Subject property



Subject property





Subject property



Subject property



Subject property



Subject property

### IMPROVEMENT ANALYSES

Subject Plans:                      The following table summarizes the 44 units appraised herein:

Subject Units Wharton Lakes, Section 1 Units							
	Address	Lot No.	Block	GLA SF	# of Stories	Bed/Bath Count	Garage Count
1	112 Nicholas Road	1	1	1,047	1	3/2	2-car
2	114 Nicholas Road	2	1	1,707	2	4/2	2-car
3	116 Nicholas Road	3	1	1,474	2	3/2	2-car
4	118 Nicholas Road	4	1	1,260	1	3/2	2-car
5	122 Nicholas Road	5	1	1,047	1	3/2	2-car
6	124 Nicholas Road	6	1	1,891	1	4/2.1	2-car
7	202 Nicholas Road	7	1	1,707	2	4/2	2-car
8	204 Nicholas Road	8	1	1,667	1	4/2	2-car
9	206 Nicholas Road	9	1	1,474	1	3/2	2-car
10	208 Nicholas Road	10	1	1,260	1	3/2	2-car
11	110 Nicholas Road	1	2	1,266	1	3/2	2-car
12	108 Nicholas Road	2	2	1,402	1	3/2	2-car
13	106 Nicholas Road	3	2	1,411	2	3/2	2-car
14	104 Nicholas Road	4	2	1,600	1	4/2	2-car
15	111 Brandi Drive	5	2	1,954	1	4/2.1	2-car
16	113 Brandi Drive	6	2	1,266	1	3/2	2-car
17	115 Brandi Drive	7	2	1,402	1	3/2	2-car
18	203 Brandi Drive	8	2	1,411	1	3/2	2-car
19	205 Brandi Drive	9	2	1,600	1	4/2	2-car
20	207 Brandi Drive	10	2	1,266	1	3/2	2-car
21	209 Brandi Drive	11	2	1,402	1	3/2	2-car
22	211 Brandi Drive	12	2	1,411	1	3/2	2-car
23	305 Brandi Drive	13	2	1,600	1	4/2	2-car
24	307 Brandi Drive	14	2	1,266	1	3/2	2-car
25	309 Brandi Drive	15	2	1,402	1	3/2	2-car
26	101 Nicholas Road	1	3	1,047	1	3/2	2-car
27	103 Nicholas Road	2	3	1,474	2	3/2	2-car
28	105 Nicholas Road	3	3	1,667	1	4/2	2-car
29	107 Nicholas Road	4	3	1,260	1	2	2-car
30	109 Nicholas Road	5	3	1,891	1	4/2.1	2-car
31	205 Nicholas Road	6	3	1,707	2	4/2	2-car
32	209 Nicholas Road	7	3	1,667	1	4/2	2-car
33	211 Nicholas Road	8	3	1,474	1	3/2	2-car
34	213 Nicholas Road	9	3	1,260	1	3/2	2-car
35	309 Nicholas Road	10	3	1,047	2	3/2	2-car
36	107 Stran Street	23	3	1,954	1	4/2.1	2-car
37	109 Stran Street	24	3	1,600	2	4/2	2-car
38	111 Stran Street	25	3	1,266	1	3/2	2-car
39	112 Stran Street	26	3	1,954	1	4/2	2-car
40	110 Stran Street	27	3	1,402	1	3/2	2-car
41	108 Stran Street	28	3	1,411	2	3/2	2-car
42	106 Stran Street	29	3	1,600	1	4/2	2-car
43	104 Stran Street	30	3	1,954	1	4/2	2-car
44	1216 Wharton Lakes Boulevard	13	5	1,891	2	4/2.1	2-car

The details of construction and specifications of the units appraised herein are as follows:

- 1 and 2-story homes
- Concrete slab foundation
- Wood frame studs, joists, trusses, rafters, etc.
- Brick and cement fiberboard exteriors
- Granite countertops in kitchen
- Fully built-in kitchen appliances
- 2-car garages with opener
- Walk-in closets
- Double-pane windows
- Composite shingle roofs
- Utility room that accommodates full-size washer/dryer
- Fenced rear yard
- Landscaped front yard

### HIGHEST AND BEST USE

The "**Highest and Best Use**" is defined as:

The reasonably probable use of property, that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (The Dictionary of Real Estate Appraisal, Seventh Edition, 2022, pages 88-89, Appraisal Institute).

**Highest and Best Use of Land or a Site As Though Vacant:** Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, page 93, Appraisal Institute).

**Highest and Best Use of Property As Improved:** The use that should be made of a property as it exists. A near-complete property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the near-complete building and constructing a new one. (The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, page 94, Appraisal Institute).

The definition immediately above applies specifically to the highest and best use of land. In cases where a site has near-complete improvements, the highest and best use may be different from the near-complete use. The near-complete use will continue, however, unless or until land value in its highest and best use exceeds the total value of the property in its near-complete use.

Contribution of that specific use to community environment or to community development goals is implied within these definitions, in addition to wealth maximization. Also implied is that determination of the highest and best use is formulation of an opinion, not a fact, resulting from the appraiser's judgment and analysis. In appraisal practice, the concept of highest and best use is the premise on which value is based. In the context of most probable selling price (market value), another appropriate term to reflect highest and best use would be "most probable use." In the current context of investment value, an alternative term would be "most profitable use".



In order to reasonably determine the highest and best use of the subject lots, the legally permissible uses, physically possible uses, financially feasible uses and the maximally productive use are considered.

### **LEGALLY PERMISSIBLE**

**Zoning/Restrictions:** Zoning regulations, deed restrictions, adverse easements, historical districts, building codes, and environmental regulations often limit the potential uses of a property. The subject lots are not subject to a zoning ordinance. The subject properties are subject to Wharton Lakes, Sections 1 and 2 deed restrictions.

### **PHYSICALLY POSSIBLE**

Site size, shape, topography, location, and the availability of utilities are generally held as the most important factors in determining uses by which land may be developed. Consistent with single-family residential lots located in the subject's market area, the 223 finished and proposed 40' and 45' subject lots are well-suited for construction of starter-priced single-family homes, as proposed by Lennar Homes.

### **FINANCIALLY FEASIBLE**

Any use which produces a positive rate of return, is regarded as feasible from a financial point of view. Other important factors include the possible and legal uses as well as the location, size, shape and street frontage. The general character of the market area and adjacent land uses also provide indications of feasible use. This data along with other market data form the basis for analysis of various alternate investment returns.

The appraisers have referenced the Zonda Houston Metrostudy, 3rd Quarter 2024. The subject subdivision is located southwest of the greater Houston area, beyond the boundaries of the survey. The nearest market areas to the subject are the Highway 6/US 59 Submarket, and the Southwest Market Area of the overall Houston region. The following chart summarizes the vital statistics for these areas.

Zonda Houston Metrostudy 3Q 2024								% Change
Submarket/ Market Area		3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024	Yrly. Rates/ Supply	12 Month
Highway 6/U.S. 59 Submarket	Starts	482	465	466	408	309	1,648	-35.89%
	Closings	258	423	391	465	513	1,792	98.84%
	Housing Inv.	931	973	1,048	991	778	5.3 mos.	-16.43%
	VDL Inv.	1,992	1,930	1,466	1,356	1,370	10.0 mos.	-31.22%
Southwest Market Area	Starts	820	831	870	943	619	3,263	-24.51%
	Closings	913	802	692	845	937	3,276	2.63%
	Housing Inv.	1,713	1,742	1,920	2,018	1,700	6.2 mos.	-0.76%
	VDL Inv.	3,318	3,279	3,134	2,652	2,596	9.5 mos.	-21.76%
Houston Total	Starts	9,640	7,742	9,441	10,568	9,054	36,805	-6.08%
	Closings	8,583	8,271	9,121	9,539	9,654	36,585	12.48%
	Housing Inv.	22,325	21,796	22,116	23,145	22,553	7.4 mos.	1.02%
	VDL Inv.	48,773	49,597	49,649	48,240	49,424	16.1 mos.	1.33%

For the 3rd Quarter 2024, the Highway 6/U.S 59 Submarket had 309 housing starts (a 35.89% decrease since 3rd Quarter 2023), and 513 closings, (a 98.84% increase since 3rd Quarter 2023). The Highway 6/U.S 59 Submarket ended the quarter with a new home inventory of 778 units or a 5.3-month supply, which is superior to the 6.2-month supply for the Southwest Market Area new home market. The Highway 6/U.S 59 Submarket concluded the 3rd Quarter 2024 with 1,370 vacant developed lots in inventory. This lot inventory equates to a 10.0-month **severe shortage supply**, which is inferior to the 9.5-month VDL severe shortage supply for Southwest Market Area. A 20-to-24-month supply of lots is considered to be a market in equilibrium.

For the 3rd Quarter 2024, the overall Southwest Market Area had 619 starts (a 24.51% decrease since 3rd Quarter 2023) and 937 closings (a 2.63% increase since 3rd Quarter 2023). The result is a new home inventory of 1,700 units, or a 6.2-month supply, which is superior to the 7.4-month supply for the overall Houston new home market. At the time of this Zonda Houston Metrostudy report, there was a total inventory of 2,596 vacant developed lots in the Southwest Market Area. This equates to a 9.5-month **severe shortage supply**, which is superior to the 16.1-month moderate shortage supply for the overall Houston region. Again, a 20-to-24-month supply of lots is considered to be a market in equilibrium.

**MAXIMALLY PRODUCTIVE HIGHEST & BEST USE CONCLUSIONS**

Based on our analyses of the legally permissible, physically possible and financially feasible uses for the subject finished and proposed lots, we conclude that their maximally productive uses, and therefore, their highest and best uses, are as follows:

<b>Highest &amp; Best Use of Lots:</b>	Construction of detached residential units, as demand and market conditions warrant in the \$218,990 to \$262,990 price point by Lennar Homes or comparable builders.
<b>Highest &amp; Best Use of Units:</b>	Retail sale to owner-occupant homebuyers, as demand and market conditions warrant.

### **SALES COMPARISON APPROACH – SINGLE-FAMILY HOME VALUATION**

The Sales Comparison Approach is “The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.” (The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, 2022, p. 170).

The rationale for this approach, based on the principle of substitution, is that a probable purchaser would not be justified in paying more for an individual SFR than the cost of acquiring a substitute property of similar utility and characteristics, as that of the typical subject residence.

The appraiser consulted with knowledgeable individuals active in the area, including real estate brokers, principals, developers, and builders for information that would aid in the investigation. All of the data presented were confirmed for accuracy, via the local MLS and tax records.

The home sales listed represent the best available data for comparison to the subject floor plans.

### IMPROVED SFR SALES GRID ANALYSES

The Sales Comparison Approach is a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison.

In the following analysis, 3 proxy plans are utilized, which will then be utilized to value the individual 44 units. The 3 proxy plans are as follows:

Plan 1200 – 1,300 SF, 3/2 bed/bathroom count; 1-story; 2-car garage

Plan 1600 – 1,600 SF, 3/2 bed/bathroom count; 1-story; 2-car garage

Plan 2000 – 2,000 SF, 4/2.1 bed/bathroom count; 2-story; 2-car garage

The following table summarize the comparable sales.

Summary of Home Sale Comps Wharton Lakes													
Comp No.	Subdivision	Address	MLS#	SF	Lot Size (SF)	Stories	Beds	Baths	Garage	Year Built	Closing Date	Sales Price	Price Per SF
1	Miller's Pond	1631 Birch Wood Drive	8799925	1,084	6,000	1	3	2.0	2-Att.	2024	12/26/2024	\$220,902	\$203.78
2	Emberly	1106 Rustic Willow Drive	25045280	1,464	5,000	1	3	2.0	2-Att.	2024	8/29/2024	\$206,800	\$141.26
3	Emberly	902 Whispering Winds Drive	32556832	1,538	5,000	1	3	2.0	2-Att.	2024	10/29/2024	\$221,000	\$143.69
4	Wharton Lakes	122 Nicholas Road	90145886	1,047	5,400	1	3	2.0	2-Att.	2024	Active	\$160,000	\$152.82
5	Wharton Lakes	103 Nicholas Road	36805858	1,474	5,400	1	3	2.0	2-Att.	2024	11/26/2024	\$206,800	\$140.30
6	Emberly	10819 Hickory Lane	64184970	1,670	5,000	1	3	2.0	2-Att.	2024	11/27/2024	\$225,400	\$134.97
7	Emberly	10626 Crimson Trace	77638375	1,627	5,000	1	3	2.0	2-Att.	2024	11/27/2024	\$249,100	\$153.10
8	Wharton Lakes	105 Nicholas Road	2963828	1,720	5,400	1	4	2.0	2-Att.	2024	Active	\$230,000	\$133.72
9	Emberly	1134 Rustic Willow Drive	76236223	1,834	5,000	2	4	2.1	2-Att.	2024	12/18/2024	\$230,300	\$125.57
10	Emberly	10823 Hickory Lane	75310655	2,066	5,000	2	4	2.1	2-Att.	2024	10/31/2024	\$237,600	\$115.00
11	Emberly	10622 Crimson Trace	79238059	2,081	5,000	1	3	2.0	2-Att.	2024	11/27/2024	\$265,600	\$127.63
12	Wharton Lakes	104 Stran Street	58630833	1,954	5,400	2	4	2.1	2-Att.	2025	Active	\$240,000	\$122.82
Average Comparable Sales Prices:				1,630								\$224,459	\$137.71

Comparable sales are from the subject development and competing developments.

### **IMPROVED RESIDENTIAL SALES ANALYSES**

The Sales Comparison Approach is a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison.

#### **CUMULATIVE ADJUSTMENTS**

**Real Property Rights Conveyed:** The comparability of property interests must first be considered when utilizing sales for adjustment analysis. The real property rights conveyed of the sales were all found to feature fee simple interest. Therefore, no adjustments are necessary for this category, as it is considered that each sale adequately represents market activity in the subject area for fee simple estates.

**Financing/Cash Equivalent Considerations:** Prior to adjusting for various categories applicable in the adjustment grid, each sale was reviewed with respect to financing terms and supplemental acquisition costs. When favorable financing occurred, the sale was adjusted to reflect the cash equivalent price in terms of U.S. dollars that the seller actually received. Generally cash equivalency is arrived at by applying present value factors to the stream of income generated by the seller offering favorable financing. All monies are brought back to the present value if the seller were to sell for cash or cash equivalency. Where applicable adjustments were made for this element of comparison.

**Conditions of Sale:** This category, as well as the previous two categories, is related to motivation of the parties in the transaction to agree on the sales price at the date of sale. The conditions and reasons for a sale are factors, which can have a direct impact on the sales price. Buyers and sellers motivation for acquisition or disposition of a property can cause large differences in the actual sales price versus market value. Extraction of an appropriate adjustment for special sales conditions is generally difficult to ascertain. Pairing of sales is typically the best method in establishing an adjustment. However, when sales are scarce and/or significant differences in the properties are evident, additional considerations must be reviewed. Such considerations typically relate to additional information provided by the buyer and/or seller, which may be difficult to measure, but

must be considered, analyzed, and reasonably adjusted. All of the sales are arms-length transactions, and adjustments were therefore not warranted.

**Date of Sale:** A time adjustment is required if changes occur in market conditions between the time of sale of a comparable property, and the effective date of the appraisal of the subject property. Under such circumstances, the price of the comparable property would be different at the date of appraisal, and an adjustment would be required to be made to the actual cash equivalent sales price for the sale to be used as a comparable. The comparable improved sales presented occurred within the past 1-5 months. Based on a comparison within the data set, no adjustment for market conditions has been applied.

#### **ADDITIVE ADJUSTMENTS**

**Location:** Improved Sales 1 thru 3, 6, 7, 9-11 are considered superior closer in to the subject's Wharton location, and have been adjusted downward -\$10,000 (Miller's Pond) and -\$5,000 (Emberly), respectively. Improved Sales 4, 5, 8 and 12 were considered to be generally similar locales to the subject in terms of location, warranting no adjustments.

**Construction Quality:** Again, this is an analysis of a base plan, with no builder upgrades. Improved Sales 2-6, 8-12 were similar with no adjustments applied. Improved Sale 1 was adjusted downward -\$25,000 and Improved Sale 7 was adjusted downward -\$20,000 for said upgrades.

**Condition:** Like the subject residences, Improved Sales 1-12 were in new condition, and are considered very comparable to the subject's new status.

**Room Count:** Differences in the number of bedrooms are reflected in the adjustment for GLA. Where applicable, differences in half-bathrooms are adjusted at \$5,000.

**Gross Living Area:** Smaller homes typically bring higher prices per-square-foot than otherwise equally desirable larger homes. Differences in GLA are based on a rate of \$95 PSF for all 3 proxy plans.

**Site Size:** The subject lots have typical size of 5,400 SF. Improved Sales 1 thru 12 are considered generally similar in lot size compared to the subject and have not been adjusted for this element of comparison.

**Garages:** No adjustments were needed for this element of comparison.

**IMPROVED SALES ADJUSTMENT GRIDS**

The following Improved Sales Adjustment Grids illustrate the adjustments that were extracted and applied in the analyses of the comparable improved sales to the subject 3 proxy master base floor plans.



ADJUSTMENT GRID - Master Base Plan # 1200											
ADJUSTMENT DATA		SUBJECT		COMPARABLE 1		COMPARABLE 2		COMPARABLE 3		COMPARABLE 4	
Development		Wharton Lakes		Miller's Pond		Emberly		Emberly		Wharton Lakes	
Floor Plan		1200		N/A		N/A		N/A		N/A	
Street Address		N/A		1631 Birch Wood Drive		1106 Rustic Willow Drive		902 Whispering Winds Drive		122 Nicholas Road	
City, State, Zip		Wharton, TX 77488		Rosenberg, TX 77471		Wharton, Texas 77488		Beasley, TX 77417		Wharton, Texas 77488	
Sales Price				\$220,902		\$206,800		\$221,000		\$160,000	
Price per SF				\$203.78		\$141.26		\$143.69		\$152.82	
Data Source				MLS #8799925		MLS #25045280		MLS #32556832		MLS #90145886	
Date of Sale				12/26/2024		8/29/2024		10/29/2024		Active	
Concessions				Concessions		Concessions		Concessions		Concessions	
Adjusted Sales Price				\$220,902		\$206,800		\$221,000		\$155,000	
Location		Wharton Lakes		Miller's Pond		Emberly		Emberly		Wharton Lakes	
Lot Size Adjustment (SF)		5,400		6,000		5,000		5,000		5,400	
Product Type - Att or Det		Detached		Detached		Detached		Detached		Detached	
Construction Quality		Average - Base Plan		Superior		Similar		Similar		Similar	
Appliance Quality		Good		Similar		Similar		Similar		Similar	
Age		2025		2024		2024		2024		2024	
Condition		New		Good		New		New		New	
Total Rooms		6		6		6		6		6	
Bedrooms		3		3		3		3		3	
Bathrooms		2.0		2.0		2.0		2.0		2.0	
Living Area Square Feet		\$95 1,200		1,084		\$11,020 1,464		(\$25,080) 1,538		(\$32,110) 1,047	
Functional Utility		Average		Similar		Similar		Similar		Similar	
Number of Stories		1-Story		1-Story		1-Story		1-Story		1-Story	
Garage Parking		2.0-Attached Gar.		2.0-Attached Gar.		2.0-Attached Gar.		2.0-Attached Gar.		2.0-Attached Gar.	
Air Conditioning/Heat		Central		Central		Central		Central		Central	
Porch/Patio		Yes/Yes		Yes		Yes		Yes		Yes	
Total Net Adjustment				(\$23,980)		(\$30,080)		(\$37,110)		\$14,535	
Indicated Value of Subject Plan				\$196,922		\$176,720		\$183,890		\$169,535	
Mean:				\$181,767							
Median:				\$180,305							
MV Conclusion				\$180,000							
Builder Asking Price:				N/A							

ADJUSTMENT GRID - Master Base Plan #1600										
ADJUSTMENT DATA		SUBJECT	COMPARABLE 5		COMPARABLE 6		COMPARABLE 7		COMPARABLE 8	
Development		Wharton Lakes	Wharton Lakes		Emberly		Emberly		Wharton Lakes	
Floor Plan		1600	N/A		N/A		N/A		N/A	
Street Address		N/A	103 Nicholas Road		10819 Hickory Lane		10626 Crimson Trace		105 Nicholas Road	
City, State, Zip		Wharton, TX 77488	Wharton, Texas 77488		Beasley, TX 77417		Beasley, TX 77417		Wharton, Texas 77488	
Sales Price				\$206,800		\$225,400		\$249,100		\$230,000
Price per SF				\$140.30		\$134.97		\$153.10		\$133.72
Data Source			MLS #36805858	\$0	MLS #64184970	\$0	MLS #77638375	\$0	MLS #2963828	\$0
Date of Sale			11/26/2024	\$0	11/27/2024	\$0	11/27/2024	\$0	Active	(\$5,000)
Concessions			Concessions	\$0	Concessions	\$0	Concessions	\$0	Concessions	\$0
Adjusted Sales Price				\$206,800		\$225,400		\$249,100		\$225,000
Location		Wharton Lakes	Wharton Lakes	\$0	Emberly	(\$5,000)	Emberly	(\$5,000)	Wharton Lakes	\$0
Lot Size Adjustment		5,400	5,400	\$0	5,000	\$0	5,000	\$0	5,400	\$0
Product Type - Att or Det		Detached	Detached	\$0	Detached	\$0	Detached	\$0	Detached	\$0
Construction Quality		Average - Base Plan	Similar	\$0	Similar	\$0	Superior	(\$20,000)	Similar	\$0
Appliance Quality		Good	Similar	\$0	Similar	\$0	Similar	\$0	Similar	\$0
Age		2025	2024	\$0	2024	\$0	2024	\$0	2024	\$0
Condition		New	Good		New	\$0	New	\$0	New	\$0
Total Rooms		6	6		6		6		7	
Bedrooms		3	3		3		3		4	
Bathrooms		2.0	2.0	\$0	2.0	\$0	2.0	\$0	2.0	\$0
Living Area Square Feet		\$95 1,600	1,474	\$11,970	1,670	(\$6,650)	1,627	(\$2,565)	1,720	(\$11,400)
Functional Utility		Average	Similar	\$0	Similar	\$0	Similar	\$0	Similar	\$0
Number of Stories		1-Story	1-Story	\$0	1-Story	\$0	1-Story	\$0	1-Story	\$0
Garage Parking		2.0-Attached Gar.	2.0-Attached Gar.	\$0	2.0-Attached Gar.	\$0	2.0-Attached Gar.	\$0	2.0-Attached Gar.	\$0
Air Conditioning/Heat		Central	Central	\$0	Central	\$0	Central	\$0	Central	\$0
Porch/Patio		Yes/Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Total Net Adjustment				\$11,970		(\$11,650)		(\$27,565)		(\$11,400)
Indicated Value of Subject Plan				\$218,770		\$213,750		\$221,535		\$213,600
Mean:			\$216,914							
Median:			\$216,260							
MV Conclusion			\$215,000							
Builder Asking Price:			N/A							

ADJUSTMENT GRID - Master Base Plan #2000									
ADJUSTMENT DATA	SUBJECT	COMPARABLE 9		COMPARABLE 10		COMPARABLE 11		COMPARABLE 12	
Development	Wharton Lakes	Emberly		Emberly		Emberly		Wharton Lakes	
Floor Plan	2000	N/A		N/A		N/A		N/A	
Street Address	N/A	1134 Rustic Willow Drive		10823 Hickory Lane		10622 Crimson Trace		104 Stran Street	
City, State, Zip	Wharton, TX 77488	Beasley, TX 77417		Beasley, TX 77417		Beasley, TX 77417		Wharton, Texas 77488	
Sales Price			\$230,300		\$237,600		\$265,600		\$240,000
Price per SF			\$125.57		\$115.00		\$127.63		\$122.82
Data Source		MLS #76236223		MLS #75310655		MLS #79238059		MLS #58630833	
Date of Sale		12/18/2024	\$0	10/31/2024	\$0	11/27/2024	\$0	Active	(\$5,000)
Concessions		Concessions	\$0	Concessions	\$0	Concessions	\$0	Concessions	\$0
Adjusted Sales Price			\$230,300		\$237,600		\$265,600		\$235,000
Location	Wharton Lakes	Emberly	(\$5,000)	Emberly	(\$5,000)	Emberly	(\$5,000)	Wharton Lakes	\$0
Lot Size Adjustment (SF)	5,400	5,000	\$0	5,000	\$0	5,000	\$0	5,400	\$0
Product Type - Att or Det	Detached	Detached	\$0	Detached	\$0	Detached	\$0	Detached	\$0
Construction Quality	Average - Base Plan	Similar	\$0	Similar	\$0	Similar	\$0	Similar	\$0
Appliance Quality	Good	Similar	\$0	Similar	\$0	Similar	\$0	Similar	\$0
Age	2025		\$0	2024	\$0		\$0	2025	\$0
Condition	New	New	\$0	New	\$0	New	\$0	New	\$0
Total Rooms	7	7		7		6		7	
Bedrooms	4	4		4		3		4	
Bathrooms	2.1	2.1	\$0	2.1	\$0	2.0	\$5,000	2.1	\$0
Living Area Square Feet	\$95 2,000	1,834	\$15,770	2,066	(\$6,270)	2,081	(\$7,695)	1,954	\$4,370
Functional Utility	Average	Similar		Similar		Similar	\$0	Similar	\$0
Number of Stories	2-Story	2-Story	\$0	2-Story	\$0	1-Story	\$0	2-Story	\$0
Garage Parking	2.0-Attached Gar.	2.0-Attached Gar.	\$0	2.0-Attached Gar.	\$0	2.0-Attached Gar.	\$0	2.0-Attached Gar.	\$0
Air Conditioning/Heat	Central	Central	\$0	Central	\$0	Central	\$0	Central	\$0
Porch/Patio	Yes/Yes	Yes	\$0	Yes	\$0	Yes	\$0	Yes	\$0
Total Net Adjustment			\$10,770		(\$11,270)		(\$7,695)		\$4,370
Indicated Value of Subject Plan			\$241,070		\$226,330		\$257,905		\$239,370
	Mean:	\$241,169							
	Median:	\$240,220							
	MV Conclusion	\$240,000							
	Builder Asking Price:	N/A							

**SUMMARY OF SALES COMPARISON APPROACH "AS COMPLETE" VALUE INDICATIONS**

Based upon the prior Sales Comparison Analyses of the selected comparable sales, the "As Complete" Market Values of the subject 3 master base proxy floor plans are concluded as follows:

<b>Sales Comparison Approach Market Value Indications</b>			
<b>No.</b>	<b>Proxy Plan</b>	<b>"As Complete"</b>	<b>Per SF</b>
1	1200	\$180,000	\$150.00
2	1600	\$215,000	\$134.38
3	2000	\$240,000	\$120.00

Utilizing the above concluded amounts per SF, the 44 proposed/under-construction/complete units will be valued Hypothetically "As Complete" as noted below:

**\$150.00 PSF will be utilized for units with a size of 1,047 SF to 1,474 SF**

**\$134.38 PSF will be utilized for units with a size of 1,600 SF to 1,707 SF**

**\$120.00 PSF will be utilized for units with a size of 1,891 SF to 1,954 SF**

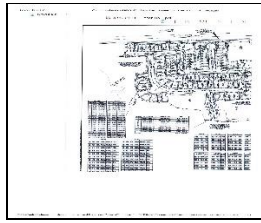
Subject SFR Units Wharton Lakes, Section 1 Units										
	Address	Lot No.	Block	GLA SF	# of Stories	Bed/Bath Count	Garage Count	Builder Asking	Retail Value	Percentage Difference
1	112 Nicholas Road	1	1	1,047	1	3/2	2-car	\$185,000	\$157,000	-15.1%
2	114 Nicholas Road	2	1	1,707	2	4/2	2-car	N/A	\$229,000	N/A
3	116 Nicholas Road	3	1	1,474	2	3/2	2-car	\$200,010	\$221,000	10.5%
4	118 Nicholas Road	4	1	1,260	1	3/2	2-car	N/A	\$189,000	N/A
5	122 Nicholas Road	5	1	1,047	1	3/2	2-car	\$160,000	\$157,000	-1.9%
6	124 Nicholas Road	6	1	1,891	1	4/2.1	2-car	N/A	\$227,000	N/A
7	202 Nicholas Road	7	1	1,707	2	4/2	2-car	N/A	\$229,000	N/A
8	204 Nicholas Road	8	1	1,667	1	4/2	2-car	N/A	\$224,000	N/A
9	206 Nicholas Road	9	1	1,474	1	3/2	2-car	N/A	\$221,000	N/A
10	208 Nicholas Road	10	1	1,260	1	3/2	2-car	N/A	\$189,000	N/A
11	110 Nicholas Road	1	2	1,266	1	3/2	2-car	\$219,990	\$190,000	-13.6%
12	108 Nicholas Road	2	2	1,402	1	3/2	2-car	\$180,000	\$210,000	16.7%
13	106 Nicholas Road	3	2	1,411	2	3/2	2-car	N/A	\$212,000	N/A
14	104 Nicholas Road	4	2	1,600	1	4/2	2-car	\$225,000	\$215,000	-4.4%
15	111 Brandi Drive	5	2	1,954	1	4/2.1	2-car	\$260,990	\$234,000	-10.3%
16	113 Brandi Drive	6	2	1,266	1	3/2	2-car	N/A	\$190,000	N/A
17	115 Brandi Drive	7	2	1,402	1	3/2	2-car	\$200,000	\$210,000	5.0%
18	203 Brandi Drive	8	2	1,411	1	3/2	2-car	\$200,000	\$212,000	6.0%
19	205 Brandi Drive	9	2	1,600	1	4/2	2-car	N/A	\$215,000	N/A
20	207 Brandi Drive	10	2	1,266	1	3/2	2-car	\$170,000	\$190,000	11.8%
21	209 Brandi Drive	11	2	1,402	1	3/2	2-car	N/A	\$210,000	N/A
22	211 Brandi Drive	12	2	1,411	1	3/2	2-car	N/A	\$212,000	N/A
23	305 Brandi Drive	13	2	1,600	1	4/2	2-car	N/A	\$215,000	N/A
24	307 Brandi Drive	14	2	1,266	1	3/2	2-car	N/A	\$190,000	N/A
25	309 Brandi Drive	15	2	1,402	1	3/2	2-car	N/A	\$210,000	N/A
26	101 Nicholas Road	1	3	1,047	1	3/2	2-car	N/A	\$157,000	N/A
27	103 Nicholas Road	2	3	1,474	2	3/2	2-car	\$206,800	\$221,000	6.9%
28	105 Nicholas Road	3	3	1,667	1	4/2	2-car	\$230,000	\$224,000	-2.6%
29	107 Nicholas Road	4	3	1,260	1	2	2-car	\$200,000	\$189,000	-5.5%
30	109 Nicholas Road	5	3	1,891	1	4/2.1	2-car	\$240,000	\$227,000	-5.4%
31	205 Nicholas Road	6	3	1,707	2	4/2	2-car	N/A	\$229,000	N/A
32	209 Nicholas Road	7	3	1,667	1	4/2	2-car	N/A	\$224,000	N/A
33	211 Nicholas Road	8	3	1,474	1	3/2	2-car	N/A	\$221,000	N/A
34	213 Nicholas Road	9	3	1,260	1	3/2	2-car	N/A	\$189,000	N/A
35	309 Nicholas Road	10	3	1,047	2	3/2	2-car	N/A	\$157,000	N/A
36	107 Stran Street	23	3	1,954	1	4/2.1	2-car	N/A	\$234,000	N/A
37	109 Stran Street	24	3	1,600	2	4/2	2-car	N/A	\$215,000	N/A
38	111 Stran Street	25	3	1,266	1	3/2	2-car	N/A	\$190,000	N/A
39	112 Stran Street	26	3	1,954	1	4/2	2-car	N/A	\$234,000	N/A
40	110 Stran Street	27	3	1,402	1	3/2	2-car	N/A	\$210,000	N/A
41	108 Stran Street	28	3	1,411	2	3/2	2-car	N/A	\$212,000	N/A
42	106 Stran Street	29	3	1,600	1	4/2	2-car	N/A	\$215,000	N/A
43	104 Stran Street	30	3	1,954	1	4/2	2-car	\$240,000	\$234,000	N/A
44	1216 Wharton Lakes Boulevard	13	5	1,891	2	4/2.1	2-car	N/A	\$227,000	N/A
									<b>\$9,167,000</b>	
									<b>\$208,341</b>	

### **SALES COMPARISON APPROACH – RETAIL LOT VALUATION**

The Sales Comparison Approach is “The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.” (The Dictionary of Real Estate Appraisal, Seventh Edition, Appraisal Institute, 2022, p. 170).

The rationale for this approach, based on the principle of substitution, is that a probable purchaser would not be justified in paying more for an individual retail lot than the cost of acquiring a substitute property of similar utility and characteristics, as that of the typical subject lot.

Again, knowledgeable individuals active in the area, which include real estate brokers, appraisers, developers, and builders, were consulted for information that would aid in the investigation. All of the data presented was confirmed for accuracy. On the following pages are details concerning the comparable takedown lot sales that have been used for the establishment of the subject's typical or base Builder Lot Value conclusion.

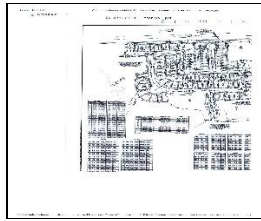
**LOT SALE NUMBER ONE**

Subdivision: Pecan Ranch, Section 1  
 Key Map: 761-R  
 Location: Located west of S.H. 288 at C.R. 48, east of F.M. 521, in the City of Bonney, Brazoria County, Texas 77563.  
 New Home Price Range: \$300,000 - \$400,000  
 Developer/Seller: Pecan Ranch Development, LLC  
 Builder: Weekley Homes

<u>No.</u> <u>Lots</u>	<u>Avg</u> <u>FF</u>	<u>Base Lot</u> <u>Price</u>	<u>Per FF</u>	<u>Sale</u> <u>Date</u>
9	40'	\$56,000	\$1,400	Pending

Financing: Cash to seller  
 Utilities: All available  
 School District: Angleton I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: None  
 Subdivision Amenities: Park and multiple lakes, walking trails, pool, pavilion and playground.  
 Confirmation: Developer/LOI  
 Recording Information: Pending

Comments: This is the LOI of 9 lots the builder is committed to in Section 1. The lots have a base price of \$56,000 (\$1,400 per front foot), plus a \$1,960 Community Fee and \$2,000 per lot marketing fee. A \$4,500 lot premium will apply to lots with a lake view and \$2,500 per lot for oversized cul-de-sac views. DSLD Homes and Tricoast Homes will also be active in Section 1, with similar terms.

**BUILDER LOT SALE NUMBER TWO**

Subdivision: Pecan Ranch, Section 1  
 Key Map: 761-R  
 Location: Located west of S.H. 288 at C.R. 48, east of F.M. 521, in the City of Bonney, Brazoria County, Texas 77563.  
 New Home Price Range: \$300,000 - \$400,000  
 Developer/Seller: Pecan Ranch Development, LLC  
 Builder: DSLD Homes

<u>No. Lots</u>	<u>Avg FF</u>	<u>Base Lot Price</u>	<u>Per FF</u>	<u>Sale Date</u>
11	50'	\$70,000	\$1,400	Pending

Financing: Cash to seller  
 Utilities: All available  
 School District: Angleton I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: None  
 Subdivision Amenities: Park and multiple lakes, walking trails, pool, pavilion and playground.  
 Confirmation: Developer/LOI  
 Recording Information: Pending

Comments: This is the LOI of 11 lots the builder is committed to in Section 1. The lots have a base price of \$56,000 (\$1,400 per front foot), plus a \$1,960 Community Fee and \$2,000 per lot marketing fee. A \$4,500 lot premium will apply to lots with a lake view and \$2,500 per lot for oversized cul-de-sac views. Weekley Homes and Tricoast Homes will also be active in Section 1, with similar terms.



**LOT SALE NUMBER THREE**

Subdivision: Wharton Lakes, Section 1  
 Key Map: 748-M  
 Location: Located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488.

**Lot Sales Data:**

<b><u>No. Lots</u></b>	<b><u>Avg FF</u></b>	<b><u>Base Lot Price</u></b>	<b><u>Esc. Lot Price</u></b>	<b><u>Per FF</u></b>	<b><u>Sale Date</u></b>
10	40'	\$48,000	N/A	\$1,200	5/31/2024
10	45'	\$54,000	N/A	\$1,200	5/31/2024

New Home Price Range: \$218,990 - \$262,990

Developer/Seller: Wharton Lakes 55, LLC

Builder: Lennar Homes

Financing: Cash to seller

Utilities: All available

School District: Wharton I.S.D.

Zoning: None

Restrictions: Typical Deed Restrictions

Floodplain: X500, (LOMR)

Subdivision Amenities: Playground

Confirmation: Developer/Contract/ HUD Settlement Statement

Comments: This is the initial takedown of lots the builder is committed to in Section 1. Additional terms include an 8% annual escalation rate and a \$500 per lot marketing fee. Lennar is the exclusive builder in the community.

**LOT SALE NUMBER FOUR**

Subdivision: Wharton Lakes, Section 2  
 Key Map: 748-M  
 Location: Located along the east line of S. Alabama Road at Wharton Lakes Boulevard, in Wharton, Wharton County, Texas 77488.

**Lot Sales Data:**

<b><u>No. Lots</u></b>	<b><u>Avg FF</u></b>	<b><u>Base Lot Price</u></b>	<b><u>Esc. Lot Price</u></b>	<b><u>Per FF</u></b>	<b><u>Sale Date</u></b>
10	40'	\$51,840	N/A	\$1,296	Pending
10	45'	\$58,320	N/A	\$1,296	Pending

New Home Price Range: \$218,990 - \$262,990

Developer/Seller: Wharton Lakes 55, LLC

Builder: Lennar Homes

Financing: Cash to seller

Utilities: All available

School District: Wharton I.S.D.

Zoning: None

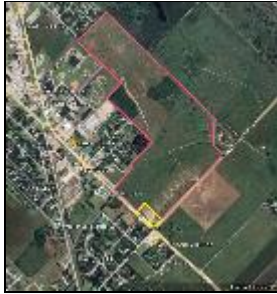
Restrictions: Typical Deed Restrictions

Floodplain: X500, LOMR

Subdivision Amenities: Playground

Confirmation: Developer/Contract/ HUD Settlement Statement

Comments: This is the pending initial takedown of lots the builder is committed to in Section 1. Additional terms include a 6% annual escalation rate and a \$500 per lot marketing fee. Lennar is the exclusive builder in the community.

**LOT SALE NUMBER FIVE**

Subdivision: Harvest Pointe, Section 1  
 Key Map: 684 X  
 Location: Wraps the north corner S.H. 36 at Needville-Fairchilds Road, abutting the city limits of Needville, Fort Bend County, Texas 77461.

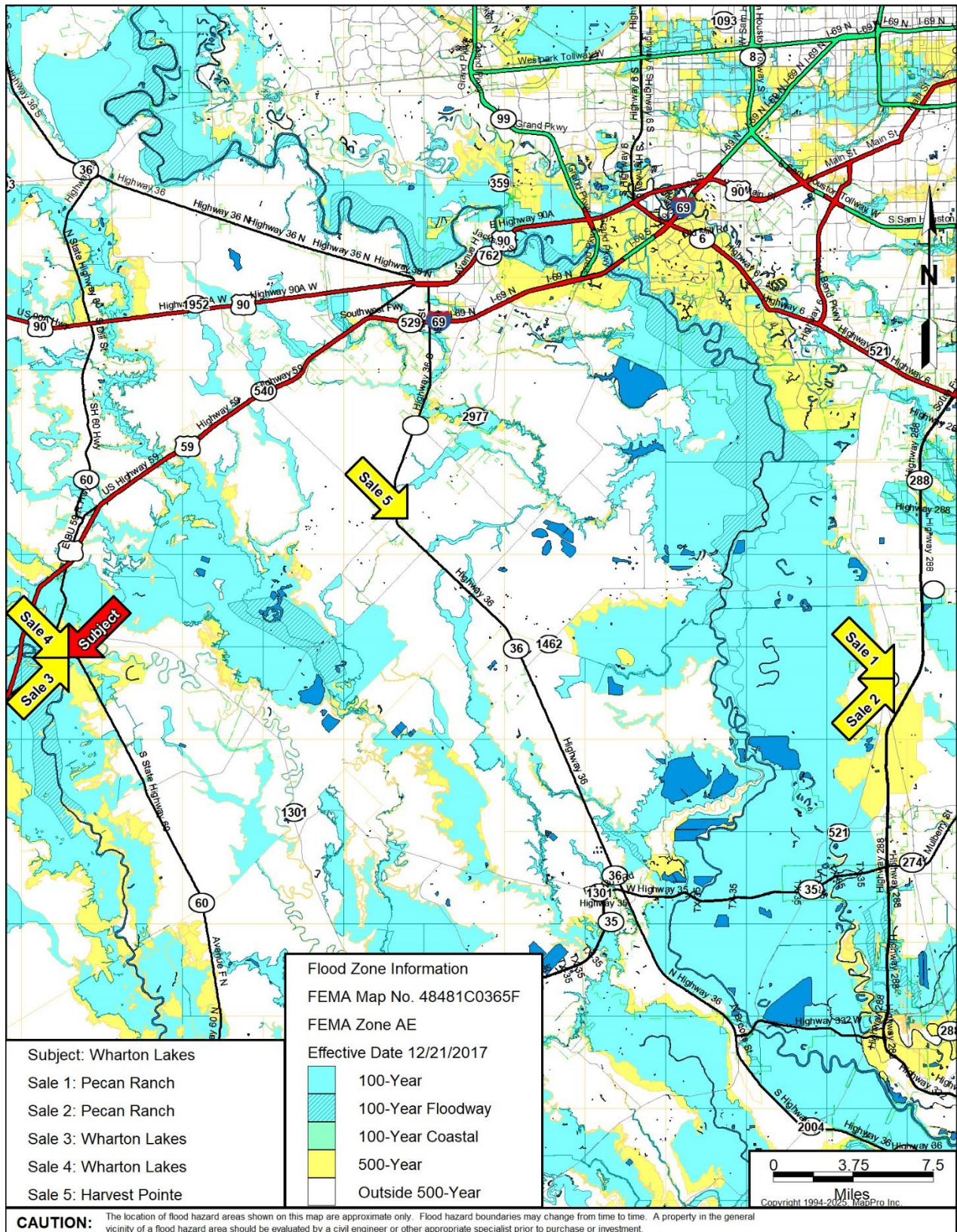
Lot Sale Data:	<b># of</b>	<b>Lot</b>	<b>Base</b>	<b>Escalated</b>		<b>Projected</b>
Takedown	<b><u>Lots</u></b>	<b><u>Size</u></b>	<b><u>Lot Price</u></b>	<b><u>Lot Price</u></b>	<b><u>\$ PFF</u></b>	<b><u>Sale Date</u></b>
	6	50'	\$72,500	\$72,500	\$1,450	Oct 1, 2024
	4	60'	\$87,000	\$87,000	\$1,450	Oct 1, 2024
	1	70'	\$101,500	\$101,500	\$1,450	Oct 1, 2024
	<u>11</u>					

New Home Price Range: \$325,000 to \$475,000  
 Developer/Seller: NFCR Investments, LLC  
 Builder: K. Hovnanian Homes, LLC  
 Escalation: None; bulk sale.  
 Financing: Cash to seller  
 Utilities: All available  
 School District: Needville I.S.D.  
 Zoning: None  
 Restrictions: Typical Deed Restrictions  
 Floodplain: No  
 Subdivision Amenities: Parks, playgrounds.  
 Confirmation: Letter of Intent (B&A File #C8508)  
 Recording Information: Pending

Comments: This will be the initial takedown of 50', 60' & 70' lots. The initial takedown includes 6 lots with 50' fronts.



# LOCATION MAP OF LOT SALES COMPARABLES







# Federal Emergency Management Agency

Washington, D.C. 20472

## LETTER OF MAP REVISION BASED ON FILL DETERMINATION DOCUMENT (REMOVAL)

COMMUNITY AND MAP PANEL INFORMATION		LEGAL PROPERTY DESCRIPTION
COMMUNITY	CITY OF WHARTON, WHARTON COUNTY, TEXAS	Lots 1 through 26, Block 1; Lots 1 through 20, Block 2; Lots 1 through 30, Block 3; Lots 1 through 10, Block 4; and Lots 1 through 13, Block 5, Wharton Lakes, Section 1, as shown on the Plat recorded as File No. 2024-00001570, in Book 1339, Pages 786 and 787, in the Office of the County Clerk, Wharton County, Texas
	COMMUNITY NO.: 480654	
AFFECTED MAP PANEL	NUMBER: 48481C0365F	
	DATE: 12/21/2017	
FLOODING SOURCE: COLORADO RIVER		APPROXIMATE LATITUDE & LONGITUDE OF PROPERTY: 29.304309, -96.088466 SOURCE OF LAT & LONG: LOMA LOGIC DATUM: NAD 83

### DETERMINATION

LOT	BLOCK/ SECTION	SUBDIVISION	STREET	OUTCOME WHAT IS REMOVED FROM THE SFHA	FLOOD ZONE	1% ANNUAL CHANCE FLOOD ELEVATION (NAVD 88)	LOWEST ADJACENT GRADE ELEVATION (NAVD 88)	LOWEST LOT ELEVATION (NAVD 88)
1-26	1/1	Wharton Lakes	--	Property	X (shaded)	--	--	100.9 feet

**Special Flood Hazard Area (SFHA)** - The SFHA is an area that would be inundated by the flood having a 1-percent chance of being equaled or exceeded in any given year (base flood).

**ADDITIONAL CONSIDERATIONS** (Please refer to the appropriate section on Attachment 1 for the additional considerations listed below.)

DETERMINATION TABLE (CONTINUED) STATE LOCAL CONSIDERATIONS  
FILL RECOMMENDATION  
ANNEXATION

This document provides the Federal Emergency Management Agency's determination regarding a request for a Letter of Map Revision based on Fill for the property described above. Using the information submitted and the effective National Flood Insurance Program (NFIP) map, we have determined that the property(ies) is/are not located in the SFHA, an area inundated by the flood having a 1-percent chance of being equaled or exceeded in any given year (base flood). This document revises the effective NFIP map to remove the subject property from the SFHA located on the effective NFIP map; therefore, the Federal mandatory flood insurance requirement does not apply. However, the lender has the option to continue the flood insurance requirement to protect its financial risk on the loan.

This determination is based on the flood data presently available. The enclosed documents provide additional information regarding this determination. If you have any questions about this document, please contact the FEMA Mapping and Insurance eXchange (FMIX) toll free at (877) 336-2627 (877-FEMA MAP) or by letter addressed to the Federal Emergency Management Agency, LOMC Clearinghouse, 3601 Eisenhower Avenue, Suite 500, Alexandria, VA 22304-6426.

Patrick "Rick" F. Sacbitt, P.E., Branch Chief  
Engineering Services Branch  
Federal Insurance and Mitigation Administration



**Federal Emergency Management Agency**  
Washington, D.C. 20472

**LETTER OF MAP REVISION BASED ON FILL  
DETERMINATION DOCUMENT (REMOVAL)**  
ATTACHMENT 1 (ADDITIONAL CONSIDERATIONS)

**DETERMINATION TABLE (CONTINUED)**

LOT	BLOCK/ SECTION	SUBDIVISION	STREET	OUTCOME WHAT IS REMOVED FROM THE SFHA	FLOOD ZONE	1% ANNUAL CHANCE FLOOD ELEVATION (NAVD 88)	LOWEST ADJACENT GRADE ELEVATION (NAVD 88)	LOWEST LOT ELEVATION (NAVD 88)
1-20	2/1	Wharton Lakes	--	Property	X (shaded)	--	--	100.8 feet
1-30	3/1	Wharton Lakes	--	Property	X (shaded)	--	--	100.8 feet
1-10	4/1	Wharton Lakes	--	Property	X (shaded)	--	--	100.9 feet
1-13	5/1	Wharton Lakes	--	Property	X (shaded)	--	--	100.9 feet


**FILL RECOMMENDATION (This Additional Consideration applies to the preceding 5 Properties.)**

The minimum NFIP criteria for removal of the subject area based on fill have been met for this request and the community in which the property is located has certified that the area and any subsequent structure(s) built on the filled area are reasonably safe from flooding. FEMA's Technical Bulletin 10-01 provides guidance for the construction of buildings on land elevated above the base flood elevation through the placement of fill. A copy of Technical Bulletin 10-01 can be obtained by calling the FEMA Mapping and Insurance eXchange toll free at (877) 336-2627 (877-FEMA MAP) or from our web site at <https://www.fema.gov/emergency-managers/risk-management/building-science/national-flood-insurance-technical-bulletins>. Although the minimum NFIP standards no longer apply to this area, some communities may have floodplain management regulations that are more restrictive and may continue to enforce some or all of their requirements in areas outside the Special Flood Hazard Area.

**ANNEXATION (This Additional Consideration applies to the preceding 5 Properties.)**

Although the subject of this determination is shown on the National Flood Insurance Program map as being located in a community other than the community indicated on the Determination/Comment Document, it has been annexed by the community referenced therein.

This attachment provides additional information regarding this request. If you have any questions about this attachment, please contact the FEMA Mapping and Insurance eXchange (FMIX) toll free at (877) 336-2627 (877-FEMA MAP) or by letter addressed to the Federal Emergency Management Agency, LOMC Clearinghouse, 3601 Eisenhower Avenue, Suite 500, Alexandria, VA 22304-6426.

  
 Patrick "Rick" F. Sacibit, P.E., Branch Chief  
 Engineering Services Branch  
 Federal Insurance and Mitigation Administration



**Federal Emergency Management Agency**  
Washington, D.C. 20472

**LETTER OF MAP REVISION BASED ON FILL  
DETERMINATION DOCUMENT (REMOVAL)**  
ATTACHMENT 1 (ADDITIONAL CONSIDERATIONS)

**STATE AND LOCAL CONSIDERATIONS (This Additional Consideration applies to all properties in the LOMR-F DETERMINATION DOCUMENT (REMOVAL))**

Please note that this document does not override or supersede any State or local procedural or substantive provisions which may apply to floodplain management requirements associated with amendments to State or local floodplain zoning ordinances, maps, or State or local procedures adopted under the National Flood Insurance Program.

This attachment provides additional information regarding this request. If you have any questions about this attachment, please contact the FEMA Mapping and Insurance eXchange (FMIX) toll free at (877) 336-2627 (877-FEMA MAP) or by letter addressed to the Federal Emergency Management Agency, LOMC Clearinghouse, 3601 Eisenhower Avenue, Suite 500, Alexandria, VA 22304-6426.

Patrick "Rick" F. Sacbibit, P.E., Branch Chief  
Engineering Services Branch  
Federal Insurance and Mitigation Administration





## Federal Emergency Management Agency

Washington, D.C. 20472

### ADDITIONAL INFORMATION REGARDING LETTERS OF MAP REVISION BASED ON FILL

When making determinations on requests for Letters of Map Revision based on the placement of fill (LOMR-Fs), the Department of Homeland Security's Federal Emergency Management Agency (FEMA) bases its determination on the flood hazard information available at the time of the determination. Requesters should be aware that flood conditions may change or new information may be generated that would supersede FEMA's determination. In such cases, the community will be informed by letter.

Requesters also should be aware that removal of a property (parcel of land or structure) from the Special Flood Hazard Area (SFHA) means FEMA has determined the property is not subject to inundation by the flood having a 1-percent chance of being equaled or exceeded in any given year (base flood). This does not mean the property is not subject to other flood hazards. The property could be inundated by a flood with a magnitude greater than the base flood or by localized flooding not shown on the effective National Flood Insurance Program (NFIP) map.

The effect of a LOMR-F is it removes the Federal requirement for the lender to require flood insurance coverage for the property described. The LOMR-F *is not* a waiver of the condition that the property owner maintain flood insurance coverage for the property. *Only* the lender can waive the flood insurance purchase requirement because the lender imposed the requirement. *The property owner must request and receive a written waiver from the lender before canceling the policy.* The lender may determine, on its own as a business decision, that it wishes to continue the flood insurance requirement to protect its financial risk on the loan.

The LOMR-F provides FEMA's comment on the mandatory flood insurance requirements of the NFIP as they apply to a particular property. A LOMR-F is not a building permit, nor should it be construed as such. Any development, new construction, or substantial improvement of a property impacted by a LOMR-F must comply with all applicable State and local criteria and other Federal criteria.

Even though structures are not located in an SFHA, as mentioned above, they could be flooded by a flooding event with a greater magnitude than the base flood. In fact, more than 25 percent of all claims paid by the NFIP are for policies for structures located outside the SFHA in Zones B, C, X (shaded), or X (unshaded). More than one-fourth of all policies purchased under the NFIP protect structures located in these zones. The risk to structures located outside SFHAs is just not as great as the risk to structures located in SFHAs. Finally, approximately 90 percent of all federally declared disasters are caused by flooding, and homeowners insurance does not provide financial protection from this flooding. Therefore, FEMA encourages the widest possible coverage under the NFIP.

The revisions made effective by a LOMR-F are made pursuant to Section 206 of the Flood Disaster Protection Act of 1973 (P.L. 93-234) and are in accordance with the National Flood Insurance Act of 1968, as amended (Title XIII of the Housing and Urban Development Act of 1968, P.L. 90-448) 42 U.S.C. 4001-4128, and 44 CFR Part 65.

LOMRFENC-1 (LOMR-F Removal)



In accordance with regulations adopted by the community when it made application to join the NFIP, letters issued to revise an NFIP map must be attached to the community's official record copy of the map. That map is available for public inspection at the community's official map repository. Therefore, FEMA sends copies of all such letters to the affected community's official map repository.

To ensure continued eligibility to participate in the NFIP, the community must enforce its floodplain management regulations using, at a minimum, the flood elevations and zone designations shown on the NFIP map, including the revisions made effective by LOMR-Fs. LOMR-Fs are based on minimum criteria established by the NFIP. State, county, and community officials, based on knowledge of local conditions and in the interest of safety, may set higher standards for construction in the SFHA. If the State, county, or community has adopted more restrictive and comprehensive floodplain management criteria, these criteria take precedence over the minimum Federal criteria.

FEMA does not print and distribute LOMR-Fs to primary map users, such as local insurance agents and mortgage lenders; therefore, the community serves as the repository for LOMR-Fs. FEMA encourages communities to disseminate LOMR-Fs so that interested persons, such as property owners, insurance agents, and mortgage lenders, may benefit from the information. FEMA also encourages communities to prepare articles for publication in the local newspaper that describe the changes made and the assistance community officials will provide in serving as a clearinghouse for LOMR-Fs and interpreting NFIP maps.

When a restudy is undertaken, or when a sufficient number of revisions occur on particular map panels, FEMA initiates the printing and distribution process for the panels and incorporates the changes made effective by LOMR-Fs. FEMA notifies community officials in writing when affected map panels are being physically revised and distributed. If the results of particular LOMR-Fs cannot be reflected on the new map panels because of scale limitations, FEMA notifies the community in writing and revalidates the LOMR-Fs in that letter. LOMR-Fs revalidated in this way usually will become effective 1 day after the effective date of the revised map.

### **BUILDER LOT SALES ANALYSES**

The Builder Takedown Lot Sales illustrated on the preceding pages are considered to be representative of the best available data for comparison to the subject lots, and are summarized on the following chart:

<b>Builder Lot Sales Summary</b>							
<b>Lot Sale</b>	<b>Sale Date</b>	<b>Subdivision</b>	<b>Sale Type</b>	<b>Description</b>	<b>Lot Size</b>	<b>Price PFF</b>	<b>Lot Price</b>
1	Pending	Pecan Ranch, Sec. 1	Retail	9 Lots	40'	\$1,400	\$56,000
2	Pending	Pecan Ranch, Sec. 1	Retail	6 Lots	50'	\$1,400	\$70,000
3	5/31/2024	Wharton Lakes, Sec. 1	Bulk	20 Lots	40' & 45'	\$1,200	\$48,000 & \$54,000
4	Pending	Wharton Lakes, Sec. 2	Bulk	20 Lots	40' & 45'	\$1,296	\$51,840 & \$58,320
5	Pending	Harvest Pointe, Sec. 1	Retail	6 Lots	50'	\$1,450	\$72,500

### **CUMULATIVE ADJUSTMENTS**

**Market Conditions:** A time adjustment is required if changes occur in market conditions between the time of sale of a comparable property, and the effective date of the appraisal of the subject property. Under such circumstances, the price of the comparable property would be different at the date of appraisal, and an adjustment is warranted to the cash equivalent sales price for the sale to be used as a comparable. Lot prices have been increasing in the subject market area at 5% to 8% per annum. Accordingly, where applicable, lot sales have been adjusted at a rate of **6%** per annum.

**Financing/Cash Equivalent Considerations:** Prior to adjusting for various categories applicable in the adjustment grid, each sale was reviewed with respect to financing terms and supplemental acquisition costs. When favorable financing occurred, the sale was adjusted to reflect the cash equivalent price in terms of U.S. dollars that the seller actually received. Generally cash equivalency is arrived at by applying present value factors to the stream of income generated by the seller offering favorable financing. All monies are brought back to the present value if the seller were to sell for cash or cash equivalency. No considerations for financing were required in this analysis.

**Conditions of Sale:** This category, as well as the previous two categories, is related to motivation of the parties in the transaction to agree on the sales price at the date of sale. The conditions and reasons for a sale are factors, which can have a direct impact on the

sales price. Buyers and sellers motivation for acquisition or disposition of a property can cause large differences in the actual sales price versus market value. Extraction of an appropriate adjustment for special sales conditions is generally difficult to ascertain. Pairing of sales is typically the best method in establishing an adjustment. However, when sales are scarce and/or significant differences in the properties are evident, additional considerations must be reviewed. Such considerations typically relate to additional information provided by the buyer and/or seller, which may be difficult to measure, but must be considered, analyzed, and reasonably adjusted. Due to holding costs, bulk lot takedowns which are significantly larger or smaller in lot totals will typically reflect discounted or higher lot sale prices, respectively. No adjustment is warranted for this factor for Lot Sales 1, 2 and 5, as these lot sales are considered typical retail takedown transactions. Lot Sales 3 and 4 have been adjusted upward 5% for higher bulk lot quantity compared to a typical takedown.

#### **ADDITIVE ADJUSTMENTS**

**Location:** All Lot Sales have a generally similar location and have not been adjusted for this element of comparison.

**Lot Size:** No adjustment was warranted for this factor as all lot sales have similar lot frontages of 40' to 50' and were analyzed on a per front foot basis methodology.

**Amenities:** Lot Sales 1 thru 5 have generally similar in amenities compared to the subject single-family lots and have not been adjusted for this element of comparison.

#### **LOT SALES ADJUSTMENT GRID**

The following Lot Sales Adjustment Grid illustrates the adjustments that were extracted and applied in the analysis of the comparable builder lot sales to the typical subject interior lot.

Lot Sales Adjustment Grid						
Market Data	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Sale Price/FF	-	\$1,400	\$1,400	\$1,200	\$1,296	\$1,450
Sales Date	1/14/2025	Pending	Pending	5/31/2024	Pending	Pending
Adjustment	-	0.0%	0.0%	3.8%	0.0%	0.0%
Adjusted Sales Price/FF	-	\$1,400	\$1,400	\$1,246	\$1,296	\$1,450
Financing	-	CTS	CTS	CTS	CTS	CTS
Adjustment	-	0%	0%	0%	0%	0%
Adjusted Sales Price/FF	-	\$1,400	\$1,400	\$1,246	\$1,296	\$1,450
Conditions of Sale	Typical	9 Lots	6 Lots	20 Lots	20 Lots	6 Lots
Adjustment	Takewon	0%	0%	5%	5%	0%
<b>Adjusted Sale Price/FF</b>	<b>-</b>	<b>\$1,400</b>	<b>\$1,400</b>	<b>\$1,308</b>	<b>\$1,361</b>	<b>\$1,450</b>
Builder	Lennar Homes	Weekley Homes	DSL D Homes	Lennar Homes	Lennar Homes	K. Hovnanian
Location	Wharton Lakes	Pecan Ranch, Sec. 1	Pecan Ranch, Sec. 1	Wharton Lakes, Sec. 1	Wharton Lakes, Sec. 2	Harvest Pointe, Sec. 1
Adjustment	-	0%	0%	0%	0%	0%
Lot Size	40' & 45'	40'	50'	40' & 45'	40' & 45'	50'
Adjustment	-	0%	0%	0%	0%	0%
Amenities	Typical	Similar	Similar	Similar	Similar	Similar
Adjustment	-	0%	0%	0%	0%	0%
<b>Net Adjustment</b>	<b>-</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Adjusted Sale Price/FF</b>	<b>-</b>	<b>\$1,400</b>	<b>\$1,400</b>	<b>\$1,308</b>	<b>\$1,361</b>	<b>\$1,450</b>
Indicated Mean:	\$1,384					
Indicated Median:	\$1,400					
Concluded Value/FF:	\$1,400					

### Conclusion of Base Retail Lot Value

The lot sales used in this analysis are of typical base lot sales to which lot adjustments, due to premiums (if applicable) and applicable fees, will be applied to conclude an adjusted value PFF. Accordingly, the appraisers derived the following statistical parameters and the Base Retail Lot Value PFF.

Statistical Benchmarks	
Lowest	\$1,308
Mean	\$1,384
Median	\$1,400
Highest	\$1,450
<b>Concluded Value/FF:</b>	<b>\$1,400</b>

The builder lot sales used in this analysis exhibit an adjusted price per front foot of \$1,308 to \$1,400 PFF, with a mean of \$1,384 PFF and a median of \$1,400 PFF. Based on the preceding analysis, with credence given to each of the lot sales, the Highest and Best

Use of the comparable sales, and the supply and demand of lots in the subject's market area, the appraisers' have concluded a Base Retail Market Value of **\$1,400 PFF, or \$56,000 per 40' lot and \$63,000 per 45' as of January 14, 2025 (Section 1)**, for the proposed lots in Section 2, an adjustment for time is based on a 6% annual rate of escalation; therefore, the Section 2 proposed lots are concluded to have individual Builder Retail Lot Value of **\$1,435 PFF, or \$57,400 per 40' lot and \$64,575 per 45' lot, as of June 30, 2025 (Section 2)**.

#### **LOT PREMIUMS AND FEES:**

As previously noted, there is a \$500 per lot marketing fee applicable to the subject lots. See below.

<b>Lot Fees - Wharton Lakes, Section 1</b>				
<b>No. Lots</b>		<b>Per Lot</b>	<b>Type of Fee</b>	<b>Total</b>
48	x	\$500	Marketing Fee	\$24,000
51		\$500		\$25,500
<b>99</b>	<b>x</b>	<b>\$500</b>		<b>\$49,500</b>

<b>Lot Fees - Wharton Lakes, Section 2</b>				
<b>No. Lots</b>		<b>Per Lot</b>	<b>Type of Fee</b>	<b>Total</b>
85	x	\$500	Marketing Fee	\$42,500
39		\$500		\$19,500
<b>124</b>	<b>x</b>	<b>\$500</b>		<b>\$62,000</b>

Thus, the Sum of the Retail Lot Values – “As Is” and Upon Completion” can be summarized as follows:

<b>Sum of the Retail Values - "As Is"</b>								
<b>Wharton Lakes, Section 1</b>								
<b>No. Lots</b>	<b>Average Lot FF</b>	<b>Concluded PFF</b>	<b>Concluded Per Lot</b>	<b>Base Lot Price</b>	<b>Base Lot Revenue</b>	<b>Lot Fees Revenue</b>	<b>Sum of the Retail Lot Revenues</b>	
							<b>\$ Total</b>	<b>\$ / Lot</b>
48	40'	\$1,400	\$56,000	\$2,688,000	\$2,688,000	\$24,000	<b>\$2,712,000</b>	<b>\$56,500</b>
51	45'	\$1,400	\$63,000	\$3,213,000	\$3,213,000	\$25,500	<b>\$3,238,500</b>	<b>\$63,500</b>
99					<b>Total:</b>		<b>\$5,950,500</b>	<b>\$60,106</b>

<b>Sum of the Retail Values - "Upon Completion"</b>								
<b>Wharton Lakes, Section 2</b>								
<b>No. Lots</b>	<b>Average Lot FF</b>	<b>Concluded PFF</b>	<b>Concluded Per Lot</b>	<b>Base Lot Price</b>	<b>Base Lot Revenue</b>	<b>Lot Fees Revenue</b>	<b>Sum of the Retail Lot Revenues</b>	
							<b>\$ Total</b>	<b>\$ / Lot</b>
85	40'	\$1,435	\$57,400	\$4,879,000	\$4,879,000	\$42,500	<b>\$4,921,500</b>	<b>\$57,900</b>
39	45'	\$1,435	\$64,575	\$2,518,425	\$2,518,425	\$19,500	<b>\$2,537,925</b>	<b>\$65,075</b>
124					<b>Total:</b>		<b>\$7,459,425</b>	<b>\$60,157</b>

### **ABSORPTION ANALYSIS**

To determine the rates at which the subject single-family lots will be absorbed into the market, we have analyzed the recent absorption of lots in the following competing subdivisions in the vicinity of the subject.

<b>Zonda Houston Metrostudy 3Q 2024</b>									
<b>Subdivision / Product (\$1,000)</b>		<b>4Q 2023</b>	<b>1Q 2024</b>	<b>2Q 2024</b>	<b>3Q 2024</b>	<b>Past 4 Qtrs Total Absorb</b>	<b>Avg Absorb Per Qtr</b>	<b>No. of Builders</b>	<b>Avg Absorb Per Bldr/Qtr</b>
Samara - Sec. 1 - 3 - <b>Lennar Homes</b> 50' Lots \$269 - \$416	Starts Closings	83 0	92 0	62 77	30 78	267 155	66.8 38.8	1	66.8 38.8
Becker Landing - <b>Lennar Homes</b> 40' Lots \$246 - \$311	Starts Closings	67 0	57 64	0 58	1 1	125 123	31.3 30.8	1	31.3 30.8
Millers/Pond/Pass - <b>Lennar Homes</b> 50' Lots \$241 - \$335	Starts Closings	16 47	27 24	7 27	13 18	63 116	15.8 29.0	1	15.8 29.0
Charleston Heights - <b>Lennar Homes</b> 45' Lots \$256 - \$308	Starts Closings	42 32	41 35	30 29	30 34	143 130	35.8 32.5	1	35.8 32.5
Sorrento - <b>D.R. Horton</b> 45' Lots \$299 - \$384	Starts Closings	29 12	36 28	104 37	21 75	190 152	47.5 38.0	1	47.5 38.0
		<b>Average Absorption Per Quarter Over Past 4 Quarters</b>		<b>Starts</b>		<b>Minimum:</b>	<b>15.8</b>		<b>15.8</b>
						<b>Average:</b>	<b>39.4</b>		<b>39.4</b>
						<b>Maximum:</b>	<b>66.8</b>		<b>66.8</b>
				<b>Closings</b>		<b>Minimum:</b>	<b>29.0</b>		<b>29.0</b>
						<b>Average:</b>	<b>33.8</b>		<b>33.8</b>
						<b>Maximum:</b>	<b>38.8</b>		<b>38.8</b>

These absorption comparables indicate quarterly absorption of 15.8 to 66.8 lots, with an average of 39.4 starts per quarter per builder and 29.0 to 38.8 lots, with an average of 33.8 closings per quarter per builder. The comparable projects include a variety of builders and offer lot sizes which are generally similar to those of the subject lots, and new home pricing ranging from \$241,000 up to \$416,000+. Additionally, the Emberly subdivision in Beasley is outside the current boundaries of Metrostudy; however, per the County Clerk, Lennar has closed approximately 137 units, or 34.25 units per quarter in the last 12 months in the Emberly subdivision.

### **LOT ABSORPTION PROJECTION**

All of the absorption comparables noted above are good indicators of absorption given their location and price point compared to the subject property. Given the high level of

interest rates, but considering the builder rate buydowns, and the potential impact on home sales, an absorption rate of **35 lots per quarter** is supported.

### INCOME APPROACH – “AS IS” AND “UPON COMPLETION” MARKET VALUE

The Bulk Market Value for the subject lots, or sold collectively to a single purchaser, is determined by discounting the net sales proceeds of the aggregate gross builder retail lot revenue arrived at previously. The discounting is necessary to reflect the absorption period, required yield, and related expenses incurred during the sell-out term. The following is a discussion of each of these categories and the assumptions applicable thereto:

### YIELD RATE / IRR ANALYSIS

We referenced the developer’s survey conducted by RealtyRates.com for the 3rd Quarter 2024 (2nd quarter 2024 data).

RealtyRates.com DEVELOPER SURVEY - 3rd Quarter 2024*						
Texas - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
<b>Site-Built Residential</b>	15.70%	34.04%	23.08%	15.07%	32.67%	22.15%
-100 Units	15.70%	29.34%	22.07%	15.07%	28.17%	21.19%
100-500 Units	16.09%	32.27%	23.22%	15.45%	30.98%	22.29%
500+ Units	16.48%	33.74%	23.61%	15.83%	32.39%	22.66%
Mixed Use	16.88%	34.04%	23.42%	16.20%	32.67%	22.48%
<b>Manufactured Housing</b>	16.18%	37.13%	24.73%	15.54%	35.64%	23.74%
-100 Units	16.18%	32.29%	23.75%	15.54%	31.00%	22.80%
100-500 Units	16.59%	35.52%	25.01%	15.92%	34.09%	24.01%
500+ Units	16.99%	37.13%	25.44%	16.31%	35.64%	24.42%
<b>Business Parks</b>	16.14%	34.56%	23.55%	15.50%	33.17%	22.61%
-100 Acres	16.14%	30.05%	22.63%	15.50%	28.85%	21.73%
100-500 Acres	16.55%	33.05%	23.81%	15.89%	31.73%	22.86%
500+ Acres	16.95%	34.56%	24.21%	16.27%	33.17%	23.24%
<b>Industrial Parks</b>	16.23%	30.01%	21.54%	15.58%	28.81%	20.68%
-100 Acres	16.23%	26.10%	20.74%	15.58%	25.05%	19.91%
100-500 Acres	16.64%	28.71%	21.76%	15.97%	27.56%	20.89%
500+ Acres	17.04%	30.01%	22.12%	16.36%	28.81%	21.23%

\*2nd Quarter 2024 Data

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Within the RealtyRates.com survey, developers and builders reported modeling pro-forma internal rates of return ranging from 15.45% to 22.29%, with an average of 22.29%



for site-built residential 100-500 units. The developers and builders reported actual rates ranging from 16.09% to 32.27%, with an average of 23.22%. The above chart reflects surveyed rates for complete subdivision developments – from vacant land to lot development, to home construction, to home sellout. By contrast, the subject of this analysis represents proposed lots. Therefore, entitlement and land development risk have occurred. Home construction, marketing, and home sales risk remain to be incurred. Based on the availability of alternative investment yields and considering the relative risk of the subject residential development investment; it is the appraiser's opinion that an overall **IRR of 17.0%** is reasonable for the subject lots. inclusive of profit.

### **DISCOUNTED CASH FLOW ASSUMPTIONS**

**Sum of the Retail Values:** The Sum of the Builder Retail Values for the cash flows are predicated on a beginning lot value including any applicable lot fees and lot premiums, previously concluded as follows:

Sum of the Retail Values - "As Is"								
Wharton Lakes, Section 1								
No. Lots	Average Lot FF	Concluded PFF	Concluded Per Lot	Base Lot Price	Base Lot Revenue	Lot Fees Revenue	Sum of the Retail Lot Revenues	
							\$ Total	\$ / Lot
48	40'	\$1,400	\$56,000	\$2,688,000	\$2,688,000	\$24,000	<b>\$2,712,000</b>	<b>\$56,500</b>
51	45'	\$1,400	\$63,000	\$3,213,000	\$3,213,000	\$25,500	<b>\$3,238,500</b>	<b>\$63,500</b>
99						<b>Total:</b>	<b>\$5,950,500</b>	<b>\$60,106</b>

Sum of the Retail Values - "Upon Completion"								
Wharton Lakes, Section 2								
No. Lots	Average Lot FF	Concluded PFF	Concluded Per Lot	Base Lot Price	Base Lot Revenue	Lot Fees Revenue	Sum of the Retail Lot Revenues	
							\$ Total	\$ / Lot
85	40'	\$1,435	\$57,400	\$4,879,000	\$4,879,000	\$42,500	<b>\$4,921,500</b>	<b>\$57,900</b>
39	45'	\$1,435	\$64,575	\$2,518,425	\$2,518,425	\$19,500	<b>\$2,537,925</b>	<b>\$65,075</b>
124						<b>Total:</b>	<b>\$7,459,425</b>	<b>\$60,157</b>

**Absorption Period:** The absorption period projected for the subject sell-out is based on the vacant lot inventory and absorption projection, previously concluded at 35 lots per quarter.

**Sales Price Escalation:** Per current market trends and market participants active in the subject's market area and greater Houston MSA, the subject lot prices are projected to escalate at an annual rate equal to 6% per year, **or 1.5% per quarter**, beginning in the 1st period.

**Beginning Lot Inventory:** The Beginning Lot Inventory is the total number of lots in inventory on the first day of each quarterly period.

**Lot Sales Per Period:** The Lots Sales per Period is the total number of lots sold or absorbed during each quarterly period.

**Ending Lot Inventory:** The Ending Inventory is the total number of lots in inventory on the last day of each quarterly period.

**Average Lots Held Per Period:** The Average Lots Held per Period is the average of Beginning Lot Inventory and Ending Lot Inventory.

**Starting Inventory (Dollars):** The Starting Inventory is expressed in terms of dollars by multiplying the Average Lot Value by the Beginning Lot Inventory and is a carry-over of the Ending Inventory balance.

**Average Inventory Held (Dollars):** The Average Inventory Held in Dollars is the average of the Starting Inventory (dollars) and the Ending Inventory (dollars).

**Ending Inventory (Dollars):** The Ending Inventory is expressed in terms of dollars by subtracting the periodic Sales (dollars) from the Starting Lot Inventory (dollars).

**Lot Sales Income:** The Total Quarterly Sales are the revenue generated during the period, before sales expense deductions.

## **SALES EXPENSES**

**Marketing/Closing Costs:** The marketing expense is typically carried by the lot developer; however, in submarkets in which the lot supply is at shortage levels and in quality developments, the marketing expense can and is occasionally passed through to the builders. In the case of the subject, the marketing expense is based on **1.0%** of lot

sales, beginning in Period “0”. Please note that the marketing expense is combined with commissions and closing costs expenses below.

Typical lot takedown contracts call for the developer to pay commissions and part or all of the closing costs. Thus, real estate commissions and closing costs are typical carrying expenses. The commissions/closing costs expense is based on **4.0% of the periodic sales**. This item is considered to be sufficient to cover broker commissions at 3.0%, plus 1.0% closing costs. Brokerage fees for this type of transaction typically range from 2% to 4%, due to the repetitive nature of lot takedown contracts. Closing costs also vary, but typically total 0.5% to 1.5% of the sales price of the lots. Again, the marketing expense of 1.0% is combined with the commissions and closing costs category. Thus, **total marketing/closing costs equate to 5.0% of periodic sales**, beginning in Period 1.

**Taxes**: We utilized a property tax rate of **\$1.6616** per \$100 in the cash flow. Estimated property taxes are based upon the average lot inventory (retail value) held per period, multiplied by **75%**, multiplied by the projected current tax rate noted above, and divided by 4 to reflect quarterly taxes, beginning in the 1st period.

**Administrative Expense**: This category reflects incidental expenses including bank charges, accounting and legal fees, office expenses, etc., which are typically incurred by the developer throughout the holding period. These expenses are often relatively minor; thus, we have projected this expense at **0.5% of periodic sales**, beginning in Period 0.

**Homeowner's Association Fees**: The HOA expense is calculated based on the average inventory held (Lots) by the developer multiplied by the quarterly HOA fee to reflect quarterly HOA fees. HOA fees within Wharton Lakes are \$500 annually. While the builder is responsible for subsidizing the development HOA for inventory lots, the builder is typically only responsible for about 50% of the standard homeowner HOA fee. For the purposes of this analysis, we assume that the builder will be responsible for an HOA fee of \$250 per lot per year on inventory lots, or **\$62.50 per lot held per quarter**.

**“AS IS” AND “UPON COMPLETION” BULK MARKET VALUE DCF ANALYSIS**

The discounted cash flows are as follows:

Discounted Cash Flow Analysis - 99, 40' & 45' Lots				
Bulk Market Value "As Is"				
<b>Wharton Lakes, Section 1</b>		Date of Value		
TOTAL NO. OF LOTS:	99	<b>January 14, 2025</b>		
AVERAGE INDIVIDUAL LOT VALUE:	\$60,106			
GROSS RETAIL VALUE:	\$5,950,500			
ABSORPTION PERIOD:	2 QUARTERS			
ANNUAL YIELD/IRR:	17.0%			
EFFECTIVE TAX RATE/\$100:	\$1.6616	\$1.6616		\$1.6616
AVG. HOA DUES per LOT (\$250.00/Yr.)	\$62.50	\$62.50		\$62.50
<b>QUARTERLY PERIOD:</b>	<b>0</b>	<b>1</b>		<b>2</b>
STARTING LOT INVENTORY:	99.0	64.0		29.0
LOT SALES/PERIOD:	35.0	35.0		29.0
ENDING LOT INVENTORY:	64.0	29.0		0.0
AVG. LOTS HELD/PERIOD:	81.5	46.5		14.5
SALES APPRECIATION:	0.00%	1.50%		1.50%
STARTING INVENTORY (Dollars):	\$5,950,500	\$3,904,490		\$1,795,760
AVG. LOT VALUE:	\$60,106	\$61,008		\$61,923
AVG. INVENTORY HELD:	\$4,898,644	\$2,836,856		\$897,880
ENDING INVENTORY:	<u>\$3,846,788</u>	<u>\$1,769,222</u>		<u>\$0</u>
<b>QUARTERLY SALES:</b>	\$2,103,712	\$2,135,268		\$1,795,760
<b>LESS EXPENSES:</b>				
a) MARKETING/CLOSING (5.0%)	\$105,186	\$106,763		\$89,788
b) TAXES/AVG. INV. HELD (@ 75%)	\$0	\$8,838		\$2,797
c) ADMINISTRATIVE @ 0.5%:	\$10,519	\$10,676		\$8,979
d) HOA DUES per QUARTER:	\$0	\$2,906		\$906
<b>TOTAL EXPENSES:</b>	<u>\$115,704</u>	<u>\$129,184</u>		<u>\$102,470</u>
<b>NET SALES INCOME:</b>	\$1,988,008	\$2,006,084		\$1,693,290
QUARTERLY YIELD/IRR:				
FACTOR @ 17.0%	1.000000	0.959233		0.920127
<b>DISCOUNTED SALES:</b>	\$1,988,008	\$1,924,301		\$1,558,042
	\$5,470,351			
<b>ROUNDED TO:</b>	<u><b>\$5,470,000</b></u>	-8.1% Discount Margin		
<b>VALUE PER LOT:</b>	<u><b>\$55,253</b></u>			

Discounted Cash Flow Analysis - 124, 40' & 45' Lots Bulk Market Value "Upon Completion"					
Wharton Lakes, Section 2					
TOTAL NO. OF LOTS:	124	June 30, 2025		Date of Value	
AVERAGE INDIVIDUAL LOT VALUE:	\$60,157				
GROSS RETAIL VALUE:	\$7,459,425				
ABSORPTION PERIOD:	4 QUARTERS				
ANNUAL YIELD/IRR:	17.0%				
EFFECTIVE TAX RATE/\$100:	\$1.6616	\$1.6616	\$1.6616	\$1.6616	\$1.6616
AVG. HOA DUES per LOT (\$250.00/Yr.)	\$62.50	\$62.50	\$62.50	\$62.50	\$62.50
<b>QUARTERLY PERIOD:</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
STARTING LOT INVENTORY:	124.0	124.0	89.0	54.0	19.0
LOT SALES/PERIOD:	0.0	35.0	35.0	35.0	19.0
ENDING LOT INVENTORY:	124.0	89.0	54.0	19.0	0.0
AVG. LOTS HELD/PERIOD:	124.0	106.5	71.5	36.5	9.5
SALES APPRECIATION:	0.00%	1.50%	1.50%	1.50%	1.50%
STARTING INVENTORY (Dollars):	\$7,459,425	\$7,571,316	\$5,515,765	\$3,396,844	\$1,213,114
AVG. LOT VALUE:	\$60,157	\$61,059	\$61,975	\$62,905	\$63,848
AVG. INVENTORY HELD:	\$7,459,425	\$6,502,784	\$4,431,204	\$2,296,015	\$606,557
ENDING INVENTORY:	<u>\$7,459,425</u>	<u>\$5,434,251</u>	<u>\$3,346,644</u>	<u>\$1,195,186</u>	<u>\$0</u>
<b>QUARTERLY SALES:</b>	\$0	\$2,137,065	\$2,169,121	\$2,201,658	\$1,213,114
<b>LESS EXPENSES:</b>					
a) MARKETING/CLOSING (5.0%)	\$0	\$106,853	\$108,456	\$110,083	\$60,656
b) TAXES/AVG. INV. HELD (@ 75%)	\$0	\$20,259	\$13,805	\$7,153	\$1,890
c) ADMINISTRATIVE @ 0.5%:	\$0	\$10,685	\$10,846	\$11,008	\$6,066
d) HOA DUES per QUARTER:	\$0	\$6,656	\$4,469	\$2,281	\$594
<b>TOTAL EXPENSES:</b>	<u>\$0</u>	<u>\$144,454</u>	<u>\$137,576</u>	<u>\$130,526</u>	<u>\$69,205</u>
<b>NET SALES INCOME:</b>	\$0	\$1,992,611	\$2,031,545	\$2,071,132	\$1,143,909
QUARTERLY YIELD/IRR:					
FACTOR @ 17.0%	1.000000	0.959233	0.920127	0.882616	0.846634
<b>DISCOUNTED SALES:</b>	\$0	\$1,911,377	\$1,869,280	\$1,828,014	\$968,472
	\$6,577,144				
<b>ROUNDED TO:</b>	<u>\$6,580,000</u>	-11.8% Discount Margin			
<b>VALUE PER LOT:</b>	<u>\$53,065</u>				

### **RECONCILIATION AND FINAL MARKET VALUE CONCLUSIONS**

The Sales Comparison Approach was used to conclude the “As Is” and “Upon Completion” retail revenues of the subject residential lots. An Income Approach retail sell-out technique was then employed to derive the indicated “As Is” and “Upon Completion” Bulk Market Values of the subject 223 finished and proposed lots in Wharton Lakes, Sections 1 and 2. The cumulative builder retail revenue of the subject lots were discounted for their projected absorption periods. A discounted cash flow analysis was used to present value the projected income streams of the subject finished lots over their projected absorption period per section. The Income Approach procedure is generally considered to be the most valid method of estimating the bulk value of multiple builder retail lots to one individual buyer, especially if the parcels/lots involve a holding period or sell-out term and carrying costs. Additionally, the Sales Comparison Approach was utilized for the hypothetical “As Complete” value for the 44 SFR units.

**At the request of the client, the “As Is” Market Value of the proposed lots in Section 2 have not been valued herein. Additionally, for any units that are under-construction, the “As Is” Market Value has not been provided, only the hypothetical “As Complete” value of the units has been provided herein.**

To conclude, it is our opinion that the **“As Is” and “Upon Completion” Bulk Market Lot Values and the Hypothetically “As Complete” Retail SFR Unit Values** of the fee simple interest in the subject property, as of the indicated dates, are as follows:

Description	No. of Lots/Units	Avg. Lot FF	Market Value	Effective Date
"As Is" Bulk Market Value - Section 1 - Lots Only	99	40' & 45'	<b>\$5,470,000</b>	1/14/2025
"Upon Completion" Bulk Market Value - Section 2	124	40' & 45'	<b>\$6,580,000</b>	6/30/2025
"As Complete" Retail Value - 44 Units, Section 1*	44	40' & 45'	<b>\$8,580,000</b>	1/14/2025

\*Not Market Value

### **MARKETING & EXPOSURE PERIODS**

According to participants in the regional and local residential lot market and others who have experience handling and marketing of such properties in the subject area, marketing times for properties such as the subject have been reasonably in this active submarket. Based upon our market analysis, we have projected a prospective marketing period for the various value scenarios, “As Is” and “Upon Completion” to be within 3 to 6 months. The subject property should market well at the reasonable and competitive concluded

Bulk Market Values. As a result, we further estimate a historic exposure period of approximately 3 to 6 months for the subject lots, based upon the market data presented herein and the reported exposure times of the comparable sales.

**Extraordinary Assumptions:**

- 1.) This appraisal assumes that Lennar Homes, or comparable production builder/s, will build upon the existing and proposed subject lots, detached single-family units with a projected price from \$218,990 to \$262,990.
- 2.) If any of these assumptions and conditions prove to be false, it may have an effect on the Market Values contained herein.

**Hypothetical Conditions:**

- 1.) The subject 44 detached single-family units are in various stages of completion (under-construction/complete). However, per the client's request, this appraisal is based on the hypothetical condition that the subject floor plans are finished as of the current effective date of this appraisal, January 14, 2025.
- 2.) The valuation of the subject improvements "As Complete" require valuations of the various subject improvements as hypothetically complete, based upon the plans and specifications provided. Developing this opinion of value requires the use of a hypothetical condition, because the subject in the value opinion is as though hypothetically complete. Therefore, we have relied upon specifications for the subject floor plans provided by the subject developing party. Should these representations be amended, or prove to be inaccurate, the value conclusions are subject to revision.
- 3.) If any of these conditions prove to be false, it may have an effect on the Market Values contained herein.



## **ADDENDA**

## HOUSTON REGIONAL DATA

# THE ECONOMY AT A GLANCE HOUSTON



GREATER HOUSTON  
PARTNERSHIP  
Making Houston Greater

A publication of the Greater Houston Partnership

Volume 33 Number 1 – January 2025

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## 2025 ECONOMIC FORECAST

*Editor's Note: The following summarizes the Partnership's '25 employment forecast released December 12, 2024. The summary includes several economic indicators that have been updated since the forecast was first released. The updates did not change the outlook. The full forecast can be found at [www.houston.org/economy](http://www.houston.org/economy).*

The U.S. is doing well despite earlier reports to the contrary. In the 12 months ending November '24, the nation has created 2.3 million jobs. The unemployment rate has tracked 4.2 percent or lower in 11 of the past 12 months. And real gross domestic product (GDP) has grown 2.8 percent over the past 12 months. In fact, the U.S. has led all developing nations in recovering from the pandemic. U.S. GDP increased 10.7 percent since the end of '19, versus 5.9 percent for Canada's GDP, 3.9 percent for the Eurozone, 3.0 percent for Japan, and 0.2 percent for Germany.

Houston is no laggard, either. The region created 62,500 jobs in the 12 months ending November '24. Our unemployment rate has averaged 4.4 percent over the year. Initial claims for unemployment benefits have fallen to pre-pandemic levels. Construction has picked up. And people and businesses continue to flock to the region.

Both the U.S. and Houston are poised for growth in '25. Whether that growth stalls or accelerates depends on the path of inflation, the level of U.S. interest rates, consumer confidence, and actions taken by Congress in the spring.

### Inflation

The annual rate of inflation peaked at 9.0 percent in June '22 and has trended down since, slipping to 2.7 percent in November '24. Various surveys forecast inflation to track between 2.0 and 2.5 percent next year. The Partnership expects inflation at the low end of the range.

A lower inflation rate is important for several reasons. For one, it affects consumer sentiment. The effective federal funds rate may be a difficult concept for most Americans to grasp, but everyone knows how much they pay for gas, bread, and blue jeans today versus three years ago. And when inflation declines, consumers feel better about the economy and open their wallets.

### U.S. INFLATION RATE



Source: U.S. Bureau of Labor Statistics

### Interest Rates

To combat inflation, the Federal Reserve began hiking the federal funds rate in the spring of '22. In the fall of '24, seeing that inflation was nearing the Fed's 2.0 percent target, the bank began to lower the rate. Many business and consumer loans are pegged to the rate, so its decline should make buying a car, purchasing a home, or financing equipment more affordable, thus boosting economic growth.

### Consumer Confidence

The Conference Board's October '24 Consumer Confidence Index surged to its highest level since January '24. The same month, the University of Michigan's Survey of Consumer Sentiment hit its highest level since April '24. And in the Kinder Institute for Urban Research's spring '24 survey of Houston residents, 72 percent of respondents indicated they were excited about the future. All of this bodes well for consumer spending in the coming months.

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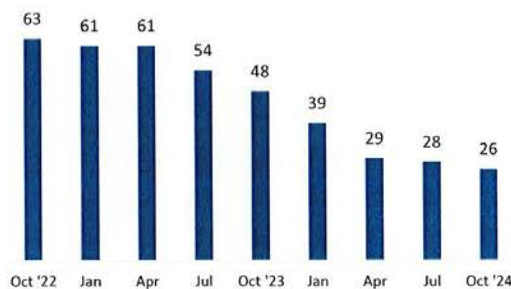
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### Actions by Washington

The biggest unknown is the impact that Congress and the White House will have on the economy in '25. A more aggressive trade policy could result in higher prices on imported goods and retaliatory actions by our trading partners. Tax cuts and spending increases would compel the U.S. Treasury to issue more debt potentially raising interest rates. Reducing the immigrant workforce significantly would cause a severe labor shortage. Another budget impasse would shut down the government, reduce spending, and slow economic growth. Those are possibilities, however, not probabilities.

Barring a “black swan” event, the U.S. is unlikely to slip into recession in '25. *The Wall Street Journal's* October survey of prominent business economists rated the probability of a recession over the next 12 months at 26 percent. That's down from a 63 percent probability in the October '22 survey. The consensus from the Blue Chip Survey, another poll of the nation's economists, is for U.S. GDP to grow 2.1 percent in '25. And when the National Association for Business Economics asked its members “When will the next recession begin?” only 10 percent responded that a recession might occur in '25; 63 percent responded in '26 or later. If the U.S. avoids a recession, so will Houston.

#### % PROBABILITY OF A RECESSION IN NEXT 12 MONTHS



Source: The Wall Street Journal

#### Where does Houston stand toward the end of '24?

- Through the first 11 months of the year, metro Houston has created 54,400 jobs, only 3,200 shy of the Partnership's forecast of 57,600 for the year.
- Over \$39.2 billion in construction contracts have been awarded through November of '24. That's up from \$30.0 billion over the comparable period the year before.
- Over 3.8 million TEUs (twenty-foot-equivalent units) passed through Port Houston in the first 11 months of '24, an 8.6 percent increase over '23.

- Through the first nine months of '24, the Partnership identified over 500 companies that have relocated, expanded, or started a business in Houston or announced plans to do so.
- Total wages and salaries paid to area workers were up \$30.3 billion (6.1 percent) in the first half of '24 compared to the same period in '23.
- Through births and in-migration, the region has added 265,000 residents over the past two years ('22 and '23) and should add an equal number over the next two.

All forecasts are based on assumptions. The Partnership's is based on the following:

- Real U.S. GDP growth averages 2.0 percent or better in '25.
- U.S. job growth averages 150,000 or better per month as well.
- The annual rate of inflation is near 2.0 percent by December '25.
- Net gains in real income spur additional consumer spending.
- The Fed continues to lower interest rates, boosting capital expenditures.
- Talk about across-the-board tariffs on imports is just that and the U.S. avoids a trade war.
- Any appreciation of the dollar against other major currencies has a negligible impact on trade.
- Any tax law changes or environmental and business regulations that emanate from Washington have a minimal impact on the industries that drive Houston's economy.
- Oil never falls below \$60 per barrel.
- People continue to move here from other cities, other states, and other countries.
- Demand for new single-family housing holds steady.
- Houstonians remain confident about the future and there's no pullback in local spending.
- And the region avoids another natural disaster like the May '24 derecho or Hurricane Beryl.

If only one or two assumptions prove wrong, the Partnership's forecast should still hold. But if three or more prove wrong, the forecast would need to be revised.

#### The Forecast

The Partnership's forecast calls for Metro Houston to create 76,100 jobs in '25. The sectors with the greatest gains (in order) will be health care, construction, professional and technical services, government, and restaurants and bars.



Only one sector, information, which includes broadcasting, publishing, and telecommunications, is forecast to shed jobs. Houston should finish '25 with over 3.5 million payroll jobs, a record for the region.

#### METRO HOUSTON EMPLOYMENT FORECAST DECEMBER '24 - DECEMBER '25

Sector	Jobs Gained/Lost
Health Care	12,800
Construction	10,200
Prof, Sci, Tech Services	6,900
Government	5,500
Restaurants	5,200
Retail	4,500
Transportation, Warehousing	4,500
Wholesale	4,300
Manufacturing	3,500
Oil and Gas	2,200
Finance & Insurance	2,100
Other Services	2,100
Admin Support, Waste Mgmt	1,900
Arts & Entertainment	1,800
Priv. Educational Services	1,700
Real Estate, Equip Rentals	1,600
Hotels	600
Information	-200
<b>Total Employment Gains</b>	<b>71,200</b>

Several factors will support Houston's job growth—the ongoing U.S. expansion, the continued decline in interest rates, increasing consumer confidence, a steady stream of domestic and foreign companies establishing operations here, a deep backlog of construction projects, and local income and population growth.

A detailed discussion about what will drive each sector can be found in the forecast which is posted at the Partnership's [website](#).

#### SOLID GDP GROWTH

Houston's gross domestic product (GDP), the broadest measure of economic activity, hit \$697.0 billion in '23, according to recent estimates by the U.S. Bureau for Economic Analysis. That ranks metro Houston as the seventh largest economy in the U.S., ahead of Boston and Atlanta but behind Washington, D.C. and Dallas-Fort. Worth.

#### GROSS DOMESTIC PRODUCT, TOP 20 METROS, '23

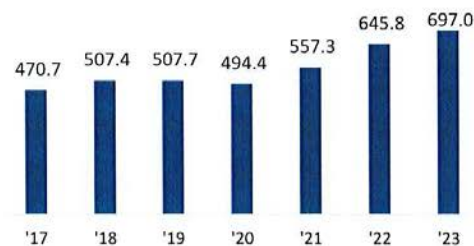
Rank	Metro	GDP*	Rank	Metro	GDP*
1	New York	2,298.9	11	Philadelphia	557.6
2	Los Angeles	1,295.4	12	Miami	533.7
3	Chicago	894.9	13	San Jose	422.8
4	San Francisco	778.9	14	Phoenix	398.1
5	Dallas-Ft Worth	744.7	15	Minneapolis	350.7
6	Washington, DC	714.7	16	Detroit	331.3
7	Houston	697.0	17	San Diego	314.9
8	Boston	610.5	18	Denver	311.9
9	Atlanta	570.7	19	Baltimore	259.7
10	Seattle	566.7	20	Riverside	256.9

\*Billion dollars

Source: U.S. Bureau for Economic Analysis

In nominal dollars, Houston's GDP has grown 48.1 percent since '17. Adjusted for inflation, the region's GDP has grown 17.0 percent over the period.

#### METRO HOUSTON GDP, \$ BILLIONS



Source: U.S. Bureau of Economic Analysis

Readers should note the data reflect BEA's *estimates* of regional GDP, not an actual measure of economic activity. As such, the data is subject to revision. BEA declined to publish data reflecting the contribution of Houston's key industries to GDP. For example, BEA did not disclose its estimates for the size of Houston's wholesale trade, information, professional services, and hospitality sectors.

Though the data has flaws, it does help put in perspective the enormous size of Houston's economy. If Houston were an independent nation, it would have had the 23<sup>rd</sup> largest economy in the world in '23, ahead of Belgium and Sweden and just behind Poland and Taiwan.

#### NATION/METRO GDP, '23

Rank	Country/Region	\$ Billions
21	Poland	915.5
22	Taiwan	814.4
23	<b>Metro Houston</b>	<b>697.0</b>
24	Belgium	689.4
25	Sweden	638.8

Source: International Monetary Fund and U.S. Bureau of Economic Analysis

## Key Economic Indicators



**Aviation** — The Houston Airport System (HAS) handled 57.5 million passengers through November '24, up 4.7 percent from 54.9 million over the comparable period in '23. Through the first 11 months, air cargo traffic totaled 502,615 metric tons, up 3.3 percent from 534,122 over the same period in '23.



**Energy** — The spot price for West Texas Intermediate, the U.S. benchmark for light sweet crude, averaged \$70.51 per barrel the last week of '24, down 4.2 percent from \$73.52 the same week in '23. Natural gas prices averaged \$2.93 per million British thermal units (MMBtu) the last week of December, up 14.8 percent from \$2.56 at the end of '23. The Baker Hughes count of rigs active in the U.S. finished the year at 589, down 32 rigs from the same week the year before.

A recent survey by the Federal Reserve Bank of Dallas found that most industry executives expect their firm's capital spending to rise in '25 compared with '24. Forty-three percent said they expect capital spending to increase slightly, 14 percent anticipate a significant increase, 19 percent expect spending to remain close to '24 levels, and 23 percent anticipate reductions in spending.



**Home Sales** — Brokers closed on 6,559 single-family homes in November '24, a 6.0 percent increase over November '23. That includes 4,281 existing and 2,278 newly constructed homes sold through the Houston Association of Realtors Multiple Listing Service (MLS). Existing single-family home sales are up 10.6 percent.



**Inflation** — Inflation, as measured by the Consumer Price Index for all Urban Consumers (rose 2.7 percent nationwide over the 12 months ending in November '24.

Housing, electricity, vehicle insurance, vehicle repairs, and restaurant meals saw price increases of three percent or more. Household furnishings, apparel, recreation, groceries, utility gas, and alcoholic beverages saw modest increases of two percent or less. Gasoline, airfare, and new and used vehicles saw price declines.



**Purchasing Managers Index** — Economic growth in Houston improved in November, according to the most recent Houston Purchasing Managers Index (PMI). The overall PMI rose from 49.2 in October to 53.2 in November. The non-manufacturing PMI improved from 49.5 to 54.0. Manufacturing, at 49.1, was just below the neutral point of 50 but has been improving since September.



**Sales and Use Tax** — Sales and use taxes raised by the 122 Houston-area cities that collect them totaled \$1.68 billion during the first ten months of '24, up 1.8 percent from the \$1.65 billion collected over the comparable period in '23. Adjusted for inflation, however, collections are down 0.8 percent.



**Unemployment** — Metro Houston's unemployment rate was 4.5 percent in November, unchanged from October. Texas' rate was 4.2 percent, an uptick from 4.1 percent the prior month. The U.S. rate was 4.0 percent, a nudge up from 3.9 in October. The rates are not seasonally adjusted.

Initial claims for unemployment benefits ticked up after Hurricane Beryl hit Houston this summer but have since returned to normal levels. Claims averaged 3,991 per week in November, nominally up from 3,779 in October.



**Vehicle Sales** — Houston-area dealers sold 357,467 new cars, trucks, and SUVs for the 12-month period ending in November '24. This represents a small increase over the 356,293 vehicles sold during the comparable 12-month period ending in November '23.

The average retail price for all new vehicles was \$51,396, up from \$50,934 in November '23. The average for a new car was \$41,183, up from \$39,453 in November '23. The average for a new truck/SUV was \$53,956 down from \$54,196 in November '23.

*Patrick Jankowski, Colin Baker, Margaret Barrientos, Clara Richardson, and Leta Wauson contributed to this issue of Houston: The Economy at a Glance.*

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HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)							
	November 24	October 24	November 23	Change from		% Change from	
				October 24	November 23	October 24	November 23
Total Nonfarm Payroll Jobs	3,474.0	3,461.9	3,413.8	12.1	60.2	0.3	1.8
Total Private	3,014.1	3,008.0	2,960.1	6.1	54.0	0.2	1.8
Goods Producing	562.3	561.0	539.4	1.3	22.9	0.2	4.2
Service Providing	2,911.7	2,900.9	2,874.4	10.8	37.3	0.4	1.3
Private Service Providing	2,451.8	2,447.0	2,420.7	4.8	31.1	0.2	1.3
Mining and Logging	72.9	72.3	71.6	0.6	1.3	0.8	1.8
Oil & Gas Extraction	32.5	32.3	31.8	0.2	0.7	0.6	2.2
Support Activities for Mining	38.7	38.4	38.5	0.3	0.2	0.8	0.5
Construction	250.2	249.3	232.4	0.9	17.8	0.4	7.7
Manufacturing	239.2	239.4	235.4	-0.2	3.8	-0.1	1.6
Durable Goods Manufacturing	149.3	149.7	146.6	-0.4	2.7	-0.3	1.8
Nondurable Goods Manufacturing	89.9	89.7	88.8	0.2	1.1	0.2	1.2
Wholesale Trade	185.1	183.8	178.5	1.3	6.6	0.7	3.7
Retail Trade	320.4	317.1	320.4	3.3	0.0	1.0	0.0
Transportation, Warehousing and Utilities	191.6	191.3	193.5	0.3	-1.9	0.2	-1.0
Utilities	23.4	23.4	22.7	0.0	0.7	0.0	3.1
Air Transportation	22.4	22.5	22.4	-0.1	0.0	-0.4	0.0
Truck Transportation	30.4	30.3	30.3	0.1	0.1	0.3	0.3
Pipeline Transportation	14.4	14.4	14.0	0.0	0.4	0.0	2.9
Information	32.5	32.3	33.0	0.2	-0.5	0.6	-1.5
Telecommunications	11.3	11.3	11.4	0.0	-0.1	0.0	-0.9
Finance & Insurance	123.9	123.0	119.9	0.9	4.0	0.7	3.3
Real Estate & Rental and Leasing	69.4	69.1	67.7	0.3	1.7	0.4	2.5
Professional & Business Services	563.0	563.8	564.3	-0.8	-1.3	-0.1	-0.2
Professional, Scientific & Technical Services	286.0	282.3	279.8	3.7	6.2	1.3	2.2
Legal Services	33.4	32.7	32.5	0.7	0.9	2.1	2.8
Accounting, Tax Preparation, Bookkeeping	29.5	28.9	29.3	0.6	0.2	2.1	0.7
Architectural, Engineering & Related Services	78.9	78.2	76.0	0.7	2.9	0.9	3.8
Computer Systems Design & Related Services	41.6	41.0	41.7	0.6	-0.1	1.5	-0.2
Admin & Support/Waste Mgt & Remediation	229.6	234.0	237.8	-4.4	-8.2	-1.9	-3.4
Administrative & Support Services	216.5	220.7	225.0	-4.2	-8.5	-1.9	-3.8
Employment Services	80.1	81.8	82.7	-1.7	-2.6	-2.1	-3.1
Private Educational Services	74.4	74.1	73.0	0.3	1.4	0.4	1.9
Health Care & Social Assistance	395.6	396.7	385.3	-1.1	10.3	-0.3	2.7
Arts, Entertainment & Recreation	40.8	40.5	39.2	0.3	1.6	0.7	4.1
Accommodation & Food Services	321.8	321.8	317.9	0.0	3.9	0.0	1.2
Other Services	133.3	133.5	128.0	-0.2	5.3	-0.1	4.1
Government	459.9	453.9	453.7	6.0	6.2	1.3	1.4
Federal Government	34.6	34.7	33.5	-0.1	1.1	-0.3	3.3
State Government	98.0	97.4	95.7	0.6	2.3	0.6	2.4
State Government Educational Services	53.4	52.7	52.8	0.7	0.6	1.3	1.1
Local Government	327.3	321.8	324.5	5.5	2.8	1.7	0.9
Local Government Educational Services	225.0	220.1	225.9	4.9	-0.9	2.2	-0.4

SOURCE: Texas Workforce Commission

## **QUALIFICATIONS OF THE APPRAISERS**



### QUALIFICATIONS OF PHILLIP F. BARLETTA, MAI, SRA

#### PROFESSIONAL AFFILIATIONS

Member Appraisal Institute, MAI Number: 7644

Texas State Certified General Real Estate Appraiser  
 Certificate Number: TX-1320197-G  
 Date of Expiration: 03/31/2025

Texas Real Estate Broker, License Number: 0235500

Mr. Barletta is a designated Realtor Member of the Houston Association of Realtors and the Texas Association of Realtors. He has served as a member on the Appraisal Institute's Houston Chapter Number 33 Admissions Committee and Candidate's Guidance Committee. He has also been elected to the Houston Chapter Number 33 Board of Directors for Years 2000, 2001 and 2002, and served on the Officer's Nominating Committee for 2003, 2004, 2011, 2014, 2017 and 2019. In 2020, he was again elected to the Houston Chapter Board of Directors in 2020 for 2021.

#### EDUCATIONAL BACKGROUND

Mr. Barletta graduated from Sam Houston State University in Huntsville, Texas on May 21, 1977. He received a Bachelor of Business Administration degree with primary emphasis on finance, management, and real estate related courses. In addition he has successfully passed the following Appraisal Institute Courses and attended the following Seminars:

- 1) Course 1-A: Basic Appraisal Principles, Methods and Techniques (1979)
- 2) Course 8: Single-Family Residential Appraisal (1979)
- 3) Course 1B-A: Capitalization Theory and Techniques, Part A (1984)
- 4) Course 1B-B: Capitalization Theory and Techniques, Part B (1985)
- 5) Course 2-1: Case Studies and Real Estate Valuation (1985)
- 6) Course 2-2: Valuation Analysis and Report Writing (1985)
- 7) Course 2-3: Standards of Professional Practice (1985)
- 8) Seminar: Subdivision Analysis, by A.I.R.E.A., Houston, TX (1986)
- 9) Seminar: R41-b and the Appraiser, by S.R.E.A., Dallas, TX (1987)
- 10) Course 1B-B: Audited Capitalization, Part B (1987)
- 11) Seminar: FNMA Underwriting Guidelines, by S.R.E.A., Houston, TX (1987)
- 12) Seminar: FNMA Appraisal Guidelines & Condo/PUD Acceptance (2 days), by S.R.E.A., Houston, TX (1988)
- 13) Seminar: FNMA Appraisal Guidelines, by S.R.E.A., Houston, TX (1989)
- 14) Seminar: Standards of Professional Practice Update by A.I.R.E.A., Houston, TX (1989)
- 15) Seminar: Comprehensive Appraisal Workshop by Ted Whitmer, MAI, Houston, TX (Jan. 15-18, 1990)
- 16) Seminar: Affordable Housing Disposition Program by RTC, Houston, TX (Sept. 21, 1990)
- 17) Seminar: Appraising Troubled Income Properties by A.I.R.E.A., Houston, TX (Oct. 25, 1990)
- 18) Seminar: Discounted Cash Flow Analysis by A.I.R.E.A., Houston, TX (Nov. 16, 1990)
- 19) Seminar: FNMA Underwriting Guidelines by Appraisal Institute, Houston, TX (July 19, 1991)
- 20) Seminar: Valuation of Leased Fees by Appraisal Institute, Houston, TX (July 20, 1991)
- 21) Course: Standards of Professional Practice - Parts A & B by Appraisal Institute, Houston, TX (March 26-29, 1992)
- 22) Seminar: Americans with Disabilities Act (ADA) Seminar by Appraisal Institute, Houston, TX (Nov. 4, 1992)
- 23) Seminar: ARGUS Version 3.0 Training Seminar by ARGUS Financial Software, Houston, TX (Nov. 12, 1993)
- 24) Seminar: The New URAR Report, by Appraisal Institute, Houston, TX (Feb. 17, 1994)
- 25) Seminar: Fair Lending and the Appraiser, by Appraisal Institute, Houston, TX (April 8, 1994)
- 26) Seminar: Understanding Limited Appraisals & Reporting Options - General, Houston, TX (July 7, 1994)
- 27) Seminar: How to Appraise FHA Insured Property, by H.U.D., Houston, TX (Dec. 1, 1994)
- 28) Seminar: Real Estate Evaluations & The Appraisal Industry, by Appraisal Institute, Houston, TX (April 20, 1995)
- 29) Seminar: Appraisal Practices for Litigation, by Appraisal Institute, Houston, TX (May 19-20, 1995)
- 30) Seminar: The High-Tech Appraisal Office, by Appraisal Institute, Kansas City, MO (6/14/96)
- 31) Seminar: The Internet and Appraising, by Appraisal Institute, Kansas City, MO (6/15/96)
- 32) Seminar: Litigation Skills for the Appraiser: An Overview, by Appraisal Institute, Houston, TX (10/25/96)
- 33) Seminar: Understanding Limited Appraisals & Appraisal Reporting Options, by Appraisal Institute, Houston, TX (June 12, 1997)
- 34) Seminar: Affordable Housing Valuation, by Appraisal Institute, Houston, TX (June 13, 1997)
- 35) Course 430: Standards of Professional Practice, Part C, by Appraisal Institute, Houston, TX (Dec. 4-5, 1997)
- 36) Seminar: R4580 Fannie Mae Seminar, by Appraisal Institute, Houston, TX (July 17, 1998)
- 37) Seminar: The Appraisal of Local Retail Properties, by Appraisal Institute, Houston, TX (September 28, 1998)

- 38) Seminar: Attacking & Defending an Appraisal in Litigation, by Ted Whitmer, MAI, CCIM, Houston, Texas (April 15-16, 1999)
- 39) Seminar: Fannie Mae – Mortgage Lending, by Appraisal Institute, Houston, TX (November 10, 1999)
- 40) Seminar: 10<sup>th</sup> Annual Outlook for Texas Rural Land Markets, by Texas A&M University, College Station, TX (March 24, 2000)
- 41) Seminar: Subdivision Analysis, by Appraisal Institute, Houston, TX (June 20, 2000)
- 42) Seminar: HUD Multifamily Accelerated Processing (MAP), by HUD, Fort Worth, TX (September 27, 2000)
- 43) Seminar: U.S.P.A.P. 2001 Update, by Appraisal Institute, Houston, TX (February 17, 2001)
- 44) Seminar: 11<sup>th</sup> Annual Outlook for Texas Rural Land Markets, by Texas A&M University, College Station, TX (May 4, 2001)
- 45) Seminar: 2002 Commercial Real Estate Forecast, by CCIM, Houston, TX (February 14, 2002)
- 46) Seminar: Texas USPAP Update, by Appraisal Institute, Houston, TX (March 23, 2002)
- 47) Seminar: 12<sup>th</sup> Annual Outlook for Texas Rural Land Markets, by Texas A&M University, College Station, TX (May 3, 2002)
- 48) Course 430: Standards of Professional Practice, Part C, by Appraisal Institute, Houston, TX (December 12-13, 2002)
- 49) Seminar: 13<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, College Station, TX (April 10, 2003)
- 50) Course 400: U.S.P.A.P. 2004 Update, by Appraisal Institute, Houston, TX (January 24, 2004)
- 51) Course 400: U.S.P.A.P. 2005 Update, by Appraisal Institute, Houston, TX (April 14, 2005)
- 52) Seminar: 15<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, College Station, TX (April 28, 2005)
- 53) Seminar: Professional Guide to the URAR, by Appraisal Institute, Houston, TX (June 23, 2005)
- 54) Seminar: 16<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, College Station, TX (April 27, 2006)
- 55) Seminar: Subdivision Valuation, by Appraisal Institute, Houston, TX (November 9, 2006)
- 56) Seminar: Scope of Work, by Appraisal Institute, Houston, TX (January 18, 2007)
- 57) Course 400: U.S.P.A.P. 2008-09 Update, by Appraisal Institute, Houston, TX (Jan. 19, 2008)
- 58) Seminar: Analyzing Distressed Real Estate, by Appraisal Institute, Houston, TX (Dec. 11, 2008)
- 59) Seminar: Mortgage Fraud, by Champions School of R.E., Houston, TX (Jan. 16, 2009)
- 60) Seminar: 19<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 6-7, 2009)
- 61) Seminar: U.S.P.A.P. 2010 – 2011 Update, by Appraisal Institute, Houston, TX (Feb. 24, 2010)
- 62) Seminar: 20<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (May 6-7, 2010)
- 63) Seminar: Business Practices & Ethics, by Appraisal Institute, Houston, TX (Dec. 9, 2010)
- 64) Seminar: Staying out of Trouble in Appraisal Practice & A Lender's Perspective, by Appraisal Institute, Houston, TX (Feb. 26, 2011)
- 65) Seminar: Appraising Distressed Commercial Real Estate, by Appraisal Institute, Houston, TX (April 15, 2011)
- 66) Seminar: Appraisal Curriculum Overview (2-Day General), by Appraisal Institute, Austin, TX (May 10-11, 2011)
- 67) Course: Fundamentals of Separating Real & Personal Property from Intangible Business Assets, by Appraisal Institute, Chicago, IL (Dec. 15-16, 2011)
- 68) Seminar: U.S.P.A.P. 2012-2013 Update, by Appraisal Institute, Houston, TX (Feb 22, 2012)
- 69) Seminar: Complex Litigation Appraisal Case Studies, by Appraisal Institute, Houston, TX (Jan. 14, 2013)
- 70) Seminar: 23<sup>rd</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 25-26, 2013)
- 71) Seminar: Business Practices & Ethics, by Appraisal Institute, Houston, TX (July 31, 2013)
- 72) Seminar: U.S.P.A.P. 2014-2015 Update, by Appraisal Institute, Houston, TX (December 6, 2013)
- 73) Seminar: 24<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 17-18, 2014)
- 74) Course: Texas Appraiser Trainee/Sponsor Course, Houston, TX (April 16, 2015)
- 75) Seminar: 25<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 23-24, 2015)
- 76) Seminar: U.S.P.A.P. 2016 – 2017 Update, by Appraisal Institute, Houston, TX (December 11, 2015)
- 77) Seminar: 26<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 28 – 29, 2016)
- 78) Seminar: Eminent Domain, by CLE International, Austin, TX (Feb 9-10, 2017)
- 79) Seminar: 27<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 20-21, 2017)
- 80) Symposium: 2017 Real Estate Symposium/TALCB Course #32884, by Appraisal Institute, Houston, TX (August 18, 2017)
- 81) Seminar: Business Practices & Ethics, by Appraisal Institute, Houston, TX (Oct. 13, 2017)
- 82) Course: U.S.P.A.P. 2018-2019, 7-Hour Update, by Appraisal Institute, Houston, TX (Dec. 7, 2017)
- 83) Seminar: 28<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 26-27, 2018)
- 84) Symposium: 2018 Real Estate Symposium, by Appraisal Institute, Houston, TX (September 28, 2018)
- 85) Seminar: 29<sup>th</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 25-26, 2019)
- 86) Symposium: 2019 Real Estate Symposium, TALCB Course #37477, By Appraisal Institute, Houston, TX (Sept. 26, 2019)
- 87) Seminar: U.S.P.A.P. 2020-2021, 7-Hour Update, by Appraisal Institute, Houston, TX (Dec. 13, 2019)
- 88) Course: Eminent Domain & Condemnation by Appraisal Institute Online, (Sept. 10, 2020)
- 89) Seminar: Business Practice and Ethics, by Appraisal Institute, Live Online-Synchronous (July 27, 2021)
- 90) Course: U.S.P.A.P. 2022-2023, 7-Hour Update by Appraisal Institute, Austin, TX (Dec. 17, 2021)
- 91) Seminar: 31<sup>st</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 28-29, 2022)
- 92) Symposium: 2022 Real Estate Symposium, by Appraisal Institute, Houston, TX (Oct. 25, 2022)
- 93) Course: Supervisory Appraiser Course, by Appraisal Institute, Synchronous, Houston, TX (Dec. 2, 2022)
- 94) Seminar: 32<sup>nd</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio (April 13-14, 2023)
- 95) Symposium: 2023 Houston Real Estate Symposium – Riding the Waves of Market Volatility, Houston, TX (Sept. 19, 2023)
- 96) Course: U.S.P.A.P. 2024-2025, 7-Hour Update, by Appraisal Institute, Houston, TX (Dec. 15, 2023)
- 97) Seminar: 33<sup>rd</sup> Annual Outlook for Texas Land Markets, by Texas A&M University, San Antonio, TX (April 4-5, 2024)

**APPRAISAL BACKGROUND**

Mr. Barletta began appraising in January, 1977. He has had extensive experience in appraising all types of commercial and residential properties (listed below) in the Houston, Dallas/Ft. Worth, Austin and San Antonio regions, plus numerous other cities throughout Texas. In August, 1987, Mr. Barletta became a partner in an appraisal company in which he held the title President. In 1991, he formed a new company, BARLETTA & ASSOCIATES, INC., where he also holds the title of President, with offices at 1313 Campbell Road, Suite C, Houston, Texas 77055-6429.

Some of the various types of appraisals performed by Mr. Barletta would include: high-end single-family residences, two-to-four unit residential income properties, raw land, mixed-use developed commercial sites, master-planned residential subdivisions, condominium/PUD projects, conventional and HUD apartment projects, office buildings, shopping centers, office/warehouses, special-purpose properties, motels/hotels, golf courses, marinas, restaurants, various commercial/retail facilities, all types of industrial properties and eminent domain/condemnation properties. Mr. Barletta has also been qualified as an expert witness in various court matters for real property valuation by numerous attorneys, and he has arbitrated and reviewed a number of legal issues.

Texas Address:	1313 Campbell Road, Suite C Houston, Texas 77055-6429
Phone Number:	(713) 464-7700
Fax Number:	(713) 464-3696
E-Mail:	<a href="mailto:phillip@barlettainc.com">phillip@barlettainc.com</a>



## Certified General Real Estate Appraiser

Appraiser: **Phillip Frank Barletta**

License #: **TX 1320197 G**

License Expires: **03/31/2025**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

  
Chelsea Buchholtz  
Commissioner

## DAVID BAEHR, MAI, SRA, AI-GRS

(713) 884-7813  
david.baehr@barlettainc.com

### REAL ESTATE APPRAISER

– 16 years in real estate appraisals, asset management, acquisitions, and portfolio management –

Accomplished real estate appraiser, a high performer excelling in performing and reviewing appraisals for compliance with USPAP, FIRREA and the OCC. Has experience with various proposed/existing property types, including: A & D (subdivision development), 5+ lots/units, single-family, multi-family, office and other property types throughout the U.S. This includes REO/distressed properties. Consults with account officers, fee appraisers and brokers giving guidance regarding any issues that may arise. Research markets and perform due diligence to complete risk analyses and determine credibility of appraisal under review. *General Certified Real Estate Appraiser and a Designated Member of the Appraisal Institute.*

### PROVEN COMPETENCIES

- Appraisal review
- Data/Market Analysis
- Client inquiries/Investigations
- Due Diligence
- Market trend analysis
- Forward looking projections
- Market forecasting
- Risk management

### PROFESSIONAL EXPERIENCE

Barletta & Associates, Houston, TX

5/2021-Present

**COMMERCIAL REAL ESTATE APPRAISER** – Appraising a variety of commercial properties specializing in residential subdivision valuation.

U.S. Bancorp, Houston, TX

7/2013-4/2021

*The fifth largest financial institution in the United States, with \$429 billion in assets.*

### VICE PRESIDENT / SENIOR REVIEW APPRAISER

Review appraisals of proposed and existing collateral, ensuring that the appraisal reports are in compliance with USPAP, FIRREA, the OCC and U.S. Banks policy and procedures. Depending on the complexity of the property type, discounted cash flow analysis, expense/revenue projections may be utilized to ensure the reports are in line with market trends. Analyze and review residential appraisal reports, A & D subdivision development appraisals, 5+ lot/units appraisals, commercial land, medical offices, industrial, multifamily and other property types throughout the U.S. each month for the purpose of collateral monitoring and loan underwriting. Communicate issues, concerns and results with loan officers.

- Manage the ordering and review of appraisals of portfolios with borrowing bases and revolvers and other credit facilities of borrowers with loan amounts totaling over \$500MM.
- Properly order appraisals with appropriate scope of work and value scenarios from qualified and competent appraisers (based on the property type and vendor's experience) on the approved vendor panel.
- Monitor appraisal process from engagement to review completion and facilitate report delivery and response to issues as appropriate.
- In reviewing the appraisal reports, discuss any USPAP, FIRREA or OCC deficiencies with the vendors in order to ensure compliance with federal regulations and RETECHS Internal Procedures.

- Page 1 of 3 -



- Effectively communicate valuation/appraisal issues with the business lines and answer any questions from the loan production staff and risk management group as well as respond to reconsideration requests from business lines in a timely manner.

**APPRAISAL MC, Houston, TX**

4/2013-7/2013

*A rapidly growing appraisal management company that provides the nation's premier lenders with the capability to maintain compliance standards throughout the appraisal ordering process. We pride ourselves on customer service as well as extensive industry knowledge and experience.*

**VP APPRAISAL REVIEW**

- Assess risks associated with the real estate appraisal and evaluation for residential lending channels.
- Protect the financial interests of company by adhering to appraisal standards for accuracy and quality and proactively identify appraisal risk in real estate markets.
- Maintain knowledge of the real estate industry and follow all state and federal laws and regulation pertaining to the Real Estate Industry.

**PNC BANK, N.A., Houston, TX**

3/2012-4/2013

(PNC BANK, N.A., purchased RBC BANK USA in March 2012)

*A \$13 billion financial services organization with 57,000 employees.*

**REVIEW APPRAISER**

3/2012-4/2013

Analyze and review residential and commercial appraisals throughout the U.S each month for the purpose of collateral monitoring, loan underwriting and foreclosure proceedings. Communicate issues, concerns and results with relationship managers.

- Join with fee appraisers and attain compliance with USPAP and federal regulations.
- Engage third party appraisers to perform appraisals for the bank.

**ROYAL BANK OF CANADA (RBC Builder Finance division), Houston, TX**

6/2005-3/2012

*A full-scale banking institution with 74,000 global employees and \$27 billion in annual revenue.*

**STAFF APPRAISER**

9/2005-3/2012

Produced property and land appraisals, completing due diligence for up to 620 appraisals per month. Evaluated collateral, creating forecasts for short and long-term revenue and expense projections. Executed valuations for vacant lots and single-family residences (1-4 family and 5+ lots and units), aggregating retail proceeds and discounted cash flow analysis. Partnered with national account officers and asset management departments to analyze contracts, budgets, absorption rates, and economic housing data. Coordinated and completed form appraisals and evaluation reports, assessing distressed collateral.

- Became proficient in the sales comparison, cost, and income approaches to market value and liquidation/disposition value on various property types as a certified appraiser.
- Engaged in sophisticated cash flow modeling for complex collateral, creating bulk valuations.
- Conducted in depth market research on new homebuilders and developers.

**INSPECTOR ANALYST**

6/2005-9/2005

Operated within a broad international customer base in the builder finance division, focusing on construction lending to premier clients throughout the US. Completed cost effective, reliable collateral draw inspections for the Houston-based office. Served customers by coordinating inspections with builders.

David Baehr

dmbaehr@sbcglobal.net

- Fulfilled up to 500 inspections per week for four months; saved customers \$180,000 by personally completing inspections, alleviating the need for builders to hire outside inspectors.
- Ensured customers received draws according to schedule; observed builder progress and authorized access to additional credit extensions.
- Joined with a colleague to complete 600+ inspections in two days.

## EDUCATION & TRAINING

### DEGREES

- **Bachelor of Business Administration – Finance**, University of St. Thomas, 2005
- **Associate of Arts in General Studies**, Houston Community College, 2002

### CERTIFICATIONS

- General Certified Real Estate Appraiser, TX-1380372-G
- MAI designation through the Appraisal Institute
- SRA designation through the Appraisal Institute
- AI-GRS designation through the Appraisal Institute

### PROFESSIONAL DEVELOPMENT

- Real estate appraisal coursework in Advanced Highest and Best Use and Market Analysis, Quantitative Analysis, Sales Comparison and Income Approaches, Advanced Residential Applications, Site Valuations, Cost Approach, Real Estate Finance, Statistics and Valuation Modeling, Residential Report Writing, USPAP, and Appraisal Procedures and Principles, *The Appraisal Institute & McKissock*
- Advanced accounting coursework, *University of Houston – Downtown, Houston Community College, & Lone Star College System*

### COMPUTER SKILLS

- Proficient in Microsoft Office Suite, Zonda Metrostudy, Costar, RIMS, LINKS and Argus.

## AFFILIATION

Member, Appraisal Institute





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**CITY OF WHARTON, TEXAS • SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025  
(WHARTON PUBLIC IMPROVEMENT DISTRICT NO. 2 PHASE #1 PROJECT AND PHASE #2 PROJECT)**



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